

# 2017

## ANNUAL REPORT



ABN 94 088 488 724

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**CORPORATE DIRECTORY****BOARD**

Farooq Khan	Chairman
William Johnson	Managing Director
Victor Ho	Director
Malcolm Richmond	Non-Executive Director
Matthew Hammond	Non-Executive Director

**COMPANY SECRETARY**

Victor Ho

**PRINCIPAL AND REGISTERED OFFICE**

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**STOCK EXCHANGE**

Australian Securities Exchange  
Perth, Western Australia

**ASX CODE**

SRK

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# DIRECTORS' REPORT

The Directors present their report on Strike Resources Limited ABN 94 088 488 724 (**Company** or **SRK**) and its controlled entities (the **Consolidated Entity** or **Strike**) for the financial year ended 30 June 2017 (**Balance Date**).

SRK is a company limited by shares that was incorporated in Western Australia and has been listed on the Australian Securities Exchange (**ASX**) since 7 March 2000 (ASX Code: [SRK](#)).

The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, being wholly owned subsidiaries.

## PRINCIPAL ACTIVITIES

Strike's principal activities during the financial year were:

- the investigation of potential alternative value-add strategies in relation to the development of its [Iron Ore Projects](#) in Peru and the pursuit of the sale of the same;
- the exploration and evaluation of its Burke Graphite Project in Queensland; and
- actively seeking to build/acquire a portfolio of new mining projects in commodities that in Strike's view have strong market fundamentals and in locations which Strike has significant operating experience – principally, Australia and South America.

## OPERATING RESULTS

	June 2017	June 2016
<b>Consolidated</b>	<b>\$</b>	<b>\$</b>
Total revenue	171,203	270,629
Total expenses	(1,319,132)	(899,299)
Loss before tax	(1,147,929)	(628,670)
Income tax expense	-	-
Loss after tax	(1,147,929)	(628,670)

## CASH FLOWS

	June 2017	June 2016
<b>Consolidated</b>	<b>\$</b>	<b>\$</b>
Net cash flow from operating activities	(1,051,074)	(1,342,890)
Net cash flow from investing activities	(607,415)	(62,338)
Net change in cash held	(1,658,489)	(1,405,228)
Cash held at year end	5,308,855	6,970,738

## FINANCIAL POSITION

	June 2017	June 2016
<b>Consolidated</b>	<b>\$</b>	<b>\$</b>
Cash	5,308,855	6,970,738
Receivables	76,584	64,740
Other assets	381,954	11,903
Liabilities	(65,390)	(74,062)
<b>Net assets</b>	<b>5,702,003</b>	<b>6,973,319</b>
Issued capital	148,439,925	148,439,925
Reserves	15,184,443	15,307,830
Accumulated losses	(157,922,365)	(156,774,436)
<b>Total equity</b>	<b>5,702,003</b>	<b>6,973,319</b>

# DIRECTORS' REPORT

## REVIEW OF OPERATIONS

### Burke Graphite Project (Queensland)

During the financial year, Strike secured an interest in the Burke Graphite Project<sup>1</sup> located at Mt Dromedary in the Cloncurry region in North Central Queensland, where there is access to well-developed transport infrastructure to an airport at Mt Isa (~122km) and a port in Townsville (~783km).

Strike secured a 60% farm-in interest over two exploration tenements considered highly prospective for large flake graphite mineralisation. Further details are in Strike's ASX Announcement dated 9 November 2016: [Strike Secures Graphite Project in Queensland](#).

The key Burke tenement EPM 25443 (~16km<sup>2</sup>) comprises two blocks with the northern block (6km<sup>2</sup>) being immediately adjacent to the Mt Dromedary Graphite Project, one of highest-grade flake graphite deposits in the world, located in Australia, being developed by [Novonix](#) Limited (formerly Graphitecorp Limited) (ASX:[NVX](#)).

A maiden drilling campaign was completed in April/May 2017 to test the graphite mineralisation extension in EPM 25443. The results have been released in Strike's ASX announcements dated:

- 21 April 2017: [Jumbo Flake Graphite Confirmed at Burke Graphite Project](#);
- 13 June 2017: [High Grade Graphite Intersections at Burke Graphite Project](#); and
- 21 June 2017: [Further Intersection Encountered at Burke Graphite Project](#).

In July 2017, Strike completed its earn-in obligations to acquire a 60% interest in the Burke Graphite Project tenements. All expenditure on the project will now be shared in proportion to the owners' interests (with an industry standard dilution to apply if a party elects not to contribute their share).

### Update on Iron Ore Projects in Peru

During the financial year, Strike:

- Completed preliminary/conceptual desk-top studies for a potential alternative value-add strategy in relation to the development of the Apurimac Project – this is consistent with Strike's recognition of the project as a potentially strategic asset in Peru which may, when market conditions improve, provide opportunity for the Strike to recover value; and
- Entered into a conditional sale agreement in December 2016<sup>2</sup> with a subsidiary of Chinese industrial and financial group [Zhongrong Xinda Group](#) Co. Ltd. (**Zhongrong Xinda**) to sell Strike's [Apurimac](#) and [Cusco](#) Iron Ore Projects in Peru for US\$10 million. Under the terms of the agreement, Zhongrong Xinda was required to complete its due diligence by 30 April 2017, at which time the parties were also expected to complete the final documentation relating to the sale. However, on 29 April 2017, Strike received formal notification from Zhongrong Xinda that it was no longer interested in acquiring the Peru projects.<sup>3</sup>

Strike will continue to explore the potential sale of its Peru assets with other interested parties, together with alternative strategies to realise value from these assets.

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1 Refer Strike's ASX Announcement dated 9 November 2016: [Strike Secures Graphite Project in Queensland](#)

2 Refer Strike's ASX Announcement dated 14 December 2016: [Sale of Peru Iron Ore Assets](#)

3 Refer Strike's ASX release dated 1 May 2017: [Quarterly Report – March 2017](#)

# DIRECTORS' REPORT

## Lithium Tenement Applications (Western Australia)

During the financial year, Strike applied for two exploration licences totaling ~31,000 hectares in the North Pilbara of Western Australia (WA), that exist within the extent of the known lithium and tantalum mineral fields in the region, adjacent to licences that have outcropping lithium and tantalum elevated pegmatite occurrences.

Further details are in Strike's ASX Announcement dated 18 August 2016: [New Lithium Projects in Chile and Western Australia](#).

In July 2017, Exploration Licence EL 45/4799 (26 blocks or ~8,313 hectares) was granted. Exploration Licence Application ELA 45/4800 (70 blocks or ~22,489 hectares) is pending grant.

## DIVIDENDS

No dividends have been paid or declared during the financial year.

## SECURITIES ON ISSUE

The Company has the following total securities on issue as at 30 June 2017 (and as at the date of this report):

	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	145,334,268	-	145,334,268
\$0.30 (17 June 2018) Unlisted Managing Director's Options <sup>4</sup>	-	3,000,000	3,000,000
<b>Total</b>	<b>145,334,268</b>	<b>3,000,000</b>	<b>148,334,268</b>

The following unlisted options lapsed during the financial year:

Date of Lapse	Description of Options	No of Options	Exercise Price	Date of Issue	Expiry Date
23 November 2016	\$0.36 (23 November 2016) Unlisted Options <sup>5</sup>	1,166,668	\$0.36	24 November 2016	23 November 2016
23 November 2016	\$0.42 (23 November 2016) Unlisted Options <sup>5</sup>	1,166,666	\$0.42	24 November 2011	23 November 2016
23 November 2016	\$0.56 (23 November 2016) Unlisted Options <sup>5</sup>	1,166,666	\$0.56	24 November 2011	23 November 2016
<b>TOTAL</b>		<b>3,500,000</b>			

<sup>4</sup> Refer Strike's ASX announcement dated [18 June 2013: Appendix 3B – Grant of Options and Cancellation of Options](#) and Strike's [Notice of General Meeting](#) lodged on ASX on 17 May 2013

<sup>5</sup> Refer Strike's ASX announcement dated [24 November 2011: Appendix 3B - Issue of Personnel Options](#) and Strike's [Notice of AGM](#) lodged on ASX on 24 October 2011

# DIRECTORS' REPORT

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Consolidated Entity save as otherwise disclosed in this Directors' Report or the financial statements and notes thereto.

## FUTURE DEVELOPMENTS

The Consolidated Entity will continue to:

- maintain its iron ore projects in Peru as potentially strategic assets which may, when market conditions improve, provide opportunity for the Strike to recover value from the same;
- advance its other resource projects through exploration, evaluation and development; and
- investigate and pursue other prospective projects in the resources sector.

The likely outcomes of these activities depend on a range of technical and economic factors and also industry, geographic and other strategy specific issues. In the opinion of the Directors, it is not possible or appropriate to make a prediction on the results of these activities, the future course of markets or the forecast of the likely results of the Consolidated Entity's activities.

## ENVIRONMENTAL REGULATION

The Consolidated Entity holds mineral tenement/concession licences issued by the relevant mining and environmental protection authorities of the various countries in which Strike operates (from time to time). In the course of its mineral exploration, evaluation and development activities, the Consolidated Entity adheres to licence conditions and environmental regulations imposed upon it by various authorities (as applicable). The Consolidated Entity has complied with all licence conditions and environmental requirements (as applicable) during the financial year and up to the date of this report. There have been no known material breaches of the Consolidated Entity's licence conditions and environmental regulations during the financial year and up to the date of this report.

