POZ Minerals

ANNUAL REPORT 2018

Track clearing at Blina

POZ MINERALS LIMITED

ABN 51 129 158 550

CORPORATE DIRECTORY

Directors
Jim Richards – Chairman
Mark Thompson – Non-Executive Director
Grant Mooney – Non-Executive Director & Company Secretary

ASX Code: POZ

Website & Email
Website: www.phosphateaustralia.com.au
Email: info@phosphateaustralia.com.au

Principal Place of Business
Ground Floor
16 Ord Street
West Perth WA 6005
Phone: +61 (8) 9422 9555
Fax: +61 (8) 9422 9599

Registered Office
Suite 4, 6 Richardson Street
West Perth WA 6005
Phone: +61 (8) 9226 0085
Fax: +61 (8) 9226 0130

Share Registry
Link Market Services
Level 12
250 St George's Terrace
Perth WA 6000
Phone: +61 1300 554 474
Fax: +61 (2) 9287 0303

Auditors
Grant Thornton Audit Pty Ltd
Level 43, Central Park
152-158 St Georges Terrace
Perth WA 6000
Phone: +61 (8) 9480 2000
Fax: +61 (8) 9322 7877

Dear fellow shareholder,

I am pleased to present the Annual Report of POZ Minerals Limited (POZ) for the year ended 30 June 2018.

The main focus of the Company over the last year has been the Blina Diamond Project (100% POZ) in the Kimberley region of Western Australia. This advanced alluvial project represents an exciting opportunity to produce high value Fancy Yellow diamonds at low capex costs.

A great deal of activity over the last twelve months has managed to achieve a number of milestones towards this goal and of commencing bulk sampling operations at Blina. These include the granting of four mining leases, a successful aboriginal heritage survey, a Ground Penetrating Radar survey to delineate high grade diamond trap sites, drilling to test trap site gravels, clearing of tracks, further ground acquisitions, preparing and lodging the Mining Proposal with government and major equipment purchases of processing plant equipment.

In the year ahead the Company has two main operational goals:

- Phase 1: Commission onsite processing plant and commence bulk sample diamond recovery
- Phase 2: Trial mining of the best grades

We look forward to achieving these goals as quickly as possible.

From a corporate perspective, the divestment of the Company's gold and vanadium assets have been excellent commercial outcomes for the Company and allowed the board and management to focus completely on the Blina Project. The Company continues to field enquiries as regards the Highland Plains phosphate asset.

The Company is looking forward to continuing to build on our success at Blina and is well placed for the year ahead with a cash balance of approximately $1.67 million (30 June 2018). POZ will be applying for a Research and Development (R&D) tax refund from the Government for relevant expenditures for the tax year ending 2017-18.

Yours Sincerely

Jim Richards
Chairman

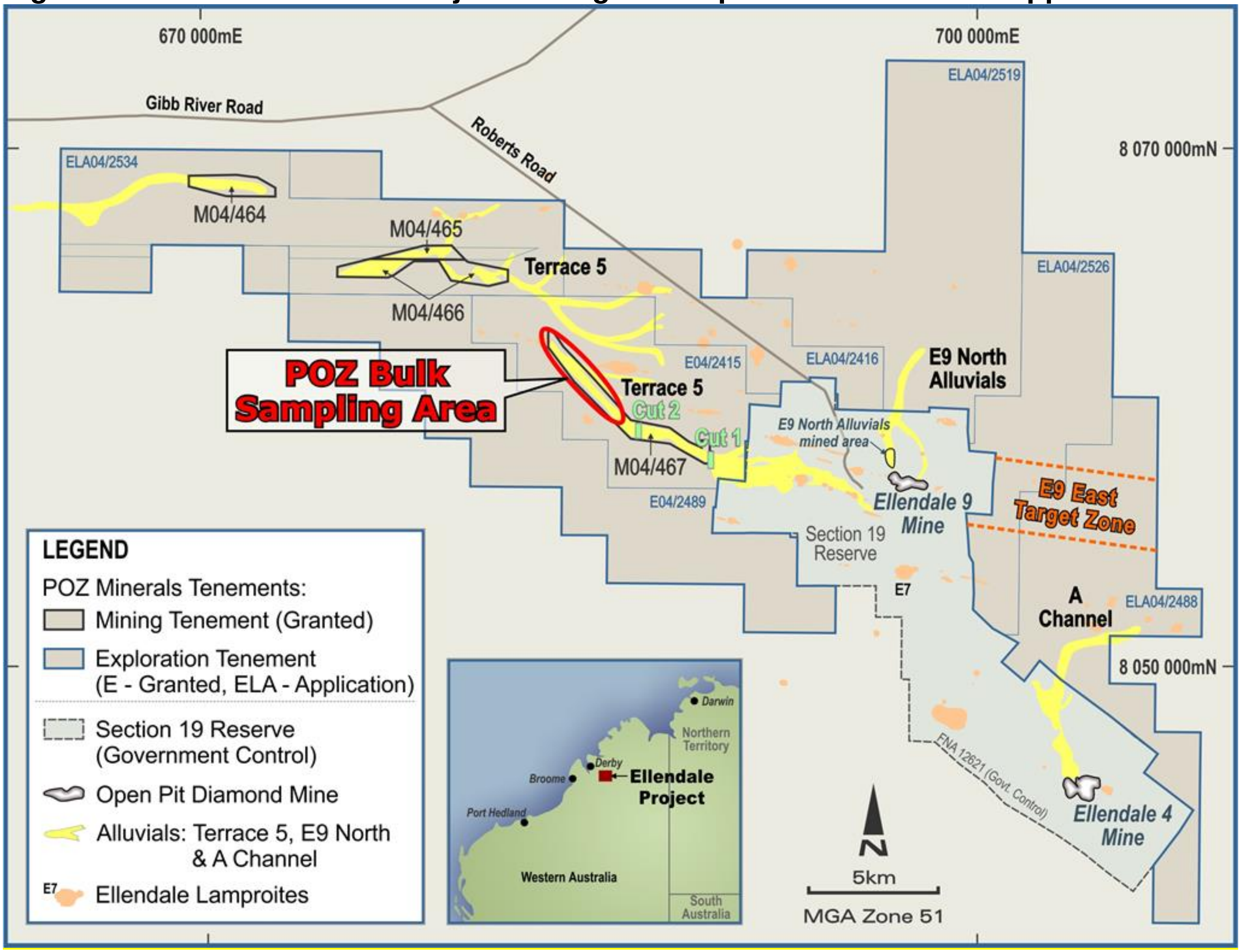
1.0 Blina Diamond Project, WA POZ 100%

POZ Minerals Limited's ('POZ' or the 'Company') Blina Diamond Project in the Ellendale Diamond Province of WA's Kimberley Region consists of four granted mining leases and various exploration leases totaling 436 km^2, situated 110km east of Derby.

A diamond bearing alluvial palaeochannel named Terrace 5 extends over some 40km of the POZ project area, with channel widths of 200m to 500m. The largest diamond recovered to date from Terrace 5 weighed 8.43 carats[1], with stones larger than two carats common, a significant number of the stones are Fancy Yellows.

The project aim is to bulk sample the most prospective alluvial gravels and then trial mine those gravels with the best grades. Progress this year includes the grant of four mining leases, a successful aboriginal heritage survey, a Ground Penetrating Radar survey to delineate high grade diamond trap sites, drilling to test trap site gravels, an updated Terrace 5 diamond valuation, clearing of tracks, further ground acquisitions, preparing and lodging the Mining Proposal with government and major equipment purchases of processing plant equipment.

Figure 1: Blina Diamond Project Mining and Exploration Tenement Applications



1.1 Grant of Mining Leases De-Risks Project

During the year all four of the company's mining lease applications were granted. This is a major step forward for the Company and reflects the considerable work and preparation which has gone into the Blina Diamond Project to date.

As a result of the grant of these mining leases, the project has been significantly de-risked. The company now has the ability to transition to a full scale mining operation, should commercial diamond grades be encountered during the bulk sampling phase.

1.2 Terrace 5 Diamond Valuation

An independent appraisal on the data from a 1,497.57 carat parcel of diamonds previously mined from Terrace 5 has been conducted. This gave a price of **US$389 per carat** (A$505 per carat). This is a **63% increase** on the previous valuation of US$238 per carat made in April 2006. Exchange rate variations have also worked in the Company's favour since 2006.[2]

1.3 Exploration Model and Targeting Methodology

The aim of the Blina exploration program is to discover commercial concentrations of alluvial diamonds within the ancient Terrace 5 gravels. The target areas are alluvial trap sites which have concentrated the diamonds within the channel and which have the potential to host higher grade or bonanza diamond deposits.

These types of high grade diamond trap sites do not follow the ancient river bed in one consistent strand, instead they are often specific to spot locations and may vary in diameter from a few metres to hundreds of metres. The best trap sites occur in areas that had fast flowing (high energy) water and can include pot holes, scours, gullies, riffles, bars, boulder fields or any other mechanism which can cause diamonds to become trapped and concentrated. This is usually where the alluvial gravels interface with the bedrock in the bottom of the river and in bedrock topographic lows.

1.4 POZ Ground Penetrating Radar Survey – November 2017

In November 2017, geophysical consulting group CORE Geophysics Pty Ltd conducted a follow-up ground penetrating radar (GPR) geophysical survey over the company's mining lease applications. GPR is a targeted technique for shallow investigations such as POZ is planning (2 to 10 metres). The aim of this survey was to define the bedrock-cover contact and thus discover alluvial trap sites within bedrock lows which have the potential to host high grade or bonanza diamond deposits.[3]

POZ's methodology is to use GPR to target alluvial trap sites on palaeo-topographic lows. These targets can then be bulk sampled and assessed for diamond grade, potentially leading to the delineation of economic diamond deposits some of which could have bonanza grades.

1.5 'High Grade' Diamond Targets Identified

By combining GPR and historic pitting and trenching data, POZ has identified two new discrete channels within Terrace 5. These have been named Channel 1 and Channel 2 (Figure 2). Historic testing on parts of Channel 1 indicates it is strongly diamondiferous, Channel 2 is untested.

Channels 1 and 2 are deeper, and presumably older, than the other historically defined Terrace 5 gravels and present exciting new targets in the area. The historic bulk sampling which took place over the newly defined Channel 1 gave some of the best results within the Terrace 5 system, with grades up 10.5 carats per hundred cubic metres (cphm^3), and averages 6.8 cphm^{3,} see Table 2.

