# 2018
# ANNUAL REPORT


www.spitfirematerials.com

Spitfire Materials Limited | ABN 40 125 578 743
Locked Bag 4 NORTH FREMANTLE WAS 6159


spitfire
MATERIALS LIMITED

# Directory

**DIRECTORS & OFFICERS**
Neil Biddle, Director
John Young, Managing Director
Peter Buttigieg, Non-Executive Chairman
Roger Mitchell, Non-Executive Director

**COMPANY SECRETARY**
Russell Hardwick

**REGISTERED OFFICE**
130 Stirling Highway
North Fremantle WA 6159
P: 08 6215 0090
F: 08 6215 0091

**LEGAL ADVISORS**
Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
Perth WA 6000

**AUSTRALIAN SECURITIES EXCHANGE**
The Company has shares listed on the Australian Securities Exchange
ASX Code: SPI

**AUDITORS**
Bentleys
London House Level 3
216 St Georges Terrace
Perth WA 6000

**SHARE REGISTRY**
Computershare
Level 11, 172 St Georges Terrace
Perth WA 6000

# Contents

# Highlights

- July 2017: High grade gold mineralization intersected at Mulwarrie, WA
- September 2017: Further drilling at Mulwarrie confirms continuity of East Lode and extends Southern Zone
- November 2017: Outstanding results received from the maiden RC drilling program at the Alice River Project
- January 2018: Merger with Aphrodite Gold Limited complete, key asset of the merged entity being the Aphrodite Gold Project, WA which offers outstanding synergies with the Mulwarrie Gold Project
- January 2018: Drilling at Mulwarrie extends mineralisation in the southern zone to depths well below 100m, with impressive assay results.
- April 2018: Strong initial assays confirm quality and consistency of high-grade Aphrodite underground resource
- May 2018: Results from a further seven diamond holes at Aphrodite confirm the continuity of the lower Alpha and Phi lodes, validating the Company's updated geological model.
- June 2018: Acquisition of remaining 49% interest in the Mulwarrie Gold Project
- June 2018: Agreement reached for the Merger with Excelsior Gold Limited

# Our Vision

To create value for our shareholders through aggressive exploration and value-accretive strategic acquisitions in high quality mineral provinces – providing us with a fast-track pathway to create Australia's next significant mid-tier gold company.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

The past 12 months have been a momentous period for Spitfire, with the Company maintaining a high level of intensity both at the corporate and project levels and taking further major steps towards realising our vision of becoming a significant Australian gold company.

The key achievement during the first half of the year was the completion of the merger with Aphrodite Gold following receipt of the required shareholder and statutory approvals in December 2017.

This transaction resulted in the acquisition of the 1.26Moz Aphrodite Gold Project located 65km north of Kalgoorlie – one of the more significant undeveloped gold assets in the North Kalgoorlie district – establishing a strong foundation for our growth plans in the Australian gold sector.

Concurrent with the merger, Roger Mitchell and I joined former Pilbara Minerals executives John Young and Neil Biddle on the Spitfire board and, soon after, the Company completed a $5.33 million share placement which allowed us to hit the ground running with drilling activity in early 2018.

**Dawn at Aphrodite site during Phase 2 2018 drill program**

Over the course of the year, Spitfire completed aproximately 13,000m of diamond drilling at Aphrodite, principally aimed at upgrading the core high-grade underground Resource of 663,000oz at 7.0g/t that will form the cornerstone of our economic studies. Successful drilling campaigns were also undertaken at the nearby Mulwarrie Project, laying the foundations for a maiden Resource estimate.

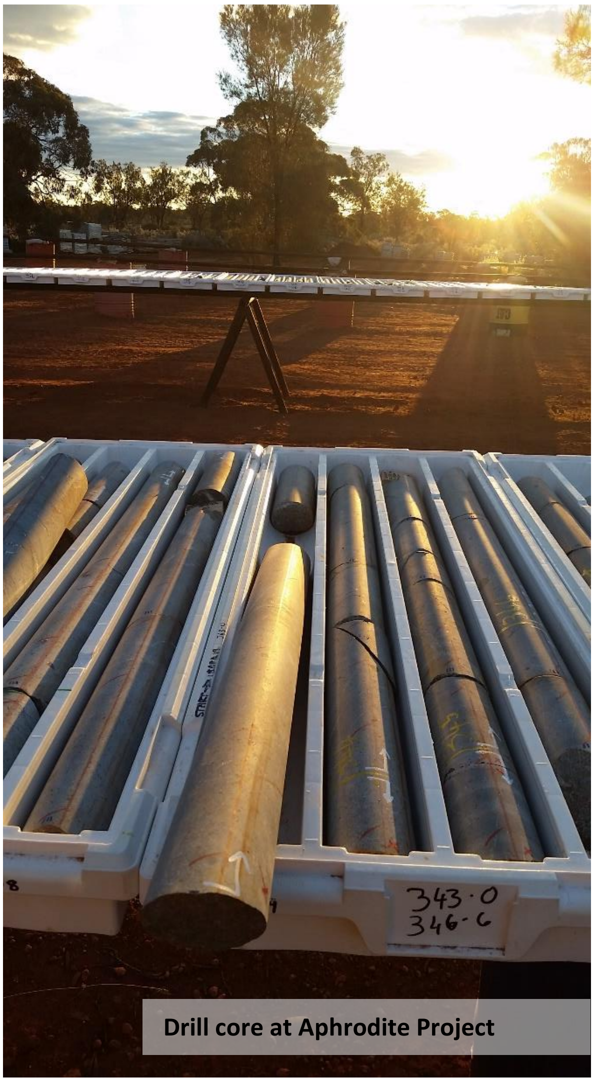
In June 2018, Spitfire executed a Merger Implementation Agreement with ASX-listed gold company Excelsior Gold, our near-neighbour in the North Kalgoorlie district. This proposed $80 million combination represents the third significant M&A transaction to be undertaken by the Company in the past 18 months, and continues our track record of aggressively building a large, high-quality gold Resource inventory in the Kalgoorlie district.

The merger will allow Spitfire and Excelsior to realise the strong synergies that exist between the two companies' gold assets, creating a company with a 2.1Moz JORC compliant resource inventory (See ASX Release 25 June 2018) and the critical mass required to pursue a near-term development strategy based on the establishment of a new gold production hub. Subject to the implementation of the Scheme, it is expected that the merger will be completed in early October 2018.

# CHAIRMAN'S STATEMENT

In anticipation of this event, our technical team has already been collaborating extensively with senior Excelsior management to progress a Pre-Feasibility Study (PFS) of the combined Aphrodite and Kalgoorlie North Projects. This PFS, which will incorporate an updated Mineral Resource for the Aphrodite Project, together with a maiden Resource for the Mulwarrie Project, will be completed and published during the December quarter of this year.

This will, in turn, pave the way for a Definitive Feasibility Study that we believe will provide the roadmap for Spitfire's transformation into a substantial Australian gold producer with an aspirational production profile of circa 100,000 ounces per annum.



**Drill core at Aphrodite Project**

And while the development of a profitable long-term gold business remains our core focus, the merged company will also be well placed to unlock the value of our other Australian mineral assets, including the advanced Woodie Woodie North manganese project in Western Australia and the highly prospective Alice River gold project in North Queensland.

The past 12 months has been a time of considerable activity and hard work by the Spitfire team, led by our Managing Director John Young. I would like to take this opportunity to thank my fellow directors, our staff and consultants for the huge effort they have put in during the year.

Since joining the board, I have enjoyed working closely with both John and Neil, who have brought the same ethos that underpinned their success at Pilbara Minerals to Spitfire – ensuring that the Company has moved quickly and decisively to grow and develop its asset base, notwithstanding the challenging market conditions that have beset the junior resource sector for much of this year.

As a result, Spitfire will enter 2019 with all the ingredients required to build a significant mid-tier mining company – an extensive, high-quality Resource base, an experienced and committed development team and the ability to access capital markets and raise funding as and when required.

I am excited and optimistic about what the coming year will bring, and I look forward to sharing in our success with you.

**PETER BUTTIGIEG**
NON-EXECUTIVE CHAIRMAN

# REVIEW OF OPERATIONS

During the year, Spitfire Materials ("Spitfire") made further significant progress with its core corporate strategy, which is to create value for our shareholders through aggressive exploration and value-accretive strategic acquisitions in high quality mineral provinces – providing us with a fast-track pathway to create Australia's next significant mid-tier gold company.

In January 2018, Spitfire completed the merger with ASX-listed gold developer Aphrodite Gold (ASX: AQQ), resulting in the acquisition of the 1.26Moz 2012 JORC compliant Aphrodite Gold Project in WA. Located approximately 65km from Kalgoorlie, Aphrodite is a PFS-level project with outstanding near-term production potential and exceptional exploration upside.

After completing the merger with Aphrodite, Spitfire raised A$5.33 million through a strongly supported share placement to sophisticated and professional investors, ensuring that it was well-funded to progress an aggressive resource drilling program at Aphrodite.

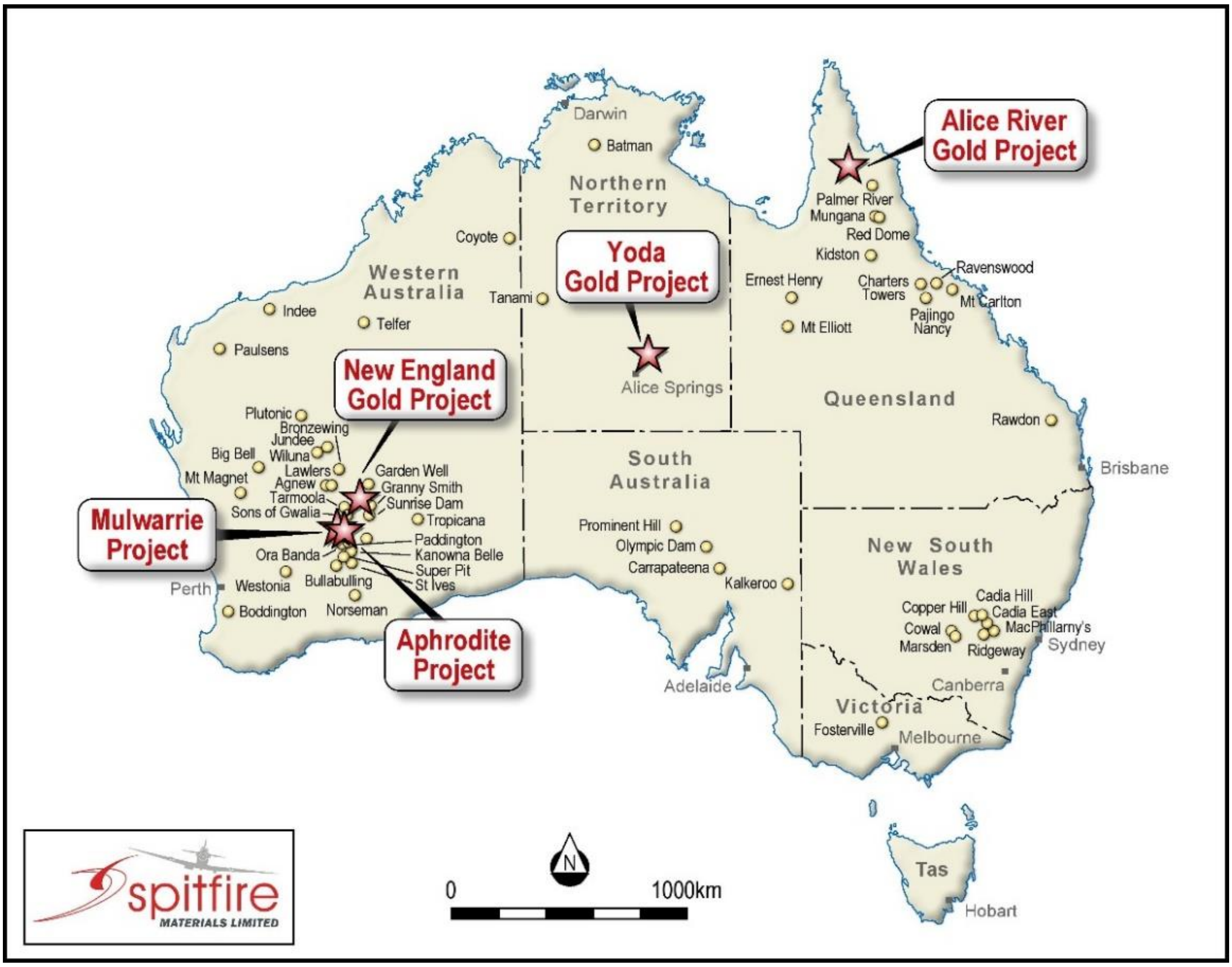



**Figure 1: Expanded Australian gold portfolio following the merger of Spitfire and Aphrodite Gold**

In June 2018, Spitfire announced an agreement to merge with Excelsior Gold Limited ("Excelsior") (ASX: EXG), an ASX-listed gold company which owns the Kalgoorlie North Gold Project, located directly adjacent the Aphrodite Project.

The combination of the Spitfire and Excelsior gold assets will create a company with a 2.1Moz JORC compliant resource inventory, the ability to unlock the extraordinary synergies that exist between our adjoining projects, and the critical mass to pursue a near-term development strategy (See ASX Release 25 June 2018)

The merger with Excelsior is to be implemented by way of a Scheme of Arrangement whereby Spitfire has agreed to acquire all of the issued capital of Excelsior by the issue of 1 new Spitfire share for every 2.208 Excelsior shares held.

This represents the third significant M&A transaction which Spitfire has undertaken in the Australian gold sector in the past 18 months, demonstrating our commitment to build a company with a sizeable resource inventory and meaningful scale and relevance. Subject to the approval of Excelsior shareholders and the implementation of the Scheme, we are looking forward to progressing this transaction towards completion during the September quarter, allowing us to embark immediately on a Pre-Feasibility Study of the combined Aphrodite and Kalgoorlie North Projects.