## BOARD OF DIRECTORS

<b>Farooq Khan</b>	<b>Chairman</b>
<i>Appointed</i>	18 December 2015; Director since 1 October 2015
<i>Qualifications</i>	BJuris, LLB ( <i>Western Australia</i> )
<i>Experience</i>	Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan is a previous Director of Strike Resources (September 1999 to February 2011, including as the founding Executive Chairman and Managing Director after the Company's IPO in March 2000) and has extensive experience in the securities industry, capital markets and the executive management of ASX-listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sectors. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
<i>Special responsibilities</i>	Member of the Audit Committee Member of the Remuneration and Nomination Committee
<i>Relevant Interests in shares and options</i>	530,010 Shares (directly)
<i>Other current directorships in listed entities</i>	Executive Chairman of: Orion Equities Limited (ASX: <a href="#">OEQ</a> ) (since October 2006) <a href="#">Bentley Capital Limited</a> (ASX: <a href="#">BEL</a> ) (Director since December 2003)  Executive Chairman and Managing Director of: Queste Communications Ltd (ASX: <a href="#">QUE</a> ) (since March 1998)
<i>Former directorships in other listed entities in past 3 years</i>	Nil

# DIRECTORS' REPORT

<b>William Johnson</b>	<b>Managing Director</b>
<i>Appointed</i>	25 March 2013; Director since July 2006
<i>Qualifications</i>	MA (Oxon), MBA
<i>Experience</i>	Mr. Johnson holds a Masters degree in engineering science from Oxford University, England and an MBA from Victoria University, New Zealand. His 30-year business career spans multiple industries and countries, with executive/CEO experience in oil and gas exploration (North Africa and Australia), mineral exploration and investment (Australia, Peru, Chile, Saudi Arabia, Oman and Indonesia), telecommunications infrastructure investment (New Zealand, India, Thailand and Malaysia) and information technology and Internet ventures (New Zealand, Philippines and Australia). Mr Johnson is a highly experienced public company director and has considerable depth of experience in business strategy, investment analysis, finance and execution.
<i>Special responsibilities</i>	None
<i>Relevant Interests in shares and options</i>	3,000,000 Unlisted Managing Director's Options (\$0.30, 17 June 2018) <sup>11</sup> 249,273 Shares (directly)
<i>Other current directorships in listed entities</i>	Executive Director of: <a href="#">Bentley Capital Limited</a> (ASX: <a href="#">BEL</a> ) (since 1 January 2016; Director since March 2009) Director of: <a href="#">Keybridge Capital Limited</a> (ASX: <a href="#">KBC</a> ) (since 29 July 2016)
<i>Former directorships in other listed entities in past 3 years</i>	Nil

<b>Malcolm Richmond</b>	<b>Non-Executive Director</b>
<i>Appointed</i>	Director since 25 October 2006; previously Chairman (3 February 2011 to 18 December 2015)
<i>Qualifications</i>	BSc Hons (Metallurgy) and B. Comm. Merit (Econs) ( <i>New South Wales</i> )
<i>Experience</i>	Mr Richmond has 30 years' experience with the Rio Tinto and CRA Groups in a number of positions including: Vice President, Strategy and Acquisitions; Managing Director, Research and Technology; Managing Director, Development (Hamersley Iron Pty Limited) and Director of Hismelt Corporation Pty Ltd. He was formerly Deputy Chairman of the Australian Mineral Industries Research Association and Vice President of the WA Chamber of Minerals and Energy. Mr Richmond has also served as a Member on the Boards of a number of public and governmental bodies and other public listed companies.  He is a qualified metallurgist and economist with extensive senior executive and board experience in the resource and technology industries both in Australia and internationally. His special interests include corporate strategy and the development of markets for internationally traded minerals and metals - particularly in Asia.  Mr Richmond served as Visiting Professor at the Graduate School of Management and School of Engineering, University of Western Australia until January 2012 and is a Fellow of the Australian Academy of Technological Sciences & Engineering, a Fellow of Australian Institute of Mining and Metallurgy and a Member of Strategic Planning Institute (US).
<i>Special responsibilities</i>	Chairman of the Audit Committee Member of the Remuneration and Nomination Committee
<i>Relevant Interests in shares and options</i>	Nil
<i>Other current directorships in listed entities</i>	Non-Executive Director of: <a href="#">Argonaut Resources NL</a> (ASX: <a href="#">ARE</a> ) (since 14 March 2012)
<i>Former directorships in other listed entities in past 3 years</i>	Nil

# DIRECTORS' REPORT

<b>Matthew Hammond</b>	<b>Non-Executive Director</b>
<i>Appointed</i>	25 September 2009
<i>Qualifications</i>	BA (Hons) ( <i>Bristol</i> )
<i>Experience</i>	Mr Hammond is Group Managing Director and CFO of Mail.ru, a leading European Internet communication and entertainment services group, which is listed on the London Stock Exchange. Prior to that he was Group Strategist for Metalloinvest Holdings, where he had broad-ranging responsibilities for part of the non-core asset portfolio and advised the Metalloinvest Board on strategic acquisitions and investments. He began his career at Credit Suisse and was Sector Head in Equity Research and in Private Bank Ultra High Net Worth Client Advisory advising on portfolio allocation, strategic M&A and individual investments. As a Technology Analyst at Credit Suisse, he was ranked #1 in the Extell and Institutional Investor surveys 8 times.
<i>Special responsibilities</i>	Chairman of the Remuneration and Nomination Committees Member of the Audit Committee
<i>Relevant Interests in shares and options</i>	Nil
<i>Other current directorships in listed entities</i>	Managing Director and Chief Financial Officer of: <a href="#">Mail.Ru Group Limited</a> (LSX:MAIL) (since April 2011; Director since May 2010; CFO since June 2013)  Non-Executive Director of: <a href="#">Realm Therapeutics plc</a> (AIM:RLM) (previously known as PureCore plc) (appointed May 2010)
<i>Former directorships in other listed entities in past 3 years</i>	<a href="#">Qiwi plc</a> (NASDAQ:QIWI) (September 2011 to September 2014)

<b>Victor Ho</b>	<b>Director and Company Secretary</b>
<i>Appointed</i>	Director since 24 January 2014; Company Secretary since 30 September 2015
<i>Qualifications</i>	BCom, LLB ( <i>Western Australia</i> ), CTA
<i>Experience</i>	Mr Ho is a previous Director and Company Secretary of Strike Resources (2000 to 2010) and has been in Executive roles with a number of ASX listed companies across the investments, resources and technology sectors over the past 17+ years. Mr Ho is a Chartered Tax Adviser (CTA) and previously had 9 years' experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has been actively involved in the structuring and execution of a number of corporate, M&A and international joint venture (in South America, Indonesia and the Middle East) transactions, capital raisings and capital management initiatives and has extensive experience in public company administration, corporations' law and stock exchange compliance and investor/shareholder relations.
<i>Special responsibilities</i>	Secretary of Audit Committee and Remuneration and Nomination Committee
<i>Relevant Interests in shares and options</i>	Nil
<i>Other positions held in listed entities</i>	Executive Director (also Company Secretary) of: Orion Equities Limited (ASX: <a href="#">OEQ</a> ) (Secretary since 2 August 2000 and Director since 4 July 2003) Queste Communications Ltd (ASX: <a href="#">QUE</a> ) (Secretary since 30 August 2000 and Director since 3 April 2013) Company Secretary of: <a href="#">Bentley Capital Limited</a> (ASX: <a href="#">BEL</a> ) (since 5 February 2004) <a href="#">Keybridge Capital Limited</a> (ASX: <a href="#">KBC</a> ) (since 13 October 2016)
<i>Former position in other listed entities in past 3 years</i>	Company Secretary of: <a href="#">Alara Resources Limited</a> (ASX: <a href="#">AUQ</a> ) (4 April 2007 to 31 August 2015)

# DIRECTORS' REPORT

## DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

Name of Director	Board Meetings		Audit Committee		Remuneration Committee	
	Attended	Max. Possible Meetings	Attended	Max. Possible Meetings	Attended	Max. Possible Meetings
Farooq Khan	6	6	2	2	-	-
William Johnson	6	6	1 <sup>(a)</sup>	-	-	-
Malcolm Richmond	6	6	2	2	-	-
Matthew Hammond	6	6	2	2	-	-
Victor Ho	6	6	2 <sup>(b)</sup>	-	-	-

Notes:

- (a) Mr Johnson attended one Audit Committee meeting at the invitation of the Audit Committee  
 (b) Mr Ho attended Audit Committee meetings as Secretary of the Audit Committee

## Audit Committee

The Audit Committee was established in March 2010 and currently comprises Malcolm Richmond (as Chairman), Farooq Khan and Matthew Hammond.

The Audit Committee has a formal charter to prescribe its objectives, duties and responsibilities, access and authority, composition, membership requirements of the Committee and other administrative matters. Its function includes reviewing and approving the audited annual and reviewed half-yearly financial reports, ensuring a risk management framework is in place, reviewing and monitoring compliance issues, reviewing reports from management and matters related to the external auditor.

A copy of the [Audit Committee Charter](http://strikeresources.com.au/corporate/corporate-governance/) may be downloaded from the Company's website: <http://strikeresources.com.au/corporate/corporate-governance/>.

## Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established in August 2010 and currently comprises Matthew Hammond (as Chairman), Farooq Khan and Malcolm Richmond.

The Remuneration and Nomination Committee has a formal charter to prescribe its purpose, key responsibilities, composition, membership requirements, powers and other administrative matters. The Committee has a:

- Remuneration function - with key responsibilities to make recommendations to the Board on policy governing the remuneration benefits of the Managing Director and Executive Directors, including equity-based remuneration and assist the Managing Director to determine the remuneration benefits of senior management and advise on those determinations; and a
- Nomination function - with key responsibilities to make recommendations to the Board as to various Board matters including the necessary and desirable qualifications, experience and competencies of Directors and the extent to which these are reflected in the Board, the appointment of the Chairman and Managing Director, the development and review of Board succession plans and addressing Board diversity.

A copy of the [Remuneration and Nomination Committee Charter](http://strikeresources.com.au/corporate/corporate-governance/) may be downloaded from the Company's website: <http://strikeresources.com.au/corporate/corporate-governance/>.

# REMUNERATION REPORT

This Remuneration Report details the nature and amount of remuneration for each Director and Company Executive (being a company secretary or senior manager) (**Key Management Personnel**) of the Company.

The information provided under headings (1) to (6) below has been audited for compliance with [section 300A](#) of the *Corporations Act 2001 (Cth)* as required under [section 308\(3C\)](#).

## (1) Key Management Personnel disclosed in this report

Name	Current Position	Tenure
Farooq Khan	Chairman	Since 18 December 2015; Director since 1 October 2015; Previously, Alternate Director to Victor Ho between 20 January 2014 and 1 October 2015
William Johnson	Managing Director	Since 25 March 2013; Director since July 2006
Victor Ho	Director and Company Secretary	Director since 24 January 2014; Company Secretary since 30 September 2015
Malcolm Richmond	Non-Executive Director	Director since 25 October 2006; Previously, Chairman between 3 February 2011 and 18 December 2015
Matthew Hammond	Non-Executive Director	Since 25 September 2009

## (2) Remuneration Policy

The Board (with guidance from the Remuneration and Nomination Committee) determines the remuneration structure of all Key Management Personnel having regard to the Consolidated Entity's strategic objectives, scale and scope of operations and other relevant factors, including experience and qualifications, length of service, market practice (including available data concerning remuneration paid by other listed companies in particular companies of comparable size and nature within the resources sector in which the Consolidated Entity operates), the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

**The Remuneration and Nomination Committee:** A purpose of the Committee is to assist the Managing Director and the Board to adopt and implement a remuneration system that is required to attract, retain and motivate the personnel who will enable the Company to achieve long-term success. In carrying out this 'remuneration function', the Committee's key responsibilities are to:

- make recommendations to the Board on the specific benefits to be provided to the Managing Director within the policy
- conduct an annual review of Non-Executive Directors' fees and determining whether the limit on the Non-Executive Directors' fee pool remains appropriate, and
- assist the Managing Director to determine the remuneration (including equity-based remuneration) of 'Senior Management' (being executive direct reports to the Managing Director and other senior employees) and advise on those determinations.