Table 2: Previous Diamond Bulk Sampling Results from Channel 1

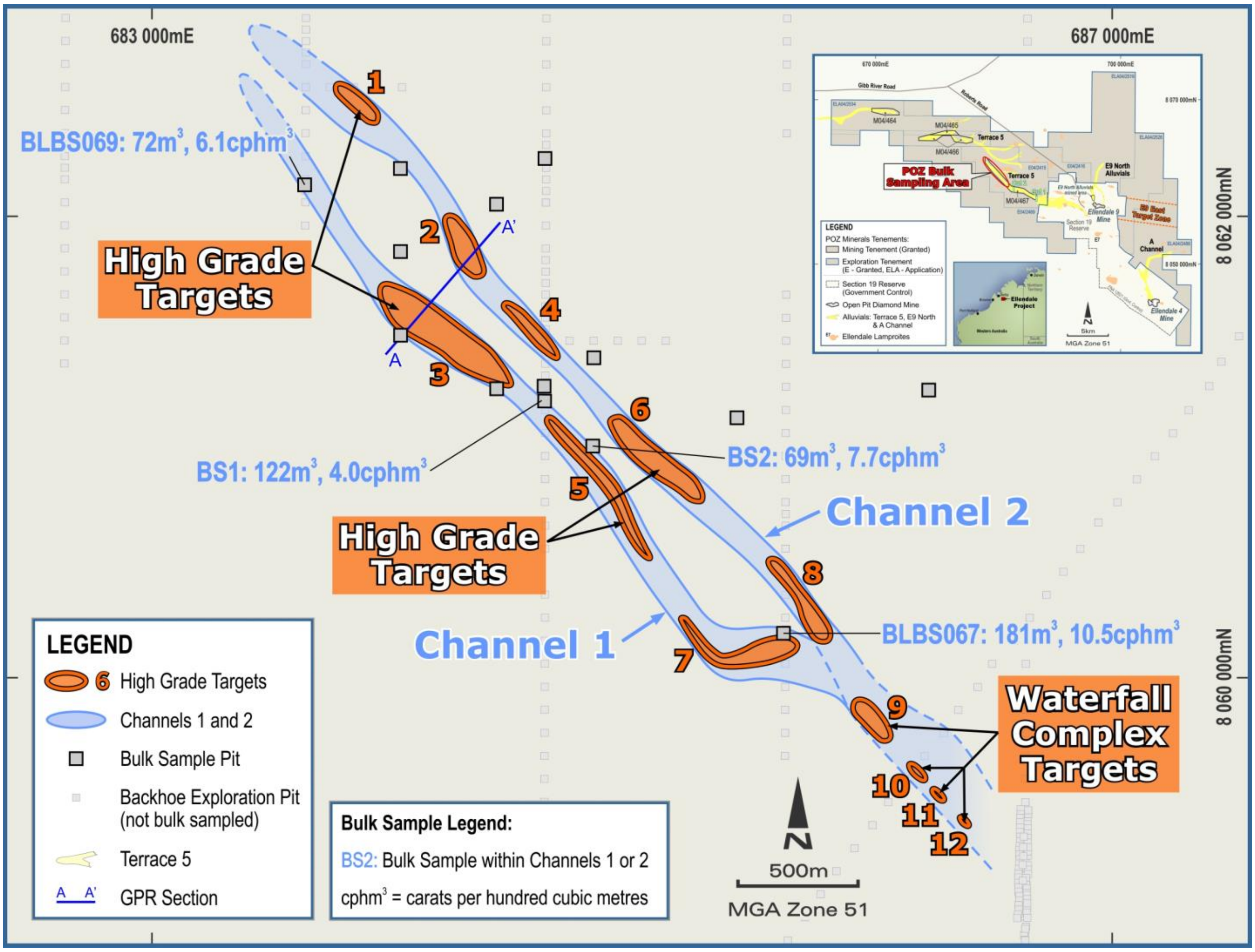
Bulk Sample ID	Sample Volume	Diamonds Recovered	Diamond Grade	Average Diamond Size	Largest Diamond
	(cubic metres)	(carats)	(carats per hundred cubic metres)	(carats)	(carats)
BLBS067	181	18.98	10.5	0.40	1.42
BLBS069	72	4.39	6.1	0.63	1.87
BS1	122	4.95	4.0	0.31	1.57
BS2	69	5.34	7.7	0.38	1.03
Total	**444**	**33.66**	**6.8**	**0.43**	**1.87**

NB: Pits prefaced with BLBS were Kimberley Diamonds Limited
Pits prefaced with BS were Diamond Ventures NL
Screen size +1.5mm to 10.0mm
Average diamond size is not weighted

Within Channels 1 and 2, POZ has identified **twelve new 'High Grade' targets**, which the Company believes are the most prospective areas within the entire Terrace 5 system. These twelve 'High Grade' targets have minimal overburden (2 to 8 metres), lie within proven diamondiferous channels and show up on the GPR as excellent potential alluvial trap sites.

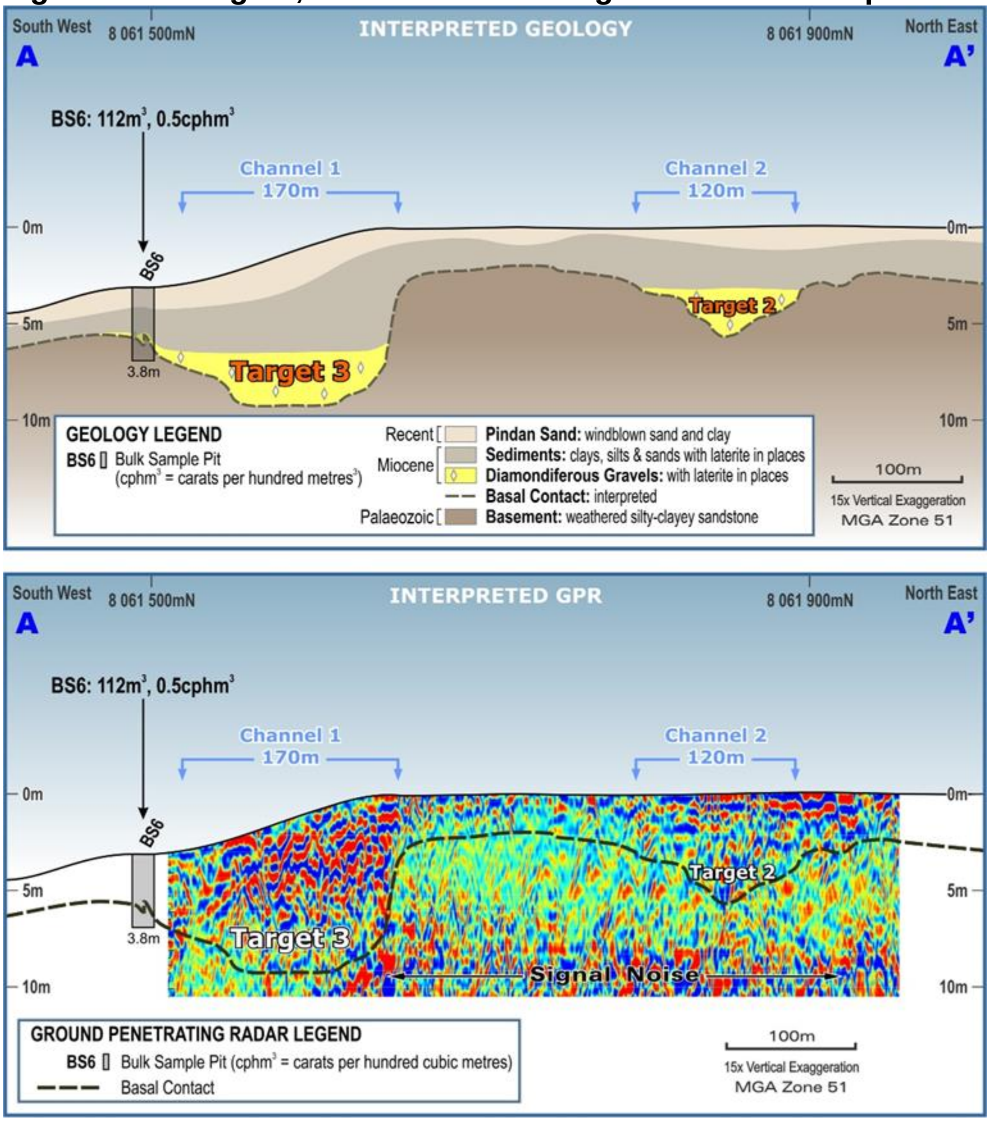
Heritage Clearance Survey with the Bunuba Traditional Owners in March 2018

Figure 2: High Grade Targets 1-12



Ground Penetrating Radar Survey at Blina

Figure 3: High Grade Targets, Ground Penetrating Radar with Interpretation



1.6 Major Equipment Purchases

In the last quarter of the year, POZ purchased and is currently reconfiguring a suitable processing plant in order to recover diamonds from bulk sampling operations at the Blina Project and determine the grade of the contained alluvial gravels.

These purchases included a 50 tonne per hour trommel, which will be the single largest item of equipment on the processing plant. The trommel is used to disaggregate clays from the alluvial gravels and should prove highly effective for treating the diamondiferous gravel types encountered at the Blina Project.

The Company has also acquired four X-ray Flowsort diamond recovery machines ('Sortex machines'). These machines were last used on production at the Ellendale minesite in the West Kimberley (adjacent to the Blina Project) and were operating at the time the diamond mine closed in 2015. This Sortex equipment has proven to be highly effective in recovering the diamond types and sizes which are found at the Ellendale 9 mine and the POZ Blina Project.

These POZ-owned machines have been removed from their previous location at the Ellendale minesite and moved to Perth where they are being configured for operational use within a sea container which will provide ease of transport, security and weather protection for the diamond recovery system.

POZ Purchased X-Ray Sortex diamond recovery machines

2.0 Listing of Accelerate Resources Limited ('AX8') on the ASX

On 22 January 2018, the sale agreement over the POZ Mount Monger and Bulgera Gold Projects (ASX Release) was executed with the payment to POZ of $30,000 cash. The incoming party, Accelerate Resources Limited ('AX8') listed on the Australian Stock Exchange on 14 February 2018.

- AX8 has become the beneficial owner of the Mount Monger and Bulgera Gold Projects, and;
- AX8 has issued 3,000,000 shares to POZ at a deemed issue price of $0.20 each for a total value of $600,000. These shares are listed on the ASX (Code: 'AX8') and are escrowed for 12 months.
- AX8 has issued 1,000,000 options to POZ at an exercise price of $0.25 per Option and an expiry date on 30 April 2021.

The Board of POZ considers this to be an excellent outcome for our shareholders. POZ is the equal largest shareholder in AX8 and the Company still retains a strong exposure to these quality gold projects through our 1% gross royalty.

3.0 Phosphate Project (Northern Territory) POZ 100%

The Highland Plains Phosphate Project in the NT has a JORC Code (2004) compliant Inferred Resource of 53 million tonnes at 16% P_2O_5 (ASX release 31 March 2009).[A] The Project is 100% owned by POZ and has no private royalties. POZ continues to speak with interested parties with a view to finding an equity partner for Highland Plains.

4.0 Musgraves Project Option Deal

During the year, the Company signed an Option Agreement for the sale of the Company's Musgraves Vanadium Project. This Project is 100% owned by POZ and is situated in the Musgraves region of Western Australia on tenement application E69/3401. The incoming party (Buyer) is a private Australian company, 979 920 01 Pty Ltd ('Buyer').

The Option Agreement grants the Buyer a 6 month exclusive right to purchase the Project for a total of $120,000 cash plus a 1% net smelter royalty on any mineral production from E69/3401, for the period commencing 14 May 2017.

Should the Buyer conduct an initial public offering (IPO) or sell the tenement to a listed company, the Buyer will ensure an additional $30,000 worth of shares in the listed entity are issued to POZ.

The Board of POZ considers this to be a good outcome for our shareholders. The retained 1% Net Smelter Royalty from the Musgrave tenement could prove extremely valuable should the project move to production.

5.0 Successful Capital Raising

During February and March 2018, the Company successfully raised $1 million in a heavily oversubscribed capital raising. This consisted of a $500,000 Share Purchase Plan (SPP) together with a $500,000 share placement (Placement).

The money was raised in order to purchase diamond recovery plant and equipment and progress field operations towards Stage 1 bulk sampling and trial mining at the Blina Diamond Project.