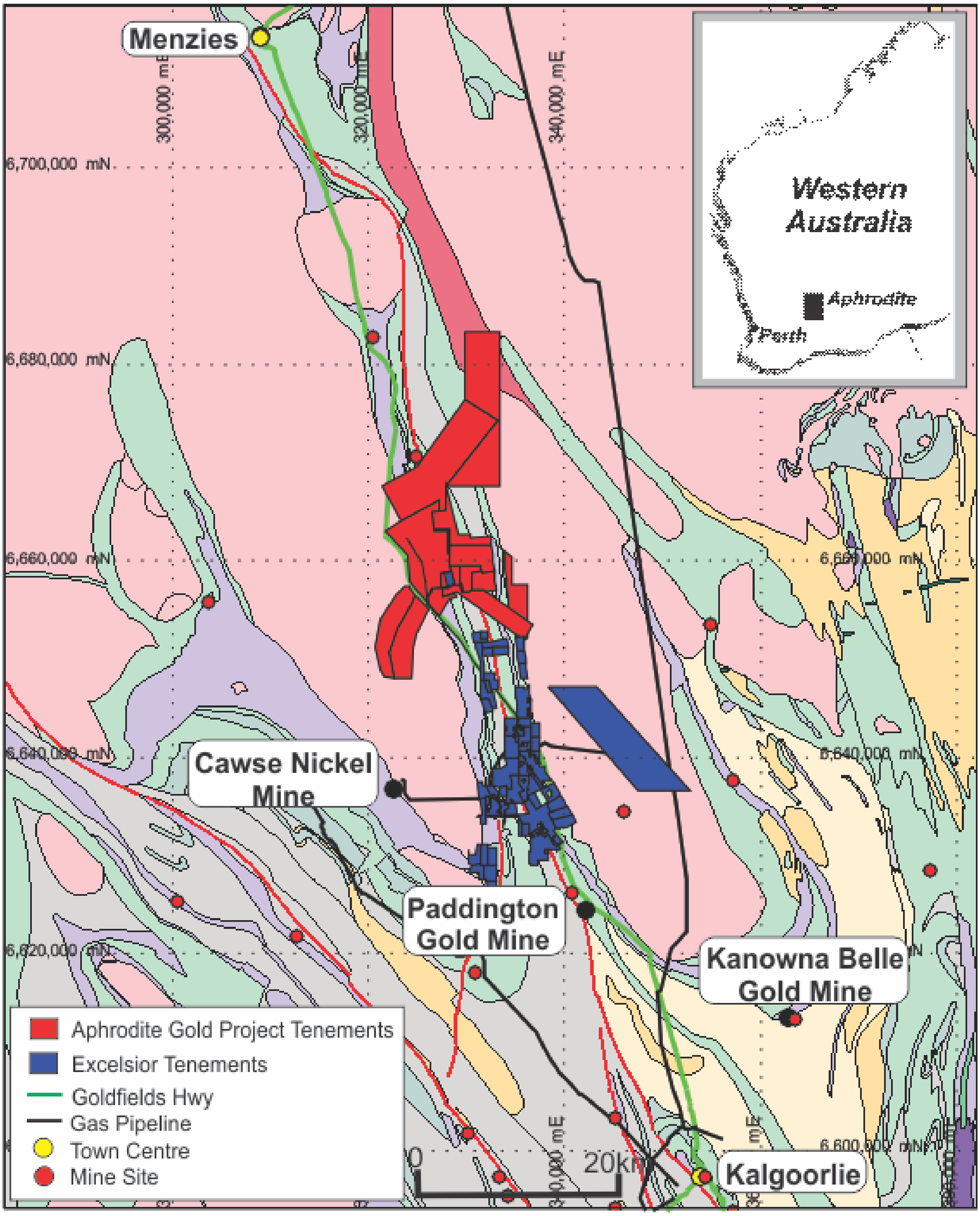



**Figure 2: Combined tenement holdings, Spitfire Materials and Excelsior Gold (subject to implementation).**

# REVIEW OF OPERATIONS

## APHRODITE GOLD PROJECT

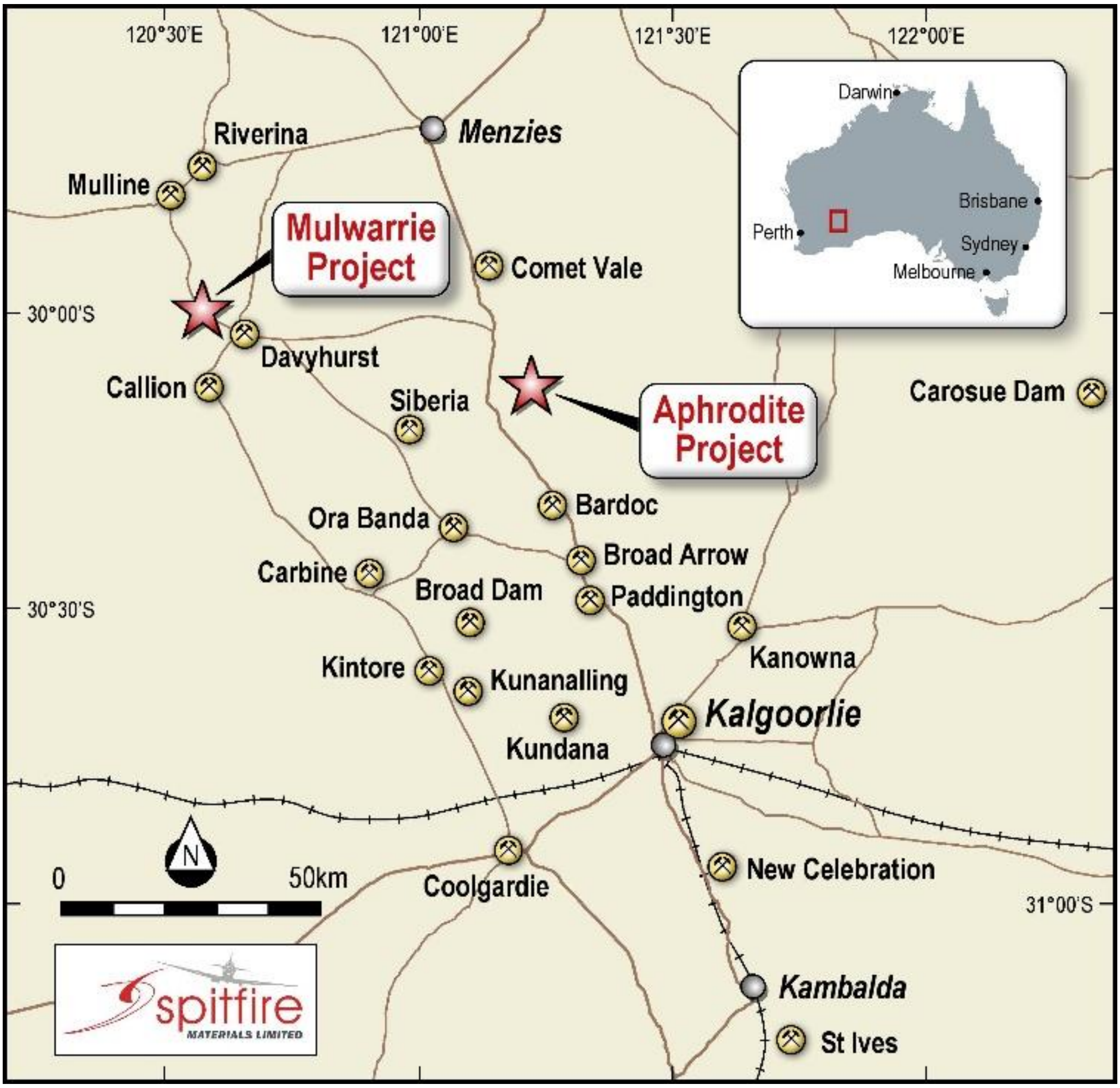



**Figure 3: Aphrodite and Mulwarrie Project Locations**

The Aphrodite Gold Project is located 65km north of Kalgoorlie in the Eastern Goldfields of Western Australia and has a long history of exploration and resource estimation by several parties dating from its discovery in the mid-1990s.

The Aphrodite JORC 2012 compliant Mineral Resource, which was completed in May 2017 as part of a Pre-Feasibility Study, comprises 13.1Mt averaging 2.99g/t Gold (Au) for a total of 1.26 million ounces with 741,364 ounces in the Indicated category and 519,502 ounces in the Inferred category (refer to the ASX announcement dated 25 January 2018).

During the year, Spitfire embarked on a major 29-hole diamond drilling program for a total of 12,703m and made substantial progress towards improving its technical understanding of the Aphrodite deposit with the completion of a new geological model for the deposit representing the key breakthrough during the year.

The new geological model was based on an extensive re-logging exercise of historical drill core which, while time-consuming, has proven to be an invaluable tool both in terms of targeting the initial in-fill drilling and identifying opportunities to grow the resource further.

Recent assay results and cross-sections from the diamond drilling program include:

- **18APD014**
  **16m @ 1.80g/t Au from 164m**, including:
  4.0m @ 4.29g/t Au from 175m; and
  1.0m @ 3.62g/t Au from 225m; and
  **2.0m @ 10.17g/t Au from 289m**; and
  1.0m @ 6.76g/t Au from 382m (Alpha lode); and
  0.5m @ 16.47g/t Au from 406.8m; and
  **25.61m @ 4.11g/t Au from 485.68m**

- **18APD018**
  1m @ 1.34g/t Au from 117m; and
  1m @ 1.13g/t Au from 133m; and
  3m @ 2.10g/t Au from 507m; and
  **6m @ 15.98g/t Au from 546m** (Alpha Lode) including:
  **4m @ 22.51g/t from 546m and 2m @ 31.10g/t Au from 547m**

- **18APD019**
  1m @ 7.66g/t Au from 154m; and
  2m @ 3.47g/t Au from 370m; and
  **4m @ 1.26g/t Au from 393m** (Alpha Lode); and
  **10m @ 2.78g/t Au from 400m,** including:
  **3m @ 4.02g/t Au from 402m**

- **18APD021**
  **16m @ 2.74g/t Au from 322m**, including:
  **3.0m @ 4.45g/t Au from 322m**; and
  **3.0m @ 4.63g/t Au from 329m**

- **18APD027**
  2m @ 5.71g/t Au from 357m, including
  **1m @ 10.33g/t Au** from 358m; and
  **17m @ 6.38g/t Au from 475m, including**
  **8m @ 11.27g/t Au from 477m; and**
  **1m @ 34.56g/t Au from 479m; and**
  1m @ 10.23g/t Au from 489m

- **18APD028**
  1m @ 11.05g/t Au from 419m; and
  **10m @ 5.27g/t Au** from 468m, including
  **1m @ 10.26g/t Au** from 480m; and
  **8m @ 7.23g/t Au from 486m**, including
  **1m @ 14.38g/t Au from 489m**

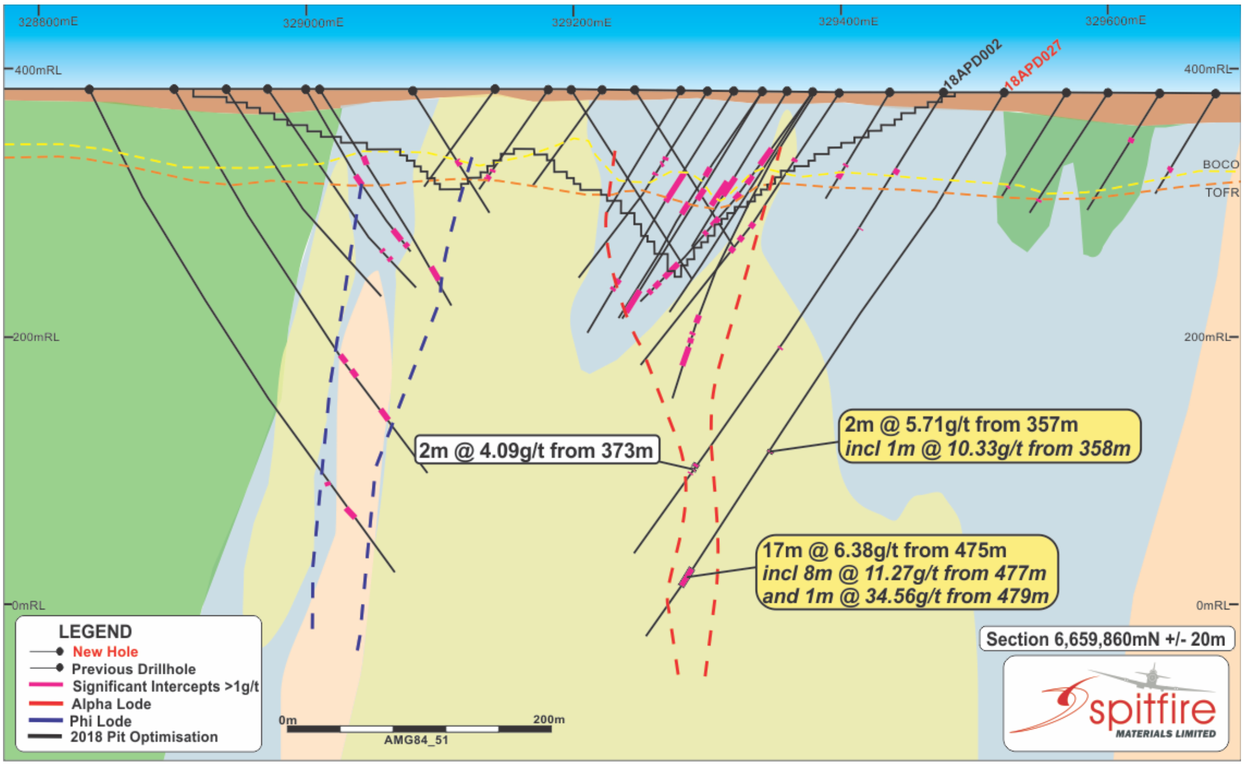



**Figure 4: Cross-Section 6,659,860mN 18APD027**

An updated Mineral Resource estimate for the Aphrodite Gold Project is targeted for completion by late September 2018, and will form be incorporated into a Pre-Feasibility Study of the combined Aphrodite/Kalgoorlie North gold projects once the current merger is finalised.

## MULWARRIE GOLD PROJECT, WA

The Mulwarrie Gold Project is located 150km north-west of Kalgoorlie in the Ularring District of the North Coolgardie mineral field. The Mulwarrie Gold Project encompasses two contiguous mining leases, M30/119 (67.98 ha) and M30/145 (111.69 ha), which lie 10km north-west of the Davyhurst Mining Centre.

During the year, Spitfire completed the acquisition of the remaining 49% of the Mulwarrie Gold Project by issuing 10,000,000 Spitfire Shares (voluntarily escrowed for 12 months) and made a $100,000 cash payment to the vendors.

Drilling programs at the Mulwarrie Gold Project have returned highly encouraging results, intersecting significant primary gold mineralisation below and along strike from a historical gold mining area (refer to Spitfire's ASX announcements dated 3 July 2017, 27 September 2017 and 30 January 2018 for full results).

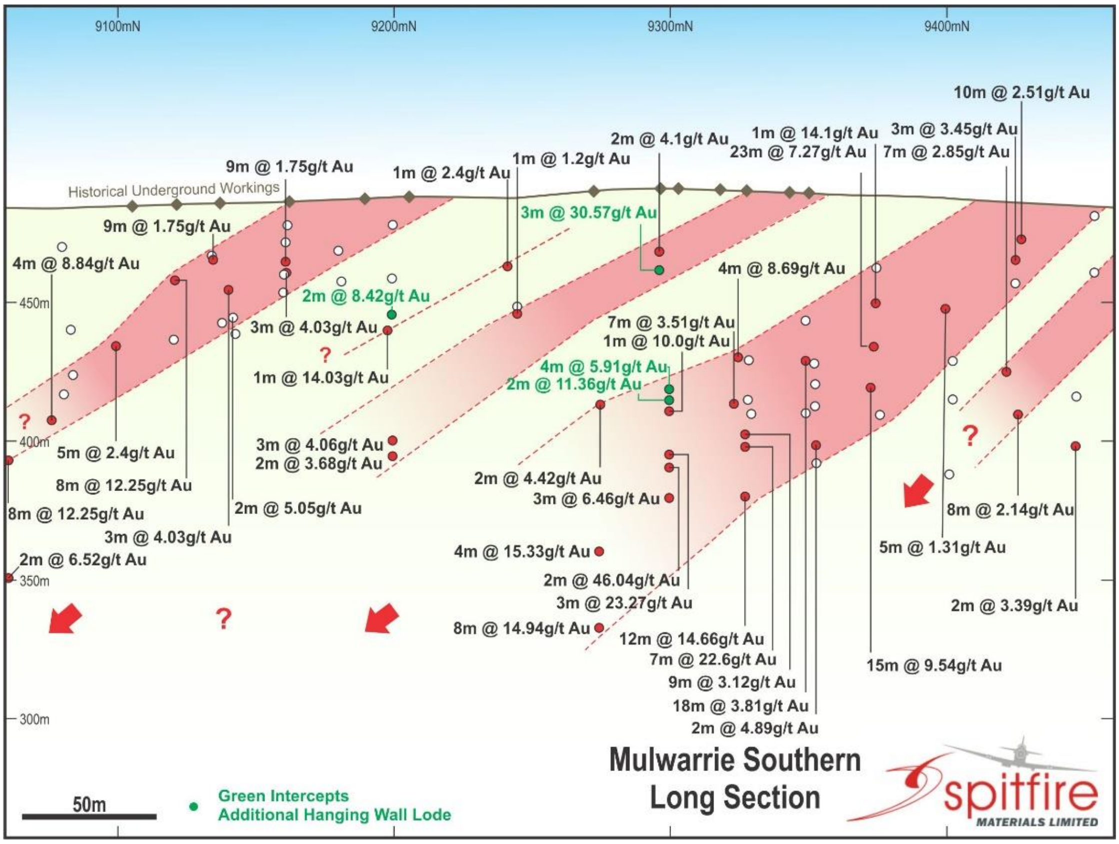



**Figure 5: Mulwarrie Long Section**

## ALICE RIVER GOLD PROJECT, NE QUEENSLAND

The Alice River Gold Project is located 270km west of Cooktown, or 470km north-west of Cairns in north-eastern Queensland, at the southern end of the Savannah Province. The project encompasses six granted Exploration Permits for Minerals (EPM's) and eight granted Mining Leases (ML's) for a total of 445km².

During October 2017, Spitfire completed its maiden drilling program at the Alice River Gold Project, comprising 14 holes for 2,397m, and was successful in validating the historical RC and diamond drilling results reported the 1980s and 1990s by previous companies.

The drilling results have demonstrated that the gold system extends further than previously thought and is open along strike and at depth. The drilling at One Mile targeted the down-plunge (northern) extension of shallower mineralisation at Alice Queen. Full results were provided in the ASX Release dated 28 November 2017.

# REVIEW OF OPERATIONS

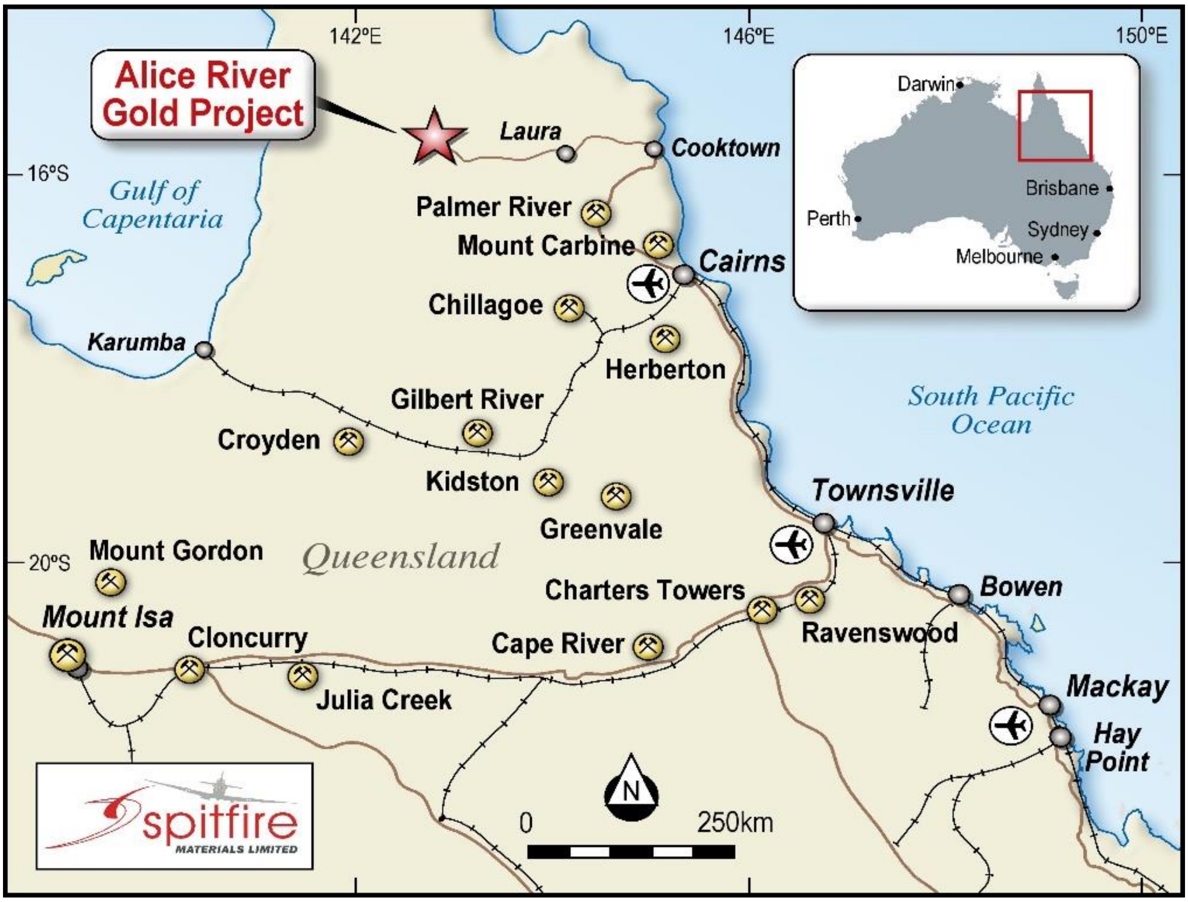



**Figure 6: Location, Alice River Gold Project**

In 2017, the key exploration licence, EPM 26266, was granted over the central 15km of the Alice River shear zone, providing contiguous coverage over the eight granted Mining Leases. Exploration on granted EPM 26266 has been postponed as Spitfire continues to work with the Olkola Corporation on a suitable access agreement, including appropriate cultural and heritage surveys.