A copy of the [Remuneration and Nomination Committee Charter](#) may be downloaded from the Company's website: <http://strikeresources.com.au/corporate/corporate-governance/>.

**Corporate Governance Principles:** The Company's Corporate Governance Statement (**CGS**) also addresses matters pertaining to the Board, Senior Management and Remuneration.

The latest version of the CGS may be downloaded from the Company's website: <http://strikeresources.com.au/corporate/corporate-governance/>.

# REMUNERATION REPORT

**Fixed Cash Short-term Employment Benefits:** The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions. The Non-Executive Directors of the Company are paid a maximum aggregate base remuneration of \$550,000<sup>6</sup> per annum inclusive of employer superannuation contributions where applicable, to be divided as the Board determines appropriate.

The Board has determined the following fixed cash remuneration for current Key Management Personnel as follows:

- (1) Mr Farooq Khan (Chairman) - a base fee of \$80,000 per annum plus employer superannuation contributions;
- (2) Mr William Johnson (Managing Director) - a base fee of \$208,000 per annum plus employer superannuation contributions;
- (3) Mr Victor Ho (Director and Company Secretary) - a base fee of \$95,000 (comprising \$45,000 Director's fees and \$50,000 Company Secretarial fees) per annum plus employer superannuation contributions;
- (4) Mr Malcolm Richmond (Non-Executive Director) - a base fee of \$45,000 per annum plus employer superannuation contributions; and
- (5) Mr Matthew Hammond (Non-Executive Director) - a base fee of \$45,000 per annum.

**Special Exertions and Reimbursements:** Pursuant to the Company's Constitution, each Director is also entitled to receive:

- (a) Payment for reimbursement of all travelling, hotel and other expenses reasonably incurred by a Director for the purpose of attending meetings of the Board or otherwise in and about the business of the Company; and
- (b) In respect of Non-Executive Directors, payment for the performance of extra services or the making of special exertions for the benefit of the Company (at the request of and with the concurrence of the Board).

**Short-Term Benefits:** The Managing Director has the opportunity to earn an annual short-term incentive (STI) cash amount if predefined key performance indicators (KPI's) are achieved. The STI/KPI's are reviewed annually (where applicable). There were no STI KPI's set for the Managing Director in respect of the past 2016/17 financial year or the 2017/18 financial year.

**Long-Term Benefits:** Other than early termination benefits disclosed in 'Employment Agreements' below, Key Management Personnel have no right to termination payments save for payment of accrued unused annual and long service leave (where applicable) (other than Non-Executive Directors).

**Equity-Based Benefits:** The Company has not provided equity based benefits (e.g. grant of shares or options) to Key Management Personnel during the financial year. The Company has previously granted unlisted options to Key Management Personnel (refer 'Options Held By Key Management Personnel' below). There were no shares issued as a result of the exercise of options previously issued to Key Management Personnel during the financial year.

**Employee Share Option Plan:** The Company has an Employee Share Option Plan (the ESOP) which was last approved by shareholders at the 2008 Annual General Meeting held on 6 November 2008<sup>7</sup>. The ESOP was developed to assist in the recruitment, reward, retention and motivation of employees (and potentially Executive Directors). Under the ESOP, the Board will nominate personnel to participate and will offer options to subscribe for shares in the Company to those personnel. A summary of the terms of ESOP is set out in Annexure B to the Company's Notice of Annual General Meeting and Explanatory Statement dated 8 October 2008<sup>8</sup>. The Company has not granted any options to Key Management Personnel during the financial year.

6 As approved by shareholders at the Annual General Meeting held on 25 November 2009; refer SRK's [Notice of Annual General Meeting](#) released on ASX on 27 October 2009 and SRK's ASX Announcement dated [25 November 2009: Results of Annual General Meeting](#)

7 Refer SRK's ASX announcement dated [6 November 2008: Results of Annual General Meeting](#)

8 Refer SRK's ASX announcement dated [8 October 2008: Notice of 2008 AGM and Explanatory Statement and Proxy Form](#)

# REMUNERATION REPORT

**Post-Employment Benefits:** The Company does not presently provide retirement benefits to Key Management Personnel. The Company notes that shareholder approval is required where a Company proposes to make a “termination payment” (for example, a payment in lieu of notice, a payment for a post-employment restraint and payments made as a result of the automatic or accelerated vesting of share based payments) in excess of one year’s “base salary” (defined as the average base salary over the previous 3 years) to a director or any person who holds a managerial or executive office.

**Performance-Related Benefits and Financial Performance of Company:** Save for any applicable STI(s) in place for the Managing Director or any applicable equity-benefits that may be provided to Key Management Personnel, the current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company’s performance.

In considering the Company’s performance and its effects on shareholder wealth, Directors have had regard to the data set out below for the latest financial year and the previous four financial years.

	2017	2016	2015	2014	2013
Profit/(Loss) Before Income Tax	(1,147,929)	(628,670)	(517,864)	(48,761,450)	23,694,319
Basic Earnings/(Loss) per share (cents)	(0.79)	(0.43)	(0.36)	(33.55)	16.44
Dividends Paid (total)	-	-	-	-	-
Dividends Paid (per share)	-	-	-	-	-
Capital Returns Paid (total)	-	-	-	-	-
Capital Returns Paid (per share)	-	-	-	-	-
VWAP Share Price on ASX for financial year	0.05	0.05	0.05	0.05	0.13
Closing Bid Share Price on ASX at 30 June	0.04	0.04	0.05	0.04	0.04

### (3) Details of Remuneration of Key Management Personnel

Details of the nature and amount of each element of remuneration of each Key Management Personnel paid or payable by the Company during the financial year are as follows:

2017	Key Management Personnel	Performance - related %	Short-term Benefits		Post-Employment Benefits	Other Long-term Benefits	Equity-Based	Total
			Cash salary and fees \$	Non-cash benefit \$	Superannuation \$	Long service leave \$	Shares & options \$	
<b>Directors:</b>								
	William Johnson	-	202,400	-	19,228	-	-	221,628
	Farooq Khan	-	80,000	-	7,600	-	-	87,600
	Malcolm Richmond	-	45,000	-	4,275	-	-	49,275
	Victor Ho	-	45,000	-	4,275	-	-	49,275
	Matthew Hammond	-	45,000	-	-	-	-	45,000
<b>Company Secretary:</b>								
	Victor Ho	-	50,000	-	4,750	-	-	54,750

2016	Key Management Personnel	Performance - related %	Short-term Benefits		Post-Employment Benefits	Other Long-term Benefits	Equity-Based	Total
			Cash salary and fees \$	Annual Leave \$	Superannuation \$	Long service leave \$	Shares & options \$	
<b>Directors:</b>								
	William Johnson	-	208,000	-	19,760	-	-	227,760
	Farooq Khan	-	66,563	-	6,323	-	-	72,886
	Malcolm Richmond	-	55,244	-	5,248	-	-	60,492
	Victor Ho	-	38,250	-	3,652	-	-	41,902
	Matthew Hammond	-	45,000	-	-	-	-	45,000
	Samantha Tough	-	33,333	-	3,167	-	-	36,500
<b>Company Secretary:</b>								
	Victor Ho	-	37,500	-	3,562	-	-	41,062

# REMUNERATION REPORT

Notes to 2017 and 2016 tables:

- (a) Mr Khan was appointed a Director on 1 October 2015 and Chairman with effect on 18 December 2015 and was previously an Alternate Director to Mr Ho between 20 January 2014 and 1 October 2015
- (b) Mr Ho was appointed Company Secretary with effect on 30 September 2015
- (c) Mr Richmond transitioned from Chairman to Non-Executive Director with effect on 18 December 2015
- (d) Ms Tough retired as a Director on 30 November 2015

## (4) Employment Agreements

Details of the material terms of employment agreements entered by the Company with Key Management Personnel are as follows:

Key Management Personnel and Position Held	Relevant Date(s)	Current Base Salary/Fees per annum	Other Current Terms
William Johnson (Managing Director)	22 April 2013 (date of employment agreement)  11 March 2013 (commencement date)  1 May 2015 (date of effect of current remuneration)	\$208,000  plus employer superannuation contributions (currently 9.5% of base salary)	<ul style="list-style-type: none"> <li>• Standard annual leave (20 days) and personal/sick leave (10 days paid) entitlements plus entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter.</li> <li>• One month's notice of termination by the Company or employee. Immediate termination without notice if employee commits any serious act of misconduct.</li> <li>• Entitlement to unlisted options, being the 3,000,000 \$0.30 (17 June 2018) Unlisted Managing Director's Options issued on 18 June 2013 (after receipt of shareholder approval).<sup>9</sup></li> <li>• Permitted to be a Non-Executive Director of no more than 2 public companies provided that it does not compromise ability to devote the care and attention to the Company's affairs required by the position.</li> <li>• Entitlement to cash short-term incentive (STI) payments in respect of up to 30% of annual base salary, as set by the Board (having regard to advice from the Remuneration and Nomination Committee) – no STI was defined in respect of the 2015/2016 financial year and as at the date of this report.</li> </ul>

## (5) Other Benefits Provided to Key Management Personnel

No Key Management Personnel has during or since the end of the financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

## (6) Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants to provide remuneration recommendations in relation to Key Management Personnel during the year. The Board has established a policy for engaging external Key Management Personnel remuneration consultants which includes, inter alia, that the Non-Executive Directors on the Remuneration Committee be responsible for approving all engagements of and executing contracts to engage remuneration consultants and for receiving remuneration recommendations from remuneration consultants regarding Key Management Personnel. Furthermore, the Company has a policy that remuneration advice provided by remuneration consultants be quarantined from Management where applicable.