6.0 Summary and Outlook

Substantial progress has been made during the last year at the Blina Diamond Project which has outstanding potential to deliver a low capital cost diamond mining operation. The GPR survey data provides exciting targets for the sampling operations and the main components of the treatment plant have been purchased and various associated engineering works completed.

In the year ahead the Company has two main operational goals:

- Phase 1: Commission onsite processing plant and commence bulk sample diamond recovery
- Phase 2: Trial mining of the best grades

The divestment of the Company’s gold and vanadium assets have resulted in excellent commercial outcomes and allowed the board and management to focus mainly on the Blina Project. The Company continues to field enquiries as regards the Highland Plains phosphate asset.

The Company is well placed to progress its activities with a cash balance of approximately $1.67 million (30 June 2018). POZ will be applying for a Research and Development (R&D) tax refund from the Government for relevant expenditures for the tax year ending 2017-18.

Jim Richards
Executive Chairman

Enquiries To: Mr Jim Richards +61 8 9422 9555

References:

[1]Further detailed information including the Table 1 (JORC Code, 2012 Edition) and references are available on the POZ ASX Release dated 9 October 2015 click here

[2]Terrace 5 Diamond Valuation POZ ASX Release dated 6 November 2017 click here

[3]Blina Diamond Project, Gamechanger GPR Survey; POZ ASX Release dated 18 October 2017 click here

[4]Australian Landforms Understanding a Low, Flat, Arid and Old Landscape (Rosenberg Publishing) 2012, by E.M. Campbell, C. R. Twidale. Page 104

Maiden JORC Exploration Target; POZ ASX Release dated 21 November 2017 click here

Bulletin 132 (Geological Survey of Western Australia); The kimberlites and lamproites of Western Australia by A.L. Jaques, J.D. Lewis and C.B. Smith.

The information in this report that relates to previously reported exploration results is based on information compiled by Mr. Jim Richards who is a Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr. Richards is a Director of POZ Minerals Limited. Mr. Richards has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Richards consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The Information in this report that relates to Highland Plains Mineral Resources is based on information compiled by Jim Richards who is a member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Jim Richards is a director of POZ Minerals Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a competent Person as defined in the December 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Richards consents to the inclusion in this report of the Information, in the form and context in which it appears.

[A]The Company is not aware of any new information or data that materially affects the information included in the previous announcement (JORC 2004) and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement/year have not materially changed.

Appendix A - Interests In Mining Tenements June 30 2017

Table 1: Western Australia

Lease	State	Status	Beneficial interests in farm-in or farm-out agreements as of June 30 2017
E04/2415	WA	Granted	Granted
E04/2416	WA	Application	Application
E04/2479	WA	Application	Application
E04/2488	WA	Application	Application
E04/2489	WA	Granted	Granted
E04/2519	WA	Application	Application
E04/2526	WA	Application	Application
E04/2534	WA	Application	Application
M04/464	WA	Granted	Granted
M04/465	WA	Granted	Granted
M04/466	WA	Granted	Granted
M04/467	WA	Granted	Granted
E20/908	WA	Application	Vended to AX8
E25/525	WA	Granted	Vended to AX8
E38/3038	WA	Granted	Granted
E69/2820	WA	Granted	JV with Alloy Resources Limited
E69/3401	WA	Application	Under option to 979 920 01 Pty Ltd
E80/4953	WA	Application	Application
E80/5109	WA	Application	Application
E80/5134	WA	Application	Application
L04/98	WA	Granted	Granted
L04/99	WA	Application	Application
L04/100	WA	Granted	Granted
L04/105	WA	Granted	Granted
LO4/106	WA	Application	Application
L04/107	WA	Application	Application
P04/273	WA	Application	Application
P04/274	WA	Application	Application
P04/275	WA	Application	Application

Table 2: Northern Territory

Lease	Mineral Field	Status	Beneficial interests in farm-in or farm-out agreements as of June 30 2017
EL25068	NT	Granted	POZ 100%

POZ MINERALS LIMITED
ABN 51 129 158 550

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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CORPORATE DIRECTORY

Directors
Jim Richards
Executive Chairman

Mark Thompson
Non-Executive Director

Grant Mooney
Non-Executive Director
& Company Secretary

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Link Market Services
Level 12 QV1 Building
250 St George's Terrace
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West Perth WA 6005
Phone: +61 (8) 9480 2000
Fax: +61 (8) 9322 7877

DIRECTORS' REPORT
30 JUNE 2018

The Directors present their report together with the financial report on POZ Minerals Limited ("POZ " or "the Company") for the year ended 30 June 2018.

In order to comply with the provisions of the Corporations Act 2001, the Directors' report is as follows.

DETAILS OF DIRECTORS

The names and particulars of the directors of the Company holding office during the year and at the date of this report are:

MR JAMES (JIM) RICHARDS
B.Sc. Hons (Geology), MAusIMM
Executive Chairman

Jim Richards is a geology graduate of the University of London. He is a Perth based Company director and geologist with 23 years experience in exploration for a wide variety of commodities.

Prior to the ASX listing of Phosphate Australia Limited (now POZ Minerals Limited), Mr Richards was the chief executive officer and director of United Minerals Corporation NL ("UMC"). At UMC, Mr Richards led the technical team that discovered the high-grade iron 'Railway Deposit' in the Pilbara. BHP Billiton acquired the Railway Deposit in February 2010 by a take-over of UMC for AUD$204 million.

Mr Richards has considerable overseas experience including running his own alluvial diamond dredging operation in Guyana, South America and work on the Omai gold project (that became a major mine) also in Guyana. Other resources work includes operating in Indonesia and two years spent in both Laos and Pakistan.

Previous employers and clients have included Newmont Mining Corporation, BHP Billiton Limited and Woodside Energy Limited. Prior to his corporate career, Mr Richards served as a regular officer in the British Army Parachute Regiment.

MR MARK THOMPSON
MAIG, MSEG
Non-executive Director

Mark Thompson has more than 22 years industry experience in mineral exploration and mining management. Since starting his career with production experience in both underground and open-pit mines of Western Australia, he has worked extensively on international resource projects. He is a Member of the Australian Institute of Geoscientists and the Society of Economic Geologists, and holds the position of Guest Professor in Mineral Exploration Technology at both the Chengdu University of Technology and the Southwest University of Science and Technology in China. In addition to his role with POZ, Mr Thompson is Managing Director of ASX listed Talga Resources Ltd.

MR GRANT MOONEY
B.Bus, CA
Non-executive Director & Company Secretary

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners, specialising in corporate compliance administration to public companies. Mr Mooney has gained extensive experience in the areas of corporate and project management since commencing Mooney & Partners in 1999. His experience extends to advice on capital raisings, mergers and acquisitions and corporate governance.

Currently, Mr Mooney serves as a director to several ASX listed companies across a variety of industries including technology and resources. He is a director of Carnegie Clean Energy Limited, Barra Resources Limited, Accelerate Resources Limited and Talga Resources Limited. Mr Mooney is a member of the Institute of Chartered Accountants in Australia.

DIRECTORS' REPORT
30 JUNE 2018

DIRECTORSHIP OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the three years immediately before the end of the year are as follows:

Director	Company	Year of directorship
Grant Mooney	Accelerate Resources Limited	1 June 2017 to the present
	Barra Resources Limited	29 November 2002 to the present
	Carnegie Clean Energy Limited	19 February 2008 to the present
	Nuheara Limited	1 May 2007 to 4 June 2016
	Talga Resources Limited	20 February 2014 to the present
Mark Thompson	Talga Resources Limited	July 2010 to the present

DIRECTORS' SHARE AND OPTION HOLDINGS

At the date of this report, the direct and indirect interest of the Directors in the shares and options of the Company were:

Director	Ordinary Shares	Ordinary Shares purchased during year	Options (Unlisted)	Options granted during year
James Richards *(i)*	35,349,735	333,334	6,000,000	3,000,000
Grant Mooney *(ii)*	9,073,888	238,889	2,000,000	1,000,000
Mark Thompson *(iii)*	5,466,667	166,667	2,000,000	1,000,000

(i) *James Richards holds 32,016,401 shares in his own name. Llangurig Super Pty Ltd <Jim Richards Super Fund A/c>, in which James Richards is a director and beneficiary holds 3,166,667 shares 6,000,000 unlisted options.*

(ii) *Grant Mooney holds 2,238,888 shares in his own name. Samantha Mooney, spouse of Grant Mooney holds 13,333 shares and Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 1,145,000 shares. Ocean Flyers Pty Ltd <S&G Mooney Super Fund>, in which Grant Mooney is a director and beneficiary holds 5,676,667 shares. Grant Mooney holds 2,000,000 options in his own name.*

(iii) *Kelly Thompson, spouse of Mark Thompson holds 1,000,000 shares. Lateral Minerals Pty Ltd <The Thompson Family Trust> in which Mark Thompson is a director and beneficiary holds 1,000,000 shares and 1,000,000 unlisted options and Lateral Minerals Pty Ltd <Sungold Superannuation Fund A/c> which Mark Thompson is a director and beneficiary holds 3,466,667 shares and 1,000,000 unlisted options*

PRINCIPAL ACTIVITIES

The principal activity of the Company is mineral exploration and development.

OPERATING RESULTS

The loss from ordinary activities after income tax of the Company for the year ended 30 June 2018 was $171,244 (2017: $3,355,098).

DIRECTORS' REPORT
30 JUNE 2018

REVIEW OF OPERATIONS

The main focus of the Company over the last year has been the Blina Diamond Project (100% POZ) in the Kimberley region of Western Australia. This advanced alluvial project represents an exciting opportunity with low capex costs and a unique yellow diamond product.

The combination of new technology (Ground Penetrating Radar or GPR) with the extensive historic exploration data over historically proven diamondiferous channels has the potential to define the grades and tonnages which may support an alluvial diamond mine. The area which POZ is targeting, a diamondiferous palaeo-channel named Terrace 5, has in the past produced significant quantities of fancy yellow diamonds which are the highly sought after signature stone of the Ellendale diamond fields.

A great deal of activity over the last twelve months has managed to achieve a number of milestones towards the goal of commencing bulk sampling operations at Blina. These include the granting of four mining leases, a successful aboriginal heritage survey, a Ground Penetrating Radar survey to delineate high grade diamond trap sites, drilling to test trap site gravels, clearing of tracks, further ground acquisitions, preparing and lodging the Mining Proposal with government and major equipment purchases of processing plant equipment.

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From a corporate perspective, the divestment of the Company's gold and vanadium assets have been excellent commercial outcomes for the Company and allowed the board and management to focus completely on the Blina Project. The Company continues to field enquiries as regards the Highland Plains phosphate asset in the Northern Territory which has a JORC Code (2004) compliant Inferred Resource of 53 million tonnes at 16% P2O5 (ASX release 31 March 2009)..

The Company is looking forward to continuing to build on our success at Blina and is well placed for the year ahead with a cash balance of approximately $1.67 million (30 June 2018). POZ will be applying for a Research and Development (R&D) tax refund from the Government for relevant expenditures for the tax year ending 2017-18.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than described elsewhere in this report, there was no significant change in the state of affairs of the Company during the year.

SIGNIFICANT EVENTS SUBSEQUENT TO END OF YEAR

There was no matter or circumstance subsequent to the end of the year that has significantly affected the operations of the Company, the results of operations or the state of affairs in future financial years

FUTURE DEVELOPMENTS

The Company intends to continue mineral exploration activities while considering new project acquisitions and joint venture opportunities.