## SOUTH WOODIE WOODIE MANGANESE PROJECT – WESTERN AUSTRALIA

The South Woodie Woodie Manganese Project contains five (5) granted Exploration Licences and one (1) new Licence in application, along with one (1) Retention Licence, which covers the area surrounding the Tally-Ho 2012 JORC resource.

The Company continues to monitor the manganese market which, after bottoming in early 2016, has risen steadily in the intervening period.

## RESOURCE STATEMENT

### Aphrodite Gold Project

| Domain | Indicated | | | Inferred | | | Indicated + Inferred | | |
|---|---|---|---|---|---|---|---|---|---|
| | Tonnes | Gold | | Tonnes | Gold | | Tonnes | Gold | |
| | (Mt) | (g/t) | (koz) | (Mt) | (g/t) | (koz) | (Mt) | (g/t) | (koz) |
| **OP (0.5g/t cut-off)** | 6.2 | 2.1 | 411 | 4.0 | 1.5 | 187 | 10.2 | 1.8 | 598 |
| **UG (3.0g/t cut-off)** | 1.6 | 6.6 | 330 | 1.4 | 7.5 | 332 | 2.9 | 7.0 | 662 |
| **Total Resource** | **7.8** | **3.0** | **741** | **5.3** | **3.0** | **519** | **13.1** | **3.0** | **1,260** |

***McDonald Speijers Aphrodite Project Resource Estimation***

The resource estimate was classified in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (JORC Code 2012) – Refer ASX Release 25 January 2018.

### Manganese Contact and Contact North deposits situated on the E46/787

| JORC Inferred Resource | Mt | Mn% | $Al_2O_3$ % | Fe % | $SiO_2$% | P% | LOI (1000) |
|---|---|---|---|---|---|---|---|
| Contact | 2.8 | 13.6 | 5.1 | 15.7 | 42.9 | 0.054 | 8.4 |
| Contact North | 8.5 | 15.4 | 3.0 | 15.0 | 42.4 | 0.057 | 8.6 |
| Contact & Contact North Combined | 11.3 | 15.0 | 3.5 | 15.2 | 42.5 | 0.057 | 8.5 |

Contact & Contact North combined deposit summary @ 10.1% Mn Cut off

### Tally-Ho deposit situated on the E46/616

| JORC Inferred Resource | Mt | Mn% | $Al_2O_3$ % | Fe % | $SiO_2$% | P % | LOI (1000) |
|---|---|---|---|---|---|---|---|
| Tally-Ho | 2.9 | 7.1 | 6.7 | 9.1 | 62.9 | 0.043 | 7.95 |

The Project hosts combined JORC (2004) Inferred Mineral Resources of **14.2Mt @ 13.3% Mn from within three defined deposits.

| JORC Inferred Resource | Mt | Mn% | $Al_2O_3$ % | Fe % | $SiO_2$% | P % | LOI (1000) |
|---|---|---|---|---|---|---|---|
| Contact | 2.8 | 13.6 | 5.1 | 15.7 | 42.9 | 0.054 | 8.4 |
| Contact North | 8.5 | 15.4 | 3.0 | 15.0 | 42.4 | 0.057 | 8.6 |
| Tally-Ho | 2.8 | 13.6 | 5.1 | 15.7 | 42.9 | 0.054 | 7.95 |
| Total | 14.2 | 13.3 | 4.2 | 13.9 | 46.7 | 0.053 | 8.45 |

***Weighted average summary of combined mineral resource estimates for deposits at South Woodie Woodie*

The Inferred Resources for the Tally-Ho and the Contact/Contact North deposits have not changed since their initial release in 2009 and 2011 respectively. They were reported under the 2004 JORC code and, with no additional work being performed since their release, have not been updated to the 2012 JORC requirements.

If further work is undertaken on these deposits which changes the current resource standing, they will be updated to the 2012 JORC reporting standards. Beneficiation test work undertaken to date indicates that manganese from the two main deposits, Contact and Contact North, can be upgraded to a saleable manganese product of ~40% Mn.

# REVIEW OF OPERATIONS

## SUMMARY OF GOVERNANCE AND INTERNAL CONTROLS – JORC RESOURCES

The resources detailed in this report are subject to strict quality controls as part of Spitfire's internal governance. The Contact/Contact North deposit resource model was created by Widenbar and Associates, the Tally-Ho resource model was created by Optiro Ltd and the Aphrodite resource created by McDonald Speijers. All the resource estimates have been independently validated during the resource building stage to meet the required JORC 2012 industry QAQC standards prior to release.

## COMPETENT PERSON'S STATEMENT

*The information in this announcement relating to Exploration Targets, Exploration Results and Mineral Resources is based on information compiled by the Company's proposed Managing Director, Mr John Young, a competent person, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Young has sufficient experience relevant to the style of mineralisation and to the type of activity described 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 Young has disclosed to the Company that he is a substantial shareholder in the Company. Mr Young consents to the inclusion in this announcement of the matters based on his information in the form and content in which it appears.*

# DIRECTORS' REPORT

The Directors of Spitfire Materials Limited submit herewith the Annual Report of the Company and its controlled entities ("Group"), for the period from 1 July 2017 to 30 June 2018. To comply with the provisions of the Corporations Act 2001, the Directors report as follows:

## 1. DIRECTORS

The Directors in office of the Company at any time during or since the end of the financial year, unless otherwise stated, are:

| **Name, qualifications and independence status** | **Experience, special responsibilities and other Directorships in listed entities** |
|---|---|
| **Neil Biddle**<br><br>Executive Director<br><br>B.AppSc (Geology), MAusIMM | **Experience**<br><br>Mr Biddle is a geologist and Corporate Member of the Australasian Institute of Mining and Metallurgy and has over 30 years' professional and management experience in the exploration and mining industry. Mr Biddle was a founding Director of Pilbara Minerals Limited, serving as Executive Director from May 2013 to August 2016, serving as a Non-Executive Director from August 2016 to 26 July 2017. Throughout his career, Mr Biddle has served on the Board of several ASX listed companies, including Managing Director of TNG Ltd from 1998 - 2007, Border Gold NL from 1994 - 1998 and Consolidated Victorian Mines from 1991 – 1994.<br><br>**Special responsibilities**<br><br>None<br><br>**Directorships held in other listed entities during the three years prior to the current year**<br><br>Pilbara Minerals Limited (resigned 26 July 2017)<br><br>**Interest in shares, options and rights**<br><br>Ordinary Shares – 17,715,925<br>Performance Rights – 5,000,000<br>Share Options - Nil |
| **John Young**<br><br>B.AppSc (Geology), MAusIMM<br><br>Managing Director | **Experience**<br><br>Mr Young is a highly experienced geologist who has worked on exploration and production projects encompassing gold, uranium and specialty metals, including tungsten, molybdenum, tantalum and lithium. Mr Young's corporate experience includes appointments as Chief Executive Officer of Marenica Energy Limited and CEO and Director of Thor Mining PLC. Mr Young was Pilbara Minerals Exploration Manager from June 2014 until August 2015, appointed Technical Director in September 2015 and transitioned to Non-Executive Director in July 2017 until his resignation in April 2018. Mr Young is also a Non-executive director of AIM listed Mosman Oil and Gas.<br><br>**Special responsibilities**<br><br>None |

| | |
|---|---|
| | **Directorships held in other listed entities during the three years prior to the current year**<br>Pilbara Minerals Limited (Resigned 20 April 2018)<br>Mosman Oil and Gas Limited<br>**Interest in shares, options and rights**<br>Ordinary Shares – 23,200,000<br>Performance Rights – 5,000,000<br>Share Options – Nil |
| **Peter Buttigieg**<br>B App Sc. (I.T)<br>Non-Executive Chairman<br>(Appointed on 4th January 2018) | **Experience**<br>Peter is an IT Professional with over 30 years' experience. Peter is the Founder and Managing Director of RMS (Aust.) Pty Ltd, a successful and widely used business that designs IT Systems for the global hospitality, mining, defence and shopping centre industries.<br>Melbourne based, Peter holds a Bachelor of Applied Science (Information Technology) and graduated with Distinction from Monash University.<br>**Special responsibilities**<br>None<br>**Directorships held in other listed entities during the three years prior to the current year**<br>Aphrodite Gold Limited<br>**Interest in shares, options and rights**<br>Ordinary Shares – 70,398,887<br>Performance Rights – nil<br>Share Options – nil |
| **Roger Mitchell**<br>Non-Executive Director Independent<br>(Appointed on 4th January 2018) | **Experience**<br>Singapore based Roger has extensive corporate experience across Australia and South East Asia including 15 years' experience in developing substantial media development projects in Singapore and Japan.<br>Roger holds a Bachelor of Business (Accounting) from the University of Canterbury in New Zealand.<br>**Special responsibilities**<br>Mr Mitchell is a member of the Audit Committee<br>**Directorships held in other listed entities during the three years prior to the current year**<br>Aphrodite Gold Limited<br>**Interest in shares, options and rights**<br>Ordinary Shares – 272,618<br>Performance Rights & Share Options – nil |

| | |
|---|---|
| **Alan Boys**<br><br>B.Com, CA<br><br>Non-Executive Chairman<br><br>(Appointed on 1st August 2017, Resigned on 4th January 2018) | **Experience**<br><br>Mr Boys has been a Chartered Accountant for 32 years, initially in public practice, where his final role was as partner with an international "Big 4" accounting firm.<br><br>Following his retirement from public practice in 1998, he has been engaged with mining exploration companies involved in commodities including mineral sands, uranium, gold, iron ore and lithium in roles as Director, Company Secretary and Chief Financial Officer.<br><br>**Special responsibilities**<br><br>Mr Boys is a member of the audit committee.<br><br>**Directorships held in other listed entities during the three years prior to the current year**<br><br>Nil<br><br>**Interest in shares, options and rights (as at date of resignation)**<br><br>Ordinary Shares – 16,751,480<br>Performance Rights – 5,000,000<br>Share Options – Nil |

| | |
|---|---|
| **Russell Hardwick**<br><br>BBus, ACIS, CPA, MAICD<br><br>Director/Secretary<br><br>Resigned as a Director on 29th September 2017) | **Experience**<br><br>Mr Hardwick has extensive experience in commercial management, corporate secretarial, capital raising and junior exploration companies. Mr Hardwick is a Certified Practicing Accountant with over 20 years' experience in a variety of private and public companies. Recent experience includes mergers and acquisitions, initial public offerings and secondary fundraisings. Mr Hardwick is a member of the Australian Institute of Company Directors and is a Chartered Secretary. He has held the positions of Director or Company Secretary for both AIM-listed and ASX listed companies as well as Senior Executive positions within private companies.<br><br>**Special responsibilities**<br><br>Mr Hardwick was a member of the audit committee.<br><br>**Directorships held in other listed entities during the three years prior to the current year**<br><br>Director of UK – NEX listed Imperial Minerals Plc (Resigned 6 July 2018)<br><br>**Interest in shares, options and rights (as at date of resignation)**<br><br>Ordinary Shares - 2,458,663<br>Performance Rights – 5,000,000<br>Share Options - 3,350,000 |

## 2. COMPANY SECRETARY

| Name and qualifications | Particulars |
|---|---|
| **Russell Hardwick**<br>BBus, ACIS CPA, MAICD | The Company Secretary is Mr Russell Hardwick.<br>Mr Hardwick is a Certified Practicing Accountant and an Associate Member of the Governance Institute of Australia. Mr Hardwick has also held the role of Company Secretary with other ASX listed and AIM listed companies for over 12 years. Mr Hardwick has acted as the company secretary since 29th May 2007. |

## 3. DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year and the number attended by each Director. During the financial year, 14 board meetings were held. In addition, a number of matters were approved by circular resolution.

| | Director Meetings | | Audit Committee Meetings | |
|---|---|---|---|---|
| **Director** | **Number entitled to attend** | **Attendance** | **Number entitled to attend** | **Attendance** |
| John Young | 14 | 14 | - | - |
| Neil Biddle * | 14 | 4 | - | - |
| Alan Boys | 10 | 10 | 2 | 2 |
| Russell Hardwick | 7 | 7 | 1 | 1 |
| Peter Buttigieg | 4 | 4 | - | - |
| Roger Mitchell | 4 | 4 | 1 | 1 |

*Mr Biddle was on extended leave during the year

## 4. REMUNERATION REPORT

This report details the background, policy and amount of remuneration for each key management person of Spitfire Materials Limited.

### 4.1. REMUNERATION POLICY

The Company recognises that it operates in a competitive environment and to operate effectively, it must attract, motivate and retain key personnel. Key management personnel / Executive Directors have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Compensation levels for key management personnel of the Company and Group are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Board obtains independent advice as required on the appropriateness of compensation packages of both the Company and the Group given trends of comparative companies and the objectives of the Company's compensation strategy. The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- The capability and experience of the key management personnel;
- Size of the Group;
- The key management personnel's ability to control the performance; and
- The Group's exploration success and identification of new investments

The Board may exercise its discretion in relation to approving incentives, bonuses, performance rights and options in line with individual performance, exploration results and the performance of the Group. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the company's performance rights and option plan. Rights and Options are valued using standard valuation techniques such as Black-Scholes methodology. The key management personnel receive superannuation guarantee contributions required by the government, which is currently 9.5% (2017: 9.5%) and do not receive any other retirement benefits.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. Directors may also provide consultancy services to the Company and are remunerated at market rates. 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 at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

### 4.2. COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTOR AND EXECUTIVE REMUNERATION

The remuneration policy has been tailored to increase goal congruence between Shareholders, Directors and Executives. As part of each of the key management personnel's remuneration package, there is a performance-based component consisting of the issue of share options and/or performance rights to encourage the alignment of management and Shareholders' interests. The Board determines appropriate option or performance rights vesting conditions that includes specific milestones and/or a premium over the prevailing share price to provide potential rewards over a period of time. During the year the Company's share price decreased from $0.13 at 30 June 2017 to $0.086 at 30 June 2018.

A summary of the operating losses and share prices at year end for the last five years are as follows:

| | Pre-consolidation | | Post consolidation (10:1) | | |
|---|---|---|---|---|---|
| | **2014** | **2015** | **2016** | **2017** | **2018** |
| Net Profit/(Loss) | $369,022 | ($1,095,101) | ($4,292,959) | ($9,079,169) | ($41,853,690) |
| Share price at year end | $0.01 | $0.01 | $0.042 | $0.13 | $0.086 |
| Earnings per share | 0.14c | (4.29c) | (9.58c) | (8.23c) | (10.88c) |

This policy has been deemed by the Board to be the most appropriate performance-based compensation method for a company in the minerals exploration industry.

### 4.3. KEY MANAGEMENT PERSONNEL

The remuneration structure for key management personnel / Executive Directors is based on a number of factors including length of service, particular experience of the individual concerned and the requirements and overall performance of the Company.

The Company has entered into an employment contract with Mr John Young as the Company's Managing Director. The contract commenced on 1 May 2017 on a continuing basis with no fixed term. The agreement specifies the duties and obligations of the Managing Director which includes to oversee the business, exploration activities and identifying and recommending new mineral investment opportunities for the Company. The agreement contains normal commercial termination clauses including the provision of six months' notice by the Company and three months' notice by Mr Young.

During July – December 2017, Mr Neil Biddle provided Executive Director services to the Company on a month to month basis via his consulting company Hatched Creek Pty Ltd. On 13th December 2017, the Company entered into a letter agreement with Mr Biddle as an Executive Director. The contract commenced on 1 January 2018 on a continuing basis with no fixed term.

Non-Executive Directors have letters of appointment with standard terms and conditions.

Any employment agreements and contracts of service between the Company and any other key management and staff are on a continuing basis. The Company may terminate employment contracts by providing between one and three month's written notice or making payment in lieu of notice, based on the individual's annual salary component and terms and conditions. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time.

## FIXED COMPENSATION

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board through a process that considers individual performance against agreed key performance indicators and the overall performance and exploration success of the Group. In addition, the Board refers to external consultants or publications as required to provide analysis and advice to ensure the Directors' and Senior Executives' compensation is competitive in the market place.

