



EHR RESOURCES LIMITED
ABN 33 160 017 390

Annual Report for the
Year Ended 30 June 2018

Annual Report

For the year ended 30 June 2018

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Corporate Directory

Board of Directors

Stephen Dennis	(Non-Executive Chairman)
David Bradley	(Non-Executive Director)
Jeremy King	(Non-Executive Director)
Michael O’Keeffe	(Non-Executive Director)

Secretary

Ms Sarah Smith

Registered Office

C/- Mirador Corporate Pty Ltd
Suite 2, Level 1
1 Altona Street
West Perth WA 6005

Telephone: 08 6559 1792
Website: www.ehrresources.com.au

Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX Code: EHX)

Auditors

RSM Australia Partners
Level 32, 2 The Esplanade
Perth WA 6000

Solicitors

K & L Gates LLP
32/44 St Georges Terrace
Perth WA 6000

Bankers

Westpac Banking Corporation
Level 4, Brookfield Place, Tower Two
123 St Georges Terrace
Perth WA 6000

Share Registry

Automic Share Registry
Level 2, 267 St Georges Terrace
Perth WA 6000

Telephone: 1300 288 664

Chairman's Letter

Dear Shareholder,

During the current year our sole focus has been on exploration at the La Victoria Gold Silver Project in Peru, in which we have the right to acquire up to a 25% interest. So far, we have contributed sufficient money towards exploration to have earned an initial 10% interest in the project, and we are now on the threshold of having spent sufficient additional funds to have earned a further 8% interest. Our rights to acquire an interest in the project arise through a farm-in agreement we signed with Eloro Resources Limited (TSX-V: ELO) last year.

La Victoria, located in the North –Central Mineral Belt of Peru, is the first mineral resources project we have undertaken since shareholders approved a change to the nature of our business activities in 2017. We were attracted to La Victoria because of its excellent geological prospectivity and its close proximity to a number of large-scale gold mines operating in the area. Drilling to date at La Victoria has focussed initially on the Rufina target area (refer Figure 1 in the Directors' Report), where a number of encouraging gold intersections have been returned. The next drill campaign will be at San Markito, some 2.7 km north of Rufina, which is considered to be the primary target within the project area. Delays in securing drill permits for this campaign have prevented drilling being undertaken any earlier at San Markito, however we anticipate these permits will be granted in October to enable the next drill campaign to commence soon.

I would like to thank our directors for their on-going support throughout the year. At present we do not believe the appointment of a chief executive officer to the company is warranted, however this situation may change should we look to take a position in other resource projects.

I would also like to thank shareholders for your continued support, and I look forward to bringing you the results of the next drill campaign at San Markito during our upcoming drilling campaign.

Sincerely,



Stephen Dennis
Chairman

Directors' Report

The Directors of EHR Resources Limited ("EHR" or "the Company") present their report, together with the financial statements on the consolidated entity consisting of EHR Resources Limited and its controlled entities (the "Group") for the financial year ended 30 June 2018.

DIRECTORS

The names and particulars of the Company's directors in office during the financial year and at the date of this report are as follows. Directors held office for this entire period unless otherwise stated.

Stephen Dennis | Non-Executive Chairman

BCom, BLLB, GDipAppFin (Finsia)

(Appointed 22 August 2012)

Mr Dennis has been actively involved in the mining industry for over 30 years. He has held senior management positions at MIM Holdings Limited, Minara Resources Limited, and Brambles Australia Limited. Mr Dennis was previously the Managing Director and Chief Executive Officer of CBH Resources Limited which is the Australian subsidiary of Toho Zinc Co., Ltd of Japan. Mr Dennis is currently a director of several ASX listed mineral resource companies

During the past three years, Mr Dennis held the following directorships in other ASX listed companies:

- Non-Executive Chairman of Heron Resources Limited (current);
- Non-Executive Chairman of Rox Resources Limited (current);
- Non-Executive Chairman of Graphex Mining Limited (current);
- Non-Executive Chairman of Lead FX Inc. (current); and
- Managing Director of CBH Resources Limited (resigned July 2015).

Jeremy King | Non-Executive Director

LLB

(Appointed 16 February 2016)

Mr King is a corporate advisor and lawyer with over 15 years' experience in domestic and international legal, financial and corporate matters. Mr King spent several years in London where he worked with Allen & Overy LLP and Debevoise & Plimpton LLP and has extensive corporate experience, particularly in relation to cross-border private equity, leveraged buy-out acquisitions and acting for financial institutions and corporate issuers in respect of various equity capital raising.

During the past three years, Mr King held the following directorships in other ASX listed companies:

- Executive Director of Red Mountain Mining Limited (current);
- Non-Executive Chairman of Aldoro Resources Limited (current);
- Non-Executive Chairman of Pure Minerals Limited (current);
- Non-Executive Director Axxis Technology Limited (current);
- Non-Executive Director of DTI Group Limited (current);
- Non-Executive Director of Transcendence Technologies Limited (current);
- Non-Executive Director of Smart Parking Limited (current);
- Non-Executive Director of Sultan Resources Limited (current);
- Non-Executive Director of Aquaint Capital Holdings Limited (resigned October 2017); and
- Non-Executive Director of Plukka Limited (resigned December 2015).

Directors' Report

David Bradley | Non-Executive Director

MBA, BSc (Hons)

(Appointed 22 August 2012)

Mr. Bradley is an energy industry commercial specialist with over 30 years of business development experience including senior management roles with El Paso Corporation, Epic Energy, and senior managing consulting roles with Wood McKenzie as well as privately advising a broad range of upstream, midstream and downstream energy players in developing and executing commercialisation strategies and business development initiatives. Experience includes significant merger and acquisition coordination roles realising over \$2 billion in completed transactions. Mr. Bradley recently organized the successful acquisition of Exmouth Power Pty Ltd along with Fengate Capital Management Group – a Toronto based Super fund. Mr. Bradley is current Managing Director of the Exmouth Power business, and as well remains involved in general energy consulting as Managing Director of Gas Transport Solutions, and as Non-Executive Director on a number of unlisted companies.

During the past three (3) years Mr. Bradley has not held any directorships in other ASX listed companies.

Michael O'Keeffe | Non-Executive Director

B.App.Sc (Metallurgy)

(Appointed 15 June 2017)

Mr. O'Keeffe is currently the Company's largest Shareholder and holds a 11.08% interest. Mr. O'Keeffe is well known within the resources industry world-wide. Mr. O'Keeffe was the Managing Director of Glencore Australia Limited from 1995-2004 and was Executive Chairman of Riversdale Mining Limited prior to that company being acquired by Rio Tinto PLC in 2011. Mr O'Keeffe is currently the Chairman and Chief Executive Officer of Champion Iron Limited which operates an iron-ore project in Canada.

During the past three years, Mr O'Keeffe held the following directorships in other ASX listed companies:

- Executive Chairman of Champion Iron Limited (current); and
- Non-Executive Chairman of Riversdale Resources Limited (current).

COMPANY SECRETARY

Sarah Smith

(Appointed 20 November 2015)

Sarah Smith is an employee of Mirador Corporate, where she specialises in corporate advisory, company secretarial and financial management services. Sarah has over 7 years' experience in the provision of company secretarial and financial management services for ASX listed companies, capital raisings and IPOs, due diligence reviews and ASX and ASIC compliance. Sarah is a Chartered Accountant and has acted as the Company Secretary of a number of ASX listed companies.

INTERESTS IN SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

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

Director	Ordinary Shares	Unlisted Share Options
Mr Stephen Dennis	4,469,123	2,500,000
Mr Jeremy King	2,913,122	2,500,000
Mr David Bradley	1,713,278	2,500,000
Mr Michael O'Keeffe	14,033,927	2,500,000
Total	23,129,450	10,000,000

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the consolidated entity consisted of exploration at the La Victoria Gold/Silver project Peru through an earn- in agreement with Eloro Resources Limited (TSX-V:ELO) .

Directors' Report

REVIEW AND RESULTS OF OPERATIONS

Overview

La Victoria Exploration Update

EHR Resources Limited ("EHR") is currently earning up to a 25% interest in the La Victoria Gold-Silver Project (the Project) in Northern Peru through a multi-stage farm-in agreement with joint venture partner, Eoro Resources Limited (Eoro), which was signed in 2017, and amended in February 2018.

EHR was required to spend CAD\$2 million on exploration in order to earn an initial 10% interest in the Project, and in December 2017, this expenditure requirement was satisfied. The Company then elected to proceed with Stage 2 of the earn-in arrangement with Eoro.

On 2 March 2018, the Company announced that Stage 2 of the earn-in phase would be divided into two components, namely Stage 2A and Stage 2B. As per the terms of the revised agreement, EHR agreed to purchase an additional 8% interest of La Victoria in Stage 2A by incurring exploration expenditure of CAD\$1.6 million. Subsequently, under the Stage 2B earn-in phase, EHR may elect to earn a further 7% interest in La Victoria by expending an additional CAD\$1.4 million on exploration. Some drilling permits for Mining Concessions were delayed during the year, and in accordance with the Earn-in Agreement with Eoro, any delay in obtaining permits for Stage 2A and Stage 2B causes the earn-in periods for Stage 2A and Stage 2B to be automatically extended to accommodate any such delays. Completion of Stage 2A is expected to occur by end October 2018, at which time the Company will hold an 18% interest in the Project.