ENVIRONMENTAL REGULATION

The Company is required to carry out its activities in accordance with the Mining Laws and regulations in the areas in which it undertakes its exploration activities. The Company is not aware of any matter that requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

SHARE OPTIONS

At the date of this report, the following options are outstanding in respect of unissued ordinary shares in POZ Minerals:

Number of Shares Under Options	Exercise Price	Expiry Date
5,000,000	7.0 cents	3 November 2018
400,000	3.5 cents	13 December 2018
6,000,000	5.0 cents	10 December 2020
5,500,000	9.0 cents	26 October 2020
3,000,000	5.0 cents	20 February 2021

6,800,000 shares (2017: Nil) were issued during or since the end of the financial year as a result of the exercise of options.

INDEMNIFYING OFFICER OR AUDITOR

During the year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company secretary and all executive officers of the Company and related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the amount of the premium.

The Company has not indemnified or agreed to indemnify the auditor of the Company or of any related body corporate against a liability incurred as the auditor.

DIVIDENDS

No dividends have been paid or declared since the start of the year, and the directors do not recommend the payment of a dividend in respect of the year.

DIRECTORS' MEETINGS

There were five (5) Directors' meetings held during the year ended 30 June 2018. The names of directors who held office during the year and their attendance at Board meetings is detailed below:

Director	Number Attended	Number Eligible to Attend
Jim Richards	5	5
Grant Mooney	5	5
Mark Thompson	5	5

There was also one (1) circular resolution passed by the Board of Directors during the year. (2017: two (2))

As at the date of this report an Audit Committee of the Board of Directors did not exist due to the Directors of the Board having a close involvement in the operations of the Company. There are no other sub-committees of the Board.

REMUNERATION REPORT (AUDITED)

This report details the amount and nature of remuneration of each director of the Company. Other than directors, there were no executive officers of the Company during the year.

Remuneration Policy

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities, which it undertakes and is appropriate in aligning director objectives with shareholder and business objectives. At this point in the Company's development, the Board does not believe it is appropriate to link director and executive officers' remuneration with Company performance.

The remuneration policy in regards to settling terms and conditions for the executive directors has been developed by the Board taking into account market conditions and comparable salary levels for companies of similar size and operating in similar sectors.

Directors receive a superannuation guarantee contribution required by the Government, which during the year was 9.5% and do not receive any other retirement benefit.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the non-executive directors and reviews their remuneration annually, based on market practices, 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 a General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity.

The following were Key Management Personnel of the Company during the year:

- James Richards *(Executive Chairman)*
- Grant Mooney *(Non-Executive Director and Company Secretary)*
- Mark Thompson *(Non-Executive Director)*

Details of remuneration provided to Key Management Personnel during the year are as follows:

		Short-term employee benefits		Post-employment benefits	Share-based payments		
		Salary & Fees $	Bonus $	Super-annuation $	Options $	Total $	% of Total consisting of Options
James Richards	**2018**	**160,000**	**-**	**15,200**	**99,900**	**275,100**	**36%**
	2017	136,667	-	27,583	-	164,250	0%
Mark Thompson	**2018**	**20,000**	**-**	**1,900**	**33,300**	**55,200**	**60%**
	2017	20,000	-	1,900	-	21,900	0%
Grant Mooney	**2018**	**25,000**	**-**	**2,375**	**33,300**	**60,675**	**55%**
	2017	25,000	-	2,375	-	27,375	0%
TOTAL	**2018**	**205,000**	**-**	**19,475**	**166,500**	**390,975**	**43%**
TOTAL	2017	181,667	-	31,858	-	213,525	0%

There are no contracts to which a Director is a party or under which the Director is entitled to a benefit other than as disclosed in the financial report.

DIRECTORS' REPORT
30 JUNE 2018

REMUNERATION REPORT (AUDITED) (CONTINUED)

Value of options issued to Key Management Personnel

During the financial year, the following share based payment arrangements were in existence for Key Management Personnel:

Options Series	Grant Date	Expiry Date	Grant Date Fair Value	Vesting Date
Issued 5 Nov 2014 exercisable @ $0.019	5/11/2015	5/11/2017	$0.0091	5/11/2015
Issued 3 Nov 2015 exercisable @ $0.07	3/11/2015	3/11/2018	$0.0098	3/11/2015
Issued 26 Oct 2017 exercisable @ $ 0.09	26/10/2017	26/10/2020	$0.0333	26/10/2017

There were no further options issued to Key Management Personnel during the year, other than noted above.

The Board reviews the remuneration packages of all key management personnel on an annual basis. The maximum remuneration of non-executive Directors is to be determined by Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of non-executive Directors is $400,000 per annum. The apportionment of non-executive Director Remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. Remuneration is not linked to specific service or performance criteria.

Remuneration levels, shares and options granted are not dependent upon any performance criteria as the nature of the Company's operations are exploration, and they are not generating profit.

The Company did not use remuneration consultants during the year or prior year.

Key management personnel equity holdings

Fully Paid ordinary shares issued by POZ Minerals Limited

The movement during the reporting year in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director is as follows:

Director	Opening Balance 1 July 2017	Granted as compensation	Received on exercise of options	Other movement during the year	Closing Balance 30 June 2018
James Richards (i)	32,016,401	-	3,000,000	333,334	35,349,735
Grant Mooney (ii)	7,834,993	-	1,000,000	238,889	9,073,888
Mark Thompson (iii)	4,300,000	-	1,000,000	166,667	5,466,667

(i) *James Richards holds 32,983,068 shares in his own name. Llangurig Super Pty Ltd <Jim Richards Super Fund A/c>, in which James Richards is a director and beneficiary holds 3,166,667 shares 6,000,000 unlisted options.*

(ii) *Grant Mooney holds 2,238,888 shares in his own name. Samantha Mooney, spouse of Grant Mooney holds 13,333 shares and Mooney & Partners Pty Ltd of which Grant Mooney is the sole director holds 1,145,000 shares. Ocean Flyers Pty Ltd <S&G Mooney Super Fund>, in which Grant Mooney is a director and beneficiary holds 5,676,667 shares. Grant Mooney holds 2,000,000 options in his own name.*

(iii) *Kelly Thompson, spouse of Mark Thompson holds 1,000,000 shares. Lateral Minerals Pty Ltd <The Thompson Family Trust> in which Mark Thompson is a director and beneficiary holds 1,000,000 shares and 1,000,000 unlisted options and Lateral Minerals Pty Ltd <Sungold Superannuation Fund A/c> which Mark Thompson is a director and beneficiary holds 3,466,667 shares and 1,000,000 unlisted options*

DIRECTORS' REPORT
30 JUNE 2018

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive unlisted share options issued by POZ Minerals Limited
The movement during the reporting year in the number of unlisted options over ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director is as follows:

2018

Director	Balance as at beginning of year 1 July 17	Exercised	Granted as compensation	Balance vested at 30 June 2018	Vested but not exercisable	Vested and exercisable	Options vested during the year 30/6/18
James Richards *(i)*	6,000,000	(3,000,000)	3,000,000	**6,000,000**	-	6,000,000	3,000,000
Grant Mooney *(ii)*	2,000,000	(1,000,000)	1,000,000	**2,000,000**	-	2,000,000	1,000,000
Mark Thompson *(iii)*	2,000,000	(1,000,000)	1,000,000	**2,000,000**	-	2,000,000	1,000,000

(i) Llangurig Super Pty Ltd <Jim Richards Super Fund A/c> of which Jim Richards is a director and beneficiary holds 6,000,000 options.
(ii) Grant Mooney holds 2,000,000 options in his own name.
(iii) Lateral Minerals Pty Ltd ATF The Thompson Family Trust of which Mark Thompson is a director and beneficiary holds 1,000,000 options and Lateral Minerals Pty Ltd < Sungold Superannuation Fund A/c> which Mark Thompson is a director and beneficiary holds 1,000,000 options.

Services Agreements
Executive Chairman James (Jim) Richards has an employment contract commencing on 1 October 2013 which continues on a month by month basis with one month's termination notice. The Contract provides for a director's fee of $180,000 per annum plus statutory superannuation, but this fee was reduced to $160,000 plus statutory superannuation on 1/8/13 as part of cost reductions in the Company.

Non-Executive Director Grant Mooney has an Services Agreement commencing on 14 October 2008 which continues on a month by month basis with one month's termination notice. The Contract provides for a director's fee of $45,000 per annum plus statutory superannuation, but this fee was reduced to $25,000 plus statutory superannuation on 1/8/13 as part of cost reductions in the Company.

Non-Executive Director Mark Thompson has a letter of appointment for no fixed term commencing on 1 October 2012. The Contract provides for a director's fee of $20,000 per annum plus GST.

Mooney & Partners Pty Ltd, a company associated with Grant Mooney has a services contract with the Company to provide company secretarial and administrative services to the Company for a period of 3 years commencing on 1 September 2009 which expired on 1 September 2012 and continues on a month by month basis with one month's termination notice. The Contract provides for an annual fee of $96,000 per annum plus GST, but this fee was reduced to $48,000 per annum plus GST on 1/8/13 as part of cost reductions in the Company.

No director or member of senior management are entitled to any termination payment apart from remuneration payable up to and including the termination date and any amounts payable due upon accrued leave.

END OF REMUNERATION REPORT (AUDITED)

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the 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 such proceedings during the year.

NON AUDIT SERVICES

During the year there were no non-audit services provided by Grant Thornton Audit Pty Ltd, nor its related entities.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

DIRECTORS' REPORT
30 JUNE 2018

Signed on 14th September 2018 in accordance with a resolution of the Board, made pursuant to Section 298(2) of the Corporations Act 2001.
On behalf of the Directors:

JAMES RICHARDS
Executive Chairman

GRANT MOONEY
Non-executive Director & Company Secretary

Central Park, Level 43
152-158 St Georges Terrace
Perth WA 6000

Correspondence to:
PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000
F +61 8 9480 2050
E info.wa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of POZ Minerals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of POZ Minerals Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner – Audit & Assurance