## LONG-TERM INCENTIVE

Options and Performance Rights are issued under the Employee Performance Rights and Options Plan to eligible participants. It provides for key management personnel, consultants and staff to receive performance rights and options over ordinary shares for no consideration. Any performance rights or options issued to Directors require the approval of shareholders.

The Board determines the proportion of fixed and variable compensation for each Director and key management personnel. The following table sets out the remuneration for the Directors and key management expensed during the 2018 financial year:

| 2018 | Short Term Benefits | | Post-Employment Benefits | Share Based Payments | | |
|---|---|---|---|---|---|---|
| | Salaries and Director Fees | Consulting Fees | Super | Options & Rights | Total | Value of options & rights as proportion of remuneration |
| | $ | $ | $ | $ | $ | % |
| ***Directors*** | | | | | | |
| Neil Biddle | 63,576 | 80,000 | 6,040 | 380,692 | **530,308** | 71.79% |
| John Young | 256,043 | - | 24,324 | 380,692 | **661,059** | 57.59% |
| Peter Buttigieg* | 24,000 | - | - | - | **24,000** | - |
| Roger Mitchell** | 18,000 | - | - | - | **18,000** | - |
| Alan Boys*** | 20,000 | - | - | 380,692 | **400,692** | 95.01% |
| Russell Hardwick **** | 8,750 | 54,727 | 831 | 23,728 | **88,036** | 26.95% |

* Mr Peter Buttigieg was appointed as a Director/Chairman on 4th January 2018.

** Mr Roger Mitchell was appointed as a Director on 4th January 2018.

*** Mr Alan Boys was appointed as Chairman on 1 August 2017 and resigned on 4th January 2018. Amounts shown are for the period 1 July until resignation as a Director.

**** Mr Russell Hardwick resigned as a Director on 29th September 2017. Amounts shown are for the period 1 July until resignation as a Director. Mr Hardwick continues as Company Secretary.

| 2017 | Short Term Benefits | | Post-Employment Benefits | Share Based Payments | | |
|---|---|---|---|---|---|---|
| | Salaries and Director Fees | Consulting Fees | Super | Options & Rights | **Total** | Value of options & rights as proportion of remuneration |
| | $ | $ | $ | $ | $ | % |
| ***Directors*** | | | | | | |
| Alan Boys* | - | - | - | 261 | **261** | 100% |
| John Young** | 36,538 | - | 3,471 | 261 | **40,270** | 0.65% |
| Neil Biddle** | - | 60,000 | - | 261 | **60,261** | 0.43% |
| Russell Hardwick *** | 35,000 | 146,830 | 3,325 | 45,245 | **230,400** | 19.64% |
| Ian Huitson **** | 35,000 | 7,200 | 3,325 | 22,744 | **68,269** | 33.31% |
| Dominic Traynor**** | 30,000 | - | - | - | **30,000** | - |

* Mr Alan Boys was appointed as Chairman on 1 August 2017.

** Mr John Young and Mr Neil Biddle were appointed to the Board as Directors on 29 June 2017.

*** Mr Russell Hardwick also acts as the Company Secretary/Chief Financial Officer.

**** Mr Ian Huitson and Mr Dominic Traynor resigned as Directors on 29 June 2017.

There are no specific performance hurdles attached to remuneration options, however the board determines a premium for the exercise price over the prevailing share price as appropriate. This ensures any future value for the remuneration options reflect an increase in value for all shareholders and provide rewards over a period of time. There were no options granted to key management personnel during the year ended 30 June 2018.

## PERFORMANCE RIGHTS

On 29 June 2017, the company issued 20,000,000 Performance Rights (10,000,000 Class A and 10,000,000 Class B) to key management personnel (2016: nil). The Performance Rights granted are to incentivise the Key Management Personnel to work towards and provide rewards for achieving increases in the Company's value as determined by the underlying exploration results and the market price of its shares.

An independent valuation of the performance rights was undertaken with the following factors and assumptions being used in determining the fair value of each right on the grant date.

| Class A Performance Rights | | | | | |
|---|---|---|---|---|---|
| Grant Date | Period (years) | Valuation per right | Expected Volatility | Risk free interest rate | Dividend Yield |
| 29 June 2017 | 4 | $0.0670 | 136.8% | 3.0% | - |

| Class B Performance Rights | | | | |
|---|---|---|---|---|
| Grant Date | Period (years) | Valuation prior to probability | Combined Probability | Valuation per right |
| 29 June 2017 | 4 | $0.1224 | 69.7% | $0.0853 |

Following the merger with Aphrodite Gold Limited on 4 January 2018, in accordance with the terms of the Performance Rights and Options plan, the Class A and Class B performance rights vested in full.

During the year, the company issued 4,300,000 Performance Rights (2,150,000 Class C and 2,150,000 Class D) to staff and consultants. Subsequently 500,000 Class C and 500,000 Class D expired.

An internal valuation of the performance rights was undertaken with the following factors and assumptions being used in determining the fair value of each right on the grant date.

| Class C Performance Rights | | | | | | |
|---|---|---|---|---|---|---|
| Grant Date | Period (years) | Valuation per right | Expected Volatility | Risk free interest rate | Dividend Yield | Vesting Conditions |
| 8 February 2018 | 4 | $0.04 | 94.9% | 1.96% | - | 5-day VWAP being greater than $0.20 per Share and the holder remains employed or engaged with the Company for 12 months. |

| Class D Performance Rights | | | | | | |
|---|---|---|---|---|---|---|
| Grant Date | Period (years) | Valuation per right | Expected Volatility | Risk free interest rate | Dividend Yield | Vesting Conditions |
| 8 February 2018 | 4 | $0.04 | 94.9% | 1.96% | - | 5-day VWAP being greater than $0.25 per Share and the holder remains employed or engaged with the Company for 24 months. |

The Company has the following Performance Rights issued to Directors, staff and consultants in existence during the current and prior reporting periods.

| Performance Rights | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Class | Grant date | Expiry Date | No of Rights | Vested during the year | Rights Exercised | Rights Expired | Rights Vested | Rights Unvested |
| A | 29/6/2017 | 29/6/2021 | 10,000,000 | 10,000,000 | - | - | 10,000,000 | - |
| B | 29/6/2017 | 29/6/2021 | 10,000,000 | 10,000,000 | - | - | 10,000,000 | - |
| C | 8/2/2018 | 8/2/2022 | 2,150,000 | - | - | 500,000 | - | 1,650,000 |
| D | 8/2/2018 | 8/2/2022 | 2,150,000 | - | - | 500,000 | - | 1,650,000 |

### 4.4. SHARE-BASED COMPENSATION

The Company has adopted the Employee Performance Rights and Options Plan which was approved by shareholders at the June 2017 General Meeting. The Board considers length of service, seniority, responsibilities, potential contribution and any other relevant matters in determining eligibility of participants. The Board has sole responsibility in determining the number of performance rights, options and terms and conditions granted to any participant under the plan.

### 4.5. ANALYSIS OF SHARE OPTIONS AND PERFORMANCE RIGHTS GRANTED AS COMPENSATION

Details of vesting profiles of the performance rights granted as remuneration are detailed in the following table:

| | Number of options & rights granted | Grant Date | % vested in 2018 year | % lapsed in year | Financial years in which grant vests |
|---|---|---|---|---|---|
| **Performance Rights** | | | | | |
| Neil Biddle | 5,000,000 | 29 June 2017 | 100% | 0% | Fully vested during the year ended 30 June 2018 |
| John Young | 5,000,000 | 29 June 2017 | 100% | 0% | |
| Alan Boys | 5,000,000 | 29 June 2017 | 100% | 0% | |
| Russell Hardwick | 5,000,000 | 29 June 2017 | 100% | 0% | |

### 4.6. ANALYSIS OF MOVEMENTS IN SHARE OPTIONS & PERFORMANCE RIGHTS

The analysis of movement during the reporting period are the total fair value of the options or rights calculated at the grant date and amounts are allocated to remuneration over the vesting period if applicable. During the year ending 30 June 2018, there were no options or performance rights exercised by key management personnel. The comparative information is detailed below:

| 30 June 2017 | Granted in year | Value of rights exercised | Lapsed/Expired in year |
|---|---|---|---|
| | $ | $ | $ |
| ***Directors*** | | | |
| Neil Biddle | 380,953 | - | - |
| John Young | 380,953 | - | - |
| Russell Hardwick | 380,953 | - | - |
| Alan Boys | 380,953 | - | - |
| **Total** | **1,523,812** | **-** | **-** |

### 4.7. KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

Refer to Note 5: Key Management Personnel for further information

#### NUMBER OF SHARES HELD BY KEY MANAGEMENT PERSONNEL:

The number of ordinary shares in Spitfire Materials Limited held by each Key Management Personnel of the Group during the financial year is as follows:

| 30 June 2018 | Balance 1 July 2017 | Received as Compensation | Options/ Rights Exercised | Net Change Other | Balance 30 June 2018 |
|---|---|---|---|---|---|
| ***Directors*** | | | | | |
| Neil Biddle | 9,498,442 | - | - | 7,717,483 | 17,215,925 |
| John Young | 20,000,000 | - | - | - | 20,000,000 |
| Peter Buttigieg* | n/a | - | - | 70,398,887 | 70,398,887 |
| Roger Mitchell** | n/a | | - | 272,618 | 272,618 |
| Alan Boys*** | 16,751,480 | - | - | - | ***16,751,480 |
| Russell Hardwick**** | 1,858,663 | - | - | 600,000 | ****2,458,663 |

* Mr Peter Buttigieg was appointed as a Director on 4 January 2018

** Mr Roger Mitchell was appointed as a Director on 4 January 2018

*** Mr Alan Boys resigned on 4 January 2018 and his shareholding is shown as at the date of resignation.

**** Mr Russell Hardwick resigned on 29 September 2017 and his shareholding is shown as at the date of resignation.

| 30 June 2017 | Balance 1 July 2016 | Received as Compensation | Options/ Rights Exercised | Net Change Other | Balance 30 June 2017 |
|---|---|---|---|---|---|
| ***Directors*** | | | | | |
| Neil Biddle* | n/a | - | - | *9,498,442 | *9,498,442 |
| John Young* | n/a | - | - | *20,000,000 | *20,000,000 |
| Russell Hardwick | 858,663 | - | - | 1,000,000 | 1,858,663 |
| Ian Huitson** | 209,934 | - | - | - | **209,934 |
| Alan Boys | - | - | - | 16,751,480 | 16,751,480 |

* Mr Neil Biddle and Mr John Young were appointed on 29 June 2017.

** Mr Ian Huitson resigned on 29 June 2017 and his shareholding is shown as at the date of resignation.

### NUMBER OF PERFORMANCE RIGHTS HELD BY KEY MANAGEMENT PERSONNEL

During the financial year there were no performance rights exercised. The number of performance rights held by each Key Management Personnel of the Group during the financial year is as follows:

| 30 June 2018 | Balance 1 July 2017 | Granted as Compensation | Total Exercisable 30 June 2018 | Other changes during the year | Balance 30 June 2018 |
|---|---|---|---|---|---|
| ***Directors*** | | | | | |
| Neil Biddle | 5,000,000 | - | 5,000,000 | - | 5,000,000 |
| John Young | 5,000,000 | - | 5,000,000 | - | 5,000,000 |
| Peter Buttigieg | - | - | - | - | - |
| Roger Mitchell | - | - | - | - | - |
| Alan Boys * | 5,000,000 | - | 5,000,000 | - | *5,000,000 |
| Russell Hardwick** | 5,000,000 | - | 5,000,000 | - | **5,000,000 |

* Mr Alan Boys was appointed as a Director on 1 August 2017 and resigned 4 January 2018. Number of Performance Rights is shown at date of resignation.

** Mr Russell Hardwick resigned as Director 29 September 2017. Number of Performance Rights is shown at date of resignation.

### NUMBER OF OPTIONS HELD BY KEY MANAGEMENT PERSONNEL:

During the financial year there were no options over ordinary shares were granted or exercised. The number of options over ordinary shares held by each Key Management Personnel of the Group during the financial year is as follows:

| 30 June 2018 | Balance 1 July 2017 | Other changes during the year | Total Vested 30 June 2018 | Total Exercisable 30 June 2018 | Balance 30 June 2018 |
|---|---|---|---|---|---|
| ***Directors*** | | | | | |
| Russell Hardwick* | 3,350,000 | - | *3,350,000 | *3,350,000 | *3,350,000 |

* Mr Russell Hardwick resigned as a Director on 29 September 2017, and his option holding is shown as at the date of resignation. 150,000 Share Options expired after resignation.

| 30 June 2017 | Balance 1 July 2016 | Other changes during the year | Total Vested 30 June 2017 | Total Exercisable 30 June 2017 | Balance 30 June 2017 |
|---|---|---|---|---|---|
| ***Directors*** | | | | | |
| Russell Hardwick | 3,350,000 | - | 3,350,000 | 3,350,000 | 3,350,000 |
| Ian Huitson* | 1,750,000 | - | 1,750,000 | 1,750,000 | 1,750,000 |

* Mr Ian Huitson resigned as a Director on 29 June 2017, and his option holding is shown as at the date of resignation.

### 4.8. KEY MANAGEMENT PERSONNEL LOANS

Spitfire has entered into loan facility agreements (**Loan Agreements**) with each of entities associated with Mr Peter Buttigieg and Mr Neil Biddle (**Lenders**) pursuant to which the Lenders have agreed to provide loan facilities of up to $1,000,000 to Spitfire. As at the date of this report no amounts have been drawn under the loan agreement and there were no loans payable to any Directors (2017: nil).

### 4.9. RELATED PARTY TRANSACTIONS

| | Consolidated 2018 | Consolidated 2017 |
|---|---|---|
| Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated. | | |
| **EXPENDITURE** | | |
| Directors and Consultancy fees paid to Hatched Creek Pty Ltd (a company associated with Mr Neil Biddle), a related party of Spitfire Materials Limited. There was no amount owing to Hatched Creek Pty Ltd as at 30 June 2018 (2017: $22,000) | 80,000 | 60,000 |
| Directors fees payable to P&J Buttigieg Nominees Pty Ltd (a company associated with Mr Peter Buttigieg), a related party of Spitfire Materials Limited. The amount owing to P&J Buttigieg Nominees Pty Ltd as at 30 June 2018 was $24,000 (2017: N/A) | 24,000 | N/A |
| Directors fees payable to Alan Boys & Associates Pty Ltd (a company associated with Mr Alan Boys, a related party of Spitfire Materials Limited. There was no amount owing to Alan Boys & Associates Pty Ltd as at 30 June 2018 (2017: N/A) | 20,000 | N/A |
| Consultancy fees paid to Ravenhill Corporate Pty Ltd (a company associated with Mr Russell Hardwick), a related party of Spitfire Materials Limited. The amount shows is for the period up to Mr Hardwick's resignation as a director 29 September 2017. | 54,727 | 145,255 |
| Consultancy fees paid to Goldregis Corporation Pty Ltd (a company associated with Mr James Hamilton), a related party of Spitfire Materials Limited. There was no amount owing to Goldregis Corporation Pty Ltd as at 30 June 2018 (2017: $Nil) | - | 31,344 |
| Consultancy fees paid to Skyeye Consulting (an entity associated with Mr Maximillian Vermorken), a related party of Spitfire Materials Limited. There was no amount owing to Skyeye Consulting as at 30 June 2018 (2017: Nil) | - | 26,901 |
| **OTHER PAYABLES** | | |
| Neil Biddle expense reimbursement | 36,025 | 26,692 |
| Peter Buttigieg – Directors Fees | 24,000 | N/A |
| Roger Mitchell – Directors Fees | 18,000 | N/A |
| Hatched Creek Pty Ltd- Consultancy Fees | - | 22,000 |
| Russell Hardwick – Directors Fees | - | 5,000 |
| Ian Huitson – Directors Fees | - | 5,000 |

End of Remuneration Report.

## 5. SHARE OPTIONS & PERFORMANCE RIGHTS

### UNISSUED SHARES UNDER OPTION

At the date of this report, unissued ordinary shares of the Company under option are:

| Grant Date | Expiry Date | Exercise Price | Number of options |
|---|---|---|---|
| 28 November 2014 | 28 November 2019 | $0.45 | 650,000 |
| 30 March 2016 | 30 March 2021 | $0.16 | 18,000,000 |
| 31 May 2017 | 31 May 2020 | $0.16 | 1,000,000 |
| 23 August 2017 | 31 May 2020 | $0.16 | 2,000,000 |
| 4 January 2018 | 19 August 2019 | $0.1158 | 13,812,635 |
| 2 February 2018 | 31 March 2021 | $0.16 | 400,000 |
| 28 March 2018 | 31 March 2021 | $0.16 | 7,500,000 |
| | | | **43,362,635** |

### PERFORMANCE RIGHTS

At the date of this report, the number of Performance Rights of the Company on issue are:

| Grant Date | Expiry Date | Class | Number of rights |
|---|---|---|---|
| 29 June 2017 | 29 June 2021 | A (Vested) | 10,000,000 |
| 29 June 2017 | 29 June 2021 | B (Vested) | 10,000,000 |
| 8 February 2018 | 8 February 2022 | C | 1,650,000 |
| 8 February 2018 | 8 February 2022 | D | 1,650,000 |
| | | | **23,300,000** |

## 6. CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement is set out on the Company's website at:

http://www.spitfirematerials.com/corporate-governance

## 7. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the 2017/2018 financial year were to actively explore its minerals development properties and seek suitable acquisitions in the mineral resources sector (Refer to the Chairman's Statement and Review of Operation for further information).