Until now, the main focus of exploration at La Victoria has been on the Rufina target (refer Figure 1) which is one of the six target zones that form part of the Project. The first and second phases of the exploration program which comprised twelve drill holes totalling 4,281 meters (refer ASX releases 17 January 2018 and 7 June 2018), were designed to provide complete sections across up to 500 meters strike length of the target zone to test the major NW and NE-SW striking mineralised structures identified in the surface geological mapping. All of the reconnaissance drill holes intersected extensive zones of mineralisation and alteration. Gold mineralisation and alteration at Rufina occurs over 600m in width, over 700m in vertical extent and about 600m along strike. Eoro, the project operator, concluded that whilst the results at Rufina are considered positive and provide indications of a large-scale epithermal gold mineralised system at La Victoria, further drilling needs to focus on the likely major core area believed to be San Markito. Work is continuing to obtain final drill permits for San Markito.

Directors' Report

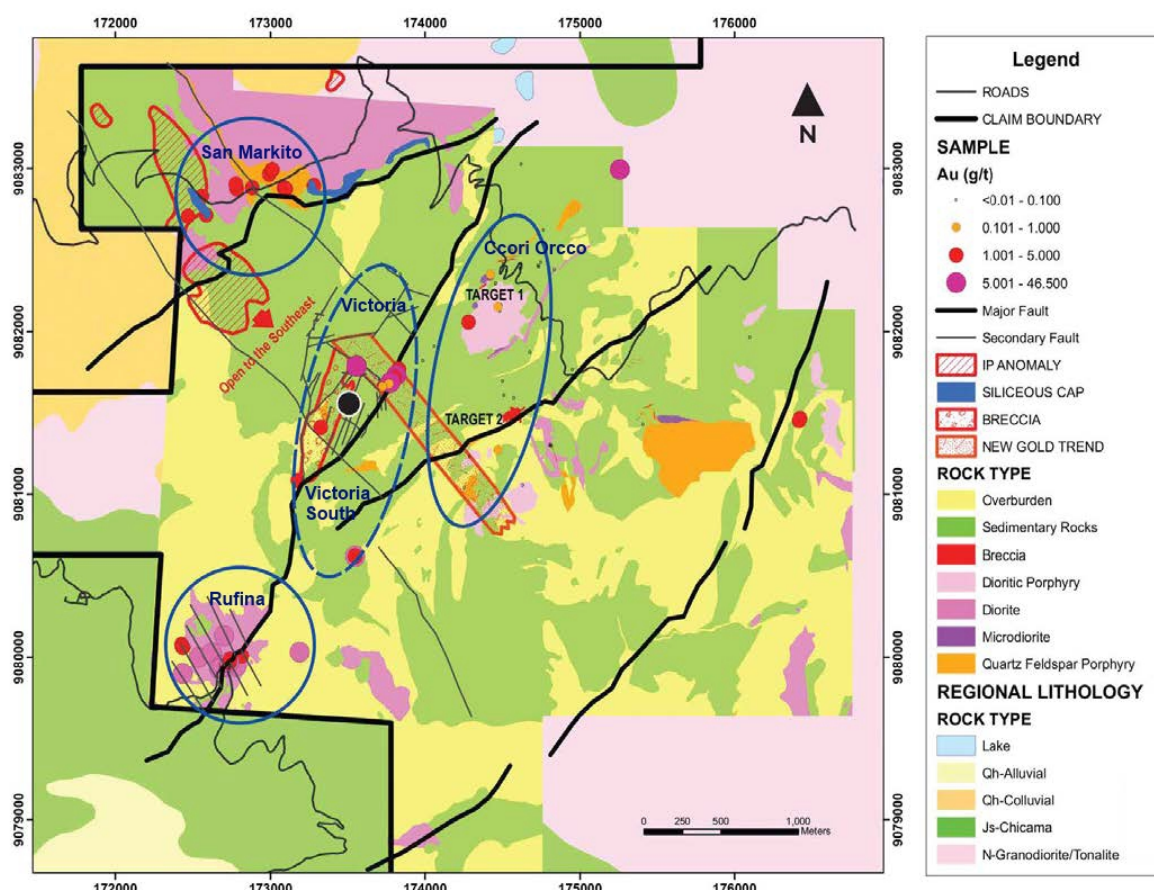


Figure 1: Geological map of La Victoria showing the Mineralised target zones including Rufina and San Markito zones.

Capital Raising

On 11 July 2017, the Company issued 28,571,422 shares at \$0.07 per share to raise \$2 million under its Public Offer pursuant to the Prospectus lodged with ASX on 30 May 2017.

On 11 April 2018, the Company received applications for 21,111,111 fully paid ordinary shares in the Company at a price of \$0.09 per share to raise \$1.9 million (before costs) through a placement to sophisticated and professional investors ("Placement"). As part of the Placement, 19,500,000 fully paid ordinary shares at \$0.09 per share was issued on 18 April 2018 and the remaining 1,611,111 fully paid ordinary shares were issued on 15 June 2018 as approved by Shareholders at the General Meeting held on 12 June 2018.

Funds raised under the Placement are being used to meet EHR's expenditure commitments in relation to the farm-in arrangements at La Victoria, and for working capital.

Financial Performance

The financial results of the Group for the year ended 30 June 2018 are:

	30-June-18	30-June-17
	\$	\$
Cash and cash equivalents	3,840,669	6,093,442
Net Assets	3,751,584	4,444,029
Revenue	70,173	23,641
Net loss after tax	(4,723,092)	(1,459,042)

Directors' Report

DIVIDENDS

No dividends have been paid or declared by the Group since the end of the previous financial year.

No dividend is recommended in respect of the current financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in state of affairs during and subsequent to the end of the financial year are as follows-

- (i) On 2 March 2018, the Company announced that Stage 2 of the earn-in phase will be divided into two components, namely Stage 2A and Stage 2B. As per the terms of the revised agreement, EHR agreed to purchase an additional 8% interest of La Victoria in Stage 2A by incurring exploration expenditure of CAD\$1.6 million on or before 30 June 2018. Subsequently, in the Stage 2B earn-in phase, EHR may elect to earn a further 7% interest by spending an additional CAD\$1.4 million on or before 31 December 2018. The Stage 2A and Stage 2B earn-in dates are extended automatically in the event of any delays in obtaining drilling permits to conduct the work programs proposed in each stage.
- (ii) On 18 June 2018, the Company requested a suspension from official quotation to allow the Company to prepare and lodge a cleansing prospectus and make an application to the Federal Court of Australia seeking declaratory relief and ancillary orders relating to prior trading in certain shares while those shares remained subject to secondary trading restrictions under the Corporations Act 2001 (Cth). The Company obtained the orders sought at the Federal Court of Australia hearing held on 28 June 2018, and recommenced trading on ASX on 28 June 2018.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Upon contributing expenditure of CAD\$ 1.6million to exploration at the La Victoria Gold Silver Project in Peru, EHR will have satisfied the conditions of Stage 2A of the Farm-in Agreement with Eloro Resources Ltd to earn an additional 8% interest in the La Victoria Project. Upon completion of Stage 2A, the Company may elect to proceed with the Stage 2B earn-in phase in which it may earn an additional 7% interest in the Project by spending an additional CAD\$1.4 million on exploration.

DIRECTORS' MEETINGS

The number of Directors' meetings held during the financial year and the number of meetings attended by each Director during the time the Director held office are:

Director	Number Eligible to Attend	Number Attended
Mr Stephen Dennis	1	1
Mr Jeremy King	1	1
Mr David Bradley	1	1
Mr Michael O'Keeffe	1	1

In addition to the scheduled Board meetings, Directors regularly communicate by telephone, email or other electronic means, and where necessary, circular resolutions are executed to effect decisions.

Due to the size and scale of the Company, there is no Remuneration and Nomination Committee or Audit Committee at present. Matters typically dealt with by these Committees are, for the time being, managed by the Board. For details of the function of the Board, refer to the Corporate Governance Statement.

Directors' Report

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2018 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company.

Voting and comments made at the company's 2017 Annual General Meeting ('AGM')

At the 2017 AGM, 96.81% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

a) Key Management Personnel Disclosed in this Report

Key Management Personnel of the Group during or since the end of the financial year were:

Mr Stephen Dennis	Non-Executive Chairman
Mr Jeremy King	Non-Executive Director
Mr David Bradley	Non-Executive Director
Mr Michael O'Keeffe	Non-Executive Director

There have been no other changes after reporting date and up to the date that the financial report was authorised for issue.

The Remuneration Report is set out under the following main headings:

A	Remuneration Philosophy
B	Remuneration Governance, Structure and Approvals
C	Remuneration and Performance
D	Details of Remuneration
E	Service Agreements
F	Share-based Compensation
G	Equity Instruments Issued on Exercise of Remuneration Options
H	Loans with KMP
I	Other Transactions with KMP

A Remuneration Philosophy

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP of the Group comprise of the Board of Directors, and at present there are no other persons employed by the Company in an executive capacity.

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

No remuneration consultants were employed during the financial year.

B Remuneration Governance, Structure and Approvals

Remuneration of Directors is currently set by the Board of Directors. The Board has not established a separate Remuneration Committee at this point in the Group's development, nor has the Board engaged the services of an external remuneration consultant. It is considered that the size of the Board along with the level of activity of the Group renders this impractical. The Board is primarily responsible for:

- The over-arching executive remuneration framework;
- Operation of the incentive plans which apply to executive directors and senior executives, including key performance indicators and performance hurdles;
- Remuneration levels of executives; and

Directors' Report

- Non-Executive Director fees.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

❖ Non-Executive Remuneration Structure

The remuneration of Non-Executive Directors consists of Directors' fees, payable in arrears. The total aggregate fixed sum per annum to be paid to Non-Executive Directors in accordance with the Company's Constitution shall be no more than A\$250,000 and may be varied by ordinary resolution of the Shareholders in a General Meeting.