Perth, 14 September 2018

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 2018 $	30 June 2017 $
Interest	3	28,932	54,684
Other income	3	795,439	217,500
Total Income		**824,371**	**272,184**
Employee benefits expense	6	(146,414)	(136,394)
Depreciation expense	4	(7,716)	(8,568)
Rental expenses	4	(59,374)	(63,437)
Corporate advisory		-	(20,000)
Company Secretarial		(48,000)	(48,000)
Accounting, tax and audit		(60,700)	(65,619)
Share based payments	4	(112,957)	(3,920)
Other expenses		(146,982)	(103,614)
Loss on disposal of fixed assets		-	(1,339)
Impairment of exploration expenditure	13	(293,697)	(3,109,887)
Exploration expenditure expensed		(51,975)	(66,504)
Revaluation of derivative financial assets	12(a)	(67,800)	-
Total Expenses		**(995,615)**	**(3,627,282)**
Profit/(Loss) before income tax expense		(171,244)	(3,355,098)
Income tax benefit/(expense)	5	-	-
Profit/(Loss) after income tax expense		**(171,244)**	**(3,355,098)**
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of available for sale of financial assets	12(b)	(167,500)	(28,125)
Total Comprehensive Profit/(Loss) for the year		**(338,744)**	**(3,383,223)**
		Cents	Cents
Basic profit/(loss) per share (cents per share)	22	(0.101)	(2.082)
Diluted profit/(loss) per share (cents per share)	22	(0.101)	(2.082)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30 June 2018 $	30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents	8	1,670,857	1,995,830
Trade and other receivables	9	278,721	33,976
Other	10	33,682	9,780
TOTAL CURRENT ASSETS		1,983,260	2,039,586
NON CURRENT ASSETS			
Property, plant and equipment	11	319,070	10,553
Environmental bond		21,859	22,083
Other Financial assets	12(a)	68,500	-
Available for sale financial assets	12(b)	441,875	9,375
Exploration and evaluation expenditure	13	1,241,854	1,089,583
TOTAL NON CURRENT ASSETS		2,093,158	1,131,594
TOTAL ASSETS		**4,076,418**	**3,171,180**
CURRENT LIABILITIES			
Trade and other payables	14	91,520	44,975
Unearned income		-	30,000
Provisions	15	52,380	33,436
TOTAL LIABILITIES		143,900	108,411
NET ASSETS		**3,932,518**	**3,062,769**
EQUITY			
Issued capital	16	15,749,292	14,590,606
Reserves	17	(1,623)	116,070
Accumulated losses	18	(11,815,151)	(11,643,907)
TOTAL EQUITY		**3,932,518**	**3,062,769**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Ordinary Shares $	Options Reserve $	Assets held for Sale Reserve $	Accumulated Losses $	Total $
Balance as at 1 July 2016	**14,590,606**	**115,390**	-	**(8,263,924)**	**6,442,072**
Loss for the year	-	-	-	(3,383,223)	(3,383,223)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(3,383,223)	(3,383,223)
Issue of shares	**-**	**-**	-	**-**	**-**
Options issued for the year	**-**	**3,920**	-	**-**	**3,920**
Transfer of expired options to accumulated losses	**-**	**(3,240)**	**-**	**3,240**	**-**
Balance as at 30 June 2017	**14,590,606**	**116,070**	-	**(11,643,907)**	**3,062,769**
Balance as at 1 July 2017	**14,590,606**	**116,070**	-	**(11,643,907)**	**3,062,769**
Loss for the year	-	-	-	(171,244)	(171,244)
Other comprehensive loss	-	-	(167,500)	-	(167,500)
Total comprehensive loss for the year	-	-	(167,500)	(171,244)	(338,744)
Issue of shares	1,000,000	-	-	-	1,000,000
Share issue costs	(55,264)	-	-	-	(55,264)
Options exercised for the year	213,950	(63,150)	-	-	150,800
Options issued for the year	-	112,957	-	-	112,957
Balance as at 30 June 2018	**15,749,292**	**165,877**	**(167,500)**	**(11,815,151)**	**3,932,518**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	30 June 2018 $	30 June 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		33,000	269,250
Payments to suppliers and employees		(482,851)	(498,189)
Interest received		31,067	55,370
NET CASH FLOWS USED IN OPERATING ACTIVITIES	8	**(418,784)**	**(173,569)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(347,856)	(1,166)
Proceeds from disposal of exploration and evaluation		33,000	-
Payments for exploration and evaluation expenditure		(686,869)	(429,352)
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(1,001,725)**	**(430,518)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,000,000	-
Proceeds from exercise of options		150,800	-
Share issue costs		(55,264)	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**1,095,536**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		(324,973)	(604,087)
Cash and cash equivalents at the beginning of the year		1,995,830	2,599,917
Cash and cash equivalents at the end of the year	8	**1,670,857**	**1,995,830**

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 1. CORPORATE INFORMATION

POZ Minerals Limited is a for-profit company limited by shares domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited.

The address of the registered office and the principal place of business are disclosed on the contents page.

The nature of the operations and principal activities of the Company are described in Note 19.

Note 2. SUMMARY OF ACCOUNTING POLICIES

The Financial Report the Company for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 14 September 2018.

(a) Basis of preparation

This general purpose financial report has been prepared on the basis of historical cost, except for certain financial instruments which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The functional currency is Australian Dollars and rounding is made to the nearest dollar.

In the application of the Australian Accounting Standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by management in the application of the Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(b) New and amended standards adopted by the Company in this financial report

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has had no effect on the amounts reporting for the current or prior periods.

Impact of standards issued but not yet applied by the Company

New and revised accounting standards and amendments that are currently issued for future reporting periods that are relevant to the Company include:

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

When this standard is first adopted for the year ended 30 June 2019 there will be no material impact on the transactions and balances recognised in the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

When this Standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 16 Leases

The new AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

The entity is yet to undertake a detailed assessment of the impact of AASB16. However, based on the entity's preliminary assessment, when this Standard is first adopted for the year ending 30 June 2020, there will be a material impact on the transactions and balances recognised in the financial statements.

(c) Statement of Compliance

The general purpose financial statements of the Company have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments that have original maturities of 4 months or less, readily convertible to known amounts of cash and are subject to insignificant risk of changes in values.

(e) Employee benefits

Employee benefits provisions are made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within one year are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits expected to be settled beyond one year are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

<u>Defined contribution plans</u>
Contribution to defined contribution superannuation plans are expensed when incurred.

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.
Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited to profit or loss (whether in other comprehensive income or directly in equity), in which case the deferred tax is also recognised outside profit or loss, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(h) Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(i) Property, plant and equipment

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the term of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting year.
The following estimated useful lives are used in the calculation of depreciation:

- Furniture & Fittings - 10 years
- Vehicles - 12 years
- Plant & equipment - 3 years
- Buildings & improvements - 7 years

(j) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(k) Revenue recognition

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Rental income

Rental income is recognised in the period in which it is earned.

(l) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting term, based on the Company's estimate of shares that will eventually vest.

(m) Exploration and evaluation

Exploration and evaluation expenditure costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations, in, or in relation to, the area of interest are continuing.

These assets are considered for impairment on a six monthly basis, depending on the existence of impairment indicators including:

- the period for which the Company has the right to explore in the specific area has expired during the year or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Accumulated costs in relation to an abandoned area are written off in full against profit/(loss) in the year in which the decision to abandon the area is made.

When a decision is made to proceed with development in respect of a particular area of interest, the accumulated costs for the relevant area of interest are tested for impairment and the balance is then transferred to development assets.

(n) Development Costs

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(o) Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the cost of removing facilities, abandoning sites/wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and milling/production facilities is capitalised into the cost of the related asset and depreciated/amortised on the same basis as the related asset, unless the present obligations arises from the production of inventory in the year, in which case the amount is included in the cost of production for the year. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(p) Financial instruments

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements.

Transaction costs on the issue of equity instruments

Transactions costs arising on the issue of equity instruments are recognised directly in equity as reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(q) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms requires legal transfer of the investment within the timeframe established by the market concerned, and are initially measured at fair value, with transaction costs recognised in profit or loss.

Other financial assets are classified into the following specific categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Loans and receivables

Trade receivables, loan and other receivables are recorded at amortised cost less impairment.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 2.SUMMARY OF ACCOUNTING POLICIES (Continued)

(r) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(s) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>Company as lessee</u>

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on the grant date 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 Company.

Share based payments

The values of amounts recognised in respect of share based payments have been estimated based on the grant date fair value of the options. To estimate the fair value an option pricing model has been used. There are many variable assumptions used as inputs into the model (which have been detailed in Note 17. If any of these assumptions or estimates were to change this could have a significant effect on the amounts recognised.

Exploration expenditure

Exploration expenditure is capitalized where the Company holds a current tenement. The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of resources or reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the view that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

(u) Research and Development expenditure

From 1 July 201, the Australian Government has provided a tax incentive for eligible research and development expenditure. Management has assessed its research and development activities and expenditures to determine which are likely to be eligible under the scheme.

The Company records the benefit of this credit only when all qualifying research has been performed and the Company has obtained sufficient evidence from the relevant government authority that he credit will be granted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 3. Income

	30 June 2018 $	30 June 2017 $
Interest received from financial institutions	28,932	54,684
Total Revenue	28,932	54,684
Other Income		
Farm-in option fees (1)	30,000	210,000
Profit on disposal of exploration project	555,399	-
Tax incentive for Research & Development expenditure	210,040	-
Other income	-	7,500
Total other income	795,439	217,500
Total Income	824,371	272,184

(1) During the year, the Company has received call option fees from two different companies. The options expired unexercised and the option fees are non-refundable.

Note 4. Loss

Expenses		
Depreciation of non-current assets	7,716	8,568
Rental expense on operating leases	59,374	63,437
Share based payment expenses	112,957	3,920

Note 5. Income Tax

Income tax expense

(a) The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense as follows:

	30 June 2018 $	30 June 2017 $
Profit/(Loss) from continuing operations before tax	(171,244)	(3,383,223)
Income tax benefit calculated at 27.5% (2017: 27.5%)	**(47,092)**	**(930,386)**
Non-deductible expenses	163,854	1,160
Non assessable income	(57,761)	-
Temporary differences not brought to account as a deferred tax asset	(43,260)	730,080
Tax losses not brought to account as a deferred tax asset/(realisation of prior tax losses not bought to account)	(15,741)	199,146
Income tax benefit at effective rate of 27.5% (2017: 27.5%)	-	-

(b) **Exploration**

Exploration and Evaluation	276,342	228,910
Add: Other	93,100	4,132
Recognised deferred tax liabilities	369,442	233,042

(c) **Deferred tax assets**

Temporary differences	113,671	35,281
Tax losses – revenue	255,771	197,761
Recognised deferred tax assets	369,442	233,042

The deferred tax assets and deferred tax liabilities are recognised and fully offset.

Not recognised:

Unrecognised tax losses	9,093,507	9,927,590
Tax effect of unrecognised tax losses	2,500,714	2,730,087

Tax losses have been reduced by Exploration Development Incentive ("EDI") credits distributed to shareholders. The calculation is based on the amount of credits distributed of $155,620 per their ASX announcement dated 29 June 2018.

The net deferred tax asset arising from the tax losses has not been recognised as an asset in the Statement of Financial Position because recovery is not probable.

The taxation benefit of tax losses not brought to account will only be obtained if:

(i) assessable income is derived of a nature and of an amount sufficient to enable the benefits to be realised;
(ii) conditions for deductibility imposed by the law are complied with; and
(iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 6. Management & Employee Personnel Compensation

The compensation paid to Key Management Personnel of the Company is set out below, please refer to the remuneration report in the directors report for further information:

	30 June 2018 $	30 June 2017 $
Short-term employee benefits	205,000	181,667
Post-employment benefits	19,475	31,858
Share-based payments	166,500	-
	390,975	213,525

The compensation paid to employees of the Company is set out below. It is less than the total amount paid to Key Management Personnel due to the allocation of exploration costs to capitalised Exploration and Evaluation expenditure.

Employee compensation

Wages, salaries excluding allocation to exploration	115,311	104,448
Superannuation	31,103	31,946
Total as per employee benefit expense	146,414	136,394
Share-based payments	112,957	3,920
Total employee compensation	259,371	140,314

Note 7. Auditor's Remuneration

Amounts received, or due and receivable by the auditors, Grant Thornton Audit Pty Ltd, for audit or review of the financial report	27,000	30,200

Note 8. Cash and Cash Equivalents

Cash at bank and on hand	1,670,857	1,995,830

CASH FLOW INFORMATION

Reconciliation of the loss from continuing operations after income tax to the net cash flows from operating activities.

Profit/(Loss) from continuing operations after income tax	(171,244)	(3,383,223)
- Impairment of exploration expenditure	293,697	3,109,887
- Revaluation of available for sale financial assets	-	28,125
- Revaluation of derivative financial instruments	67,800	-
- Depreciation expense	7,716	8,568
- Share based payments	112,957	3,920
- Unearned income	30,000	30,000
- Employee benefits accrued/(paid out)	18,944	10,822
- (Gain)/Loss on disposal of assets	(555,399)	1,339
- (Increase)/Decrease in debtors	(244,745)	(3,425)
- (Increase)/Decrease in prepayments	(23,904)	14,108
Increase/(decrease) in trade creditors	45,393	9,051
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(418,785)	(170,828)

Cash at Bank includes $45,000 (2017: $20,000) held as security for credit cards.