## 8. FINANCIAL REVIEW

The Group incurred a loss for the year of $41,853,690 (2017 Loss: $9,079,169). Significant expenditure items during the period include:

- Exploration and Evaluation expenditure of $4,829,663 (2017: $255,246);
- Exploration and Evaluation assets expensed of $13,513,870 (2017: $7,674,550);
- Acquisition premium/goodwill expense $18,960,370
- Corporate consultancy costs of $499,124 (2017: $314,969), and
- Share based payment of $2,039,411 (2017: $334,785).

The group began the year with $5,556,722 in cash and ended the year with $2,722,896 in cash.

### FINANCIAL POSITION

The net assets of the Group have decreased to ($831,914) as at 30 June 2018. This has largely resulted from the merger with Aphrodite Gold Limited and the impact of the borrowings related to the Franco Nevada Royalty on the Group Balance Sheet. During the year the Company completed a $5.33m fundraising by placing 53,300,000 shares at 10c per share. Cash at Bank was $2,722,896 at 30 June 2018.

During the year, as part of the merger with Aphrodite Gold Limited, Spitfire issued 221,085,527 fully paid ordinary shares as consideration for the transfer of Aphrodite shares to Spitfire. Aphrodite Gold Limited subsequently became a wholly owned subsidiary of Spitfire.

Subject to the disclosures elsewhere in this report, the Directors believe the Group is in a stable financial position to continue to explore its projects and to identify new opportunities within the resources sector.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than detailed elsewhere in this report, there were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

Further information on the financial performance of the Company is included in the Review of Operations.

## 9. DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend as at the date of printing this Report.

## 10. EVENTS SUBSEQUENT TO REPORTING DATE

In July 2018, Spitfire entered into loan facility agreements with entities associated with its Chairman, Peter Buttigieg, and Executive Director, Neil Biddle for unsecured loan facilities up to an aggregate of A$1 million. As at the date of this report, no funds have been drawn under the loan agreement.

Following the merger announcement with Excelsior Gold Limited in June 2018 ("Excelsior"), the Scheme Booklet was registered with ASIC and dispatched to Excelsior shareholders on 14 August 2018. The Excelsior Scheme meeting is scheduled to be held on 19th September 2018. Subject to implementation of the Scheme, completion is expected to occur on 3rd October 2018.

Other than the above, there has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 11. LIKELY DEVELOPMENTS

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this Report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

## 12. ENVIRONMENTAL ISSUES

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

The Directors of the Group are not aware of any breach of environmental legislation for the year under review.

## 13. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every Officer, Auditor or Agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, Auditor or Agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The Company has paid a Directors and Officers Liability premium of $5,984

## 14. NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important. Should the Group engage the auditor for non-audit related services; the provision of the non-audit services is compatible with the general standard of independence for the auditors imposed by the Corporations Act 2001.

During the financial year ended 30 June 2018 the group's auditors Bentley's did not provide the Group with any non-audit related services.

## 15. PROCEEDINGS ON BEHALF OF COMPANY

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

The Company was not a party to any such proceedings during the financial year.

## 16. AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 30 June 2018 has been received and can be found on page 26.

Signed in accordance with a resolution of Directors made pursuant to s298 (2) of the Corporations Act 2001. This Report is made with a resolution of the Directors.

**JOHN YOUNG**
DIRECTOR

Dated at Perth this 17th day of September 2018

# AUDITOR'S INDEPENDENCE DECLARATION

Bentleys
THINKING AHEAD

**Bentleys Audit & Corporate (WA) Pty Ltd**
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To The Board of Directors

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the audit of the financial statements of Spitfire Materials Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Bentleys

**BENTLEYS**
**Chartered Accountants**

**DOUG BELL** CA
**Director**

Dated at Perth this 17th day of September 2018

# FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

| | Note | Consolidated 2018 $ | 2017 $ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Interest received | 2 | 59,841 | 31,352 |
| Other income | 2 | 650 | 9,100 |
| **Gross profit/(loss)** | | **60,491** | **40,452** |
| Acquisition premium / goodwill expensed | 13 | (18,960,370) | - |
| Administrative expenses | | (1,535,959) | (388,075) |
| Consulting expenses | | (499,124) | (314,969) |
| Depreciation expense | | (44,390) | (5,378) |
| Exploration and evaluation costs expensed | | (5,108,113) | (255,246) |
| Exploration and evaluation assets acquired | 12b, 13 | (13,513,870) | (7,674,550) |
| Occupancy costs | | (75,263) | (92,101) |
| Share based payments | 24 | (2,039,411) | (333,742) |
| Travel expenses | | (137,681) | (16,474) |
| **Loss before income tax** | 4 | **(41,853,690)** | **(9,040,083)** |
| Income tax (expense)/revenue | 4 | - | - |
| **Loss from continuing operations** | | **(41,853,690)** | **(9,040,083)** |
| **Discontinued Operations** | | | |
| Loss from discontinued operations after tax | | - | (39,086) |
| **Loss for the year** | | **(41,853,690)** | **(9,079,169)** |
| Other comprehensive income | | 10,751 | (25,829) |
| **Total comprehensive income/(loss) for the period** | | **10,751** | **(25,829)** |
| **Total comprehensive income/(loss) attributable to the members of the Company** | | **(41,842,939)** | **(9,104,998)** |
| **Earnings per share** | | | |
| From continuing and discontinued operations: Basic and diluted loss per share | 7 | (10.88c) | (8.23c) |
| From continuing operations: Basic and diluted loss per share | 7 | (10.88c) | (8.19c) |

*The accompanying notes form part of these financial statements*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

| | | Consolidated | |
|---|---|---|---|
| | Note | 2018 $ | 2017 $ |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 8 | 2,722,896 | 5,556,722 |
| Trade and other receivables | 9 | 542,907 | 114,957 |
| Other Assets | 10 | 192,269 | - |
| **TOTAL CURRENT ASSETS** | | **3,458,072** | **5,671,679** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | 243,312 | 169,727 |
| **TOTAL NON-CURRENT ASSETS** | | **243,312** | **169,727** |
| **TOTAL ASSETS** | | **3,701,384** | **5,841,406** |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | 1,474,891 | 375,217 |
| Provisions | 16 | 808,407 | 3,714 |
| Borrowings | 11 | 250,000 | - |
| **TOTAL CURRENT LIABILITIES** | | **2,533,298** | **378,931** |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 11 | 2,000,000 | - |
| **TOTAL NON-CURRENT LIABILITIES** | | **2,000,000** | - |
| **TOTAL LIABILITIES** | | **4,533,298** | **378,931** |
| **NET ASSETS/(LIABILITIES)** | | **(831,914)** | **5,462,475** |
| **EQUITY** | | | |
| Issued capital | 17 | 73,467,051 | 40,772,187 |
| Reserves | 18 | 3,495,707 | 754,958 |
| Accumulated losses | | (77,794,672) | (36,064,670) |
| **TOTAL EQUITY** | | **(831,914)** | **5,462,475** |

*The accompanying notes form part of these financial statements.*

# FINANCIAL STATEMENTS

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2018

| Consolidated | Note | Issued Capital | Option Reserve | Foreign Exchange Reserve | Accumulated Losses | Total Equity |
|---|---|---|---|---|---|---|
| | | $000 | $000 | $000 | $000 | $000 |
| **Balance at 1 July 2016** | | **28,482,687** | **430,924** | **15,078** | **(26,985,501)** | **1,943,188** |
| Loss for the year | | - | - | - | (9,079,169) | **(9,079,169)** |
| Other comprehensive income | | - | - | (25,829) | - | **(25,829)** |
| Total comprehensive income for the year | | - | - | (25,829) | (9,079,169) | **(9,104,998)** |
| Transactions with owners, recorded directly in equity | | | | | | |
| Issue of ordinary shares | | 7,789,500 | - | - | - | 7,789,500 |
| Share application funds pending allotment | | 4,500,000 | - | - | - | 4,500,000 |
| Share based payments | 24 | - | 334,785 | - | - | 334,785 |
| **Balance at 30 June 2017** | | **40,772,187** | **765,709** | **(10,751)** | **(36,064,670)** | **5,462,475** |
| **Balance at 1 July 2017** | | **40,772,187** | **765,709** | **(10,751)** | **(36,064,670)** | **5,462,475** |
| Loss for the year | | - | - | - | (41,853,690) | **(41,853,690)** |
| Other comprehensive income | | - | - | 10,751 | - | **10,751** |
| Total comprehensive income for the year | | - | - | 10,751 | (41,853,690) | **(41,842,939)** |
| Transactions with owners, recorded directly in equity | | | | | | |
| Issue of ordinary shares | | 37,194,864 | - | - | - | 37,194,864 |
| Share application funds pending allotment | | (4,500,000) | - | - | - | (4,500,000) |
| Share based payments | 24 | - | 2,853,686 | - | - | 2,853,686 |
| Expiry of share options | | - | (123,688) | - | 123,688 | - |
| **Balance at 30 June 2018** | | **73,467,051** | **3,495,707** | **-** | **(77,794,672)** | **(831,914)** |

*The accompanying notes form part of these financial statements*

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

| | Note | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | (1,482,686) | (838,926) |
| Payments for exploration and evaluation | | (4,765,181) | (253,864) |
| Income tax benefit– Research and Development | | | - |
| Other costs (Merger) | | (361,414) | |
| Other revenue | | 650 | 8,385 |
| Interest received | | 51,085 | 30,135 |
| **Net cash used in operating activities** | 22 | **(6,557,546)** | **(1,054,270)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for property, plant & equipment | | (80,286) | (32,651) |
| Payments for tenements | | - | (5,525) |
| Payment for investment in Aphrodite | | (1,192,006) | - |
| Payment for exploration assets acquired | | (100,000) | - |
| Cash acquired from acquisition of subsidiary | | 51,412 | 96,466 |
| **Net cash (used in)/from investing activities** | | **(1,320,880)** | **58,290** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | | 5,330,000 | - |
| Cost of share issue | | (35,400) | - |
| Share placement funds pending allotment | | | 4,500,000 |
| Repayment of borrowings | | (250,000) | - |
| **Net cash flows from financing activities** | | **5,044,600** | **4,500,000** |
| Net increase/(decrease) in cash and cash equivalents | | (2,833,826) | 3,504,020 |
| Cash and cash equivalents at the beginning of the period | | 5,556,722 | 2,052,702 |
| **Cash and cash equivalents at the end of the period** | 8 | **2,722,896** | **5,556,722** |

*The accompanying notes form part of these financial statements.*

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2018

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### REPORTING ENTITY

Spitfire Materials Limited is a Company domiciled in Australia. The address of the Company's registered office is 130 Stirling Highway, North Fremantle WA 6159. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group primarily is involved in the minerals exploration industry.

### GOING CONCERN

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

The Group incurred a loss for the year ended 30 June 2018 of $41,853,690 (2017: $9,079,169) and net cash outflows from operating activities of $6,557,546 (2017: $1,054,270). The ability of the Group to continue as a going concern is principally dependent upon the ability of the Company successfully raising additional capital and managing cash flows in line with available funds. These conditions indicate a material uncertainty about the ability of the Group to continue as a going concern.

Based on the proposed merger with Excelsior Gold Limited, cash flow forecasts and other factors referred to above, the directors have a reasonable basis to be satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of capital raising to date, the directors are confident of the company's ability to raise additional funds as and when they are required.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

### BASIS OF PREPARATION

#### a) Statement of compliance

The Financial Report is a General-Purpose Financial Report, which has been prepared in accordance with Australian Accounting Standards Board (AASB) (including Australian Accounting interpretations and other authoritative pronouncements) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated Financial Report of the Group and the Financial Report of the Company comply with International Financial Reporting Standards (IFRS') and interpretations adopted by the International Accounting Standards Board (IASB).

#### b) Basis of measurement

The Financial Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

## SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

**a) Principles of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the Company's financial statements, investments in subsidiaries are carried at cost.

**(ii) Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holders are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

**(iii) Transactions eliminated on consolidation**

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

**(iv) Assets classified as held-for-sale and discontinued operations**

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

a. represents a separate major line of business or geographical area of operations;
b. is part of a single co-ordinated plan to dispose of a separate major line of business or geographical are of operations; or
c. is a subsidiary acquired exclusively with a view to resale.

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

**b) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

**(ii) Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The depreciation rates used for each class of depreciable assets are:

| ***Class of Fixed Asset*** | ***Depreciation Rate*** |
|---|---|
| Leasehold Improvements | 20% |
| Plant and Equipment | 33% |
| Plant and Equipment (Onsite) | 20% |
| Vehicles | 15% |

**c) Impairment**

**(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

**(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**d) Employee benefits**

**(i) Share-based payment transactions**

The grant date fair value of options or performance rights granted to directors and employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options or performance rights that vest, except for those that fail to vest due to market conditions not being met.

When the Company grants options or performance rights over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

**e) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**f) Finance income and expenses**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

**g) Income tax**

Income tax expense/revenue for the year comprises current income tax expense/ income and deferred tax expense/income.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and used tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right to set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of respective asset and liability will occur in future periods in which significant amount of deferred tax assets or liabilities are expected to be recovered or settled.

**h) Tax consolidation**

Spitfire Materials Limited and its 100% owned controlled entities have formed a tax consolidated group.

**i) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

**j) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

**k) Segment reporting**

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

The Board considers the business from both a functional and geographic perspective and has identified three reportable segments being the Australian manganese exploration segment and the Australian Gold Exploration segment. The other segment includes the administration, fund raising and investment activities of the Group which forms the Treasury and unallocated segments.

All assets, liabilities, revenues and expenses are monitored by the Board of Directors.

**l) Exploration and evaluation expenditure**

The group accounts for exploration and evaluation expenditure by applying the following policy.

Accounting for exploration and evaluation expenditures is assessed separately for each "area of interest". Each area of interest is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit. Exploration and evaluation costs (including acquisition costs) are written off in the year they are incurred.

**m) Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight-line basis over the period of lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of goods and services tax (GST).

**n) Assets classified as held-for-sale and discontinued operations**

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(i) represents a separate major line of business or geographical area of operations;
(ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(iii) is a subsidiary acquired exclusively with a view to resale.

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) if recognised in the profit or loss.

**o) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments.

**p) Foreign currency translation**

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss.

As at the balance date the assets and liabilities of subsidiaries are translated into Australian dollars at the rate of exchange ruling at the balance date and income and expenses items are translated at the average exchange rate for the period.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

**q) Financial instruments**

***Recognition and Initial Measurement***

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below:

***Derecognition***

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

***Classification and Subsequent Measurement***

*i. Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. *Loans and receivables*

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

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

***Fair Value***

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

***Impairment***

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

**r) New or revised AASB's affecting amounts reported and/or disclosures in the financial statements**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018). The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments requirements for financial instruments and hedge accounting.

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

  Based on a preliminary assessment performed, the effects of AASB 9 are not expected to have a material effect on the Group.

– AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15). AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Group is in the process of completing its impact assessment of AASB 15. Based a preliminary assessment performed over each line of business and product type, the effects of AASB 15 are not expected to have a material effect on the Group.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

The Group is in the process of completing its impact assessment of AASB 15. Based on a preliminary assessment performed, the effects of AASB 15 are not expected to have a material effect on the Group given revenue generating activities have not commenced as at the date of this report.

– AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 July 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term 12 months or less of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Group is in the process of completing its impact assessment of AASB 16. Based on a preliminary assessment performed, the effect of AASB 16 is not expected to have a material effect on the Group. It is impracticable at this stage to provide a reasonable estimate of such impact.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

**s) Critical Accounting Estimates and Judgements**

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

***Impairment***

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

***Provision for Impairment of Receivables***

The Company has written down the value of its intercompany loans to nil, as at the reporting date the recovery of intercompany loans is not virtually certain. Other than the intercompany loans, no provision for impairment of receivables has been made in this current year.

***Exploration and Evaluation Costs***

The group accounts for exploration and evaluation expenditure by applying the following policy.

Accounting for exploration and evaluation expenditures is assessed separately for each “area of interest”. Each area of interest is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit. Exploration and evaluation costs (including acquisition costs) are written off in the year they are incurred

***Share-based Payment Transactions***

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined either by an external independent valuation or an internal valuation using the Black-Scholes option pricing model.

***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, and are based on the best estimates of 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 any assessment by the Australian Taxation Office.