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors. The chair's fees are determined independently to the fees of the Non-Executive Director's based on comparative roles in the external market. In accordance with the Company's Constitution, the Directors may at any time, subject to the Listing Rules, adopt any scheme or plan which they consider to be in the interests of the Company and which is designed to provide superannuation benefits for both present and future Non-Executive Directors, and they may from time to time vary this scheme or plan.

The remuneration of Non-Executive is detailed in Table 1 and their contractual arrangements are disclosed in "Section E – Service Agreements".

Remuneration may also include an invitation to participate in share-based incentive programmes in accordance with Company policy.

The nature and amount of remuneration is collectively considered by the Board of Directors with reference to relevant employment conditions and fees commensurate to a company of similar size and level of activity, with the overall objective of ensuring maximum stakeholder benefit from the retention of high performing Directors.

❖ Executive Remuneration Structure

The nature and amount of remuneration of executives are assessed on a periodic basis with the overall objective of ensuring maximum stakeholder benefit from the retention of high-performance Directors.

The main objectives sought when reviewing executive remuneration is that the Company has:

- Coherent remuneration policies and practices to attract and retain Executives;
- Executives who will create value for shareholders;
- Competitive remuneration offered benchmarked against the external market; and
- Fair and responsible rewards to Executives having regard to the performance of the Group, the performance of the Executives and the general pay environment.

There were no Executives employed by the Company during the year.

C Remuneration and Performance

The following table shows the gross revenue, losses, earnings per share ("EPS") and share price of the Group as at 30 June 2018 and 30 June 2017.

	30-Jun-18	30-Jun-17
Revenue (\$)	70,173	23,641
Net (loss) after tax (\$)	(4,723,092)	(1,459,042)
EPS (\$)	(4.35)	(1.90)
Share price	0.08	0.07

Relationship between Remuneration and Company Performance

Given the recent re-compliance of the Company and the current phase of the Company's development, the Board does not consider earnings during the current and previous financial year when determining, and in relation to, the nature and amount of remuneration of KMP.

Directors' Report

The pay and reward framework for key management personnel may consist of the following areas:

- Fixed Remuneration – base salary
- Variable Short-Term Incentives
- Variable Long-Term Incentives

The combination of these would comprise the key management personnel's total remuneration.

a) Fixed Remuneration – Base Salary

The fixed remuneration for each senior executive is influenced by the nature and responsibilities of each role and knowledge, skills and experience required for each position. Fixed remuneration provides a base level of remuneration which is market competitive and comprises a base salary inclusive of statutory superannuation. It is structured as a total employment cost package.

Key management personnel are offered a competitive base salary that comprises the fixed component of pay and rewards. External remuneration consultants may provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. No external advice was taken this year. Base salary for key management personnel is reviewed annually to ensure the executives' pay is competitive with the market. The pay of key management personnel is also reviewed on promotion. There is no guaranteed pay increase included in any key management personnel's contract.

b) Variable Remuneration – Short -Term Incentives (STI)

Discretionary cash bonuses may be paid to senior executives annually, subject to the requisite Board and shareholder approvals where applicable. No bonus payments were made during the financial year.

c) Variable Remuneration – Long-Term Incentives (LTI)

Options are issued at the Board's discretion. Other than options disclosed in section D of the Remuneration Report there have been no options issued to employees at the date of this financial report.

D Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each KMP of the Group during the financial year are:

Table 1 – Remuneration of KMP of the Group for the year ended 30 June 2018 is set out below:

	Short-term Employee Benefits			Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other	Superannuation	Options ⁽ⁱⁱⁱ⁾	
	\$	\$	\$	\$	\$	
30 June 2018						
Directors						
Mr Stephen Dennis	55,000	-	-	5,225	116,961	177,186
Mr Jeremy King	40,000 ⁽ⁱ⁾	-	-	3,800	116,961	160,761
Mr David Bradley	40,000 ⁽ⁱⁱ⁾	-	-	3,800	116,961	160,761
Mr Michael O'Keeffe	40,000	-	-	3,800	116,961	160,761
Total	175,000	-	-	16,625	467,844	659,469

(i) An amount of \$40,000 has been paid to Bushwood Nominees Pty Ltd relating to Mr King's Directors Fees.

(ii) An amount of \$40,000 has been paid to Gas Transport Solutions Pty Ltd relating to Mr Bradley's Directors Fees.

(iii) Share-based payments are the options expensed over the vesting period (refer to Note 15 for further details).

Directors' Report

30 June 2017	Short-term Employee Benefits			Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other	Superannuation	Options ^(v)	
	\$	\$	\$	\$	\$	
Directors						
Mr Stephen Dennis	55,000	-	80,000 ⁽ⁱ⁾	12,825	5,013	152,838
Mr Jeremy King	40,000 ⁽ⁱⁱ⁾	-	-	3,800	5,013	48,813
Mr David Bradley	40,000 ⁽ⁱⁱⁱ⁾	-	-	3,800	5,013	48,813
Mr Michael O'Keeffe ^(iv)	1,778	-	-	169	5,013	6,960
Total	136,778	-	80,000	20,594	20,052	257,424

- (i) An amount of \$80,000 has been paid to Mr Dennis relating to additional consulting services provided to the Company for the Eloro transaction and the Company's re-compliance with Chapters 1 and 2 of the Listing Rules.
- (ii) An amount of \$40,000 has been paid to Bushwood Nominees Pty Ltd relating to Mr King's Directors Fees.
- (iii) An amount of \$40,000 has been paid to Gas Transport Solutions Pty Ltd relating to Mr Bradley's Directors Fees.
- (iv) Mr O'Keeffe was appointed as a Non-Executive Director of the Company on 15 June 2017.
- (v) Share-based payments are the options expensed over the vesting period (refer to Note 15 for further details).

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the tables above:

Table 2 – Relative proportion of fixed vs variable remuneration expense

Name	Fixed Remuneration		At Risk – STI (%)		At Risk – LTI (%)	
	2018	2017	2018	2017	2017	2016
Directors						
Mr Stephen Dennis	34%	44%	66%	56%	-	-
Mr Jeremy King	27%	90%	73%	10%	-	-
Mr David Bradley	27%	90%	73%	10%	-	-
Mr Michael O'Keeffe	27%	28%	73%	72%	-	-

Table 3 – Shareholdings of KMP (direct and indirect holdings)

30 June 2018	Balance at 01/07/2017	Granted as Remuneration	On Exercise of Options	Net Change – Other	Balance at 30/06/2018
Directors					
Mr Stephen Dennis	4,302,456	-	-	166,667 ⁽ⁱ⁾	4,469,123
Mr Jeremy King	2,746,456	-	-	166,666 ⁽ⁱ⁾	2,913,122
Mr David Bradley	1,396,611	-	-	316,667 ⁽ⁱⁱ⁾	1,713,278
Mr Michael O'Keeffe	12,922,816	-	-	1,111,111 ⁽ⁱ⁾	14,033,927
Total	21,368,339	-	-	1,761,111	23,129,450

- (i) Participation in April 2018 as approved by shareholders at a General Meeting held 12 June 2018.
- (ii) 150,000 shares acquired on market. 166,667 acquired for participation in April 2018 as approved by shareholders at a General Meeting held 12 June 2018.

Table 4 – Option holdings of KMP (direct and indirect holdings)

30 June 2018	Balance at 01/07/2017	Issued as Remuneration	Exercised	Balance at 30/06/2018	Vested & Exercisable
Directors					
Mr Stephen Dennis	-	2,500,000	-	2,500,000	2,500,000
Mr Jeremy King	-	2,500,000	-	2,500,000	2,500,000
Mr David Bradley	-	2,500,000	-	2,500,000	2,500,000
Mr Michael O'Keeffe	-	2,500,000	-	2,500,000	2,500,000
Total	-	10,000,000	-	10,000,000	10,000,000

On 6 July 2017, the Company issued 10,000,000 options to the Directors, exercisable at \$0.07 on or before 30 June 2021. The Grant Date of the 10,000,000 options is 15 June 2017 which is the date of the General Meeting at which the options were approved. In line with Australian Accounting Standards, these options have been fair valued on 15 June 2017 and a share-based payment expense has been recognised as at 30 June 2017. Refer to Note 15 for the option valuation.

Directors' Report

E Service Agreements

- ❖ **Stephen Dennis – Non-Executive Chairman**
 - Contract: Commenced on 22 August 2012.
 - Director's Fee: \$55,000 per annum.
 - Term: No fixed term.
- ❖ **Jeremy King – Non-Executive Director**
 - Contract: Commenced on 16 February 2016.
 - Director's Fee: \$40,000 per annum.
 - Term: No fixed term
- ❖ **David Bradley – Non-Executive Director**
 - Contract: Commenced on 22 August 2012.
 - Director's Fee: \$40,000 per annum.
 - Term: No fixed term.
- ❖ **Michael O'Keeffe – Non-Executive Director**
 - Contract: Commenced on 25 June 2017.
 - Director's Fee: \$40,000 per annum.
 - Term: No fixed term.

F Share-based Compensation

The Company rewards Directors for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options. Share-based compensation is at the discretion of the Board and no individual has a contractual right to receive any guaranteed benefits.