<sup>9</sup> Refer Strike's ASX announcement dated [18 June 2013: Appendix 3B – Grant of Options and Cancellation of Options](#) and Strike's [Notice of General Meeting](#) lodged on ASX on 17 May 2013

# REMUNERATION REPORT

## (7) Shares held by Key Management Personnel

The number of ordinary shares in the Company held by Key Management Personnel is set below:

Key Management Personnel	Balance at 30 June 2016	Received as part of remuneration	Net Change	Balance at 30 June 2017
Farooq Khan	750,803	-	-	750,803
William Johnson	249,273	-	-	249,273
Victor Ho	-	-	-	-
Malcolm Richmond	-	-	-	-
Matthew Hammond	-	-	-	-

Notes:

- (a) The disclosures of shareholdings above are in accordance with the accounting standards which require disclosure of shares held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard [AASB 124](#) Related Party Disclosures)

## (8) Options held by Key Management Personnel

The number of options in the Company held by Key Management Personnel is set below:

2017 Key Management Personnel	Balance at 30 June 2016	Granted	Exercised	Lapsed / Cancelled	Balance at 30 June 2017	Granted and vested during year	Vested and exercisable at 30 June 2017
William Johnson	3,000,000 <sup>(a)</sup>	-	-	-	3,000,000	-	3,000,000
Farooq Khan	-	-	-	-	-	-	-
Victor Ho	-	-	-	-	-	-	-
Malcolm Richmond	-	-	-	-	-	-	-
Matthew Hammond	-	-	-	-	-	-	-

Note:

- (a) \$0.30 (17 June 2018) Unlisted Managing Director's Options issued on 18 June 2013 after receipt of shareholder approval <sup>10</sup>

## (9) Voting and Comments on the Remuneration Report at the 2016 AGM

At the Company's most recent (2016) AGM, a resolution to adopt the prior year (2016) Remuneration Report was put to a vote and passed unanimously on a show of hands with the proxies received also indicating majority (99%) support in favour of adopting the Remuneration Report.<sup>11</sup> No comments were made on the Remuneration Report at the 2016 AGM.

This concludes the audited Remuneration Report.

<sup>10</sup> Refer Strike's ASX announcement dated [18 June 2013: Appendix 3B – Grant of Options and Cancellation of Options](#) and Strike's [Notice of General Meeting](#) lodged on ASX on 17 May 2013

<sup>11</sup> Refer Strike's ASX announcement dated [18 November 2016: Results of 2016 Annual General Meeting](#)

# DIRECTORS' REPORT

## DIRECTORS' AND OFFICERS' INSURANCE

The Company insures Directors and Officers against liability they may incur in respect of any wrongful acts or omissions made by them in such capacity (to the extent permitted by the *Corporations Act 2001 (Cth)*) (**D&O Policy**). Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

## DIRECTORS' AND OFFICERS' DEEDS

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the *Corporations Act 2001 (Cth)*), the Company has also entered into a deed with each of the Directors and the Company Secretary (**Officer**) to regulate certain matters between the Company and each Officer, both during the time the Officer holds office and after the Officer ceases to be an officer of the Company, including the following matters:

- (a) The Company's obligation to indemnify an Officer for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the *Corporations Act 2001 (Cth)*); and
- (b) Subject to the terms of the deed and the *Corporations Act 2001 (Cth)*, the Company may advance monies to the Officer to meet any costs or expenses of the Officer incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Officer.

## LEGAL PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of a 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 such proceedings. The Company was not a party to any such proceedings during and since the financial year.

## AUDITORS

Details of the amounts paid or payable to the Auditors for audit and non-audit services provided during the financial year are set out below:

Auditor	Audit & Review Fees \$	Non-Audit Services \$	Total \$
Rothsay Auditing	14,000	-	14,000

The Board is satisfied that the provision of non-audit services by the Auditors during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 (Cth)*. The Board is satisfied that the nature of the non-audit services disclosed above did not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants: Professional Independence, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Rothsay Auditing continues in office in accordance with [Section 327](#) of the *Corporations Act 2001 (Cth)*.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under [section 307C](#) of the *Corporations Act 2001 (Cth)* forms part of this Directors Report and is set out on page 16. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

# DIRECTORS' REPORT

## EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report or the financial statements or notes thereto (in particular Note 21), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

Signed for and on behalf of the Directors in accordance with a resolution of the Board,



Farooq Khan  
Chairman

8 August 2017



William Johnson  
Managing Director

# ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 9486 7094 [www.rothsayresources.com.au](http://www.rothsayresources.com.au)

The Directors  
Strike Resources Limited  
Level 2 23 Ventnor Ave  
West Perth WA 6005

Dear Sirs

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

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2017 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.



Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 8<sup>th</sup> August 2017



Chartered Accountants

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## for the year ended 30 June 2017

	Note	2017	2016
		\$	\$
<b>REVENUE</b>			
Interest revenue	2	171,200	268,853
<b>Other</b>			
Other income	3		1,776
<b>TOTAL REVENUE AND INCOME</b>		<b>171,203</b>	<b>270,629</b>
<b>EXPENSES</b>	3		
Personnel expenses		(508,330)	(522,881)
Corporate expenses		(415,262)	(572,190)
Occupancy expenses		(33,281)	(26,203)
Exploration and evaluation expenses		(246,426)	(282,425)
Reversal of SUNAT provision		-	608,260
Finance expenses		(5,663)	(4,887)
Foreign exchange loss		(17,792)	-
Administration expenses		(92,378)	(98,973)
<b>LOSS BEFORE INCOME TAX</b>		<b>(1,147,929)</b>	<b>(628,670)</b>
Income tax expense	5	-	-
<b>LOSS FOR THE YEAR</b>		<b>(1,147,929)</b>	<b>(628,670)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other Comprehensive Income, Net of Tax			
Exchange differences on translation of foreign operations		(123,387)	(38,114)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(1,271,316)</b>	<b>(666,784)</b>
<b>LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:</b>			
Basic and diluted loss per share (cents)	6	(0.79)	(0.43)

The accompanying notes form part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## as at 30 June 2017

	Note	2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	5,308,855	6,970,738
Receivables	9	76,584	64,740
Other current assets		10,230	9,616
<b>TOTAL CURRENT ASSETS</b>		<b>5,395,669</b>	<b>7,045,094</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,822	2,287
Exploration and evaluation expenditure	10	369,902	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>371,724</b>	<b>2,287</b>
<b>TOTAL ASSETS</b>		<b>5,767,393</b>	<b>7,047,381</b>
<b>CURRENT LIABILITIES</b>			
Payables	11	53,336	60,643
Provisions		12,054	13,419
<b>TOTAL CURRENT LIABILITIES</b>		<b>65,390</b>	<b>74,062</b>
<b>TOTAL LIABILITIES</b>		<b>65,390</b>	<b>74,062</b>
<b>NET ASSETS</b>		<b>5,702,003</b>	<b>6,973,319</b>
<b>EQUITY</b>			
Issued capital	12	148,439,925	148,439,925
Reserve	13	15,184,443	15,307,830
Accumulated losses		(157,922,365)	(156,774,436)
<b>TOTAL EQUITY</b>		<b>5,702,003</b>	<b>6,973,319</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## for the year ended 30 June 2017

	Issued capital	Currency translation reserve	Share-based payments reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
<b>BALANCE AT 1 JUL 2015</b>	<b>148,439,925</b>	<b>2,112,918</b>	<b>13,233,026</b>	<b>(156,145,766)</b>	<b>7,640,103</b>
Loss for the year	-	-	-	(628,670)	(628,670)
Other comprehensive income	-	(38,114)	-	-	(38,114)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(38,114)</b>	<b>-</b>	<b>(628,670)</b>	<b>(666,784)</b>
<b>BALANCE AT 30 JUNE 2016</b>	<b>148,439,925</b>	<b>2,074,804</b>	<b>13,233,026</b>	<b>(156,774,436)</b>	<b>6,973,319</b>
<b>BALANCE AT 1 JUL 2016</b>	<b>148,439,925</b>	<b>2,074,804</b>	<b>13,233,026</b>	<b>(156,774,436)</b>	<b>6,973,319</b>
Loss for the year	-	-	-	(1,147,929)	(1,147,929)
Other comprehensive income	-	(123,387)	-	-	(123,387)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(123,387)</b>	<b>-</b>	<b>(1,147,929)</b>	<b>(1,271,316)</b>
<b>BALANCE AT 30 JUNE 2017</b>	<b>148,439,925</b>	<b>1,951,417</b>	<b>13,233,026</b>	<b>(157,922,365)</b>	<b>5,702,003</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

## for the year ended 30 June 2017

	2017	2016
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(1,051,074)	(1,342,890)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(1,051,074)</b>	<b>(1,342,890)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	176,135	222,212
Payments for exploration and evaluation expenses	(783,219)	(282,426)
Payment for purchases of plant and equipment	(331)	(2,124)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>(607,415)</b>	<b>(62,338)</b>
<b>NET DECREASE IN CASH HELD</b>	<b>(1,658,489)</b>	<b>(1,405,228)</b>
Cash and cash equivalents at beginning of financial year	6,970,738	8,374,206
Effect of exchange rate changes on cash held	(3,394)	1,760
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>5,308,855</b>	<b>6,970,738</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the financial year ended 30 June 2017

### 1. ABOUT THIS FINANCIAL REPORT

#### 1.1 Background

This financial report covers the consolidated financial statement of the consolidated entity consisting of Strike Resources Limited (the **Company**), its subsidiaries and investments in associates (the **Consolidated Entity** or **Strike**). The financial report is presented in the Australian currency.

Strike Resources Limited is a company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

These financial statements have been prepared on a streamlined basis where key information is grouped together for ease of understanding and readability. The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Consolidated Entity.

Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Consolidated Entity;
- it helps to explain the impact of significant changes in the Consolidated Entity's business; or
- it relates to an aspect of the Consolidated Entity's operations that may be important to its future performance.

The notes to the financial statements are organised into the following sections:

- Key Performance:** Provides a breakdown of the key individual line items in the statement of comprehensive income that is most relevant to understanding performance and shareholder returns for the year:

Notes	
2	Revenue
3	Expenses
4	Segment information
5	Income tax expense
6	Loss per share

- Financial Risk Management:** Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:

Notes	
7	Cash and cash equivalents
8	Financial risk management

- Other Assets and Liabilities:** Provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk:

Notes	
9	Receivables
10	Exploration and evaluation expenditure
11	Payables

- Capital Structure:** This section outlines how the Consolidated Entity manages its capital structure and related financing costs (where applicable), as well as capital adequacy and reserves. It also provides details on the dividends paid by the Company:

Notes	
12	Issued capital
13	Reserve
14	Share-based payments

- Consolidated Entity Structure:** Provides details and disclosures relating to the parent entity of the Consolidated Entity, controlled entities, investments in associates and any acquisitions and/or disposals of businesses in the year. Disclosure on related parties is also provided in the section:

Notes	
15	Parent entity information
16	Investment in controlled entities
17	Related party transactions

- Other:** Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered significant in understanding the financial performance or position of the Consolidated Entity:

Notes	
18	Auditors' remuneration
19	Commitments
20	Contingencies
21	Events occurring after the reporting period

Significant and other accounting policies that summarise the measurement basis used and presentation policies and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

#### 1.2 Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australia Accounting Interpretations and the *Corporations Act 2001 (Cth)*. The Company is a for-profit entity for the purpose of preparing the financial statements.

#### Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Consolidated Entity comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### Reporting Basis and Financial Statement Presentation

The financial report has been prepared on a going concern basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all the years presented, unless otherwise stated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the financial year ended 30 June 2017

### 1.3 Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2017 and the results of its subsidiaries for the year then ended. The Company and its subsidiaries are referred to in this financial report as Strike or the Consolidated Entity.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

### 1.4 Comparative Figures

Where required by the Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

### 1.5 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the financial year ended 30 June 2017

### 1.6 Summary of Accounting Standards Issued But Not Yet Effective

The following new Accounting Standards and Interpretations (which have been released but not yet adopted) have no material impact on the Consolidated Entity's financial statements or the associated notes therein.

AASB reference	Title and Affected Standard(s)	Nature of Change	Application date
AASB 9, and relevant amending standards	Financial Instruments	<p>AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>	Annual reporting periods beginning on or after 1 January 2018
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 <i>Business Combinations</i>.</p> <p>Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.</p> <p>AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.</p>	Annual reporting periods beginning on or after 1 January 2018
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	<p>This Standard amends AASB 2 <i>Share-based Payment</i>, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul>	Annual reporting periods beginning on or after 1 January 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the financial year ended 30 June 2017

### 1.6 Summary of Accounting Standards Issued But Not Yet Effective (continued)

AASB reference	Title and Affected Standard(s)	Nature of Change	Application date
AASB 15, and relevant amending standards	Revenue from Contracts with Customers	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i>, AASB Interpretation 13 <i>Customer Loyalty Programmes</i>, AASB Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, AASB Interpretation 18 <i>Transfers of Assets from Customers</i> and AASB Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 <i>Leases</i>, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>• Step 1: Identify the contract(s) with a customer</li> <li>• Step 2: Identify the performance obligations in the contract</li> <li>• Step 3: Determine the transaction price</li> <li>• Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>• Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</li> </ul>	Annual reporting periods beginning on or after 1 January 2018
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments	<p>The amendments clarify certain requirements in:</p> <ul style="list-style-type: none"> <li>• AASB 1 First-time Adoption of Australian Accounting Standards – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration</li> <li>• AASB 12 Disclosure of Interests in Other Entities – clarification of scope</li> <li>• AASB 128 Investments in Associates and Joint Ventures – measuring an associate or joint venture at fair value</li> <li>• AASB 140 <i>Investment Property</i> – change in use.</li> </ul>	Annual reporting periods beginning on or after 1 January 2018
AASB Interpretation 22	Foreign Currency Transactions and Advance Consideration	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	Annual reporting periods beginning on or after 1 January 2018
AASB 16	Leases	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p>	Annual reporting periods beginning on or after 1 January 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

### 2. REVENUE

	2017	2016
	\$	\$
The Consolidated Entity's operating loss before income tax includes the following items of revenue:		
<b>Revenue</b>		
Interest revenue	171,200	268,853
	<u>171,200</u>	<u>268,853</u>
<b>Other</b>		
Foreign exchange gain	-	1,760
Other income	3	16
	<u>171,203</u>	<u>270,629</u>

#### Accounting policy

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Consolidated Entity recognises revenue when the amount of revenue can be reliably measured. It is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Consolidated Entity's activities as described below. The Consolidated Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised for the major business activities as follows:

#### (i) Interest revenue

Interest income is recognised using the effective interest method. When a receivable is impaired, the Consolidated Entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### (ii) Other revenues

Other revenues are recognised on a receipts basis.

### 3. EXPENSES

	2017	2016
	\$	\$
The Consolidated Entity's operating loss before income tax includes the following items of expenses:		
Personnel expenses		
Salaries, fees and employee benefits	508,330	522,881
Corporate expenses		
Professional fees	211,419	123,307
Takeover response cost	-	319,024
ASX fees	24,058	21,278
Accounting, taxation and related administration	154,431	77,007
Audit	14,000	36,630
Share registry	6,823	33,133
Other corporate expenses	4,531	3,386
Reversal of provision for legal fees	-	(41,575)
Occupancy expenses	33,281	26,203

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

3. EXPENSES (continued)	2017	2016
	\$	\$
Exploration and evaluation expenses		
Impairment loss	205,895	271,844
Other exploration and evaluation expenses	40,531	10,581
Reversal of SUNAT provision	-	(608,260)
Finance expenses	5,663	4,887
Foreign exchange loss	17,792	-
Administration expenses		
Insurance	18,282	22,206
Travel, accommodation and incidentals	43,400	16,280
Depreciation	795	909
Other administration expenses	29,901	59,578
	<b>1,319,132</b>	<b>899,299</b>

### Accounting policy

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains or losses that relate to borrowings are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a net basis within other income or operating expenses.

### 4. SEGMENT INFORMATION

	Peru	Australia	Total
	\$	\$	\$
<b>2017</b>			
Revenue	-	171,200	171,200
Other	3	-	3
<b>Total segment revenues</b>	<b>3</b>	<b>171,200</b>	<b>171,203</b>
Personnel expenses	-	508,330	508,330
Corporate expenses	193,512	221,750	415,262
Finance expenses	3,563	2,100	5,663
Exploration and evaluation expenses	205,895	40,531	246,426
Depreciation expense	-	795	795
Other expenses	24,181	118,475	142,656
<b>Total segment profit/(loss)</b>	<b>(427,148)</b>	<b>(720,781)</b>	<b>(1,147,929)</b>
<b>Adjusted EBITDA</b>	<b>(426,353)</b>	<b>(719,476)</b>	<b>(1,145,829)</b>
<b>Total segment assets</b>	<b>70,184</b>	<b>5,697,209</b>	<b>5,767,393</b>
<b>Total segment liabilities</b>	<b>59,190</b>	<b>6,200</b>	<b>65,390</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

#### 4. SEGMENT INFORMATION (continued)

	Peru \$	Australia \$	Total \$
<b>2016</b>			
Revenue	-	268,853	268,853
Other	1,776	-	1,776
<b>Total segment revenues</b>	<b>1,776</b>	<b>268,853</b>	<b>270,629</b>
Personnel expenses	-	583,457	583,457
Corporate expenses	64,582	447,032	511,614
Finance expenses	3,129	1,758	4,887
Exploration and evaluation expenses	271,844	10,581	282,425
Depreciation expense	-	909	909
Other expenses	(674,070)	190,077	(483,993)
<b>Total segment profit/(loss)</b>	<b>336,291</b>	<b>(964,961)</b>	<b>(628,670)</b>
<b>Adjusted EBITDA</b>	<b>608,135</b>	<b>(964,046)</b>	<b>(355,911)</b>
<b>Total segment assets</b>	<b>74,217</b>	<b>6,973,164</b>	<b>7,047,381</b>
<b>Total segment liabilities</b>	<b>36,985</b>	<b>37,077</b>	<b>74,062</b>

#### Accounting policy

The operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director. The Managing Director is responsible for allocating resources and assessing performance of the operating segments and has considered the business and geographical perspectives of the operating results and determined that the Consolidated Entity operates only in Australia and Peru.

#### 5. INCOME TAX EXPENSE

	2017 \$	2016 \$
<b>(a) The components of tax expense comprise:</b>		
Current tax	-	-
Deferred tax	-	-
	-	-
<b>(b) The prima facie tax on operating loss before income tax is reconciled to the income tax as follows:</b>		
Prima facie tax payable on operating loss before income tax at 27.5% (2016: 30%)	(315,680)	(179,171)
Adjust tax effect of:		
Non-deductible expenses	12,811	87,351
Movement in unrecognised temporary differences	(28,087)	(204,047)
Foreign tax rates differential	-	(502)
Current year tax losses not recognised	330,956	296,369
Prior year tax losses brought to account	-	-
<b>Income tax attributable to entity</b>	<b>-</b>	<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

5. INCOME TAX EXPENSE (continued)	2017	2016
	\$	\$
<b>(c) Unrecognised deferred tax balances</b>		
Unrecognised deferred tax asset - revenue losses	7,729,462	9,194,441
Unrecognised deferred tax asset - other	9,853,788	10,760,443
	<b>17,583,250</b>	<b>19,954,884</b>

### Critical accounting judgement and estimate

Deferred tax assets have not been recognised as, in the Directors' opinion, it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits. The utilisation of revenue and capital tax losses are subject to compliance with taxation legislation.

### Accounting policy

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case, the tax is also recognised in Other Comprehensive Income or directly in equity, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

6. LOSS PER SHARE	2017	2016
	cents	cents
Basic and diluted loss per share	(0.79)	(0.43)

The following represents the loss and weighted average number of shares used in the EPS calculations:	2017	2016
	\$	\$
Net loss after income tax	(1,147,929)	(628,670)
	Shares	Shares
Weighted average number of ordinary shares	145,334,268	145,334,268

Under AASB113 (Earnings per share), potential ordinary shares such as options will only be treated as dilutive when their conversion to ordinary shares would increase the loss per share from continuing operations. Diluted loss per share has not been calculated as the Company's options do not increase the basic loss per share.

### Accounting policy

Basic earnings per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period

7. CASH AND CASH EQUIVALENTS	2017	2016
	\$	\$
Cash at bank	883,855	245,738
Term deposits	4,425,000	6,725,000
	<b>5,308,855</b>	<b>6,970,738</b>

### Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(a) Reconciliation of operating loss after income tax to net cash used in operating activities	2017	2016
	\$	\$
<b>Loss after income tax</b>	<b>(1,147,929)</b>	<b>(628,670)</b>
<b>Add non-cash items:</b>		
Depreciation	795	909
Adjustment for movement in foreign exchange	(119,993)	(39,874)
<b>Changes in assets and liabilities:</b>		
Receivables	(186,741)	(271,468)
Other current assets	(1,851)	(17,362)
Exploration and evaluation expenditure	413,318	-
Payables	(7,353)	(391,144)
Provisions	(1,320)	4,719
	<b>(1,051,074)</b>	<b>(1,342,890)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

### 8. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist of deposits with banks, receivables and payables. The Consolidated Entity's financial instruments are subject to market (which includes interest rate and foreign exchange risk), credit and liquidity risks.

The Board is responsible for the overall internal control framework (which includes risk management) but no cost-effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably qualified management personnel. The effectiveness of the system is continually reviewed by management and at least annually by the Board.

The financial receivables and payables of the Consolidated Entity in the table below are due or payable within 30 days. The Consolidated Entity holds the following financial assets and liabilities:

	Note	2017 \$	2016 \$
Cash and cash equivalents	7	5,308,855	6,970,738
Receivables	9	76,584	64,740
		<b>5,385,439</b>	<b>7,035,478</b>
Payables	11	(53,336)	(60,643)
<b>Net financial assets</b>		<b>5,332,103</b>	<b>6,974,835</b>

#### (a) Market risk

Market risk is the risk that the fair value and/or future cash flows from a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises of foreign exchange risk from fluctuations in foreign currencies and interest rate risk from fluctuations in market interest rates.

##### (i) Foreign exchange risk

The Consolidated Entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Peruvian Nuevo Soles.