***Fair Value of Assets and Liabilities***

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date. As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such Instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

**Valuation techniques**

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

*Level 1*

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.  Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 2*

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

*Level 3*

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

## NOTE 2: REVENUE AND OTHER INCOME

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Other income** | | |
| - Interest revenue from financial institutions | 59,798 | 31,352 |
| - Interest revenue from other institutions | 43 | - |
| - Rental Income | 650 | 9,100 |
| | **60,491** | **40,452** |

## NOTE 3: PROFIT/LOSS FOR THE YEAR

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **a) Expenses** | | |
| Rental expense on operating leases | | |
| - Minimum lease payments | 55,702 | 56,547 |
| **b) Significant expenses** | | |
| Consulting fees | 499,124 | 314,969 |
| Directors fees | 70,750 | 100,070 |
| Exploration & Evaluation costs expensed | 5,108,113 | 255,072 |
| Exploration & Evaluation assets acquired | 13,513,870 | 7,674,550 |
| Acquisition premiums/Goodwill expensed | 18,960,370 | - |
| Salaries & Wages | 193,437 | 28,806 |
| Legal Costs | 293,255 | 34,487 |
| Listing Fees | 74,380 | 28,541 |
| Merger Costs | 361,414 | - |
| Performance Rights expense | 1,539,486 | - |
| Public & Investor Relations | 155,023 | 41,025 |
| Superannuation | 66,912 | 10,495 |
| Share options expense | 499,925 | 334,785 |
| Travel & Accommodation | 137,681 | 16,474 |

## NOTE 4: INCOME TAX EXPENSE

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| A reconciliation of income tax expense (benefit) applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2018 and 2017 is as follows: | | |
| **Accounting loss before income tax** | **(41,853,690)** | **(9,079,169)** |
| At the statutory income tax rate of 27.5% (2017: 27.5%) | (11,509,765) | (2,496,771) |
| **Add:** | | |
| Non-deductible expenses | 7,577,434 | 2,204,516 |
| Temporary differences and tax losses not brought to account | 3,932,331 | 292,255 |
| **Income tax (expense)/benefit** | **-** | **-** |
| Effective income tax rate of 0% | 0% | 0% |
| **Recognised deferred tax assets and liabilities** | | |
| Deferred tax assets and liabilities are attributable to the following: | | |
| Accrued interest | 3,413 | 1,005 |
| Sundry payables | (55,039) | (12,640) |
| Prepaid expenditure | 52,874 | - |
| Capital raising costs | (17,901) | (43,639) |
| Net deferred tax (assets) liabilities | (16,653) | (55,274) |
| Tax losses recognised to the extent of deferred tax liability | 16,653 | 55,274 |
| **Net tax (assets) liabilities** | **-** | **-** |
| **Unrecognised Deferred Tax Assets** | | |
| Tax losses | 19,370,363 | 6,622,542 |
| Tax losses recognised to the extent of deferred tax liability | 16,653 | 55,274 |
| | **19,387,016** | **6,677,816** |

## NOTE 5: KEY MANAGEMENT PERSONNEL

Names and positions held of consolidated and company key management personnel in office at any time during the 2017/2018 financial year are:

| Key Management Personnel | Position |
|---|---|
| Neil Biddle | Director |
| John Young | Managing Director |
| Peter Buttigieg | Non-Executive Chairman (appointed 4 January 2018) |
| Roger Mitchell | Non-Executive Director (appointed 4 January 2018) |
| Alan Boys | Non-Executive Chairman (appointed 1 August 2017, resigned 4 January 2018) |
| Russell Hardwick | Director/Company Secretary (resigned as a Director 29 September 2017) |

Refer to the Remuneration Report contained in the Directors' Report for details of the shares, rights and options held and remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2018.

The totals of remuneration paid to Key Management Personnel of the Company and the Group during the year are as follows:

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Short-term employee benefits or consulting fees | 525,096 | 350,568 |
| Post-employment benefits | 31,195 | 10,121 |
| Share based payments | 1,165,804 | 68,771 |
| | **1,722,095** | **429,460** |

Refer to the remuneration report for other related party transactions for Key Management Personnel. There are no other related party transactions other than to Key Management Personnel identified above.

## NOTE 6: AUDITORS' REMUNERATION

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Remuneration of the Auditor of the parent entity for: | | |
| – Auditing or reviewing the Financial Report | 29,239 | 21,587 |
| – Other services provided by the Auditors | - | - |
| | **29,239** | **21,587** |

## NOTE 7: PROFIT/(LOSS) PER SHARE

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| a) Earnings/(loss) used to calculate basic and diluted EPS from continuing and discontinued operations | (41,853,690) | (9,079,169) |
| Basic earnings/(loss) per share (cents per share) | (10.88c) | (8.23c) |
| b) Earnings/(loss) used to calculate basic and diluted EPS from continuing operations | (41,853,690) | (9,040,083) |
| Basic earnings/(loss) per share (cents per share) | (10.88c) | (8.19c) |
| | Number of shares | |
| c) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | 384,587,461 | 110,362,744 |

At 30 June 2018 30,145,990 (2017: 19,304,452) share options are non-dilutive based on the average market prices of the Company's shares.

## NOTE 8: CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Cash at bank and in hand | 284,058 | 133,364 |
| Cash management account | 398,838 | 4,573,358 |
| Short-term bank deposits | 2,040,000 | 850,000 |
| | **2,722,896** | **5,556,722** |

The effective interest rate on short term bank deposits was 2.35% (2017: 2.50%); these deposits have an average maturity of 91.25 days (2017: 91.25 days).

## NOTE 9: TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **CURRENT** | | |
| GST receivable | 187,497 | 95,714 |
| Interest receivable | 12,412 | 3,656 |
| Research & Development refundable tax offset | 324,147 | - |
| Other receivables | 18,851 | 15,587 |
| | **542,907** | **114,957** |

Refer to Note 26 for risk management policies in place.

## NOTE 10: OTHER ASSETS

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **CURRENT** | | |
| Prepayments | 192,269 | - |
| | **192,269** | **-** |

## NOTE 11: BORROWINGS

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **CURRENT** | | |
| Fair value of interest-free royalty advance | 250,000 | - |
| **NON-CURRENT** | | |
| Fair value of interest-free royalty advance | 2,000,000 | - |
| | **2,250,000** | **-** |

In 2012 Aphrodite Gold Limited received $2,500,000 by way of an interest free royalty advance from Franco-Nevada. The advance required no repayment for the first 5 years with the first royalty year commencing on 1 November 2017 and if production commences a royalty of 2.5% is payable. The terms of the Royalty agreement include an annual minimum royalty of $250,000 per annum from 1 November 2017.

## NOTE 12: CONTROLLED ENTITIES

### a. Controlled Entities Consolidated

| | Country of Incorporation | Percentage Owned (%) * | |
|---|---|---|---|
| | | 2018 | 2017 |
| **Subsidiaries of Spitfire Materials Ltd:** | | | |
| Admiral Gold Pty Ltd | Australia | 100% | 100% |
| Aphrodite Gold Pty Ltd | Australia | 100% | - |
| Spitfire Australia (SWW) Pty Ltd | Australia | 100% | 100% |
| Spitfire Global Pty Ltd | Australia | 100% | 100% |
| Bellpiper Pty Ltd | Australia | 100% | 100% |
| Starpart Holdings Pty Ltd | Australia | 100% | 100% |
| White Lion Group Investments Ltd | Mauritius | - | 100% |
| White Lion Group Holdings Ltd | Mauritius | - | 100% |

* Percentage of voting power is in proportion to ownership.

### b. Acquisition of Controlled Entities

| | Consolidated 2017 | |
|---|---|---|
| | Acquiree's carrying amount $ | Fair Value $ |

On 29 June 2017, the parent entity acquired 100% of Admiral Gold Limited, with Spitfire Materials Limited entitled to all profits or loss incurred from 29 June 2017. The purchase consideration for the acquisition was the issue of 59,500,001 fully paid ordinary shares.

| | | |
|---|---|---|
| **Assets and liabilities acquired at acquisition date:** | | |
| Cash at Bank | 96,466 | 96,466 |
| GST Receivable | 64,040 | 64,040 |
| Plant and Equipment | 135,391 | 135,391 |
| Trade and other payables | (180,947) | (180,947) |
| | **114,950** | **114,950** |
| **Purchase consideration** | | |
| 59,500,001 fully paid ordinary shares | | 7,437,500 |
| Less: | | |
| Identifiable assets acquired and liabilities assumed | | (114,950) |
| **Exploration & Evaluation assets** | | **7,322,550** |

The assets and liabilities arising from the acquisition are recognized at fair values which are equal to their carrying value at acquisition date. The Directors have determined that the acquisition of Admiral Gold Limited does not meet the definition of a business combination. In line with the company's policy on exploration and evaluation interests the deemed acquisition cost of $7,322,550 has been recognized directly in the income statement.

The acquisition of Admiral Gold Limited was approved by shareholders on the 29th June 2017. Included in the notice of meeting was an Independent expert report from Stanton International Securities that detailed the deemed technical consideration for the acquisition of Admiral Gold Limited lies in the range from $862,750 to $1,100,750 with a preferred fair value of $981,750. No adjustment has been made in this financial report based on the Independent Expert's Report, with the value adopted being the share price at the settlement date of 29 June 2017.

### c. Disposal of Controlled Entities

On 27 June 2017, Spitfire Materials Limited disposed of its 100% interest in White Lion Enterprises Limited. During the year the disposed entity contributed an operating loss of $39,086 to the Group results.

## NOTE 13: BUSINESS COMBINATIONS/ASSET ACQUISITION

**BUSINESS COMBINATION**

**a. Aphrodite Gold Limited**

On 20 December 2017, Spitfire Materials Limited acquired 100% of the ordinary share capital and voting rights in Aphrodite Gold Limited by way of a Scheme of Arrangement. The implementation of the Scheme was completed on 4 January 2018.

**b. Acquisition consideration**

As consideration for the balance of the issued capital of Aphrodite Gold Limited, Spitfire issued 221,085,527 shares in Spitfire Materials Limited valued at $26,530,263 (including merger acquisition premium/goodwill) and issued 13,812,635 share options exercisable at 11.58c per share expiring on 19 August 2019.

**c. Acquisition premium/goodwill**

The accounting for the acquisition of Aphrodite Gold Limited has been determined as a Business Combination. The identifiable net assets of the acquiree are remeasured to their fair value on the date of acquisition (i.e. the date that control passes). Acquisition premium is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets acquired. As it is the Groups accounting policy to expense exploration expenditure including acquisition premium/goodwill costs as incurred, any excess of consideration over the fair value of the net assets of the acquiree has been immediately expensed (acquisition premium). Details of the transaction are as follows:

| | Fair Value $ |
|---|---|
| Fair value of: | |
| – Share consideration to acquire the balance of Aphrodite Gold Limited - share capital | 26,530,263 |
| – Options issued to replace existing Aphrodite Gold Limited options on issue | 814,274 |
| | 27,344,537 |
| – Cash consideration for initial interest (10.38%) held in Aphrodite Gold Limited | 1,192,006 |
| – Provision for Stamp Duty on Acquisition | 637,665 |
| | **29,174,208** |
| Fair value of assets and liabilities held at acquisition date by Aphrodite Gold: | |
| – Cash | 51,412 |
| – Trade & Other receivables | 324,147 |
| – Other assets | 3,978 |
| – Property, plant & equipment | 39,129 |
| – Exploration and Evaluation assets* | 12,500,000 |
| – Trade and other payables | (204,829) |
| – Borrowings | (2,500,000) |
| **Fair value of identifiable assets and liabilities assumed** | **10,213,837** |
| **Acquisition premium/goodwill expensed to statement of Profit or Loss** | **18,960,370** |
| Fair value of identifiable assets and liabilities assumed | 10,213,837 |
| * Adjustment to the Fair value of Exploration assets in accordance with Spitfires Exploration and Evaluation policy to expense exploration and evaluation acquisition costs as incurred | (12,500,000) |
| **Fair value of identifiable assets and liabilities assumed** | **(2,286,163)** |

**ASSET ACQUISTION**

**d. Asset Acquisition - Mulwarrie**

On 29th June 2018, Spitfire completed the acquisition of the remaining 49% of the Mulwarrie gold project. The purchase details are outlined below: -

| | $ |
|---|---|
| **Purchase consideration** | |
| 10,000,000 fully paid ordinary shares (escrowed for 12 months) | 837,000 |
| Cash Payment | 100,000 |
| Landholder duty estimate | 43,870 |
| | **1,013,870** |

| | |
|---|---|
| **Total Exploration & Evaluation assets acquired/expensed during the year** | **13,513,870** |

## NOTE 14: PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|---|---|---|
| | **2018 $** | **2017 $** |
| **PLANT AND EQUIPMENT** | | |
| At cost | 337,519 | 220,221 |
| Additions | 28,521 | 124,361 |
| Disposals | - | (7,063) |
| Accumulated depreciation | (246,965) | (218,537) |
| **Total Plant and Equipment** | **119,075** | **118,982** |
| **VEHICLES** | | |
| At cost | 50,745 | - |
| Additions | 89,454 | 50,745 |
| Disposals | - | - |
| Accumulated Depreciation | (15,962) | - |
| **Total Vehicles** | **124,237** | **50,745** |
| | **243,312** | **169,727** |

**Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Plant and Equipment $ | Vehicles $ | Total $ |
|---|---|---|---|
| **Balance at 30 June 2016** | **7,062** | **-** | **7,062** |
| Additions | 124,361 | 50,745 | 175,106 |
| Disposals | (7,063) | - | (7,063) |
| Depreciation expense | (5,378) | - | (5,378) |
| **Balance at 30 June 2017** | **118,982** | **50,745** | **169,727** |
| Additions | 28,521 | 89,454 | 117,975 |
| Disposals | - | - | - |
| Depreciation expense | (28,428) | (15,962) | (44,390) |
| **Balance at 30 June 2018** | **119,075** | **124,237** | **243,312** |

## NOTE 15: TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **CURRENT** | | |
| Trade creditors | | |
| Related party creditors | 78,025 | 70,919 |
| Other | 1,268,057 | 258,332 |
| Sundry payables and accrued expenses | 128,809 | 45,966 |
| | **1,474,891** | **375,217** |

## NOTE 16: PROVISIONS

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Opening balance at the beginning of the period | 3,714 | - |
| Provision for employee benefits | 17,028 | 3,714 |
| Provision for Stamp Duty on Aphrodite Acquisition | 637,665 | - |
| Other Provisions | 150,000 | - |
| | **808,407** | **3,714** |

## NOTE 17: ISSUED CAPITAL

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **a. Ordinary Shares** | | |
| Balance at beginning of reporting period | 36,272,187 | 28,482,687 |
| – 27 October 2016 @ 0.074c (England Project Acquisition) | - | 148,000 |
| – 9 December 2016 @ 0.068c (Yoda Project Acquisition) | - | 204,000 |
| – 29 June 2017 @ 0.125c (Admiral Gold Acquisition) | - | 7,437,500 |
| – 3 July 2017 @ 0.06c (Placement) | 4,500,000 | - |
| – 20 December 2017 @ 0.12 (Aphrodite Gold Acquisition) | 26,530,264 | - |
| – 29 January 2018 @ 0.10 (Placement) | 5,330,000 | - |
| – 29 January 2018 Expenses pertaining to placement | (35,400) | |
| – 29 June 2018 @ 0.087 (Mulwarrie) | 870,000 | |
| | **73,467,051** | **36,272,187** |
| **b. Share Application money pending allotment** | | |
| Funds received pending allotment | - | 4,500,000 |
| | **73,467,051** | **40,772,187** |

| | | Consolidated | |
|---|---|---|---|
| | | 2018 Number | 2017 Number |
| **a.** | **Ordinary shares** | | |
| | At the beginning of reporting period | 171,683,293 | 107,183,292 |
| | Shares issued during the year | | |
| | – 27 October 2016 @ 0.074c (England Project Acquisition) | - | 2,000,000 |
| | – 9 December 2016 @ 0.068c (Yoda Project Acquisition) | - | 3,000,000 |
| | – 29 June 2017 @ 0.125c (Admiral Gold Acquisition) | - | 59,500,001 |
| | – 3 July 2017 @ 0.06c (Placement) | 75,000,000 | - |
| | – 20 December 2017 @0.12c (Aphrodite Gold Acquisition) | 221,085,527 | - |
| | – 29 January 2108 @ 0.10c (Placement) | 53,300,000 | - |
| | – 29 June 2018 @ 0.12c (Mulwarrie 49% Acquisition) | 10,000,000 | |
| | **At reporting date** | **531,068,820** | **171,683,293** |

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

| | | Consolidated | |
|---|---|---|---|
| | | 2018 Number | 2017 Number |
| **b.** | **Share Options** | | |
| | At the beginning of the reporting period | 20,225,000 | 19,225,000 |
| | Issued/(Expired) during the year | | |
| | – 1 June 2017 (0.16c expiring 31 May 2020) | - | 1,000,000 |
| | – 23 August 2017 (0.16c expiring 31 May 2020) | 2,000,000 | - |
| | – 4 January 2018 (0.1158c expiring 19 August 2019) | 13,812,635 | - |
| | – 2 February 2018 (0.16c expiring 31 March 2021) | 400,000 | - |
| | – 28 March 2018 (0.16c expiring 31 March 2021) | 7,500,000 | - |
| | – 15 August 2012 ($1.20 expired 15 August 2017) | (100,000) | - |
| | – 22 November 2012 ($1.10 expired 22 November 2017) | (475,000) | - |
| | **At reporting date** | **43,362,635** | **20,225,000** |
| **c.** | **Performance Rights** | | |
| | At the beginning of the reporting period | 20,000,000 | - |
| | Issued during the year | | |
| | – 29 June 2017 (Class A performance rights) | - | 10,000,000 |
| | – 29 June 2017 (Class B performance rights) | - | 10,000,000 |
| | – 8 February 2018 (Class C performance rights) | 2,150,000 | - |
| | – 8 February 2018 (Class D performance rights) | 2,150,000 | - |
| | Lapsed during the year | | |
| | – 29 June 2018 (Class C performance rights) | (500,000) | |
| | – 29 June 2018 (Class D performance rights) | (500,000) | |
| | **At reporting date** | **23,300,000** | **20,000,000** |

For information relating to the Spitfire Materials Limited Employee Performance Rights and Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end refer to Note 24 Share-based Payments.