Options

Director	Number of granted	Grant date	Fair Value per option at grant date \$	Exercise price \$	Vested date and exercisable date	Expiry date
Mr Stephen Dennis	2,500,000 ⁽ⁱ⁾	15/6/2017	0.049	0.07	06/07/2018	30/06/2021
Mr Jeremy King	2,500,000 ⁽ⁱ⁾	15/6/2017	0.049	0.07	06/07/2018	30/06/2021
Mr David Bradley	2,500,000 ⁽ⁱ⁾	15/6/2017	0.049	0.07	06/07/2018	30/06/2021
Mr Michael O'Keeffe	2,500,000 ⁽ⁱ⁾	15/6/2017	0.049	0.07	06/07/2018	30/06/2021

(i) The above options were issued on the 6/7/2017.

At the date of this report, the unissued ordinary shares of the Company under option carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company.

G Equity Instruments Issued on Exercise of Remuneration Options

No remuneration options were exercised during the financial year.

H Loans with KMP

There were no loans made to any KMP during the year ended 30 June 2018.

Directors' Report

I Other Transactions with KMP

During the financial year, the Company incurred fees of \$109,200 for company secretarial and accounting services payable to Mirador Corporate (a Company of which Mr Jeremy King is a Director). All transactions were made on normal commercial terms and conditions and at market rates.

The Company has a payable of \$8,400 to Mirador Corporate (a Company of which Mr Jeremy King is a Director). All transactions were made on normal commercial terms and conditions and at market rates.

There were no other transactions with KMP during the year ended 30 June 2018.

J Additional Information

The earnings of the consolidated entity for the five years to 30 June 2018 are summarised below:

	2018 \$	2017 \$	2016 \$	2015 \$	2014 \$
Sales Revenue	70,173	23,641	2,757,809	45,417	2,417,771
EBITDA	(4,723,092)	(1,459,042)	1,785,524	(845,270)	(2,254,814)
EBIT	(4,723,092)	(1,459,042)	1,785,524	(856,523)	(2,299,330)
Profit/(Loss) after income tax	(4,723,092)	(1,459,042)	1,785,216	(856,879)	(2,299,573)
Share Price (\$)	0.08	0.07	0.04	0.03	0.12
EPS (cents per share)	(4.35)	(1.90)	2.32	(1.11)	(3.22)

End of Audited Remuneration Report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

ENVIRONMENTAL REGULATIONS

The Company is not currently subject to any specific environmental regulation. There have not been any known significant breaches of any environmental regulations during the year under review and up until the date of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of these proceedings.

AUDITOR

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

Directors' Report

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the company who are former partners RSM Australia Partners.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and included within these financial statements.

SHARES UNDER OPTION

At the date of this report there were the following unissued ordinary shares for which options are outstanding:

- 10,000,000 options expiring 7 June 2021, exercisable at \$0.07.
- 500,000 options expiring 30 June 2021, exercisable at \$0.07.
- 500,000 options expiring 30 June 2021, exercisable at \$0.07

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 18 to the financial statements.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independent requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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


Stephen Dennis
Non-Executive Chairman

27 September 2018

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of EHR Resources Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM

RSM AUSTRALIA PARTNERS

Tutu Phong

TUTU PHONG
Partner

Perth, WA
Dated: 27 September 2018

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue from continuing operations			
Other income	4	70,173	23,641
Expenses			
Administrative expenses	5(a)	(223,822)	(207,585)
Compliance and regulatory expenses		(62,455)	(102,770)
Consultancy and legal expenses	5(b)	(154,405)	(368,663)
Employee benefit expenses		(190,318)	(157,372)
Exploration expenditure expense		(3,522,855)	(16,303)
Investor relations expense		(108,919)	-
Settlement costs		-	(600,017)
Share-based payment expense	15	(494,927)	(20,052)
Other expenses		(35,564)	(9,921)
(Loss) from continuing operations before income tax		(4,723,092)	(1,459,042)
Income tax expense	6	-	-
(Loss) from continuing operations after income tax		(4,723,092)	(1,459,042)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(38,763)	(1,910)
Other comprehensive income for the year, net of tax		(38,763)	(1,910)
Total comprehensive loss attributable to the members of EHR Resources Limited		(4,761,855)	(1,460,952)
Loss per share for the year attributable to the members EHR Resources Limited:			
Basic loss per share (cents)	7	(4.35)	(1.90)
Diluted loss per share (cents)	7	(4.35)	(1.90)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	3,840,669	6,093,442
Trade and other receivables	9	39,184	36,914
Total current assets		3,879,853	6,130,356
Total assets		3,879,853	6,130,356
LIABILITIES			
Current liabilities			
Trade and other payables	10	128,269	1,686,327
Total current liabilities		128,269	1,686,327
Total liabilities		128,269	1,686,327
Net assets		3,751,584	4,444,029
EQUITY			
Contributed equity	11	12,210,989	8,636,506
Reserves	12	1,289,847	833,683
Accumulated losses		(9,749,252)	(5,026,160)
Total equity		3,751,584	4,444,029

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2018

	Issued Capital \$	Share-based Payment Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
At 1 July 2017	8,636,506	835,593	(1,910)	(5,026,160)	4,444,029
Loss for the year	-	-	-	(4,723,092)	(4,723,092)
Other comprehensive loss	-	-	(38,763)	-	(38,763)
Total comprehensive loss for the year after tax			(38,763)	(4,723,092)	(4,761,855)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of share capital	3,900,090	-	-	-	3,900,090
Share issue costs	(325,607)	-	-	-	(325,607)
Share-based payments	-	494,927	-	-	494,927
At 30 June 2018	12,210,989	1,330,520	(40,673)	(9,749,252)	3,751,584
At 1 July 2016	8,636,506	815,541	-	(3,567,118)	5,884,929
Loss for the year	-	-	-	(1,459,042)	(1,459,042)
Other comprehensive loss	-	-	(1,910)	-	(1,910)
Total comprehensive loss for the year after tax	-	-	(1,910)	(1,459,042)	(1,460,952)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	20,052	-	-	20,052
At 30 June 2017	8,636,506	835,593	(1,910)	(5,026,160)	4,444,029

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the Financial Year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Payments to suppliers and employees		(811,895)	(785,435)
Payments for exploration and evaluation expenditure		(3,522,855)	-
Interest received		70,108	23,641
Net cash used in operating activities	8(a)	(4,264,642)	(761,794)
Cash flows from investing activities			
Proceeds from disposal of subsidiary ⁽ⁱ⁾		-	1,021,042
Proceeds from loan repaid by previous subsidiary ⁽ⁱ⁾		-	2,978,958
Payments relating to IES ⁽ⁱ⁾		-	(2,216,500)
Payments relating to disposal of subsidiary ⁽ⁱ⁾		-	(952,179)
Net cash from investing activities		-	831,321
Cash flows from financing activities			
Proceeds from unissued shares		2,376,239	1,523,851
Share issue costs		(325,607)	-
Net cash from financing activities		2,050,632	1,523,851
Net (decrease) /increase in cash and cash equivalents		(2,252,773)	1,593,378
Cash and cash equivalents at the beginning of the year		6,093,442	4,500,064
Cash and cash equivalents at the end of the year	8	3,840,669	6,093,442

- (i) In the prior year, the sale of PRL 38 was approved by Shareholders at the General Meeting held on 15 February 2016. The final proceeds from the sale of PRL 38 was received in December 2016. Please refer to the 2016 Annual Report for further details of this transaction.

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

EHR Resources Limited (referred to as “EHR” or the “Company”) is a company domiciled in Australia. The address of the Company’s registered office and principal place of business is disclosed in the Corporate Directory of the Annual Report. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the “Consolidated Entity” or the “Group”).

(b) Basis of Preparation

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board (“IASB”). EHR Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

The annual report was authorised for issue by the Board of Directors on 27 September 2018.

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 20.

New, revised or amended standards and interpretations adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are mandatory for the current reporting period.

Any new, revised, or amending Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

New standards and interpretations not yet mandatory or early adopted

The Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The consolidated entity’s assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group are set out below.

(i) AASB 9 Financial Instruments and its consequential amendments

This standard is applicable to annual report periods beginning on or after 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The Group will adopt this standard and the amendments from 1 July 2018. It is not expected for the application of the new standard to have a significant impact on the Group's financial statements.

(ii) AASB 15 Revenue from contracts with customers

The AASB has issued this new standard for the recognition of revenue. This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. It is not expected for the application of the new standard to have a significant impact on the Group's financial statements.

Significant Judgements and Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(c) Comparatives

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

(d) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of EHR Resources Limited ('Company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. EHR Resources Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition method of accounting is used to account for business combinations by the consolidated entity. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. Management has determined that based on the report reviewed by the Board and used to make strategic decisions, that the consolidated entity has one reportable segment.

(f) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the consolidated entity's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Australian dollars, which is EHR Resources Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Consolidated entity companies

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:

- Assets and liabilities for each statement of financial position account presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of profit or loss and other comprehensive income account 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
- All resulting exchange differences are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position.

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. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(g) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the consolidated entity and the revenue can be reliably measured.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest method.

(h) Income Tax

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 to unused tax losses.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(i) Income Tax

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 liabilities and assets 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.

(j) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is expensed at the end of the reporting period unless it relates to a project that the Company has determined economically viable in which case it is carried forward to the extent that it is expected to be recouped through the successful development of the area, or by its sale.