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

The Consolidated Entity has a policy of not hedging foreign exchange risk and therefore has not entered into any hedging against movements in foreign currencies against the Australian dollar, including forward exchange contracts, as at the reporting date and is currently fully exposed to foreign exchange risk.

The Consolidated Entity's exposure to foreign exchange risk expressed in US dollars at the reporting date are as follows:

	2017 USD	2016 USD
Cash and cash equivalents	25,438	26,587
Payables	(45,013)	(19,939)
<b>Net financial assets/(liabilities)</b>	<b>(19,575)</b>	<b>6,648</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

### 8. FINANCIAL RISK MANAGEMENT (continued)

#### (i) Foreign exchange risk (continued)

The Consolidated Entity has performed a sensitivity analysis on its exposure to exchange risk. The management assessment is based upon an analysis of current and future market position. The analysis demonstrates the effect on the current year results and equity when the Australian dollar strengthened or weakened by 10% against the foreign currencies detailed above.

	Impact on post-tax profit		Impact on other components of equity	
	2017	2016	2017	2016
	\$	\$	\$	\$
Increase 10%	(1,958)	665	-	-
Decrease 10%	1,958	(665)	-	-

#### (ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The weighted average interest rate of the cash at bank for the year for the table below is 2.86% (2016: 2.90%).

	2017	2016
	\$	\$
Cash at bank	883,855	245,738
Term deposit	4,425,000	6,725,000
	<b>5,308,855</b>	<b>6,970,738</b>

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates based on observation of current market conditions. The calculations are based on a change in the average market interest rate and the financial instruments that are sensitive to changes in interest rates.

	Impact on post-tax profit		Impact on other components of equity	
	2017	2016	2017	2016
	\$	\$	\$	\$
Increase by 25bps	13,272	17,427	-	-
Decrease by 25bps	(13,272)	(17,427)	-	-

#### (b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity has no borrowings. The Consolidated Entity's non-cash investments can be realised to meet trade and other payables arising in the normal course of business. The financial liabilities disclosed in the above table have a maturity obligation of not more than 30 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

### 8. FINANCIAL RISK MANAGEMENT (continued)

#### (c) Credit risk

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the Consolidated Entity. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables and committed transactions. Concentrations of credit risk are minimised primarily by the management carrying out all market transactions through recognised and creditworthy brokers and the monitoring of receivable balances. The Consolidated Entity's business activities do not necessitate the requirement for collateral as a means of mitigating the risk of financial loss from defaults.

The credit quality of the financial assets are neither past due nor impaired and can be assessed by reference to external credit ratings (if available with Standard & Poor's) or to historical information about counterparty default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised below:

	2017	2016
	\$	\$
<b>Cash and cash equivalents</b>		
AA-	5,253,553	6,909,896
No external credit rating available	55,302	60,842
	<b>5,308,855</b>	<b>6,970,738</b>
<b>Receivables (due within 30 days)</b>		
No external credit rating available	<b>76,584</b>	<b>64,740</b>

### 9. RECEIVABLES

Interest receivable	41,725	46,657
Other receivables	34,859	18,083
	<b>76,584</b>	<b>64,740</b>

#### Accounting policy

Receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when considered nonrecoverable.

### 10. EXPLORATION AND EVALUATION EXPENDITURE

	2017	2016
	\$	\$
<b>Opening balance</b>	-	-
Exploration and evaluation costs	575,797	271,844
Impairment loss	(205,895)	(271,844)
<b>Closing balance</b>	<b>369,902</b>	-

#### Critical accounting estimates and judgements

The Consolidated Entity has assessed the carrying amount of the exploration and evaluation in accordance with AASB 6 (Exploration for and Evaluation of Mineral Resources) and has recognised an impairment expense of \$205,895 during the current financial year. The ultimate recoverability of deferred exploration and evaluation expenditure is dependent on the successful development or sale of the relevant area of interest.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

### 10. EXPLORATION AND EVALUATION EXPENDITURE (continued)

#### Accounting policy

Exploration and evaluation expenditure incurred is initially capitalised in respect of each identifiable area of interest where the Consolidated Entity has right of tenure. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically-recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Under AASB 6 (Exploration for and Evaluation of Mineral Resources), if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Consolidated Entity must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 (Impairment of Assets). Any impairment loss is to be recognised as an expense. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

11. PAYABLES	2017	2016
	\$	\$
Trade payables	22,692	21,947
Other creditors and accruals	30,197	38,295
Withholding tax	447	401
	<u>53,336</u>	<u>60,643</u>

#### Accounting policy

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

12. ISSUED CAPITAL	2017	2016
	\$	\$
145,334,268 (2016: 145,334,268) fully paid ordinary shares	<u>148,439,925</u>	<u>148,439,925</u>

There has been no movement in issued capital from 1 July 2015.

#### Accounting policy

Ordinary shares are classified as equity. Fully paid ordinary shares carry one vote per share and the right to dividends.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

#### (a) Options

Information relating to unlisted options issued to Directors and options issued under the Strike Resources Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 14.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

### 12. ISSUED CAPITAL (continued)

#### (b) Capital risk management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders.

The Board will consider capital management initiatives as is appropriate and in the best interests of the Company and shareholders from time to time, including undertaking capital raisings, share buy-backs, capital reductions and selling assets to reduce debt.

The Consolidated Entity has no external borrowings.

### 13. RESERVE

	2017	2016
	\$	\$
Share-based payments reserve	13,233,026	13,233,026
Foreign currency translation reserve	1,951,417	2,074,804
	<u>15,184,443</u>	<u>15,307,830</u>

#### (a) Share-based payments reserve

The share-based payments reserve records the consideration (net of expenses) received by the Company on the issue of options. In relation to options issued to Directors and employees for nil consideration, the fair values of these options are included in the share-based payments reserve.

#### (b) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described in the accounting policy note below and accumulate in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

#### Accounting policy

##### Foreign currency translation reserve

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for Consolidated Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- (iii) all resulting exchange differences are recognised in Other Comprehensive Income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in Other Comprehensive Income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

### 14. SHARE-BASED PAYMENTS

The Company has the following options on issue at balance date:

Grant date	Expiry date	Exercise price (\$)	Opening balance	During the year			Closing balance	Vested and exercisable at year end
				Granted	Exercised	Forfeited		
<b>Financial year 2017</b>								
18-Jun-13	17-Jun-18	0.30	3,000,000	-	-	-	3,000,000	3,000,000
			3,000,000	-	-	-	3,000,000	3,000,000
Weighted average exercise price			0.30				0.30	0.30
<b>Financial year 2016</b>								
24-Nov-11	23-Nov-16	0.36	833,334	-	-	-	833,334	833,334
24-Nov-11	23-Nov-16	0.42	833,333	-	-	-	833,333	833,333
24-Nov-11	23-Nov-16	0.56	833,333	-	-	-	833,333	833,333
05-Apr-12	23-Nov-16	0.36	333,334	-	-	-	333,334	333,334
05-Apr-12	23-Nov-16	0.42	333,333	-	-	-	333,333	333,333
05-Apr-12	23-Nov-16	0.56	333,333	-	-	-	333,333	333,333
18-Jun-13	17-Jun-18	0.30	3,000,000	-	-	-	3,000,000	3,000,000
			6,500,000	-	-	-	6,500,000	6,500,000
Weighted average exercise price			0.38				0.38	0.38

3,500,000 options expired on 23 November 2016 without being exercised. No other options were exercised during the year. The weighted average remaining contractual life of share options outstanding at the end of the period was 0.96 years (2016: 0.62 years).

#### Accounting policy

Share-based compensation benefits are provided to Directors (after receipt of shareholder approval) and to employees via the Strike Resources Limited Employee Share Option Plan.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss with a corresponding adjustment to equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

### 15. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Strike Resources Limited, as at 30 June 2017.

	2017	2016
	\$	\$
<b>Statement of profit or loss and other comprehensive income</b>		
Loss for the year	(720,039)	(964,715)
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>(720,039)</b>	<b>(964,715)</b>
<b>Statement of financial position</b>		
Current assets		
Cash and cash equivalents	5,253,552	6,909,896
Other	71,931	60,982
Non current assets	1,203,874	309,396
<b>Total assets</b>	<b>6,529,357</b>	<b>7,280,274</b>
Current liabilities	6,199	37,077
<b>Total liabilities</b>	<b>6,199</b>	<b>37,077</b>
<b>Net assets</b>	<b>6,523,158</b>	<b>7,243,197</b>
Issued capital	148,439,925	148,439,925
Option reserve	13,233,025	13,233,025
Accumulated losses	(155,149,792)	(154,429,753)
<b>Equity</b>	<b>6,523,158</b>	<b>7,243,197</b>

The parent entity does not have any contingent assets or liabilities.

### 16. INVESTMENT IN CONTROLLED ENTITIES

Investment in controlled entities	Incorporated	Ownership interest	
		2017	2016
Strike Finance Pty Ltd	Australia	100%	100%
Strike Australian Operations Pty Ltd	Australia	100%	100%
Strike Operations Pty Ltd	Australia	100%	100%
Ferrum Holdings Limited	British Anguilla	100%	100%
Strike Resources Peru S.A.C.	Peru	100%	100%
Apurimac Ferrum S.A.C.	Peru	100%	100%
Ferrum Trading S.A.C	Peru	100%	100%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended 30 June 2017

### 16. INVESTMENT IN CONTROLLED ENTITIES (continued)

#### Accounting policy

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

### 17. RELATED PARTY TRANSACTIONS

#### (a) Transactions with key management personnel

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's KMP for the year ended 30 June 2017. The total remuneration paid to KMP of the Consolidated Entity during the year is as follows:

	2017	2016
	\$	\$
<b>Directors</b>		
Short-term employee benefits	417,400	446,390
Post-employment benefits	35,378	38,150
<b>Other KMP</b>		
Short-term employee benefits	50,000	37,500
Post-employment benefits	4,750	3,562
	<b>507,528</b>	<b>525,602</b>

#### (b) Transactions with other related parties

No other related party transactions have been identified other than those disclosed above.

### 18. AUDITORS' REMUNERATION

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

	2017	2016
	\$	\$
<b><u>Audit and review of financial statements</u></b>		
Rothsay Auditing	14,000	14,000
BDO Audit (WA) Pty Ltd	-	17,477
BDO Pazos, Lopez de Romana, Rodriguez	-	5,382
<b><u>Taxation services</u></b>		
BDO Tax (WA) Pty Ltd	-	9,945
	<b>14,000</b>	<b>46,804</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the financial year ended 30 June 2017

### 19. COMMITMENTS

#### (a) Lease Commitments

The Consolidated Entity has no lease commitments.

#### (b) Mineral Tenements/Concessions - Commitments for Expenditure

##### (i) Australian Tenements

In order to maintain current rights of tenure to exploration tenements, the holders of Australian mineral tenements are required to outlay lease rentals and meet minimum expenditure commitments. The Consolidated Entity does not currently have any material commitments for expenditure relating to Australian tenements.