**d. Capital Management**

Due to the nature of the Group's activities, being exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings and directors' loans. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programs and corporate overheads. The Group'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 Group at 30 June 2018 and 30 June 2017 are as follows:

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Cash and cash equivalents | 2,722,896 | 5,556,722 |
| Trade and other receivables | 542,907 | 114,957 |
| Other assets – prepayments | 192,269 | - |
| Trade and other payables | (1,474,891) | (375,217) |
| Borrowings – current | (250,000) | - |
| Provisions | (808,407) | (3,714) |
| **Working capital position** | **924,774** | **5,292,748** |

## NOTE 18: RESERVES

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$000** | **$** |
| **Equity settled employee benefits reserve** | | |
| Balance at beginning of period | **765,709** | **430,924** |
| Share Options issued 28 November 2014 | - | 3,267 |
| Share Options expired 1 October 2015 | - | - |
| Share Options expired 26 October 2015 | - | - |
| Share Options issued 30 March 2016 | - | 264,918 |
| Share Options issued 31 May 2017 | - | 66,600 |
| Performance Rights issues 29th June 2017 | 1,522,770 | - |
| Share Options expired 15 August 2017 | (28,600) | - |
| Share Options issued 23 August 2017 | 99,200 | - |
| Share Options expired 22 November 2017 | (91,200) | - |
| Share Options issued on acquisition of Aphrodite 20 December 2017 | 814,274 | - |
| Share Options issued 8 February 2018 | 23,400 | - |
| Performance Rights issued 8 February 2018 | 16,717 | - |
| Performance Rights expired 8 February 2018 | (3,888) | - |
| Share Options issued 28 March 2018 | 377,325 | - |
| | **3,495,707** | **765,709** |
| **Foreign Exchange Reserve** | | |
| Balance at beginning of period | (10,751) | 15,078 |
| Foreign exchange differences on translation | 10,751 | (25,829) |
| | **3,495,707** | **754,958** |

Movements in reserves are set out in the Statement of Changes in Equity.

***Equity settled employee benefits reserve***

The equity settled employee benefits reserve arises on the grant and vesting of share options or performance rights to Employees, Consultants and Directors. Amounts are transferred out of the reserve into issued capital if options or rights are exercised.

## NOTE 19: CONTINGENCIES

The Directors have previously identified a contingent liability based on potential state taxes that may arise from the acquisition of Admiral Gold Limited. After taking independent advice, the directors remain of the view that no liability is required to be recognised in these financial statements.

## NOTE 20: PARENT ENTITY DISCLOSURES

The following details information related to the parent entity, Spitfire Materials Limited, at 30 June 2018. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **(a) Financial Position** | | |
| **Assets** | | |
| Current assets | 2,555,403 | 5,508,977 |
| Non-current assets | 38,616 | 34,336 |
| **Total assets** | **2,594,019** | **5,543,313** |
| **Liabilities** | | |
| Current liabilities | 1,000,511 | 177,005 |
| **Total liabilities** | **1,000,511** | **177,005** |
| **Equity** | | |
| Issued capital | 73,467,051 | 40,772,187 |
| Reserves: | | |
| Equity settled employee benefits reserve | 3,495,707 | 765,710 |
| Accumulated losses | (75,369,249) | (36,171,589) |
| **Total equity** | **1,593,509** | **5,366,308** |
| **(b) Financial Performance** | | |
| Profit/(loss) for the year | (39,321,349) | (9,158,843) |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **(39,321,349)** | **(9,158,843)** |
| **(c) Commitments of the Parent Entity** | | |
| **Operating lease** | | |
| Within one year | 60,040 | 57,808 |
| One year or later and no later than five years | 13,194 | 14,742 |
| | **73,234** | **72,550** |

## NOTE 21: SEGMENT REPORTING

**Identification of reportable segments**

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of its individual exploration commodity and the remaining treasury function. Operating segments are therefore determined on the same basis.

**Types of exploration by project segment**

*(i) Australia – Gold Exploration*

The Australian gold exploration segment includes the Alice River, Aphrodite, Mulwarrie, England and Yoda gold projects.

*(ii) Australia – Manganese Exploration*

The manganese exploration segment is the maintenance of the Manganese project at South Woodie in the East Pilbara.

*(iii) Australia – Treasury*

In addition, the Company has included a Treasury segment that includes the surplus cash of which the majority is invested in Bank term deposits.

**Basis of accounting for purposes of reporting by operating segments**

***Accounting policies adopted***

Unless stated otherwise, all amounts reported to the Board of Directors, as the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

***Segment assets***

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

***Segment liabilities***

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

***Unallocated items***

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Other corporate charges

| Consolidated 30 June 2018 | Australia – Gold Exploration $ | Australia – Manganese Exploration $ | Australia – Treasury $ | Consolidated Group $ |
|---|---|---|---|---|
| **SEGMENT PERFORMANCE** | | | | |
| Finance revenue | 246 | - | 59,595 | 59,841 |
| **Total segment and group revenue** | | | | **59,841** |
| *Reconciliation of segment revenue to group revenue* | | | | |
| Other revenue | - | - | - | 650 |
| **Total group revenue** | | | | **60,491** |
| **Segment net profit/(loss) from continuing operations before tax** | **(37,912,475)** | **(95,285)** | **59,595** | **(37,948,165)** |
| *Reconciliation of segment result to group net profit/(loss) before tax* | | | | |
| – Other tax revenue | | | | |
| Unallocated Items | | | | |
| - Consulting Fees | | | | (369,525) |
| - Depreciation | | | | (44,390) |
| - Other | | | | (3,491,610) |
| **Net Profit/(loss) before tax from continuing operations** | | | | **(41,853,690)** |
| **SEGMENT ASSETS** | | | | |
| Segment assets | 1,105,250 | 2,115 | 2,472,647 | 3,580,012 |
| *Reconciliation of segment assets to group assets* | | | | |
| Unallocated items | | | | |
| - Other | | | | 121,372 |
| **Total group assets** | | | | **3,701,384** |
| Segment asset increases/(decreases) for the period: | | | | |
| - Cash | 151,716 | (80) | (3,020,093) | (2,868,457) |
| - Other | 657,636 | - | - | 657,636 |
| Unallocated items | | | | |
| - Other | - | - | - | 70,799 |
| | **809,352** | **(80)** | **(3,020,093)** | **(2,140.022)** |
| **SEGMENT LIABILITIES** | | | | |
| Segment liabilities | | | | |
| Payables | 1,130,243 | 2,543 | - | 1,132,786 |
| Borrowings | 2,250,000 | | | 2,250,000 |
| Provisions | 787,665 | - | - | 787,665 |
| *Reconciliation of segment liabilities to group liabilities* | | | | |
| Unallocated items | | | | |
| - Other | - | - | - | 362,847 |
| **Consolidated Total Liabilities** | | | | **4,533,298** |

# FINANCIAL STATEMENTS

| Consolidated 30 June 2017 | Australia – Gold Exploration $ | Australia – Manganese Exploration $ | Australia – Treasury $ | Consolidated Group $ |
|---|---|---|---|---|
| **SEGMENT PERFORMANCE** | | | | |
| Finance revenue | - | - | 31,352 | 31,352 |
| **Total segment and group revenue** | | | | **31,352** |
| *Reconciliation of segment revenue to group revenue* | | | | |
| Other revenue | | | | 9,100 |
| **Total group revenue** | | | | **40,452** |
| **Segment net profit/(loss) from continuing operations before tax** | **(8,186,611)** | **(44,283)** | **31,352** | **(8,199,542)** |
| *Reconciliation of segment result to group net profit/(loss) before tax* | | | | |
| – Other tax revenue | - | - | - | - |
| Unallocated Items | | | | |
| - Consulting Fees | | | | (314,969) |
| - Depreciation | | | | (5,378) |
| - Other | | | | (520,194) |
| **Net Profit/(loss) before tax from continuing operations** | | | | **(9,040,083)** |
| **SEGMENT ASSETS** | | | | |
| Segment assets | 295,898 | 2,195 | 5,492,691 | 5,790,784 |
| *Reconciliation of segment assets to group assets* | | | | |
| Unallocated items | | | | |
| - Other | - | - | - | 50,622 |
| **Total group assets** | | | | **5,841,406** |
| Segment asset increases/(decreases) for the period: | | | | |
| - Cash | 96,467 | (2,714) | 3,424,766 | 3,518,519 |
| - Other | 199,431 | (983) | 40,444 | 238,892 |
| - From discontinued operation | - | - | - | (38,851) |
| | **295,898** | **(3,697)** | **3,465,210** | **3,718,561** |
| **SEGMENT LIABILITIES** | | | | |
| Segment liabilities | | | | |
| Payables | 237,293 | 5,967 | - | 243,260 |
| Provisions | - | - | - | 3,714 |
| *Reconciliation of segment liabilities to group liabilities* | | | | |
| Unallocated items | | | | |
| - Other | - | - | 116,847 | 116,847 |
| **Total group liabilities** | | | | **363,821** |
| Liabilities relating to Zambia Limestone Segment (now discontinued) | | | | 15,110 |
| **Consolidated Total Liabilities** | | | | **378,931** |

## NOTE 22: CASH FLOW INFORMATION

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **(a) Reconciliation of Cash Flow from Operations with Profit/Loss after Income Tax** | | |
| Profit/(Loss) after income tax | (41,853,690) | (9,079,169) |
| Non-cash flows in profit/(loss) | | |
| − Depreciation | 44,390 | 5,378 |
| − Share options expensed | 2,039,411 | 334,785 |
| − Net Foreign Exchange/(gain)/loss | (3,480) | 1,954 |
| − Expense of exploration & evaluation assets acquired (non-cash) | 13,413,870 | 7,674,550 |
| − Acquisition premium/goodwill expensed | 18,960,370 | - |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries | | |
| − (Increase)/decrease in trade and term receivables | (239,443) | 17,043 |
| − Increase/(decrease) in trade payables and accruals | 913,998 | (12,525) |
| − Increase/(decrease) in provisions | 167,028 | 3,714 |
| **Cashflow from operations** | **6,557,546** | **(1,054,270)** |

## NOTE 23: COMMITMENTS

### a) Operating Lease Commitments

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Non-cancellable operating lease contracted for but not capitalised in the financial statements: | | |
| Payable | | |
| − Within one year | 60,040 | 57,808 |
| − One year or later and no later than five years | 13,194 | 14,742 |
| | **73,234** | **72,550** |

The above amounts relate to a property lease at 130 Stirling Highway, North Fremantle which is expiring on 15 September 2019 and a contract with HP Financial services for printer hire charges expiring on 31 December 2019.

### b) Exploration Commitments

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| In order to maintain current rights of tenure to exploration tenements, the Company has the following discretionary exploration expenditure up until the expiry of leases. These obligations are not provided for in the financial statements and are payable: | | |
| − Within one year | 493,080 | 86,000 |
| − One year or later and no later than five years | 1,585,280 | 220,333 |
| − Later than five years | 1,732,167 | - |
| | **3,810,527** | **306,333** |

The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

In 2012 Aphrodite Gold Limited received $2,500,000 by way of an interest free royalty advance from Franco-Nevada. The advance required no repayment for the first 5 years with the first royalty year commencing on 1 November 2017 and if production commences a royalty of 2.5% is payable. The terms of the Royalty agreement include an annual minimum royalty of $250,000 per annum from 1 November 2017.

The Company's wholly owned subsidiary Admiral Gold Limited has entered into a farm-in joint venture agreements on the Alice River Project. The Company has the following discretionary exploration expenditure to earn an interest in the project in accordance with the farm-in/joint venture agreements.

**Alice River Gold Project**

Admiral has the right to earn and acquire up to a 100% interest in the Alice River Gold Project. The key terms of the agreement include:

(a) Admiral has the right to earn up to an initial 51% interest in the tenements ("Stage 1 Interest") by:

(i) Expending a minimum of $1,000,000 on exploration expenditure on or in relation to the tenements by 14th March 2018 ("Year 1 Expenditure Requirement"), including satisfying a minimum expenditure commitment of $750,000;

(ii) Expending a minimum of $5,000,000 on exploration of the tenements, which shall include any amounts spent in satisfying the Year 1 Expenditure Requirement by 14th March 2019; and

(iii) Completing a Scoping Study on the tenements.

(b) Subject to Admiral earning the Stage 1 Interest, Admiral has the right to earn up to an additional 24% interest in the tenements ("Stage 2 Interest") by undertaking additional expenditure on exploration of the tenements of not less than $5,000,000 by 14th March 2021.

## NOTE 24: SHARE BASED PAYMENTS

**Share Options**

All options granted are exercisable into ordinary shares in Spitfire Materials Limited, which confer a right of one ordinary share for every option held.

The number and weighted average exercise prices of share options granted are as follows:

| | Consolidated | |
|---|---|---|
| | **Weighted average exercise price** | **Number of options** |
| **Options outstanding as at 30 June 2016** | **19.84c** | **19,225,000** |
| Issued | 16c | 1,000,000 |
| **Options outstanding as at 30 June 2017** | **19.65c** | **20,225,000** |
| Issued | 13.43c | 23,712,635 |
| Expired | $1.12 | (575,000) |
| **Options outstanding as at 30 June 2018** | **15.03c** | **43,362,635** |
| Options exercisable as at 30 June 2018: | | 43,362,635 |
| Options exercisable as at 30 June 2017: | | 20,225,000 |

The weighted average remaining contractual life of options outstanding at year end was 788 days (2.16 years). The range of exercise prices of outstanding options granted as compensation at reporting date is from $0.1158c to $0.45c.

During the year the Company issued 23,712,635 share options at a weighted average exercise price of 13.43c. Included was the issue of 13,812,635 share options exercisable at 11.58c as part of the merger consideration for Aphrodite Gold Limited.

The fair value of share options granted have been valued using Black Scholes Methodology taking into account the terms and conditions as detailed below:

| Unlisted Share Options | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Grant date Exercise Price | Option grant details of issue | Exercise Price | Share Price at date of issue | Expected volatility | Expiry date | Risk free interest rate | Value per option | Number of options |
| 23/8/2017 | Consultants | $0.16 | $0.10 | 97.7% | 31 May 2020 | 1.66% | $0.049 | 2,000,000 |
| 4/1/2018 | Merger Consideration | $0.1158 | $0.12 | 96.9% | 19 Aug 2019 | 1.95% | $0.059 | 13,812,635 |
| 2/2/20918 | Consultants | $0.16 | $0.11 | 94.9% | 31 May 2021 | 1.94% | $0.058 | 400,000 |
| 28/3/2018 | Consultants | $0.16 | $0.10 | 94.9% | 31 May 2021 | 1.94% | $0.050 | 7,500,000 |

**Performance Rights**

The Company has the following Performance Rights issued to Directors, staff and consultants in existence during the current and prior reporting periods.

| Performance Rights | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Class | Grant date | Expiry Date | No of Rights | Vested during the year | Rights Exercised | Rights Expired | Rights Vested | Rights Unvested |
| A | 29/6/2017 | 29/6/2021 | 10,000,000 | 10,000,000 | - | - | 10,000,000 | - |
| B | 29/6/2017 | 29/6/2021 | 10,000,000 | 10,000,000 | - | - | 10,000,000 | - |
| C | 8/2/2018 | 8/2/2022 | 2,150,000 | - | - | (500,000) | - | 1,650,000 |
| D | 8/2/2018 | 8/2/2022 | 2,150,000 | - | - | (500,000) | - | 1,650,000 |

Valuation of the performance rights was undertaken with the following factors and assumptions being used in determining the fair value of each right on the grant date.

| Class C Performance Rights | | | | | | |
|---|---|---|---|---|---|---|
| Grant Date | Period (years) | Valuation per right | Expected Volatility | Risk free interest rate | Dividend Yield | Vesting Conditions |
| 8 February 2018 | 4 | $0.04 | 94.9% | 1.96% | - | 5-day VWAP being greater than $0.20 per Share and the holder remains employed or engaged with the Company for 12 months. |

| Class D Performance Rights | | | | | | |
|---|---|---|---|---|---|---|
| Grant Date | Period (years) | Valuation per right | Expected Volatility | Risk free interest rate | Dividend Yield | Vesting Conditions |
| 8 February 2018 | 4 | $0.04 | 94.9% | 1.96% | - | 5-day VWAP being greater than $0.25 per Share and the holder remains employed or engaged with the Company for 24 months. |

| Class A Performance Rights | | | | | |
|---|---|---|---|---|---|
| Grant Date | Period (years) | Valuation per right | Expected Volatility | Risk free interest rate | Dividend Yield |
| 29 June 2017 | 4 | $0.0670 | 136.8% | 3.0% | - |

| Class B Performance Rights | | | | |
|---|---|---|---|---|
| Grant Date | Period (years) | Valuation prior to probability | Combined Probability | Valuation per right |
| 29 June 2017 | 4 | $0.1224 | 69.7% | $0.0853 |

Following the merger with Aphrodite Gold Limited on 4 January 2018, in accordance with the terms of the Performance Rights and Options plan, the Class A and Class B performance rights vested in full.

| Performance Rights | | | | | |
|---|---|---|---|---|---|
| Grant Date | Expiry Date | Class | Total Valuation<br>$ | Expense recorded to 30 June 2017<br>$ | Expense recorded to 30 June 2018 |
| 29 June 2017 | 29 June 2021 | Class A | 670,348 | 459 | 669,889 |
| 29 June 2017 | 29 June 2021 | Class B | 853,464 | 584 | 852,880 |
| 8 Feb 2018 | 8 February 2022 | Class C | 86,000 | - | 8,358 |
| 8 Feb 2018 | 8 February 2022 | Class D | 86,000 | - | 8,358 |
| | | | **1,695,812** | **1,043** | **1,539,485** |

**Expenses arising from share based payment transactions:**

Total expenses arising from share based payment transactions recognised during the period as follows:

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Options issued to key management personnel | - | 267,142 |
| Options issued to consultants and advisers | 499,925 | 66,600 |
| Performance Rights issued to key management personnel | 1,165,805 | 1,043 |
| Performance Rights issued to staff and consultants | 373,681 | - |
| **Total Share based payments expense** | **2,039,411** | **334,785** |

**Other Share based payments**

On 4 January 2018, the Company issued 221,085,527 fully paid ordinary shares as part of the merger with Aphrodite Gold Limited. The value per share was based on the spot price as at the date of acquiring control being $0.12. In addition, the Company issued 13,812,635 unlisted share options exercisable into ordinary shares @11.58c with an expiry date of 19 August 2019.