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.

(k) Cash and Cash Equivalents

Cash on hand and in bank and short-term deposits are stated at nominal value. For the purpose of the statement of cash flows, cash includes cash on hand and in bank, and bank securities readily convertible to cash, net of outstanding bank overdrafts.

(l) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(m) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where an impairment loss subsequently reverses, the carrying amount of the asset, other than goodwill, is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(n) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received whether or not billed to the Group. Trade payables are usually settled within 30 days of recognition.

(o) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(p) Share-based Payments

Equity-settled and cash-settled share-based compensation benefits are provided to Key Management Personnel and employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using an appropriate valuation model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(p) Share-based Payments (cont.)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying an appropriate valuation model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(q) Contributed equity

Ordinary shares are classified as equity.

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

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(r) Earnings Per Share

Basic earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(s) Goods and Services Tax ("GST")

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

Receivables and payables area stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

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

(t) Current and Non-Current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(u) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Notes to the Consolidated Financial Statements

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

NOTE 3 SEGMENT INFORMATION

The Group operates only in one reportable segment being predominately in the area of gold mineral exploration in Peru. The Board considers its business operations in gold mineral exploration to be its primary reporting function. Results are analysed as a whole by the chief operating decision maker, this being the Board of Directors. Consequently, revenue, profit, net assets and total assets for the operating segment are reflected in this financial report.

NOTE 4 REVENUE

Other income

Interest income

2018 \$	2017 \$
70,173	23,641
70,173	23,641

NOTE 5 EXPENSES

(a) Administrative expenses

Accounting, audit and company secretarial fees

Travel costs

General and administration expenses

147,700	154,089
73,690	48,454
2,432	5,042
223,822	207,585

(b) Consultancy and legal expenses

Consulting fees

Corporate advisory fees

Legal fees

-	151,215
60,000	51,112
94,405	166,336
154,405	368,663

Notes to the Consolidated Financial Statements

NOTE 6 INCOME TAX

	2018	2017
	\$	\$
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Income tax expense reported in the statement of profit or loss and other comprehensive income	-	-
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
(Loss) / profit before income tax expense	(4,723,092)	(1,459,042)
Prima facie tax benefit on loss before income tax at 30% (2017: 27.5%)	(1,416,928)	(401,237)
Increase income tax expense due to:		
Non-deductible expenses	1,198,797	255,746
Timing differences not recognised	(16,564)	(47,203)
Tax losses not brought to account	234,695	192,694
Tax effect of derivation of non-assessable income	-	-
Income tax expense/(benefit)	-	-
(c) Deferred tax assets not brought to account are:		
Accruals/ Provisions	10,247	10,168
Business related costs	12,869	8,599
Tax losses	1,343,343	1,016,261
Capital raising	78,145	-
Set-off against deferred tax liabilities	(2,640)	(2,723)
Total deferred tax assets not brought to account	1,441,964	1,032,306
(d) Deferred tax liabilities not recognised		
Prepayments	2,640	2,723
Set-off against deferred tax assets	(2,640)	(2,723)
Total unrecognised deferred tax liabilities	-	-

The benefit for tax losses will only be obtained if:

- The Group derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- The Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- There are no changes in tax legislation in Australia which will adversely affect the Group in realising the benefit from the deductions for the losses.

At 30 June 2018, there is no recognised or unrecognised deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiary as the Group has no liability for additional taxation should such amounts be remitted.

Notes to the Consolidated Financial Statements

NOTE 7 LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2018 \$	2017 \$
Net loss for the year	(4,723,092)	(1,459,042)
Weighted average number of ordinary shares for basic and diluted loss per share.	108,661,053	76,984,453
Options on issue are not considered dilutive to the earnings per share as the Company is in a loss-making position.		
Continuing operations		
- Basic and diluted loss per share (cents)	(4.35)	(1.90)

NOTE 8 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	840,669	3,593,442
Short-term deposits	3,000,000	2,500,000
	3,840,669	6,093,442

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made in varying periods between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

The Group's exposure to interest rate and credit risks is disclosed in Note 13.

(a) Reconciliation of net loss after tax to net cash flows from operations

Loss for the financial year	(4,723,092)	(1,459,042)
<i>Adjustments for:</i>		
Share-based payments	494,927	20,050
<i>Changes in assets and liabilities</i>		
Trade and other receivables	(2,270)	577,437
Trade and other payables	(34,207)	99,761
Net cash used in operating activities	(4,264,642)	(761,794)

NOTE 9 TRADE AND OTHER RECEIVABLES

GST receivable	30,384	27,014
Other deposits and receivables	8,800	9,900
	39,184	36,914

(a) Allowance for impairment loss

Other receivables are non-interesting bearing and are generally on terms of 30 days.

Notes to the Consolidated Financial Statements

NOTE 10 TRADE AND OTHER PAYABLES

	2018 \$	2017 \$
Trade payables ⁽ⁱ⁾	63,502	3,093
Accrued expenses	73,750	157,042
Other payables	(2,968)	10,976
Tax payable	(6,015)	(8,635)
Share subscription monies received in advance ⁽ⁱⁱ⁾	-	1,523,851
	128,269	1,686,327

- (i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
- (ii) In prior year, the Company announced a Public Offer ("Offer") under its Prospectus to issue 28,571,429 shares at an Offer Price of \$0.07 per share. The Offer closed oversubscribed on 6 July 2017 and raised the maximum under the Prospectus of \$2 million. The Company issued the Public Offer shares on 11 July 2017.

NOTE 11 CONTRIBUTED EQUITY

(a) Issued and fully paid

	2018		2017	
	No.	\$	No.	\$
Ordinary shares	126,667,986	12,210,989	76,984,453	8,636,506

Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the company in proportion to the number and amount paid on the share hold.

(b) Movement reconciliation

	Number	\$
At 1 July 2016	76,984,453	8,636,506
At 30 June 2017	76,984,453	8,636,506
At 1 July 2017	76,984,453	8,636,506
Public offer	28,571,422	2,000,000
Placement	21,111,111	1,900,000
Shares issued pursuant to Cleansing Offer	1,000	90
Share issue costs	-	(325,607)
At 30 June 2018	126,667,986	12,210,989

NOTE 12 RESERVES

	2018 \$	2017 \$
Share-based payments	1,330,520	835,593
Foreign currency translation reserve	(40,673)	(1,910)
	1,289,847	833,683
Movement reconciliation		
Share-based payments reserve		
Balance at the beginning of the year	835,593	815,541
Equity settled share-based payment transactions (Note 15)	494,927	20,052
Balance at the end of the year	1,330,520	835,593

Notes to the Consolidated Financial Statements

NOTE 12 RESERVES (CONT.)

	2018 \$	2017 \$
Foreign currency translation reserve		
Balance at the beginning of the year	(1,910)	-
Effect of translation of foreign currency operations to group presentation	(38,763)	(1,910)
Balance at the end of the year	(40,673)	(1,910)

Share-based payment reserve

The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

NOTE 13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future cash flow forecasts.

Risk management is carried out by Management and overseen by the Board of Directors with assistance from suitably qualified external advisors.

The main risks arising for the Group are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The carrying values of the Group's financial instruments are as follows:

Financial Assets

Cash and cash equivalents	3,840,669	6,093,442
Trade and other receivables	39,184	36,914
	3,879,853	6,130,356

Financial Liabilities

Trade and other payables	128,269	1,686,327
	128,269	1,686,327

(a) Market risk

(i) Foreign exchange risk

The Group was not significantly exposed to foreign currency risk fluctuations.

Notes to the Consolidated Financial Statements

NOTE 13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

(ii) Interest rate risk

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The Group's exposure to this risk relates primarily to the Group's cash and any cash on deposit. The Group does not use derivatives to mitigate these exposures. The Group manages its exposure to interest rate risk by holding certain amounts of cash in fixed and floating interest rate facilities. At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2018		2017	
	Weighted average interest rate ⁽ⁱ⁾	Balance \$	Weighted average interest rate	Balance \$
Cash and cash equivalents	1.99%	3,840,669	1.32%	6,093,442

(i) This interest rate represents the average interest rate for the period.

Sensitivity

Within the analysis, consideration is given to potential renewals of existing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 1% increase and 1% decrease in rates is based on reasonably expected possible changes over a financial year, using the observed range of historical rates for the preceding five-year period.

At 30 June 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax losses and equity would have been affected as follows:

Judgements of reasonably possible movements:	Profit higher/(lower)	
	2018 \$	2017 \$
+ 1.0% (100 basis points)	38,407	60,934
- 1.0% (100 basis points)	(38,407)	(60,934)

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default of the counterparty, with maximum exposure equal to the carrying amount of the financial assets.

The Group's policy is to trade only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms will be subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group except for cash and cash equivalents and other financial assets held in reputable major banks in Peru.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

Notes to the Consolidated Financial Statements

NOTE 13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

	6 months	6-12 months	1-5 years	> 5 years	Total
2018	\$	\$	\$	\$	\$
Trade and other payables	128,269	-	-	-	128,269
2017					
Trade and other payables	1,686,327	-	-	-	1,686,327

(d) Capital risk management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the stage of the Company's development there are no formal targets set for return on capital. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The net equity of the Company is equivalent to capital. Net capital is obtained through capital raisings on the Australian Securities Exchange ("ASX").

NOTE 14 RELATED PARTY DISCLOSURE

(a) Key Management Personnel Compensation

Details relating to key management personnel, including remuneration paid, are below.