##### (ii) Peruvian Mineral Concessions

The Consolidated Entity is required to pay annual licence fees by 30 June of each year, at rates which vary on an amount per-hectare basis. The total amount of this commitment will depend upon the number and area of concessions retained, relinquished or granted (if any) and cannot therefore be reliably estimated.

### 20. CONTINGENCIES

#### (a) Australian Native Title

The Consolidated Entity's tenements in Australia may be subject to native title applications in the future. At this stage, it is not possible to quantify the impact (if any) that native title may have on the operations of the Consolidated Entity.

#### (b) Government Royalties

The Consolidated Entity is liable to pay royalties on production obtained from its mineral tenements/concessions.

#### (c) Directors' Deeds

The Consolidated Entity has entered into deeds of indemnity with Strike Resources Limited Directors, indemnifying them against liability incurred in discharging their duties as Directors/officers of the Consolidated Entity. As at the reporting date, no claims have been made under any such indemnities and, accordingly, it is not possible to quantify the potential financial obligation of the Consolidated Entity under these indemnities.

#### (d) Deferred Payments from Settlement Agreement Relating to Apurimac Ferrum SAC

Pursuant to a settlement agreement dated 30 December 2012 whereby the Consolidated Entity acquired the (50%) balance of equity interest in Apurimac Ferrum SAC (**AF**) (the holder of the Apurimac and Cusco Projects) from D&C Pesca SAC, the Consolidated Entity has a series of deferred payment obligations as outlined below.

The Consolidated Entity has payment obligations if certain milestones are achieved as follows:

- (i) **Resource Milestone Payment:** US\$2 million on the delineation of at least 500 Mt of JORC Mineral Resources at an average grade of at least 55% Fe with at least 275 Mt of contained iron having an average grade of at least 52.5% Fe, on the Apurimac Project mineral concessions.
- (ii) **Approvals Milestone Payment:** Up to US\$3 million on AF receiving all formal government environmental and community approvals for the construction and operation of an iron ore mine and required infrastructure with a design capacity of at least 10Mtpa of iron ore product, relating to the Apurimac Project mineral concessions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## for the financial year ended 30 June 2017

### 20. CONTINGENCIES (continued)

#### (d) Deferred Payments from Settlement Agreement Relating to Apurimac Ferrum SAC (continued)

- (iii) **Construction Milestone Payment:** Up to US\$5 million on formal approval of the AF Board to commence construction of an iron ore project or the commencement of bulk earthworks for an iron ore mine or processing plant, in either case with a design capacity of at least 10Mtpa of iron ore product, relating to the Apurimac Project mineral concessions.

The Consolidated Entity has royalty payment obligations as follows:

- (i) 1.5% of the net profits from sales of iron ore mined and iron ore products produced from the Apurimac and Cusco Project mineral concessions.
- (ii) 2% of the proceeds of sales of other metals (on a net smelter return basis) mined from the Apurimac and Cusco Project mineral concessions.

AF may extinguish the royalties (save for royalties on other metals up to a cap of US\$0.5 million per annum) by making an Extinguishment Payment as follows - US\$30 million, if paid 4 years from 20 December 2012 but before the Construction Milestone occurs or the 15th anniversary of the settlement agreement (whichever is sooner).

Due to the inherent uncertainty surrounding the achievement and timing of the above milestones/royalty triggers, the Consolidated Entity regards these future payment obligations as contingencies.

For further background details, refer also to Strike's ASX Announcement dated 31 December 2012: [Strike Moves to 100% Ownership of AF](#)

#### (e) Legal Disputes Over Peru Mineral Concessions

The Consolidated Entity has successfully defended against a number of legal actions and claims made by several Peruvian parties (that have had a contractual relationship with AF) relating to the Consolidated Entity's mineral concessions in Peru. Whilst there still remain some outstanding claims and appeals, the Consolidated Entity believes that they will all eventually be dismissed, consistent with previous decisions by the relevant Peruvian authorities.

For further background details, refer also to Strike's ASX Announcement dated 1 May 2014: [Strike Wins Millenium Arbitration Case in Peru](#)

#### (f) Peruvian Withholding Tax Matter

AF has an obligation (which the Consolidated Entity believes it has historically complied with) to withhold and remit Non-Resident Income Tax Withholding Tax (**WHT**) to SUNAT (the Peruvian Tax Administration) in respect of certain payments to overseas suppliers. SUNAT has previously advised that it may undertake a new audit of some historical WHT obligations and payments of AF. Given the lack of any such action by SUNAT since April 2015 and after receipt of advice from its Peruvian tax advisors, the Consolidated Entity has determined not to recognise any provision for any potential future findings by SUNAT. If SUNAT was to undertake a new audit as above and claim that additional WHT was payable by AF on its historical payments to overseas suppliers, the Consolidated Entity will appeal any final WHT determination by SUNAT to the Tax Administration Court (as applicable).

### 21. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since the end of the financial year that significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial periods.

# DIRECTORS' DECLARATION

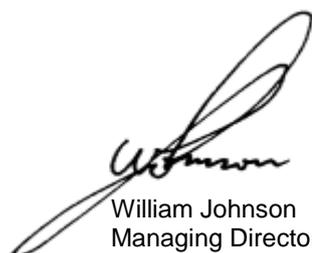
The Directors of the Company declare that:

- (1) The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes as set out on pages 17 to 39 are in accordance with the *Corporations Act 2001 (Cth)* and:
  - (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and
  - (b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of their performance for the year ended on that date;
- (2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (3) The Directors have been given the declarations required by [section 295A](#) of the *Corporations Act 2001 (Cth)* by the Managing Director (the person who, in the opinion of the Directors, performs the Chief Executive Officer function) and Company Secretary (the person who, in the opinion of the Directors, performs the Chief Financial Officer function); and
- (4) The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors made pursuant to [section 295\(5\)](#) of the *Corporations Act 2001 (Cth)*.



Farooq Khan  
Chairman



William Johnson  
Managing Director

8 August 2017

## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF STRIKE RESOURCES LTD**

### **Report on the Audit of the Financial Report**

#### ***Opinion***

We have audited the financial report of Strike Resources Ltd (“the Company”) and its subsidiaries (“the Group”) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors’ declaration of the Company.

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

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

#### ***Basis for Opinion***

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

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

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

#### ***Key Audit Matters***

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





### ***Key Audit Matter***

#### **Cash and cash equivalents**

The Group's cash and cash equivalents make up 92% of total assets by value and is considered to be the key driver of the Group's operations and exploration activities. We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

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

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

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

### ***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

### ***Directors' Responsibility for the Financial Report***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the



Chartered Accountants



preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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

#### ***Auditor's Responsibility for the Audit of the Financial Report***

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

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

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

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

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

#### **Report on the Remuneration Report**

##### ***Opinion on the Remuneration Report***

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Strike Resources Ltd for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.



Chartered Accountants



***Responsibilities***

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

**Rothsay Auditing**

**Graham Swan FCA  
Partner**

Dated 8<sup>th</sup> August 2017



Chartered Accountants

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

# LIST OF MINERAL CONCESSIONS

The following mineral concessions were held as at the end of the financial year (30 June 2017) and currently:

## Apurimac Iron Ore Project (Peru)

(Strike – 100%)

Name	Area (Ha)	Province	Code	Title	File No
(1) Opaban I	999	Andahuaylas	5006349X01	No 8625-94/RPM Dec 16, 1994	20001465
(2) Opaban III	990	Andahuaylas	5006351X01	No 8623-94/RPM Dec 16, 1994	20001464
(3) Ferrum 1	965	Andahuaylas	010298304	No 00228-2005-INACC/J Jan 19, 2005	11053798
(4) Ferrum 4	1,000	Andahuaylas/ Aymaraes	010298604	No 00230-2005-INACC/J Jan 19, 2005	11053810
(5) Ferrum 8	900	Andahuaylas	010299004	No 00232-2005-INACC/J Jan 19, 2005	11053827
(6) Cristoforo 22	379	Andahuaylas	010165602	RP2849-2007-INGEMMET/PCD/PM Dec 13, 2007	11067786
(7) Ferrum 31	327	Andahuaylas	010552807	RP 1266-2008-INGEMMET/PCD/PM May 12, 2008	11076509
(8) Ferrum 37	695	Andahuaylas	010621507	RP 1164-2008-INGEMMET/PCD/PM May 12, 2008	11076534
(9) Wanka 01	100	Andahuaylas	010208110	RP 3445-2010-INGEMMET/PCD/PM Oct 18, 2010	11102187
(10) Sillaccassa 1	700	Andahuaylas	010212508	RP 5088-2008-INGEMMET/PCD/PM Nov 19, 2008	11084877
(11) Sillaccassa 2	400	Andahuaylas	010212608	RP 3183-2008-INGEMMET/PCD/PM Sept 8, 2008	11081449

## Cusco Iron Ore Project (Peru)

(Strike – 100%)

Name	Area (Ha)	Province	Code	Title	File No.
(1) Flor de María	907	Chumbivilcas	05006521X01	No 7078-95-RPM Dec 29, 1995	20001742
(2) Delia Esperanza	1,000	Chumbivilcas	05006522X01	No 0686-95-RPM Mar 31, 1995	20001743
(3) El Pacifico II	1,000	Chumbivilcas	05006524X01	No 7886-94/RPM Nov 25, 1994	20001746

## Paulsens East Iron-Ore Project (Western Australia)

(Strike – 100%)

Tenement No	Status	Grant Date	Expiry Date	Area (blocks/Ha)	Area (km <sup>2</sup> )
Retention Licence RL 4777	Granted	4 December 2014	4 December 2019	~381 Ha	~3.81

## Burke Graphite Project (Queensland)

(Strike – 60%)

Tenement No	Status	Grant Date	Expiry Date	Area (blocks/Ha)	Area (km <sup>2</sup> )
Burke EPM 25443	Granted	4 September 2014	3 September 2019	51 sub-blocks	~16
Corella EPM 25696	Granted	2 April 2015	1 April 2020	11 sub-blocks	~36

# ANNUAL MINERAL RESOURCES STATEMENT

The following JORC Code compliant ([2004](#) and [2012](#)) Mineral Resources estimates are as at the end of the financial year (30 June 2017) and currently:

## Apurimac Iron Ore Project (Peru) (Strike – 100%)

The Apurimac Project has a JORC Code (2012 Edition) compliant Mineral Resource of 269.4 Mt, consisting of:

- a 142.2 Mt Indicated Mineral Resource at 57.8% Fe; and
- a 127.2 Mt Inferred Mineral Resource at 56.7% Fe.