Note 9. Trade and Other Receivables

Current

Trade debtors	41,255	3,096
Interest receivable	2,426	5,880
R&D receivable	210,040	-
Other debtors ([1])	25,000	25,000
	278,721	33,976

1 Other debtors relate to deposits the company has provided and are held by Austwide ($20,000) and Westpac Credit Cards ($5,000). The Austwide deposit is to facilitate the quick payment for pegging and other exploration activities with Austwide. The Westpac Credit Card deposit minimises the risk of paying interest or late charges on monthly credit cards.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 10. Other current assets

	30 June 2018 $	30 June 2017 $
Prepayments	33,682	9,780

Note 11. Property, Plant & Equipment

	30 June 2018 $	30 June 2017 $
Cost	428,683	112,450
Accumulated depreciation	(109,613)	(101,897)
	319,070	10,553
Land and Buildings	283	346
Plant and Equipment	316,402	6,833
Fixtures & Fittings	2,385	3,374
	319,070	10,553

	Land and buildings	Plant and equipment	Fixtures & Fittings	Total
Cost				
Balance as at 30 June 2016	**443**	**200,279**	**11,189**	**211,911**
Additions	-	1,060	-	1,060
Disposals	-	(99,240)	(1,281)	(100,521)
Balance as at 30 June 2017	**443**	**102,099**	**9,908**	**112,450**
Additions	-	310,118	-	310,118
Disposals	-	-	-	-
Balance as at 30 June 2018	**443**	**418,331**	**9,908**	**428,683**
Accumulated Depreciation				
Balance as at 30 June 2016	**(34)**	**(186,375)**	**(6,103)**	**(192,512)**
Depreciation	(63)	(7,452)	(1,052)	(8,568)
Disposals	**-**	**98,562**	**620**	**99,183**
Balance as at 30 June 2017	**(97)**	**(95,265)**	**(6,535)**	**(101,897)**
Depreciation	(63)	(6,665)	(988)	(7,715)
Disposals	-	-	-	-
Balance as at 30 June 2018	**(160)**	**(101,930)**	**(7,523)**	**(109,613)**
Net written down value 30 June 2018	**283**	**316,402**	**2,385**	**319,070**

Note 12. Other Financial Assets

12 (a) Derivative Financial Instruments

	30 June 2018 $	30 June 2017 $
Derivative Financial Assets [1]	68,500	-
	68,500	-

Derivative financial assets are recognised at fair value through profit and loss and are classified as fair value through profit or loss financial assets.

(1) Unlisted options are valued using the Black-Scholes method at the issued date. The options are exercisable at $0.25, expiring on 30 April 2021. They are valued using a risk free rate of 1.5% and 100% volatility. The unlisted options have been revalued at balance date.

Reconciliation of Derivative Financial Assets

Opening Balance (1 July 2017)	-	-
23 January 2018 value (acquisition)	136,000	-
Change in fair value	(67,800)	-
Closing Balance (30 June 2018)	68,500	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 12. Other Financial Assets (continued)

12 (b) Available for Sale Financial Instruments	30 June 2018 $	30 June 2017 $
Available for sale financial assets – AYR	21,875	9,375
Available for sale financial assets – AX8	420,000	-
	441,875	9,375
Opening Balance (1 July 2017)	9,375	37,500
23 January 2018 value (acquisition)	600,000	-
Change in fair value	(167,500)	(28,125)
Closing Balance (30 June 2018)	441,875	9,375

Note 13. Exploration and Evaluation Expenditure

	30 June 2018 $	30 June 2017 $
Opening balance Exploration and evaluation expenditure	1,089,583	3,770,118
Exploration and evaluation expenses capitalised during year	686,869	429,352
Less: Impairment	(293,697)	(3,109,887)
Less: cost of exploration and evaluation projects sold	(240,901)	-
Closing balance Exploration and evaluation expenditure	1,241,857	1,089,583

During the year the Directors recognised an impairment on previously capitalised expenditure on specific tenements due to the tenements no longer being held.

The Company's title to certain mining tenements is subject to Ministerial approval and may be subject to outcomes of native title issues (Refer Note 24).

Note 14. Trade and Other Payables

Trade creditors	19,379	23,383
Other creditors	72,141	21,592
	91,520	44,975

The average credit period on purchases is 60 days. There is no interest charged on payables.

Note 15. Provisions

Employee entitlements – annual & long service leave accrued	52,380	33,436

Note 16. Issued Capital

(a) Issued Shares	Number	$
Opening Balance 1 July 2016	161,168,333	14,590,606
Closing Balance 30 June 2017	**161,168,333**	**14,590,606**
Opening Balance 1 July 2017	161,168,333	14,590,606
Exercise of options	6,800,000	213,950
Share placement 2 March 2018	5,555,556	500,000
Share purchase plan 19 March 2018	5,555,556	500,000
Share issue costs		(55,264)
Closing Balance 30 June 2018	**179,079,445**	**15,749,292**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 16. Issued Capital (continued)

(b) Options on Issue

The fair value per option granted during the year are detailed in Note 17.

Expiry date	5 Nov 2017	9 Nov 2017	29 July 2018	3 Nov 2018	13 Dec 2018	10 Oct 2020	10 Oct 2020	20 February 2021	Weighted average exercise price $	Weighted average contractual life remaining Months
Exercise Price	**$0.019 Directors** [1]	**$0.044 Employees** [2]	**$0.026 Employees** [3]	**$0.07 Directors** [4]	**$0.035 Employ-ees** [5]	**$0.05 Consultant** [6]	**$0.09 Directors & Employee** [7]	**$0.05 Consultant** [8]		
Opening 1/7/17	5,000,000	500,000	1,300,000	5,000,000	400,000	-	-	-	0.042	14.19
Exercised	(5,000,000)	(500,000)	(1,300,000)	-	-	-	-	-	0.019	-
Issued	-	-	-	-	400,000	6,000,000	5,500,000	3,000,000	0.035	17.73
Closing 30/6/18	-	-	-	5,000,000	400,000	6,000,000	5,500,000	6,000,000	0.041	14.19

The above-mentioned options have the following key terms:

[1] *Directors' options are exercisable at $0.019 each, by the expiry date noted above.*

[2] *Employees' options are exercisable at $0.044 each, by the expiry date noted above.*

[3] *Employees' options are exercisable at $0.026 each, by the expiry date noted above.*

[4] *Directors' options are exercisable at $0.07 each, by the expiry date noted above.*

[5] *Employees' options are exercisable at $0.035 each, by the expiry date noted above. The options vest immediately, and were settled in equity.*

[6] *Consultants' options are exercisable at $0.05 each, by the expiry date noted above. The options vest immediately.*

[7] *Directors' and Employees' options are exercisable at $0.09 each, by the expiry date noted above. The options vest immediately, and were settled in equity.*

[8] *Consultants' options are exercisable at $0.05 each, by the expiry date noted above. The options vest immediately.*

Note 17. Reserves

Share Option Reserve	**30 June 2018 $**	**30 June 2017 $**
Opening Balance	116,070	115,390
Employees' Options – 13 December 2016	-	3,920
Consultant Options – 16 October 2017	35,046	-
Directors' Options – 26 October 2017	37,641	-
Employees' Options – 26 October 2017	3,764	-
Consultant Options – 20 February 2018	36,506	-
Less – options exercised	(63,150)	-
Less – expired options	-	(3,240)
Closing balance	165,877	116,070

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 17. Reserves (continued)

The Share Option Reserve arises as the share options granted vest over the vesting period. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

Using the Black & Scholes options valuation and methodology, the fair value of the options ware calculated. The following inputs were used:

INPUT	CONSULTANT OPTIONS	DIRECTORS OPTIONS	EMPLOYEE OPTIONS	CONSULTANT OPTIONS
Exercise price	$0.05	$0.09	$0.09	$0.05
Share price	$0.042	$0.061	$0.061	$0.13
Grant date	16/10/17	26/10/17	26/10/17	20/02/18
Expected volatility (i)	100%	100%	100%	100%
Expiry date	10/10/20	26/10/20	26/10/20	20/02/21
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	1.5%	1.5%	1.5%	1.5%
Value per option	$0.0247	$0.0333	$0.0333	$0.1019
Number of options	6,000,000	5,000,000	500,000	3,000,000
Value of options	$148,200	$166,500	$16,650	$305,700

(i) Volatility using the Black & Scholes method was determined by looking at similar companies for a similar period.

Assets Held for Sale Reserve

	30 June 2018 $	30 June 2017 $
Opening balance	-	-
Available for sales financial assets (change in fair value)	167,500	-
Balance at the end of the year	167,500	-

Note 18. Accumulated Losses

Balance at the beginning of the year	(11,643,907)	(8,263,924)
Net profit/(loss) for the year	(171,244)	(3,383,223)
Transfer from share option reserve (expired options)	-	3,240
Balance at the end of the year	(11,815,151)	(11,643,907)

Note 19. Statement of Operations by Segment

The Company 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 Company operates solely in the natural resources exploration industry in Australia, and has determined that this is the only operating segment. The Company is predominantly involved in mineral exploration and development.

Note 20. Related Party Transactions

a) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 6 to the financial statements.

b) Transactions with director related entities

During the year, Mooney & Partners Pty Ltd, a company associated with Grant Mooney was paid for Company secretarial services provided to the Company totalling $48,000 (2017: $48,000).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 21. Financial Instruments

(a) Overview

The Company's principal financial instruments comprise receivables, payables, cash and short-term deposits. The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and commodity prices risk.

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. All financial assets and liabilities are held at amortised cost.

b) Interest rate risk

The Company'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 average interest rates in classes of financial assets and liabilities is as follows:

2018	Average Effective Interest Rate %	Fixed Interest Rate $	Floating Interest Rate $	Non-Interest Bearing $	Total $
Financial assets:					
Operating accounts	-	-	-	21,428	21,428
Savings accounts	0.5%	-	938,873	-	938,873
Term deposits	2.03%	710,554	-	-	710,554
Receivables	-	-	-	278,721	278,721
Available for sale financial assets	-	-	-	441,875	441,875
Derivative financial assets	-	-	-	68,500	68,500
		710,554	**938,873**	**810,524**	**2,459,951**
Financial liabilities:					
Accounts payable	-	-	-	91,520	91,520
		-	**-**	**91,520**	**91,520**

2017	Average Effective Interest Rate %	Fixed Interest Rate $	Floating Interest Rate $	Non-Interest Bearing $	Total $
Financial assets:					
Operating accounts	0.01%	-	11,046	-	11,046
Savings accounts	0.60%	-	267,965	-	267,965
Term deposits	2.27%	1,716,819	-	-	1,716,819
Receivables	-	-	-	33,976	33,976
Available for sale financial assets	-	-	-	9,375	9,375
		1,716,819	**279,011**	**43,351**	**2,039,181**
Financial liabilities:					
Accounts payable	-	-	-	44,974	44,974
		-	**-**	**44,974**	**44,974**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 21. Financial Instruments (Continued)

Interest rate sensitivity

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of both short term and long-term interest rates. A movement of 10 basis points in interest rates on reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Retained Earnings	
2018	**+10% $**	**-10% $**	**+10% $**	**-10% $**
Cash and equivalents	243	(243)	243	(243)
2017	**+10% $**	**-10% $**	**+10% $**	**-10% $**
Cash and equivalents	456	(456)	456	(456)

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables.