	2018	2017
	\$	\$
Short-term benefits	175,000	216,778
Post-employment benefits	16,625	20,594
Share-based payments	467,843	20,052
	659,468	257,424

Information regarding individual Directors compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

(b) Transactions with related parties

During the year, the Group incurred company secretarial and financial management fees of \$109,200 payable to Mirador Corporate Pty Ltd ("Mirador"). Mirador is a company of which Jeremy King is a Director.

At 30 June 2018, the Group has an outstanding payable to key management personnel and their related parties as follows:

Mirador Corporate Pty Ltd	\$8,400	-
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All transactions were made on normal commercial terms and conditions and at market rates.

Notes to the Consolidated Financial Statements

NOTE 15 SHARE-BASED PAYMENTS

	2018 \$	2017 \$
(a) Recognised share-based payment transactions		
Options issued to Directors ⁽ⁱ⁾	467,843	20,052
Options issued to consultants ⁽ⁱⁱ⁾	27,084	-
	494,927	20,052

(i) Options issued to Directors

On 6 July 2017, the Company issued 10,000,000 options to the Directors, exercisable at \$0.07 on or before 30 June 2021. The Grant Date of the 10,000,000 options is 15 June 2017 which is the date of the General Meeting when the options were approved. In line with Australian Accounting Standards, these options have been fair valued based on grant date on 15 June 2017 and a share-based payment expense has been recognised in the statement of profit or loss and other comprehensive income. The total value of the options issued was \$487,895 and the options are exercisable one (1) year after the date the options were issued.

(ii) Options issued to Consultants

These options issued to consultants are exercisable one (1) year after the date the options were issued. The share-based payment expense of \$27,084 has been recognised in the statement of profit or loss and other comprehensive income at 30 June 2018.

(b) Summary of options granted during the year

Options	Issue Date	Date of Expiry	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year
Directors	06-07-17	07-06-21	\$0.07	10,000,000	-	-	-	10,000,000 ⁽ⁱ⁾
Consultant	01-08-17	30-06-21	\$0.07	-	500,000	-	-	500,000
Consultant	15-06-18	13-10-19	\$0.07	-	500,000	-	-	500,000
				10,000,000	1,000,000	-	-	11,000,000
Weighted average exercise price			\$0.07					

(i) The options were issued on 6 July 2017 but was granted on 15 June 2017.

The options issued to the Directors and Consultants of the Company, have been valued using the Black-Scholes model. The model and assumptions are shown in the table below:

Black-Scholes Option Pricing Model			
	Directors	Consultant	Consultant
Grant Date	15-06-17	01-08-17	15-06-18
Expiry Date	30-06-21	30-06-21	30-06-21
Strike (Exercise) Price	\$0.07	\$0.07	\$0.07
Underlying Share Price (at date of issue)	\$0.07	\$0.08	\$0.08
Risk-free Rate (at date of issue)	1.85%	2.06%	2.13%
Volatility	100%	100%	100%
Number of Options Issued	10,000,000	500,000	500,000
Dividend Yield	0%	0%	0%
Probability	100%	100%	100%
Black-Scholes Valuation	\$0.04879	\$0.05689	\$0.05066
Total Fair Value of Options	\$487,895	\$28,445	\$25,331

Notes to the Consolidated Financial Statements

NOTE 16 COMMITMENTS

On 30 March 2017, the Company signed a definitive farm-in agreement with Eoro Resources Ltd, whereby the Company can acquire up to 25% interest in La Victoria Gold Project ("the Project") by completing up to CAD 5 million by 31 December 2018. This agreement was amended through a Revised Agreement entered into on 1 March 2018 (and announced on 2 March 2018), the effect of which is to divide the original Stage 2 earn-in phase into two separate stages, Stage 2A and Stage 2B. Below are the exploration expenditure commitments for the Group in relation to this project.

Stage	Earn-in Interest	Earn-in Period	Earn-in Amount (CAD\$)	Amount incurred at 30 June 2018	Outstanding amount at 30 June 2018
Stage 1 ⁽ⁱ⁾	10%	30 March 2017 – 30 October 2017	CAD \$2 million	CAD \$2 million	-
Stage 2A	8%	On or before 30 June 2018 ⁽ⁱⁱ⁾	CAD \$1.6 million	CAD \$943,000 ⁽ⁱⁱⁱ⁾	CAD \$657,000
Stage 2B	7%	On or before 31 December 2018 ⁽ⁱⁱ⁾	CAD \$1.4 million	-	CAD \$1.4 million

- (i) In December 2017, the Company completed the required to earn a 10% interest in the Project.
- (ii) These dates may be extended in certain circumstances. During the year, modification permits for the Mining Concessions were delayed. In accordance with the Earn-in Agreement between EHR Resources Limited and Eoro Resources Ltd, any delay of permits for Stage 2A and Stage 2B will result in the Termination Date being automatically extended to accommodate such delay. Stage 2A is expected to be completed subsequent to 30 June 2018.
- (iii) Excluding Impuesto General a las Ventas payments (General Sales Tax in Peru).

NOTE 17 CONTINGENCIES

All purchases in Peru are subject to the payment of the Impuesto General a las Ventas ("IGV") which is a General Sales Tax. Eoro Resources Ltd is entitled to claim back the IGV tax it has paid on all Peruvian purchases which will then be recovered by EHR. As at 30 June 2018, the IGV tax receivable is approximately USD\$276,760. The contingent asset has not been recognised as a receivable at 30 June 2018 as receipt of the amount is dependent upon the Eoro and the Company meeting the IGV refund conditions stipulated by the relevant taxation authorities in Peru.

NOTE 18 AUDITOR'S REMUNERATION

	2018 \$	2017 \$
Amounts received or due and receivable by RSM Australia Partners for:		
Audit and review of the annual and half-year financial report	34,500	36,500
Other services - RSM Australia Pty Ltd for:		
- Taxation services	4,000	-
- Investigating Accountant's Report	-	8,000
	38,500	44,500

NOTE 19 INVESTMENT IN CONTROLLED ENTITIES

	Principal Activities	Country of Incorporation	Ownership interest	
			2018 %	2017 %
Cottesloe Oil and Gas Pty Ltd	Exploration	Australia	100	100
EHR Del Peru S.A.C.	Exploration	Peru	100	100

Notes to the Consolidated Financial Statements

NOTE 20 PARENT ENTITY

	2018	2017
	\$	\$
Assets		
Current assets	3,874,932	5,936,603
Non-current assets	11,807	194,846
Total assets	3,886,739	6,131,449
Liabilities		
Current liabilities	135,155	5,216,378
Total liabilities	135,155	5,216,378
Equity		
Contributed equity	12,210,989	8,636,506
Reserves	1,330,518	835,591
Accumulated losses	(9,789,923)	(8,557,026)
Total equity	3,751,584	915,071
Loss for the year	(1,232,897)	(1,800,246)
Total comprehensive loss	(1,232,897)	(1,800,246)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Exploration commitments

The parent entity had exploration commitments as disclosed in Note 16.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 21 EVENTS AFTER THE REPORTING DATE

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

Directors' Declaration

In the Directors' opinion:

- a) The financial statements and accompanying notes are in accordance with the Corporations Act 2001, including:
 - i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- b) The financial statements and notes comply with International Financial Reporting Standards.
- c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Stephen Dennis
Non-Executive Chairman

27 September 2018

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EHR RESOURCES LIMITED

Opinion

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

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's 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.

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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Key Audit Matters

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

Key Audit Matter	How our audit addressed this matter
Exploration Expenditure Expense Refer to Statement of Profit or Loss and Other Comprehensive Income and Note 1(j)	
<p>The Group has incurred a significant amount of exploration expenditure expense of \$3,522,855 for the year ended 30 June 2018. The exploration expenditure expense is to allow the Group to earn an interest of up to 25% in the La Victoria Gold Silver Project (Project).</p> <p>Exploration expenditure expense was considered a key audit matter because it is the most significant expense in the statement of profit or loss and other comprehensive income. This Project is the Group's primary interest and their ownership percentage is determined through the amount of exploration expenditure expense incurred.</p>	<p>Our audit procedures in relation to exploration expenditure expense included:</p> <ul style="list-style-type: none"> • Reviewing the key terms and conditions of the earn-in and the Joint Venture Agreement (Agreement); • Obtaining confirmation from the Joint Venture Partner that cash calls transferred has been spent on activities that would qualify as exploration activities under the Agreement and the Group's ownership percentage of interest in the Project at reporting date; • Performing substantive testing on cash calls transferred to the Joint Venture Partner on a sample basis; • Assessing whether the Group's accounting policy for exploration expenditure is in compliance with Australia Accounting Standards; and • Assessing the adequacy of the disclosures in 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 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In 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 to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2018.

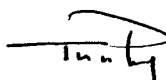
In our opinion, the Remuneration Report of EHR Resources Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

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



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 27 September 2018

Corporate Governance Statement

The Board of Directors of EHR Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Company complies with each of the recommendations set out in the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ("the ASX Principles"). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, are in place.

Further information on the Company's corporate governance policies and practices can be found on the Company's website at www.ehrresources.com.au

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.1: *A listed entity should disclose:*

- (a) *The respective roles and responsibilities of its board and management; and*
- (b) *Those matters expressly reserved to the board and those delegated to management.*

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals, monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company does not currently employ a Managing Director. The Board is of the view that the Company is not of sufficient size, nor are its operations of such complexity to require a Managing Director at the present time. The Company may appoint a Managing Director at some stage in the future and following this, the responsibility for the operation and administration of the Company will be delegated by the Board to the Managing Director and management team. The Board will ensure that both the Managing Director and the management team are appropriately qualified and experienced to discharge their responsibilities and have procedures in place to monitor and assess their performance. The management team (if appointed) will be responsible for supporting and assisting the Managing Director to conduct the general operations and financial business of the Company in accordance with the delegated authority of the Board and to progress the strategic direction provided by the Board.