## NOTE 25: EVENTS AFTER BALANCE SHEET DATE

In July 2018, Spitfire entered into loan facility agreements with entities associated with its Chairman, Peter Buttigieg, and Executive Director, Neil Biddle for unsecured loan facilities up to an aggregate of A$1 million. As at the date of this report, no funds have been drawn under the loan agreement.

Following the merger announcement with Excelsior Gold Limited in June 2018 ("Excelsior"), the Scheme Booklet was registered with ASIC and dispatched to Excelsior shareholders on 14 August 2018. The Excelsior Scheme meeting is scheduled to be held on 19th September 2018. Subject to implementation of the Scheme, completion of the merger is expected to occur on 3rd October 2018.

Other than the above, there has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## NOTE 26: FINANCIAL RISK MANAGEMENT

**Significant accounting policies**

Details of the significant accounting policies in respect of financial instruments are disclosed in Note 1 of the financial statements.

**Financial risk management**

The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk, however if the Group enters commercial production this may be considered. No derivatives or hedges were entered into during the period.

**General objectives, policies and processes**

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Group is exposed through its operations to the following financial risks:

- Liquidity risk;
- Credit risk; and
- Interest rate risk.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

**Liquidity risk**

Prudent liquidity risk management requires the Group to maintain sufficient cash to meet exploration and other commitments and is managed centrally by the Board. The board monitors rolling cash forecasts to manage liquidity risks and to ensure adequate cash reserves are maintained. Any exploration programs and budgets are set and agreed in advance, enabling the Group's cash requirements to be anticipated and managed. The main financial liabilities of the Group at balance date are trade and other payables.

**Credit risk**

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group has made investments and advances of $6,158,850 (2017: $433,382) into subsidiary companies, recovery of which is dependent on future income generation of those subsidiaries.

The Group's maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Carrying value<br>$ | Maximum exposure<br>$ | Carrying value<br>$ | Maximum exposure<br>$ |
| Cash and cash equivalents | | | | |
| – AA Rated | 2,722,896 | 2,722,896 | 5,556,722 | 5,556,722 |
| Trade and other receivables | 542,907 | 542,907 | 114,957 | 114,957 |
| | **3,265,803** | **3,265,803** | **5,671,679** | **5,671,679** |

**Price risk**

Price conscious risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities. The Group is currently involved in the exploration for manganese and should sufficient economic resources be delineated then the Group will be exposed to the particular commodity price risk. There are no hedges in place at balance date.

**Interest rate risk**

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

| Consolidated 2018 | Floating interest rate $ | Fixed interest maturing in 1 year or less $ | Fixed interest maturing over 1 to 5 years $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 682,896 | 2,040,000 | - | - | 2,722,896 |
| Trade and other receivables | - | - | - | 542,907 | 542,907 |
| | **682,896** | **2,040,000** | **-** | **542,907** | **3,265,803** |
| Weighted average interest rate | - | 1.82% | | | |
| **Financial liabilities** | | | | | |
| Trade and other payables | - | - | - | 1,474,891 | 1,474,891 |
| Provisions | - | - | - | 808,407 | 808,407 |
| Borrowings | - | - | - | 2,250,000 | 2,250,000 |
| | **-** | **-** | **-** | **4,533,298** | **4,533,298** |

| Consolidated 2017 | Floating interest rate $ | Fixed interest maturing in 1 year or less $ | Fixed interest maturing over 1 to 5 years $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 4,706,722 | 850,000 | - | - | 5,556,722 |
| Trade and other receivables | - | - | - | 114,957 | 114,957 |
| | **4,706,722** | **850,000** | **-** | **114,957** | **5,671,679** |
| Weighted average interest rate | 0% | 0.88% | | | |
| **Financial liabilities** | | | | | |
| Trade and other payables | - | - | - | 375,216 | 375,216 |
| Provisions | - | - | - | 3,714 | 3,714 |
| | **-** | **-** | **-** | **378,930** | **378,930** |

**Sensitivity Analysis - Interest rate risk**

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

*Interest Rate*

*Sensitivity Analysis*

A sensitive analysis has been determined based on the exposure to changes in interest rates on available cash during the financial year. A 100 basis point increase or decrease has been used as management's assessment of the risk of possible changes in interest rates. At 30 June 2018, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would increase by $32,831 or decrease by $59,798 (2017: increase by $35,775 or decrease by $31,352). This is due mainly to the Group's exposure to variable interest rates on cash and cash equivalents.

**Net Fair Value**

The carrying value and net fair value of financial assets and liabilities at balance date are:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Carrying Amount | Net Fair Value | Carrying Amount | Net Fair Value |
| **Financial assets** | | | | |
| Cash and cash equivalents | 2,722,896 | 2,722,896 | 5,556,722 | 5,556,722 |
| Trade and other receivables | 542,907 | 542,907 | 114,957 | 114,957 |
| | **3,265,803** | **3,265,803** | **5,671,679** | **5,671,679** |
| **Financial liabilities** | | | | |
| Trade and other payables | 1,474,891 | 1,474,891 | 375,217 | 375,217 |
| Provisions | 808,407 | 808,407 | 3,714 | 3,714 |
| Borrowings | 2,250,000 | 2,250,000 | - | - |
| | **4,533,298** | **4,533,298** | **378,931** | **378,931** |

# DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 27 to 61, are in accordance with the Corporations Act 2001 and:

   a. Comply with Accounting Standards;

   b. Are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 1 to the financial statements; and

   c. Give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Company and consolidated Group.

2. The Company Secretary has declared that:

   a. The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   b. The financial statements and notes for the financial year comply with the Accounting Standards; and

   c. The financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion, subject to the disclosures in Note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

**JOHN YOUNG**
MANAGING DIRECTOR

Dated this 17th day of September 2018

Bentleys
THINKING AHEAD

**Bentleys Audit & Corporate (WA) Pty Ltd**
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

# Independent Auditor's Report

## To the Members of Spitfire Materials Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Spitfire Materials Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

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

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which indicates that the Group incurred a net loss of $41,853,690 during the year ended 30 June 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

## Key Audit Matters

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

| Key Audit Matter | How our audit addressed the key audit matter |
| --- | --- |
| **Merger of Aphrodite Gold Limited**<br>During the year, the Group completed its merger of Aphrodite Gold Limited via the issue of shares. This transaction was accounted for as a business combination with a deemed consideration of $29,174,208.<br>This was a key audit matter due to:<br>– The size of the transaction having a pervasive impact on the financial statements; and<br>– The complexity in identifying the elements of consideration and the judgement applied in determining its fair value. | Procedures performed as part of our assessment of the transaction and the appropriateness of the accounting treatment applied, included:<br>– Evaluation of management's assessment of the combining entities to determine who obtained control as a result of the transaction;<br>– Review of contractual agreements relating to the acquisition and understanding the key terms and conditions of the transaction;<br>– Assessment of the calculation of the deemed consideration;<br>– Verification of the acquisition date balance sheet of the acquiree to underlying supporting documentation;<br>– Assessment of management's determination of the fair value of assets (including review of the independent valuation performed) and liabilities acquired and the resultant acquisition premium expensed; and<br>– Assessment of the adequacy of the disclosures in Notes 13 of the financial statements. |

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Accounting for Share Based Payments – Performance Rights and Unlisted Options** | |
| As disclosed in note 24 to the financial statements, the Company issued unlisted options and performance rights as consideration for services during the year. The total expenses arising from share based payment transactions during the year (excluding shares and options issued for acquisitions) was $2,039,411.<br><br>Share based payments are considered to be a key audit matter due to:<br>– the value of the transactions;<br>– the complexities involved in the recognition and measurement of these instruments; and<br>– the judgement involved in determining the inputs used in the valuations.<br><br>Management used the Monte Carlo Simulation Valuation Model to determine the fair value of the performance rights granted and considered the probabilities to the likelihood of the service conditions being met. The Black-Scholes Option Valuation Model was used to determine the fair value of the options granted.<br><br>The valuations involved significant estimation and judgement required to determine the fair value of the equity instruments granted. | Our procedures amongst others included:<br>– Analysing agreements to identify the key terms and conditions of share based payments issued and relevant vesting conditions in accordance with *AASB 2 Share Based Payments*;<br>– Evaluating management's option valuations and assessing the assumptions and inputs used;<br>– Evaluating the assumptions used to in assessing the likelihood of the vesting conditions being met; and<br>– Assessing the adequacy of the disclosures included in Note 24 to the financial statements. |
| **Exploration and evaluation expenditure**<br><br>During the year the Group incurred exploration expenditure of $18,621,983.<br><br>Exploration expenditure is a key audit matter due to:<br>– The significance to the Group's statement of profit or loss and other comprehensive income; and | Our audit procedures included but were not limited to:<br>– Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Group holds an interest and the exploration programs planned for those tenements; |

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| – The level of judgement required in evaluating management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources* ("AASB 6"). AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. | – We assessed the Group's rights to tenure by corroborating to government registries; and<br>– We tested exploration expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the requirements of the Group's accounting policy and the requirements of AASB 6. |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 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 that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors’ report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

## Auditor’s Opinion

In our opinion, the Remuneration Report of Spitfire Materials Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Bentleys

**BENTLEYS**
**Chartered Accountants**

**DOUG BELL** CA
**Partner**

Dated at Perth this 17th day of September 2018

# ADDITIONAL INFORMATION FOR LISTED COMPANIES

## ADDITIONAL SHAREHOLDER INFORMATION AS AT 13 SEPTEMBER 2018

### 1. SHAREHOLDING INFORMATION

a. Distribution of equity security holders

| Category (size of holding) | Total holders | Units | % Units |
|---:|---:|---:|---:|
| 1 - 1,000 | 230 | 106,984 | 0.02 |
| 1,001 - 5,000 | 310 | 906,330 | 0.17 |
| 5,001 - 10,000 | 285 | 2,215,766 | 0.42 |
| 10,001 - 100,000 | 782 | 31,830,416 | 5.99 |
| 100,001 Over | 480 | 496,009,324 | 93.40 |
| **Total** | **2,087** | **531,068,820** | **100.00** |

b. The number of shareholdings held in less than a marketable parcel is 625.

There is no current on-market buy-back.

c. The names of the substantial shareholders listed in the holding company's register as at 13 September 2018 are:

| Shareholder | Number Ordinary Shares | % |
|---|---:|---:|
| RMS (Aust) Pty Ltd, P&J Buttigieg Nominees Pty Ltd <Buttigieg Super Fund A/C> & P&J Buttigieg <Buttigieg Super Fund A/C> ("Buttigieg Group") | 49,928,394 | 9.40 |

d. Voting Rights

There is a total of 531,068,820 fully paid ordinary shares on issue. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Share options and performance rights do not have voting rights.

e. Restricted securities or securities subject to ASX or voluntary escrow

10,000,000 escrowed until 29 June 2019

f. 20 Largest Shareholders – Ordinary Shares

| Rank | Name | Units | % of Units |
|---|---|---|---|
| 1. | RMS (AUST) PTY LTD | 49,928,394 | 9.40 |
| 2. | P & J BUTTIGIEG NOMINEES PTY LTD <BUTTIGIEG SUPER FUND A/C> | 18,388,066 | 3.46 |
| 3. | J P MORGAN NOMINEES AUSTRALIA LIMITED | 13,594,986 | 2.56 |
| 4. | BIDDLE PARTNERS PTY LTD <BIDDLE SUPER FUND A/C> | 13,217,483 | 2.49 |
| 5. | STARCHASER NOMINEES PTY LTD <AH & AMB SUPER FUND A/C> | 12,298,310 | 2.32 |
| 6. | MR JOHN ALEXANDER YOUNG + MRS CHERYL KAYE YOUNG <FOREVER YOUNG FAMILY A/C> | 11,000,000 | 2.07 |
| 7. | GOLDFIELD ARGONAUT PTY LTD | 10,640,000 | 2.00 |
| 8. | MR JOHN CAMPBELL SMYTH <SMYTH SUPER FUND A/C> | 8,400,000 | 1.58 |
| 9. | NOHUNI PTY LTD <SUPER FUND A/C> | 8,362,000 | 1.57 |
| 10. | TEAS NOMINEES PTY LTD <THE SMITH SUPER FUND A/C> | 7,000,000 | 1.32 |
| 11. | BNP PARIBAS NOMS PTY LTD <DRP> | 6,950,208 | 1.31 |
| 12. | 2M RESOURCES PTY LTD | 6,000,000 | 1.13 |
| 13. | PETLIN NOMINEES PTY LTD <PETLIN SUPER FUND A/C> | 6,000,000 | 1.13 |
| 14. | MRS ANNE MARIE BOYS | 5,151,480 | 0.97 |
| 15. | MR SIMON LANYCIA | 5,100,000 | 0.96 |
| 16. | STARBLEND NOMINEES PTY LTD <THE INNIS SUPER FUND A/C> | 5,100,000 | 0.96 |
| 17. | MR ROBERT ANDREW RODDA+MRS HELEN MARGARET RODDA <HR FUND A/C> | 5,000,000 | 0.94 |
| 18. | MR JOHN ALEXANDER YOUNG + MRS CHERYL KAYE YOUNG <THE FOREVER YOUNG S/F A/C> | 5,000,000 | 0.94 |
| 19. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 4,232,753 | 0.80 |
| 20. | HATCHED CREEK PTY LTD <THE DIRECTION A/C> | 4,000,000 | 0.75 |
| **Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)** | | **205,363,680** | **38.67** |
| **Total Remaining Holders Balance** | | **325,705,140** | **61.33** |

## 2. COMPANY SECRETARY

The name of the Company Secretary is Russell Hardwick.

## 3. PRINCIPAL REGISTERED OFFICE

The address of the principal registered office in Australia is:

130 Stirling Highway
North Fremantle WA 6159
Telephone +61 8 6215 0090

## 4. REGISTER OF SECURITIES

Computershare
Level 11, 172 St Georges Terrace
PERTH WA 6000
P: + 61 8 9323 2018

## 5. SECURITIES EXCHANGE LISTING

Quotation has been granted for all the ordinary shares on all Member Exchanges of the Australian Securities Exchange Limited.

## 6. UNQUOTED SECURITIES

| Share Options – Expiry Date | Exercise Price | Quantity | Number of Holders |
|---|---|---|---|
| 28 November 2019 | $0.45 | 650,000 | 3 |
| 31 May 2020 | $0.16 | 3,000,000 | 2 |
| 30 March 2021 | $0.16 | 18,000,000 | 5 |
| 30 March 2021 | $0.16 | 7,900,000 | 5 |
| 19 August 2019 | $0.1158 | 13,812,635 | 1 |

| Performance Rights - Expiry Date | Class | Quantity | Number of Holders |
|---|---|---|---|
| 29 June 2021 | A (Vested) | 10,000,000 | 4 |
| 29 June 2021 | B (Vested) | 10,000,000 | 4 |
| 08 February 2022 | C | 1,650,000 | 4 |
| 30 March 2021 | D | 1,650,000 | 4 |

## 7. SCHEDULE OF TENEMENTS

Spitfire Materials Limited - Tenement Holding

| Country/state | Tenement Code | Beneficial Interest (%) |
|---|---|---|
| **England Gold Project** | | |
| Western Australia | E38/2869 | 100% |
| **Yoda Prospect Project** | | |
| Northern Territory | EL 30834 | 100% |
| **Mulwarrie Gold Project** | | |
| Western Australia | M30/0119 | 100% |
| Western Australia | M30/0145 | 100% |
| **South Woodie Woodie Manganese Project** | | |
| Western Australia | E46/616 | 80% |
| Western Australia | E46/787 | 100% |
| Western Australia | E46/835 | 100% |
| Western Australia | R46/0002 | 80% |
| Western Australia | E46/1159 | 100% |
| Western Australia | E46/1160 | 100% |
| Western Australia | E46/1282 – Application | 100% |

| Alice River Gold Project | | |
|---|---|---|
| Queensland | ML2901 | 0%* |
| Queensland | ML2902 | 0%* |
| Queensland | ML2907 | 0%* |
| Queensland | ML2908 | 0%* |
| Queensland | ML2957 | 0%* |
| Queensland | ML2958 | 0%* |
| Queensland | ML3010 | 0%* |
| Queensland | ML3011 | 0%* |
| Queensland | EPM14313 | 0%* |
| Queensland | EPM15359 | 0%* |
| Queensland | EPM15360 | 0%* |
| Queensland | EPM15409 | 0%* |
| Queensland | EPM16301 | 0%* |
| Queensland | EPM26266 | 0%* |

** Subject to Farm-In/Joint Venture Agreement*

| Aphrodite Gold Project | | |
|---|---|---|
| Western Australia | M24/720 | 100% |
| Western Australia | M24/779 | 100% |
| Western Australia | M24/649 | 100% |
| Western Australia | M24/681 | 100% |
| Western Australia | M24/662 | 100% |
| Western Australia | E24/186 | 100% |
| Western Australia | P24/5014 | 100% |
| Western Australia | P24/5015 | 100% |
| Western Australia | L24/204 | 100% |
| Western Australia | L29/114 | 100% |
| Western Australia | L29/115 | 100% |
| Western Australia | L24/225 – Pending Application | 100% |
| Western Australia | L24/226 – Pending Application | 100% |
| Western Australia | L24/227 – Pending Application | 100% |

www.spitfirematerials.com

Spitfire Materials Limited | ABN 40 125 578 743
Locked Bag 4 NORTH FREMANTLE WAS 6159