Category	Concession	Density t/m <sup>3</sup>	Mt	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%
Indicated	Opaban 1	4	133.71	57.57	9.46	2.54	0.04	0.12
Indicated	Opaban 3	4	8.53	62.08	4.58	1.37	0.07	0.25
Inferred	Opaban 1	4	127.19	56.7	9.66	2.7	0.04	0.2
<b>Total Indicated and Inferred</b>			<b>269.4</b>	<b>57.3</b>	<b>9.4</b>	<b>2.56</b>	<b>0.04</b>	<b>0.16</b>

The information in this JORC Resource table was prepared and first disclosed under the [2004 JORC Code](#) (in Strike's ASX announcement dated [11 February 2010: Peruvian Apurimac Iron Ore Project Resource Increased to 269 Million Tonnes](#)) and has subsequently been upgraded to comply with the [2012 JORC Code](#) and disclosed in Strike's ASX Announcement dated [19 January 2015: Apurimac Mineral Resources Updated to JORC 2012 Standard](#).

## Cusco Iron Ore Project (Peru) (Strike – 100%)

The Cusco Project has a JORC Code (2004 Edition) compliant Mineral Resource of 104.4 Mt Inferred Mineral Resource at 32.62% Fe.

Category	Concession	Density t/m <sup>3</sup>	Mt*	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%
Inferred	Santo Tomas	4	104.4	32.62	0.53	3.19	0.035	0.53

The information in this JORC Resource table was prepared and first disclosed under the [2004 JORC Code](#) (in Strike's ASX announcement dated [17 June 2011: Cusco Project – Resource Estimate](#)). It has not been updated since to comply with the [2012 JORC Code](#) on the basis that the information has not materially changed since it was last reported.

## Compliance

- The Mineral Resources estimates (above) have not changed since reported in last year's Annual Report.
- The Mineral Resources estimates (above) is based on, and fairly represents, information and supporting documentation prepared by a Competent Person (recognised under the JORC Codes ([2004](#) and [2012](#))).
- The Annual Mineral Resources Statement as a whole has been approved by the Competent Person named in the JORC Code Competent Person's Statements section of this Annual Report (at page 47) where further information concerning his qualifications and professional membership is also disclosed.
- Due to the nature, stage and size of the Company's existing operations, Strike believes there would be no efficiencies gained by establishing a separate Mineral Reserves/Resources Committee responsible for reviewing and monitoring the Company's processes for calculating JORC Code compliant Mineral Reserves/Resources. The Board as a whole has responsibility in this regard (with assistance from external advisers as appropriate) including ensuring that appropriate internal controls are applied to such calculations.
- The Company ensures that any Mineral Reserve/Resource calculations are prepared by Competent Persons and where appropriate, reviewed independently and verified (including estimation methodology, sampling, analytical and test data).
- The Company will report any future Mineral Reserves/Resources estimates in accordance with the [2012 JORC Code](#).

# JORC CODE COMPETENT PERSON'S STATEMENTS

## JORC Code (2012) Competent Person Statement - Apurimac Project Mineral Resources

The information in this document that relates to Mineral Resources and other Exploration Results (as applicable) in relation to the Apurimac Iron Ore Project (Peru) is based on, and fairly represents, information and supporting documentation prepared by Mr Ken Hellsten, B.Sc. (Geology), who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Hellsten was a principal consultant to Strike Resources Limited and was also formerly the Managing Director of Strike Resources Limited (between 24 March 2010 and 19 January 2013). Mr Hellsten has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves" (**JORC Code**). Mr Hellsten has approved and consented to the inclusion in this document of the matters based on his information in the form and context in which it appears.

## JORC Code (2004) Competent Person Statement – Cusco Project Mineral Resources

The information in this document that relates to Mineral Resources and other Exploration Results (as applicable) in relation to the Cusco Iron Ore Project (Peru) is based on, and fairly represents, information and supporting documentation prepared by Mr Ken Hellsten, B.Sc. (Geology), who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Hellsten was a principal consultant to Strike Resources Limited and was also formerly the Managing Director of Strike Resources Limited (between 24 March 2010 and 19 January 2013). Mr Hellsten has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Hellsten approves and consents to the inclusion in this document of the matters based on this information in the form and context in which it appears.

## FORWARD LOOKING STATEMENTS

This report contains "forward-looking statements" and "forward-looking information", including statements and forecasts which include without limitation, expectations regarding future performance, costs, production levels or rates, mineral reserves and resources, the financial position of Strike, industry growth and other trend projections. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "is expecting", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Such information is based on assumptions and judgements of management regarding future events and results. The purpose of forward-looking information is to provide the audience with information about management's expectations and plans. Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Strike and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, changes in market conditions, future prices of minerals/commodities, the actual results of current production, development and/or exploration activities, changes in project parameters as plans continue to be refined, variations in grade or recovery rates, plant and/or equipment failure and the possibility of cost overruns.

Forward-looking information and statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date such statements are made, but which may prove to be incorrect. Strike believes that the assumptions and expectations reflected in such forward-looking statements and information are reasonable. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Strike does not undertake to update any forward-looking information or statements, except in accordance with applicable securities laws.

# ADDITIONAL ASX INFORMATION

## as at 12 October 2017

### CORPORATE GOVERNANCE STATEMENT

The Company has adopted the [Corporate Governance Principles and Recommendations](#) (3<sup>rd</sup> Edition, March 2014) issued by the [ASX Corporate Governance Council](#) in respect of the financial year ended 30 June 2017. Pursuant to [ASX Listing Rule 4.10.3](#), the Company's 2017 Corporate Governance Statement (dated on or about 17 October 2017) and ASX Appendix 4G (Key to Disclosures of Corporate Governance Principles and Recommendations) can be found at the following URL on the Company's Internet website:  
<http://strikeresources.com.au/corporate/corporate-governance/>

### ISSUED CAPITAL

Class of Security	Quoted on ASX	Unlisted	Total
Fully paid ordinary shares	145,334,268	-	145,334,268
\$0.30 (17 June 2018) Unlisted Managing Director's Options <sup>12</sup>	-	3,000,000	3,000,000
<b>TOTAL</b>	<b>145,334,268</b>	<b>3,000,000</b>	<b>148,334,268</b>

### DISTRIBUTION OF FULLY PAID ORDINARY SHARES

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1	-	1,000	360	150,162	0.103%
1,001	-	5,000	627	1,865,493	1.284%
5,001	-	10,000	265	2,138,343	1.471%
10,001	-	100,000	334	10,391,840	7.150%
100,001	-	and over	73	130,788,430	89.991%
<b>TOTAL</b>			<b>1,659</b>	<b>145,334,268</b>	<b>100.00%</b>

### UNMARKETABLE PARCELS

Spread	of	Holdings	Number of Holders	Number of Shares	% of Total Issued Capital
1	-	12,499	1,306	4,761,078	3.276%
12,500	-	over	353	140,573,190	96.724%
<b>TOTAL</b>			<b>1,659</b>	<b>145,334,268</b>	<b>100.00%</b>

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 12,500 shares or less (being a value of \$500 or less in total), based upon the Company's closing share price of \$0.04 on 12 October 2017.

### VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at meetings of shareholders of the Company:

- Each shareholder entitled to vote may vote in person or by proxy or by power of attorney or, in the case of a shareholder which is a corporation, by representative;
- Every person who is present in the capacity of shareholder or the representative of a corporate shareholder shall, on a show of hands, have one vote; and
- Every shareholder who is present in person, by proxy, by power of attorney or by corporate representative shall, on a poll, have one vote in respect of every fully paid share held by him.

<sup>12</sup> Refer Strike's ASX announcement dated [18 June 2013: Appendix 3B – Grant of Options and Cancellation of Options](#) and Strike's [Notice of General Meeting](#) lodged on ASX on 17 May 2013

# ADDITIONAL ASX INFORMATION

## as at 12 October 2017

### TOP 20 ORDINARY FULLY PAID SHAREHOLDERS

Rank	Holder name	Shares Held	% Issued Capital
1	BENTLEY CAPITAL LIMITED	52,553,493	36.16
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,609,077	18.32
3	DATABASE SYSTEMS LTD	12,537,090	8.63
4	ORION EQUITIES LIMITED	10,000,000	6.88
5	JP MORGAN NOMINEES AUSTRALIA LIMITED	2,840,605	1.95
6	ACN 139 886 025 PTY LTD	2,110,261	1.45
7	TCH HOLDINGS PTY LTD	1,500,000	1.03
8	MR IANAKI SEMERDZIEV	1,379,000	0.95
9	CONCORDE SECURITIES PTY LTD	1,200,000	0.83
10	MR CHI MAU PHUONG	1,137,437	0.78
11	D&C PESCA S.A.C.	1,081,027	0.74
12	MRS LILIANA TEOFILOVA	947,000	0.65
13	BONTOWN PTY LTD	900,000	0.62
14	CLASSIC CAPITAL PTY LTD	750,000	0.52
15	EMPIRE HOLDINGS WA PTY LTD	700,000	0.48
16	MR JOHN FAZZALORI	619,479	0.43
17	TADMARO PTY LIMITED	601,828	0.41
18	MR VU QUANG MINH DANG + MRS THI KIM DAU NGUYEN	591,210	0.41
19	MR FAROOQ KHAN	530,010	0.36
20	MR TRAVIS CHRISTIAN HANSEN & MISS CARYSS FRANCES BIDESI	500,000	0.34
<b>TOTAL</b>		<b>119,087,517</b>	<b>81.94%</b>

### SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Registered Shareholder	Shares Held	% Voting Power
Bentley Capital Limited <sup>13</sup>	Bentley Capital Limited	52,553,493	36.16%
ABU Holding International Limited and Associates <sup>14</sup>	HSBC Custody Nominees (Australia) Limited	25,825,000	17.77%
Database Systems Ltd and Ambreen Chaudhri <sup>15</sup>	Database Systems Ltd	12,537,090	8.63%
Orion Equities Limited <sup>16</sup>	Orion Equities Limited	10,000,000	6.88%
Queste Communications Ltd <sup>17</sup>	Orion Equities Limited	10,000,000	6.88%

13 Refer Bentley's ASX announcement dated [4 September 2015 Notice of Change in Interests of Substantial Holder](#)

14 Refer [Notice of Initial Substantial Holder dated 21 December 2012](#)

15 Based on [Notice of Change in Interests of Substantial Holder dated 4 June 2013](#)

16 Refer Orion's ASX announcement dated [4 September 2015: Notice of Change in Interests of Substantial Holder](#)

17 Refer Queste's ASX announcement dated [4 September 2015: Notice of Change in Interests of Substantial Holder](#); Orion is the registered holder of Strike shares and Queste is taken under section 608(3)(b) of the Corporations Act to have a relevant interest in securities in which Orion has a relevant interest by reason of having control of Orion



ASX Code: SRK

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