Recommendation 1.2: *A listed entity should:*

- (a) *Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*
- (b) *Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The Company is currently not of a relevant size that justifies the formation of a separate Remuneration and Nomination Committee. Matters typically dealt with by such a Committee are dealt with by the Board of Directors. The Board is responsible for conducting the appropriate checks prior to the appointment of a person as a director of the Company or prior to putting forward to security holders a new candidate for election as a director. Checks undertaken may include checks as to the person's character, experience, education, criminal record and bankruptcy history.

Material information relevant to a decision on whether or not to elect or re-elect a director is provided to security holders in all Notices of Meeting which contain director election or re-election resolutions.

Recommendation 1.3: *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

Corporate Governance Statement

Appointment terms of the Company's Directors and senior executives are summarised in written agreements.

Recommendation 1.4: *The company secretary of a listed entity should be accountable to the board through the chair, on all matters to do with the proper functioning of the board.*

The Company's Secretary is accountable to the Company's Board through the chair, ensuring the Company's Board receives adequate support to function properly.

Recommendation 1.5: *A listed entity should:*

- (a) *Have a diversity policy in place which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- (b) *Disclose that policy or a summary of it; and*
- (c) *Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:*
 - (1) *The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes; or*
 - (2) *If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators," as defined in and published under that Act.*

The Company has adopted a Diversity Policy which can be viewed on its website. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity.

The Diversity Policy outlines the requirements for the Board to develop objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. To assist in fostering diversity, the policy includes the requirement for the Company to take diversity of background into account (in addition to candidates' skills and experience in a variety of the specified fields) when selecting new Directors, senior management and employees.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements and achieving these objectives in the future as director and senior executive positions become vacant and appropriately qualified candidates become available.

Other than as described above, the Company has not yet set measurable objectives for achieving gender diversity. The Company is currently not of a size that justifies the establishment of measurable diversity objectives. As the Company develops, the Board will seek to develop a reporting framework in the future to report the Company's progress against the objectives and strategies for achieving a diverse workplace which can be used as a guide to be used by the Company to identify new Directors, senior executives and employees.

An executive office holding below the Board level, this being the position of Company Secretary, is held by a female contractor to the Company.

Full details of the Company's Diversity Policy can be found on the Corporate Governance page of the Company's website.

Recommendation 1.6: *A listed entity should:*

- (a) *Have and disclose a process for periodically evaluating the performance of the board, its committees and individual Directors; and*
- (b) *Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Corporate Governance Statement

The Board has developed an informal process for performance evaluation whereby the performance of all Directors is reviewed regularly by the Chair. The Board as a whole may then hold a facilitated discussion during which each Board member has the opportunity to raise any matter, suggestion for improvement or criticism with the Board as a whole. The Chair of the Board may also meet individually with each Board member to discuss their performance. Non-executive Directors may also meet to discuss the performance of the Chair or the Managing Director, where relevant. Directors whose performance is consistently unsatisfactory may be asked to retire.

No formal performance evaluations for the Board or its Directors was undertaken during the reporting period. Going forward however, it is the Company's intention that all Directors will receive annual individual performance evaluations in accordance with the Board Charter and Performance Evaluation Policy. Full details of the Company's Performance Evaluation Policy can be found on the Corporate Governance page of the Company's website.

Recommendation 1.7: *A listed entity should:*

- (a) *Have and disclose a process for periodically evaluating the performance of its senior executives; and*
- (b) *Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

An informal assessment of progress is carried out throughout the year. The Board as a whole may then hold a facilitated discussion during which each Board member has the opportunity to raise any matter, suggestion for improvement or criticism with the Board as a whole. The Chair of the Board may also meet individually with each Executive Director to discuss their performance. Executive Directors whose performance is consistently unsatisfactory may be asked to retire.

There are currently no Executive Directors on the Board and as such, no formal performance evaluations for Executive Directors were undertaken during the reporting period. Going forward however, it is the Company's intention that all Directors will receive annual individual performance evaluations in accordance with the Board Charter and Performance Evaluation Policy. Full details of the Company's Performance Evaluation Policy can be found on the Corporate Governance page of the Company's website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1: *The board of a listed entity should:*

- (a) *Have a nomination committee which:*
 - (1) *Has at least three members, a majority of whom are independent Directors; and*
 - (2) *Is chaired by an independent director,**and disclose:*
 - (3) *The charter of the committee;*
 - (4) *The members of the committee; and*
 - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Board is currently not of a relevant size that justifies the formation of a separate Nomination Committee. Matters typically dealt with by such a committee detailed in a separate charter which describes its role, composition, functions and responsibilities, are dealt with by the Board of Directors. A copy of the charter is set out on the Company website.

Corporate Governance Statement

The Board oversees the appointment and induction process for Directors and the selection, appointment and succession planning process of the Company's Managing Director, where relevant. When a vacancy exists or there is a need for a particular skill, the Board, determines the selection criteria that will be applied. The Board will then identify suitable candidates, with assistance from an external consultant if required, and will interview and assess the selected candidates. Directors are initially appointed by the Board and must stand for re-election at the Company's next Annual General Meeting of shareholders. Directors must then retire from office and nominate for re-election at least once every three years with the exception of the Managing Director.

Recommendation 2.2: *A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*

Given the current size and stage of development of the Company the Board has not yet established a formal board skills matrix. Gaps in the collective skills of the Board are regularly reviewed by the Board as a whole, with the Board proposing candidates for directorships having regard to the desired skills and experience required by the Company as well as the proposed candidates' diversity of background.

Recommendation 2.3: *A listed entity should disclose:*

- (a) *The names of the Directors considered by the board to be Independent Directors;*
- (b) *If a Director has an interest, position, association or relationship that might cause doubts about their independence as a director but the board is of the opinion that their independence isn't compromised, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- (c) *The length of service of each Director.*

The current Board currently comprises 4 Non-executive Directors (3 of whom are considered independent). The Board has considered the guidance to Principle 2 and in particular the relationships affecting independent status. In its assessment of independence, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when evaluating independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

Details of each Director's backgrounds including experience, knowledge and skills are set out in the Directors Report of this Annual Report.

Recommendation 2.4: *A majority of the board of a listed entity should be Independent Directors.*

The Board comprises of a majority of independent directors. There are currently 4 Directors on the Board, 3 of which are considered independent being Mr Stephen Dennis, Mr David Bradley, and Mr Jeremy King.

Recommendation 2.5: *The chair of the board of a listed entity should be an Independent Director and, in particular, should not be the same person as the CEO of the entity.*

The Chairman, Mr Stephen Dennis is an independent director. At present, the Company does not have a Managing Director as the Board is of the view that the Company is not of sufficient size, nor are its operations of such complexity to require a Managing Director at the present time. The Board will review this in the future and may appoint a Managing Director as the Company's operation develop.

Corporate Governance Statement

Recommendation 2.6: *A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.*

The Board is responsible for conducting new Director inductions. The process for this is outlined in 2.1 above. Professional development opportunities are considered on an individual Director basis, with opportunities provided to individual Directors where appropriate.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

A listed entity should act ethically and responsibly.

Recommendation 3.1: *A listed entity should:*

- (a) *Have a code of conduct for its Directors, senior executives and employees; and*
- (b) *Disclose that code or a summary of it.*

The Company recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All Directors, managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Company has established a Code of Conduct which can be viewed on its website. Unethical practices, including fraud, legal and regulatory breaches and policy breaches are required to be reported on a timely basis to management.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1: *The board of a listed entity should:*

- (a) *Have an audit committee which:*
 - (1) *Has at least three members, all of whom are Non-executive Directors and a majority of whom are Independent Directors; and*
 - (2) *Is chaired by an Independent Director, who is not the chair of the board, and disclose:*
 - (3) *The charter of the committee;*
 - (4) *The relevant qualifications and experience of the members of the committee; and*
 - (5) *In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its*
- (c) *corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Directors do not view that the size of the Company warrants a separate Audit Committee.

All matters that might properly be dealt with by the Audit & Risk Committee are dealt with by the full Board. The Board is of the view that the experience and professionalism of the persons on the Board is sufficient to ensure that all significant matters are appropriately addressed and actioned. Further, the Board does not consider that the Company is of sufficient size to justify the appointment of additional Directors for the sole purpose of satisfying this recommendation as it would be cost prohibitive and counterproductive.

Corporate Governance Statement

As the operations of the Company develop, the Board will reassess the formation of an Audit Committee.

The Company's Corporate Governance Plan includes an Audit and Risk Committee Charter, which discloses its specific responsibilities, and processes for safeguarding the integrity of its corporate reporting. The Charter for this committee is disclosed on the Company's website.

Recommendation 4.2: *The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

In accordance with Recommendation 4.2 and Section 295A of the *Corporations Act 2001* the Board receives a signed declaration from the Financial Controller prior to the approval of the Company's financial statements. As noted previously, the Company does not presently have a Managing Director.