There are no significant concentrations of credit risk within the Company. The carrying amount of the Company's financial assets represents the maximum credit risk exposure, as represented below:

	2018 $	2017 $
Cash and cash equivalents	1,670,857	1,995,830
Trade and other receivables	278,721	33,976
	1,949,578	**2,029,806**

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when due, by insuring sufficient liquid funds are available on short term maturities.

The maturity of all financial assets and liabilities is less than six months.

e) Commodity price risk

The Company is exposed to commodity price risk. Commodity prices can be volatile and are influenced by factors beyond the Company's control. As the Company is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(f) Fair Value

The net fair value of financial assets and financial liabilities approximate their carrying value. Net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three (3) levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 21. Financial Instruments (Continued)

(f) Fair Value (continued)

30 June 2018	Level 1	Level 2	Level 3	Total
Financial Assets:				
Available for sale financial assets	441,875	-	-	441,875
Derivative financial assets	68,500	-	-	68,500
Net fair value:	**510,375**	-	-	**510,375**

30 June 2017	Level 1	Level 2	Level 3	Total
Financial Assets:				
Listed Shares	9,375	-	-	9,375
Net fair value:	**9,375**	-	-	**9,375**

There were no transfers between Level 1 and Level 2 in 2018.
Fair values of these listed securities have been estimated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy above.
The Company has no level 2 or level 3 assets or liabilities.

Note 22. Earnings per Share

	2018 cents	2017 cents
Basic profit/(loss) per share (cents per share)	(0.101)	(2.082)
Diluted profit/(loss) per share (cents per share)	(0.101)	(2.082)

Basic Earnings per Share

	2018 $	2017 $
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Profit/(Loss)	(171,244)	(3,355,098)

	2018 No.	2017 No.
Weighted average number of ordinary shares	169,342,580	161,168,333
Weighted average number of dilutive ordinary shares	N/A	N/A

Options outstanding at year end are not dilutive and therefore not included in the calculation of dilutive loss per share.

Note 23. Significant Events Subsequent to Year End

There was no matter or circumstance subsequent to the end of the year that has significantly affected the operations of the Company, the results of operations or the state of affairs in future financial years.

Note 24. Contingent Liabilities

In June 1992 the High Court of Australia held in the Mabo case that the common law of Australia recognises a form of native title. The full impact that the Mabo decision may have on tenements held by the Company is not yet known. The Company is aware of native title claims that have been lodged with the National Native Title Tribunal ("the Tribunal") over several areas in the Northern Territory in which the Company holds interests. The native title claims have been accepted by the Tribunal for determination under section 63(1) of the Native Title Act 1993 (Commonwealth). There is no information at balance date known to Directors which would result in an impairment trigger or potential loss of tenements.

Note 25. Commitments for Expenditure

These amounts are payable, if required, over various times over the next five years. In addition, royalty payments may be payable if certain conditions are met in the future. At this time, the Directors do not consider the payments to be probable.

Operating Lease Commitment as follows:

The Company has extended a rental agreement commencing 16 May 2018 for a period of 24 months.

Office Rental	2018 $	2017 $
- Due within 1 year	57,576	49,598
- Due 1 to 5 years	50,658	-

Exploration Expenditure Commitments:

The Company has minimum statutory commitments as conditions of tenure of certain mining tenements. Whilst these obligations may vary, a reasonable estimate of the minimum commitment projected for the next 12 months if it is to retain all of its present interests in mining and exploration properties is $234,600 (2017: $176,000).

DIRECTORS' DECLARATION

1. In the opinion of the directors of POZ Minerals Limited (the Company):
   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

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

JAMES RICHARDS
Chairman

GRANT MOONEY
Non-executive Director & Company Secretary

Dated this 14th day of September 2018

Central Park, Level 43
152-158 St Georges Terrace
Perth WA 6000

Correspondence to:
PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000
F +61 8 9480 2050
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of POZ Minerals Limited

Report on the audit of the financial report

Opinion

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

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

a giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets – refer to Note 2(m) and 13	

At 30 June 2018, the carrying value of exploration and evaluation assets was $1.242 million.
 	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Company is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.
 	
The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.
 	
This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.
	Our procedures included, amongst others:
	
	• obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;
	• reviewing management's area of interest considerations against AASB 6;
	• conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including;
	    ○ tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;
	    ○ enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;
	    ○ understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;
	• assessing the accuracy of impairment recorded for the year as it pertained to exploration interests; and
	• assessing the appropriateness of the related financial statement disclosures.

Available for sale financial assets and derivative financial instruments – refer to Note 2(q) and 12	
On 19 December 2017, the Company entered into a Tenement Sale Agreement with Accelerate Resources (AX8) in respect of the Company's tenements in Peak Hill and Kalgoorlie. Under the terms of the Agreement, POZ Minerals Limited transferred to AX8 100% of its interests in those tenements and as consideration for the sale received: - 3,000,000 fully paid ordinary shares in AX8, - 1,000,000 unlisted options exercisable at $0.25 by 30 April 2021.	Our procedures included, amongst others: • agreeing the receipt of shares and options to ASX announcements; • reviewing the terms and conditions of the options received; • evaluating the methodology for appropriateness and the key inputs and assumptions of the option valuation calculation for reasonableness, as at acquisition date (23 January 2018) and as at reporting date (30 June 2018); • recalculating the profit/(loss) on disposal of the tenements in reference to the fair value of the shares and options received; • recalculating the fair value movements on the shares and options during the period to ensure these movements were recognised in 'other comprehensive income' and 'statement of profit or loss' respectively; and

In accordance with the Australian Accounting Standards, the consideration received at transaction date is recorded at fair value and subsequently revalued at each reporting date.
The calculation undertaken by management to estimate at fair value the Legend Mining options involves an element of management judgement.

This area is a key audit matter due to the significant judgement involved in determining the fair value of the available for sale financial assets and derivative financial instruments, driven by movements in financial markets.

- assessing the adequacy of the Company's disclosures in respect to available for sale financial assets and derivative financial instruments.

Information other than the financial report and auditor's report thereon

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

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

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

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

Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 5 to 7 of the Directors' report for the year ended 30 June 2018.

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

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner – Audit & Assurance

Perth, 14 September 2018

ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 10 September 2018.

Spread of Holdings			Ordinary Shares
1	-	1,000	27,176
1,001	-	5,000	344,853
5,001	-	10,000	1,317,087
10,001	-	100,000	18,835,356
100,001	-	and over	158,554,973

Number of Holders: 964

Number of shareholders holding less than a marketable parcel: 233

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares
James Richards	32,016,401
Kelsi Chemicals Pty Ltd <Ruane S/F A/C>	16,568,370
One Managed Investments Limited	13,284,544
Grant Mooney	8,834,999

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

STATEMENT OF QUOTED SECURITIES / TOTAL SHARES ON ISSUE

Listed on the Australian Securities Exchange are 179,079,445 fully paid shares.

COMPANY SECRETARY

The name of the Company Secretary is Grant Jonathan Mooney.

REGISTERED OFFICE

The registered office is at Suite 4, 6 Richardson Street, West Perth, Western Australia 6005.

TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED EQUITY SECURITIES (as at 10 September 2018)

ORDINARY FULLY PAID SHARES

Shareholder Name	Number of Shares	Percentage of Capital
JAMES MCARTHUR RICHARDS	32,183,068	17.97%
KESLI CHEMICALS PTY LTD <RUANE SUPER FUND A/C>	12,344,941	6.89%
ONE MANAGED INVESTMENT FUNDS LTD <1 A/C>	11,334,544	6.33%
OCEAN FLYERS PTY LTD <S&G MOONEY SUPER FUND>	5,676,667	3.17%
JP MORGAN NOMINEES AUSTRALIA	3,869,528	2.16%
ANNE MARIE HUTCHINGS	3,650,000	2.04%
LLANGURIG SUPER PTY LTD <JIM RICHARDS SUPER FUND A/C>	3,166,667	1.77%
IANAKI SEMERDZIEV	3,156,452	1.76%
CORONA LAND HOLDINGS PTY LTD <HUMBERSTONE SUPER FUND>	2,533,333	1.41%
CLELAND PROJECTS PTY LTD <CT A/C>	2,500,000	1.40%
DALE LEONARD ANDREWS <DOG STAR SUPER FUND A/C>	2,492,000	1.39%
GRANT JONATHAN MOONEY	2,238,882	1.25%
LATERAL MINERALS PTY LTD <SUNGOLD SUPER FUND A/C>	2,200,000	1.23%
OAK WINDS SUPER PTY LTD <DACIN NOMINEES PTY LTD SUPER FUND A/C>	2,000,000	1.12%
IAN KERR	1,876,336	1.05%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,718,166	0.96%
PAUL SCIANCALEPORE & PAULINE SCIANCALEPORE	1,666,667	0.93%
Z&M CONSOLIDATED PTY LTD <Z&M SUPER FUND A/C>	1,500,000	0.84%
PHILIP ANDREW PILCHER	1,328,754	0.74%
PURE INTEGRITY PTY LTD <GREGSON GROUP SUPER FUND A/C>	1,275,000	0.71%
Total	98,711,005	55.12%

HOLDERS OF SECURITIES IN AN UNQUOTED CLASS

OPTIONS

Option Holder Name	Directors Options Expiring 3 Nov 2018 @ 7.0 cents each	Employee Options Expiring 13 Dec 2018 @ 3.5 cents each	Consultant Options Expiring 10 October 2020 @ 5.0 cents each	Directors & Employee Options Expiring 26 Oct 2020 @ 9.0 cents each
James Richards	3,000,000	-	-	3,000,000
Mark Thompson	1,000,000	-	-	1,000,000
Grant Mooney	1,000,000	-	-	1,000,000
Michael Denny	-	400,000	-	500,000
Bunuba	-	-	6,000,000	-
	5,000,000	**400,000**	**6,000,000**	**5,500,000**

CORPORATE GOVERNANCE

(a) The Board of Directors

The primary responsibility for the Board is to represent and advance Shareholder's interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

The Company has adopted the ASX *Corporate Governance Principles and Recommendations* with some amendments where applicable after giving consideration to the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

A summary of the Company's key policies follow.

(b) Board and Senior Executive Evaluation

The Board considers the ongoing development and improvement of its own performance as critical input to effective governance. The Board will undertake an annual evaluation of its effectiveness as a whole. The Chairman will review the individual performance of each Board member annually.

The Chairman's performance is evaluated by the Board annually.

All senior executives of POZ Minerals are subject to an annual performance evaluation. Each year, senior executives establish a set of performance targets with her or his superior. These targets are aligned to overall business goals and requirements of the position. In the case of the Executive Chairman, these targets are established between the Executive Chairman and the Board.

(c) Code of Conduct

The Board, management and all employees of POZ Minerals are committed to implementing POZ Mineral's core principles and values as stated in this Code of Conduct when dealing with each other and with customers, suppliers, government authorities, creditors and the wider community.

POZ Minerals is dedicated to delivering outstanding performance for investors and employees. POZ Minerals aspires to be a leader in its field while operating openly, with honesty, integrity and responsibility and maintaining a strong sense of corporate social responsibility. In maintaining its corporate social responsibility POZ Minerals will conduct its business ethically and according to its values, encourage community initiatives, consider the environment and ensure a safe, equal and supportive workplace.