Recommendation 4.3: *A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer any questions from security holders relevant to the audit.*

The Company welcomes the attendance of its auditor at its Annual General Meeting.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1: *A listed entity should:*

- (a) *Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) *Disclose that policy or a summary of it.*

The Company has established policies and procedures to ensure timely disclosure of all material matters and ensure that investors have access to information on financial performance. This ensures the Company is compliant with the information disclosure requirements under the ASX Listing Rules. The policies and procedures include a Continuous Disclosure Policy that includes identification of matters that may have a material impact on the price of the Company's securities, notifying them to the ASX, posting relevant information on the Company's website and issuing media releases.

Matters involving potential market sensitive information must first be reported to the Managing Director (or in the absence of a Managing Director, the Chair) either directly or via the Company Secretary. The Managing Director/Chair will advise the Board if the issue is important enough and if necessary seek external advice. In all cases the appropriate action must be determined and carried out in a timely manner in order for the Company to comply with the Information Disclosure requirements of the ASX.

Once the appropriate course of action has been agreed upon, either the Managing Director/Chair or Company Secretary will disclose the information to the relevant authorities, being the only authorised officers of the Company who are able to disclose such information. Board approval is required for market sensitive information such as financial results and material transactions.

A copy of the Continuous Disclosure Policy is available on the Company's website. The Board receives regular reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at Board meetings.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Corporate Governance Statement

Recommendation 6.1: *A listed entity should provide information about itself and its governance to investors via its website.*

In line with adherence to the continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Half Yearly Report, the Company website and the distributions of specific releases covering major transactions and events or other price sensitive information.

The Company values its relationship with shareholders and understands the importance of communication with them in accordance with the requirements of the ASX. To keep shareholders informed, the Company maintains a website at www.ehrresources.com.au

Recommendation 6.2: *A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company has formulated a Security Holder Communication Policy which can be viewed on the Company's website.

Recommendation 6.3: *A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

The Company's Security Holder Communication Policy addresses security holder attendance at Security Holder Meetings.

Recommendation 6.4: *A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

The Company encourages the use of electronic communication and offers Security Holders the option to receive and send electronic communication to the Company and its share registry where possible.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1: *The board of a listed entity should:*

- (a) *Have a committee or committees to oversee risk, each of which:*
 - (1) *Has at least three members, a majority of whom are Independent Directors; and*
 - (2) *Is chaired by an Independent Director,**and disclose:*
 - (3) *The charter of the committee;*
 - (4) *The members of the committee; and*
 - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The Directors do not view that the size of the Company warrants a separate Risk Committee. All matters that might properly be dealt with by the Risk Committee are dealt with by the full Board. The Board is of the view that the experience and professionalism of the persons on the Board is sufficient to ensure that all significant matters are appropriately addressed and actioned. Further, the Board does not consider that the Company is of sufficient size to justify the appointment of additional Directors for the sole purpose of satisfying this recommendation as it would be cost prohibitive and counterproductive.

Corporate Governance Statement

The Board is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems.

Major risk categories reported include operational risk, environmental risk, sustainability, statutory reporting and compliance, financial risks (including financial reporting, treasury, information technology and taxation), and market related risks.

The Company's Corporate Governance Plan includes a Risk Management Policy. This can be viewed on the Company website.

Recommendation 7.2: *The board or a committee of the board should:*

- (a) *Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (b) *Disclose, in relation to each reporting period, whether such a review has taken place.*

The Boards responsible for reviewing the Company's risk management framework. Risk framework reviews may occur more or less frequently than annually as necessitated by changes in the Company and its operating environment.

A risk framework review has not taken place during the transitional financial year ended 30 June 2017. The Directors are of the view that the current size of the Company and scale of operations does not warrant a formal risk framework review.

A risk framework review is expected to be performed during the Company's financial year ending 30 June 2018 should the Company's operations and activities justify this.

Recommendation 7.3: *A listed entity should disclose:*

- (a) *If it has an internal audit function, how the function is structured and what role it performs; or*
- (b) *If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk and internal control processes.*

Given the Company's size and current stage of development it does not have an internal audit function.

As set out in Recommendation 7.1, the Board is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems.

Recommendation 7.4: *A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

The Audit and Risk Committee Charter requires the Audit and Risk Committee (or in its absence the Board) to assist management to determine whether the Company has any material exposure to economic, environmental and social sustainability risks, and, if it does, how it manages or intends to manage those risks. The Company discloses this information in its Annual Report.

Corporate Governance Statement

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

A listed entity should pay director remuneration sufficient to attract and retain high quality Directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendation 8.1: *The board of a listed entity should:*

- (a) *Have a remuneration committee which:*
 - (1) *Has at least three members, a majority of whom are Independent Directors; and*
 - (2) *Is chaired by an Independent Director, and disclose:*
 - (3) *The charter of the committee;*
 - (4) *The members of the committee; and*
 - (5) *As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

As previously stated in Principle 2, the Board is currently not of a relevant size that justifies the formation of a separate Remuneration & Nomination Committee. Matters typically dealt with by such a committee detailed in a separate charter including the processes to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive, are dealt with by the Board of Directors. A copy of the charter is set out on the Company website.

Recommendation 8.2: *A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives.*

The Company's policies and practices regarding the remuneration of executive and Non-Executive Directors and other senior executives are disclosed in the Company's Annual Report.

Recommendation 8.3: *A listed entity which has an equity-based compensation remuneration scheme should:*

- (a) *Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) *Disclose that policy or a summary of it.*

The Company has no equity-based compensation schemes.

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is current as of 18 September 2018.

1. Fully paid ordinary shares

- There is a total of 126,667,986 fully paid ordinary shares on issue which are listed on the ASX.
- The number of holders of fully paid ordinary shares is 1,118.
- Holders of fully paid ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company.
- There are no preference shares on issue.

2. Distribution of fully paid ordinary shareholders is as follows:

Range	Number of holders	Number of shares	% of Issued Capital
1 - 1,000	36	2,530	0.00%
1,001 - 5,000	88	384,610	0.30%
5,001 - 10,000	242	2,051,247	1.62%
10,001 - 100,000	573	21,727,787	17.15%
100,001 - 9,999,999,999	179	102,501,812	80.92%
Total	1,118	126,667,986	100.00%

3. Holders of non-marketable parcels

Holders of non-marketable parcels are deemed to be those whose shareholding is valued at less than \$500.

There are 460 shareholders who hold less than a marketable parcel of shares, amount to 41.14% of issued capital.

4. Substantial shareholders of ordinary fully paid shares

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Holding Balance	% of Issued Capital
MICHAEL O'KEEFFE	14,033,927	11.08%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,355,595	5.81%

5. Share buy-backs

There is currently no on-market buyback program for any of EHR Resources' listed securities.

6. Voting rights of Shareholders

All fully paid ordinary shareholders are entitled to vote at any meeting of the members of the Company and their voting rights are on:

- Show of hands – one vote per shareholders; and
- Poll – one vote per fully paid ordinary share.

ASX Additional Information

7. Major Shareholders

The Top 20 largest fully paid ordinary shareholders together held 47.852% of the securities in this class and are listed below:

	Holder Name	Number Held	Percentage
1	MICHAEL O'KEEFFE	14,033,927	11.08%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,355,595	5.81%
3	CITICORP NOMINEES PTY LIMITED	4,628,063	3.65%
4	BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	4,614,704	3.64%
5	STEPHEN DENNIS	4,469,123	3.53%
6	ANDREW DIMSEY	4,093,139	3.23%
7	JEREMY KING	2,913,122	2.30%
8	PHOENIX MINING SERVICES PTY LTD	2,240,000	1.77%
9	DAVID BRADLEY	1,713,278	1.35%
10	MR GORAN BLAZE	1,600,000	1.26%
11	MR MARC DORION	1,500,000	1.18%
12	CAPA INVESTMENTS PTY LTD <CAPA SUPER FUND A/C>	1,428,571	1.13%
13	CLOSEBURN NOMINEES PTY LTD <UPFAL FAMILY A/C>	1,421,991	1.12%
14	MR RAFFAELE COTRONEO & MISS SANDRA LEE GRULLI <COTRONEO-GRULLI S/F A/C>	1,350,000	1.07%
15	J POYNTER HOLDINGS	1,257,000	0.99%
16	MR CAMPBELL JOHN STEWART & MR CHARLES EDWARD STEWART <CC STEWART SUPER FUND A/C>	1,237,694	0.98%
17	V7 INVESTMENT & DEVELOPMENT <THE ZHOU FAMILY A/C>	1,200,000	0.95%
18	MR GEOFFREY WAYNE FURLONG	1,200,000	0.95%
19	KMDA 888 PTY LTD <MEE 888 SF NO 2 A/C>	1,200,000	0.95%
20	MRS CHRISTINA MARIE HIRRELL	1,111,111	0.88%
Total: Top 20 holders of ORDINARY FULLY PAID SHARES		60,567,318	47.82%

8. Unlisted Options

- 11,000,000 unquoted options with an exercise price of \$0.07 and an expiry date of 30 June 2021, escrowed for 2 years.

9. Tax Status

The Company is treated as a public company for taxation purposes.

10. Franking Credits

The Company has no franking credits.

11. Business Objectives

EHR Resources Limited has used cash and cash equivalents held at the time of re-compliance in a way consistent with its stated business objectives.

12. Group Assets

Name	Location	Area	Nature of Interest	Interest at beginning of year	Interest at end of year
La Victoria Project	Peru	~80km ²	Farm-in Agreement	25% ¹	25% ¹

¹ Subject to earn-in payments.