(d) Continuous Disclosure

In accordance with the ASX Listing Rules, POZ Minerals will immediately notify the ASX of information concerning POZ Minerals that a reasonable person would expect to have a material effect on the price or value of POZ Minerals' securities.

The only exception to this requirement is where the ASX Listing Rules do not require such information to be disclosed.

Upon confirmation of receipt from the ASX, POZ Minerals will post all information disclosed to ASX on its website.

CORPORATE GOVERNANCE (Continued)

(e) Selection of External Auditor

The Board identifies and recommends an appropriate external auditor for appointment, in conjunction with senior management and/or POZ Minerals in general meeting. The appointment is made in writing.

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to POZ Minerals' accounts for a year of more than five consecutive years. Further, once rotated off POZ Minerals' accounts, no partner of the external auditor may assume any responsibility in relation to POZ Mineral's accounts for a year of five consecutive years.

The Company has appointed, with their consent, Grant Thornton as its auditors.

(f) Senior Executives Remuneration

POZ Minerals is committed to remunerating its senior executives in a manner that is market competitive, consistent with best practice and supports the interests of shareholders. Consequently, senior executives' remuneration consists of a fixed salary, statutory superannuation and, subject to the terms of their engagement, mobile phone expenses.

All reasonable out of pocket expenses incurred by the senior executive in connection with the performance of duties on behalf of POZ Minerals will be reimbursed.

In addition, the Company has established an employee share option plan ("ESOP") in order to provide an incentive for senior executives and other employees to participate in the future growth of the Company. The ESOP is administered in accordance with the ESOP rules which can be viewed, in full, on the Company's website.

(g) Non-executive Directors Remuneration

Non-executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. The sum each Non-Executive Director is paid is determined by the Board from time to time. Additional fees may be paid for participation on Board Committees however, the total fees paid to Non-Executive Directors, including fees paid for participation on Board Committees, are kept within the total amount approved by shareholders. At present the maximum aggregate remuneration of Non-Executive Directors is $400,000 per annum.

(h) Selection and Appointment of New Directors

Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within POZ Minerals' scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting.

(i) Risk Management

Risk recognition and management are viewed by POZ Minerals as integral to the Company's objectives of creating and maintaining shareholder value, and the successful execution of the Company's mineral exploration and development.

There are a range of specific risks that have the potential to have an adverse impact on POZ Minerals' business. The Company has developed a framework for a risk management policy and internal compliance and control system which covers organisational, financial and operational aspects of the Company's affairs.

Management reports to the Board annually in relation to the key business risks, the control system in place to manage such risks and how effective the risk management system is operating.

CORPORATE GOVERNANCE (Continued)

(j) Security Trading

POZ Minerals recognises that directors, officers and employees may hold securities in POZ Minerals and that most investors are encouraged by these holdings. It is the responsibility of the individual director, officer or employee to ensure that any trading by the director, officer or employee complies with the Corporations Act 2001, the ASX Listing Rules and Company Policy.

A breach of this policy may lead to disciplinary action. It may also be a breach of the law.

On 17 December 2010, the Company adopted a Securities Trading Policy which sets out procedures and protocols to be complied with if a director, officer or employee wishes to trade in the Company's securities. These procedures and protocols include the clear establishment of "blackout periods" where trading in the Company's securities by a director, officer or employee is prohibited as well as approvals required for trading in securities during non-blackout periods.

(k) Shareholder Communication Policy

The Board aims to ensure that shareholders are informed of all major developments affecting POZ Minerals. All shareholders receive the Company's annual report, and may also request copies of the Company's half-yearly and quarterly reports. The Board also encourages full participation of shareholders at the Company's annual general meeting.

In addition, the Company maintains a website at www.pozminerals.com.au which is regularly updated.

(l) Independent Professional Advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(m) Matters for Approval by the Board of Directors

The Board has adopted a list of matters required to be brought before the Board of Directors for approval. This provides an important means of dividing responsibility between the Board and management, assisting those affected by corporate decisions to better understand the respective accountabilities and contributions of the Board and the Senior Executives.

(n) Diversity Policy

The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of our people. As such, the Board has adopted a policy to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.

(o) Explanations for Departure From Best Practice Recommendations

During the reporting year from the Company has complied with each of the Essential Corporate Governance principles and the corresponding Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations" 3rd Edition), other than in relation to the matters specified below.

EXPLANATION FOR DEPARTURE FROM BEST PRACTICE RECOMMENDATIONS

The Company has complied with each of the Eight Corporate Governance Principles and Recommendations as published by ASX Corporate Governance Council (3rd Edition), other than in relation to the matters specified below.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The listing entity should disclose:

(a) the respective roles and responsibilities of its board and management; and

(b) those matters expressly reserved to the board and those delegated to management.

The Company complies with this recommendation.

The Company has established clear details of the roles and responsibilities of each of its board management members.

Recommendation 1.2

A listed entity should:

(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company complies with this recommendation.

The Company has a policy for the evaluation of the Board and Senior Executives, details of which can be found on the Company's website.

The appointment of any director is subject to subsequent approval by shareholders at the next Annual General Meeting of the Company. Meeting materials for such meeting incorporates all relevant details to assist shareholders in deciding whether or not to elect or re-elect that director.

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company complies with this recommendation.

Prior to the formal appointment of any director, a written agreement is entered into between the Company and the director setting out the terms and conditions of their appointment.

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company complies with this recommendation.

Recommendation 1.5

A listed entity should:

(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either;

(i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

(ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.

The Company does not comply with this recommendation. The Company has not yet set measurable objectives for achieving diversity. The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company. Due to the size of the Company, the Board does not consider it appropriate at this time to formally set objectives for gender diversity. The Company currently employs (including on a consulting basis) 5 staff (1 female and 4 males).

Recommendation 1.6

A listed entity should:

(a) have and disclose a process for periodically evaluation the performance of the board, its committees and individual directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company complies with this recommendation.

On an annual basis the Company undertakes a review of the Board, its committees and individual directors which is confirmed in the Annual Report.

Recommendation 1.7

A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company complies with this recommendation.

On an annual basis the Company undertakes a review of the senior executives which is confirmed in the Annual Report.

Principle 2: Structure the board to add value

Recommendation 2.1

The board of a listed entity should:

(a) have a nomination committee which:

(i) has at least three members, a majority of whom are independent directors; and

(ii) is chaired by an independent director; and disclose:

(iii) the charter of the committee;

(iv) the members of the committee; and

(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company does not comply with this recommendation. Given the Company's size, it is not considered necessary to have a separate Nomination Committee.

In addition to the above, the following information is provided:

(a) the skills, experience and expertise of each of the Company's directors are set out in the Company's Annual Report;

(b) the Board, in consultation with external advisers where required, undertakes this role; and

(c) the Company provides for the proper assessment of prospective directors and include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company complies with this recommendation.

The skills, experience and expertise of each of the Company's directors are set out in the Company's Annual Report.

Recommendation 2.3

A listed entity should disclose:

(a) the names of the directors considered by the board to be independent directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director.

The Company complies with this recommendation.

Non-Executive Directors Grant Mooney and Mark Thompson are considered Independent Directors.

The length of service of each Director is set out in the Annual Report.

Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

The Company currently complies with this recommendation.

Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Company does not comply with this recommendation.

Given the size of the Group the Board considers it is prudent to combine the roles of Chairman and Executive to preserve funds.

Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors efficiently.

The Company complies with this recommendation.

The Company has established a process for induction of new directors and where possible, provides each director with opportunities for professional development such that they can improve their effectiveness as directors of the Company.

<u>Principle 3: Act ethically and responsibly</u>

Recommendation 3.1

A listed entity should:

(a) have a code of conduct for its directors, senior executives and employees; and

(b) disclose that code or a summary of it.

The Company complies with this recommendation.

The Company has established a code of conduct for all directors, senior executives and employees which is summarised in the Company's Annual Report.

<u>Principle 4: Safeguard integrity in corporate reporting</u>

Recommendation 4.1

The board of a listed entity should:

(a) have an audit committee which:

(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(ii) is chaired by an independent director, who is not the chair of the board,

and disclose:

(b) the charter of the committee;

(c) the relevant qualifications and experience of the members of the committee; and

(d) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(e) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company does not comply with this recommendation.

The Directors are of the view that given the size of the Company and the relatively small number of directors, it is not practical to have an Audit Committee. The Board undertakes this role.

The Board meets on a regular basis and discusses matters normally captured under the terms of reference of an audit committee, being Company risk, controls and general and specific financial matters, as detailed in Risk Management on the Company's website.

Recommendation 4.2

The board of the listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company complies with this recommendation. The Board receives assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration in relation to section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company also has a separate policy in relation to Risk Management which is available on the Company's website.

Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company complies with this recommendation.

The Company's auditor attends the annual general meeting of the Company and is available to answer any question in relation to the audit.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1

A listed entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

The Company complies with this recommendation.

The Company has a Continuous Disclosure policy which is set out on the Company's website.

Principle 6: Respect the rights of security holders

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

The Company complies with this recommendation.

A summary of the Company's Corporate Governance policies is set on the Company's website.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company complies with this recommendation.

The Company has established an investor relations program to ensure effective communications between the Company and shareholders and investors.

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company complies with this recommendation.

The Company has a Shareholder Communication Policy which is set out on the Company website.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company complies with this recommendation.

The Company provides the option to shareholders to receive communications electronically, notification of this option is provided by the Company registry.

Principle 7: Recognise and manage risk

Recommendation 7.1

The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

(i) has at least three members, a majority of whom are independent directors; and

(ii) is chaired by an independent director;

And disclose:

(iii) the charter of the committee;

(iv) the members of the committee; and

(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Company does not comply with this recommendation.

The Directors are of a view that given the size of the Company, it is not necessary to have a separate committee to oversee risk and this function is undertaken directly by the Board and senior management at regular intervals. The Risk Management Policy is available on the Company's website.

Recommendation 7.2

The board or a committee of the board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

The Company complies with this recommendation.

As stated above, in the forum of board meetings the board regularly addresses certain risks that may affect the Company's business interests and confirmation of these risks being addressed are noted in the Corporate Governance Policies within the Annual Report.

Recommendation 7.3

A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving the effectiveness of its risk management and internal control processes.

The Company does not comply with this recommendation.

The Directors are of the view that given the size of the Company, it is not practical to have an internal audit function and that risk management is undertaken by the Board and senior management.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company does not comply with this recommendation.

The Directors are of the view that given the Company's size, risks are addressed directly by the Board and senior management and are not disclosed externally.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

The board of a listed entity should:

(a) *have a remuneration committee which:*

(i) *has at least three members, a majority of whom are independent directors; and*

(ii) *is chaired by an independent director;*

and disclose:

(iii) *the charter of the committee;*

(iv) *the members of the committee; and*

(v) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

(b) *if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Company does not comply with this recommendation.

The Company does not presently have a remuneration committee.

The Directors are of the view that given the size of the Company, the relatively small number of directors it is not practical to have a remuneration committee. The Board undertakes this role with the assistance of any external advice which may be required from time to time.

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company complies with this recommendation.

The Company has separate policies relating to the remuneration of non-executive directors as opposed to senior executives.

These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

(a) *have a policy on whether participants are permitted to enter into transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*

(b) *disclose that policy or a summary of it.*

The Company complies with this recommendation.

The Company has a Securities Trading Policy which, among other things, sets out the Company's policy on trading the Company's securities. A copy of this policy is on the Company's website.