

Canterbury Resources Limited and Controlled Entities

ABN 59 152 189 369

**Consolidated annual report for the year ended
30 June 2018**

Canterbury Resources Limited and Controlled Entities

ABN 59 152 189 369

Contents

30 June 2018

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Canterbury Resources Limited and Controlled Entities

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Directors' Report

The directors of Canterbury Resources Limited submit herewith the annual report of the consolidated entity ("the group") consisting of Canterbury Resources Limited ("the company") and the entities it controlled at the end of, or during the financial year ended 30 June 2018. The directors report as follows:

Information about the directors

The names and particulars of the directors of the company during or since the end of the financial year are:

| Name | Particulars |
|------------------------------|--|
| Ross Earle Moller | Non - Executive Director and Company Secretary BCom Grad, Dip AppCorpGov, CA, ACIS, NZICA, ICSA |
| John Ernest Douglas Anderson | Non-Executive Chairman Bcom, MBA, GAICD |
| Grant Alan Craighead | Executive Director BSc, MAusIMM, GAICD |
| Gary Noel Fallon | Non-Executive Director BAppSc, MSEG, GAICD |
| Stephen Bruce Bartrop | Non- Executive Director – Resigned 24 November 2017 BSc (Hons), Grad Dip Sec Inst., PhD, MAusIMM, MSEG, GAICD |

The above named directors held office during the whole of the financial year and since the end of the financial year, except for Stephen Bruce Bartrop who resigned on 24 November 2017.

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

Share options granted to directors and senior management

During the year the company issued 1,000,000 options to directors, officers and senior management under the terms of the Company ESOP.

Company secretary

Ms Veronique Morgan-Smith – Co-company Secretary and In-House Legal Counsel - LLB Hons (UK), MBDE (Fr), CAPA (Fr), Law Dip. (Aus)

Véronique Morgan-Smith has more than 18 years' experience as a corporate transactions lawyer, both in major international law firms and in-house, as an Australian solicitor and a French avocat d'affaires. She has advised multinational companies and smaller businesses from set-up through to domestic and cross-border transactions and joint-ventures in various legal systems, including Australia, France, the UK, the US, Hong Kong, OHADA Africa, South Africa and various Pacific Islands. Her broad practice has focused on mining and mineral resources in recent years, and she acts as the company secretary of several private and public companies. Véronique uses her varied legal expertise to assist the Board in corporate governance and compliance matters, capital raisings and corporate transactions.

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Directors' Report

Mr Ross Moller - Non-Executive Director & Co-company Secretary – BCom, Dip AppCorpGov, CA, AGIA, ICSA, Chairman Audit and Remuneration Committees, member Governance, Nomination and Risk Management Committees

Ross Moller is a Chartered Accountant and Chartered Secretary and brings 30 years' experience in providing corporate advisory and secretarial services to a range of listed and unlisted companies. He has expertise in financial management, corporate governance and strategic planning, as well as commercial and legal risk issues, and was Company Secretary for Anchor Resources Ltd through its IPO to its eventual sale. Ross is COO for Geyer, a leading independent interior design practice based in Singapore that operates across the Asia-Pacific region.

Principal activities

The principal activity of the group during the period was exploration for minerals.

Review of operations

During the year Canterbury Resources Limited ("Canterbury" or "Company") continued to advance and expand its portfolio of exploration properties in the SW Pacific region, covering areas prospective for porphyry copper-gold systems and epithermal gold-silver systems. The Company also prepared an IPO for its proposed listing on the ASX based on the issue of 26 million shares at \$0.30/share to raise \$7.8million (before costs). The prospectus was lodged after year-end.

In PNG Canterbury completed the acquisition of 100% of Finny Limited, which holds the Bismarck Project on Manus Island. The Bismarck Project is the subject of a Farm-In and Joint Venture ("JV") with Rio Tinto Exploration (PNG) Limited ("RTX PNG") whereby RTX PNG has the right to earn an equity interest by completing various obligations under staged exploration programs. Following the year-end, RTX PNG completed its Stage 1 obligations, earning a 60% JV interest, and entered the Stage 2 exploration phase whereby it can increase its JV interest to 80% by sole-funding a further A\$12.5 million of exploration, including a minimum of 1,500m of drilling. Work to date by the JV, including extensive geophysical surveys, supports developing evidence for large-scale buried porphyry copper-gold targets. Drilling of these targets commenced in early October 2018.

At our 100% owned Ekuti Range copper-gold Project, also in PNG, preparations are well advanced for drill testing of the Ekoato prospect. The initial program will comprise five diamond drill holes (~1,350m) and will test an extensive area of surface gold and copper mineralisation in the upper levels of an exposed porphyry system. The program is scheduled to commence in the latter part of CY 2018.

In Queensland, a nine-hole diamond drilling program (~3,000m) has been designed to further assess the resource potential in the central portion of the large Briggs porphyry copper deposit, including testing for a potential higher-grade core of the system. The program is scheduled to commence towards the end of CY 2018 or early 2019.

Elsewhere, low level activities were undertaken on additional exploration opportunities, including at EL 2509 (granted after year-end) which covers a known mineralised porphyry Cu-Au system at Ipi River in PNG, plus two granted PL's and five PLA's in Vanuatu that display strong geological similarities to the Hauraki goldfield in New Zealand.

The loss of the group after providing for income tax amounted to \$627,181 (2017: loss \$136,612).

Changes in the state of affairs

There was no significant change in the state of affairs of the group during the financial year.

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Directors' Report

Subsequent events

Since 30 June 2018 the following events have arisen that have been adjusted for in the pro forma historical Statement of Financial Position.

- The Company completed the Contingent Consideration component of the Finny Limited transaction via the issue of 6,000,000 shares on 17 July 2018. This fully completed all payments under the terms of the Finny Limited acquisition.
- The Company issued 1,388,889 shares at a value of \$0.225 as part of a personal placement offer, raising \$312,500.
- The Company issued 865,750 shares from the conversion of \$0.20 options, raising \$173,150.
- The Company issued 500,000 shares from the conversion of \$0.20 options, raising \$100,000.
- The Company issued 71,500 shares from the conversion of \$0.20 options, raising \$14,300.
- The Company issued 150,000 shares from the conversion of \$0.25 options, raising \$37,500.

In aggregate, receipts from the capital raising activities from 1 July 2018 total \$637,450. These funds, plus available working capital of \$171,068 as at 30 June 2018, are being applied to corporate administration, preparation for the proposed listing of the Company on ASX and ongoing exploration activities. On an unaudited basis, \$852,022 of payments have occurred since 1 July 2018 with \$498,955 relating to direct exploration activities (mainly pre-works and equipment purchases for the proposed drilling programs, plus geological supervision) and the balance of \$353,067 relating to corporate administration and IPO costs.

Future developments

Disclosure of information regarding likely developments in the operations of the group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the group. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Dividends

In respect of the period year ended 30 June 2018, no final dividend was paid.

Indemnification and insurance of officers and auditors

There were indemnities given and insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or director of Canterbury Resources Limited.

Commitments for expenditure

In order to maintain the Company's tenements in good standing with the relevant mining authorities, the Company will be required to incur exploration expenditure under the terms of each exploration licence. The minimum exploration expenditure requirement for FY19 is estimated to be approximately \$1.7 million, of which an estimated \$0.8 million is being covered by JV partners. This is a pro rata estimate based on the terms for EPM 18504 and EPM 19198 in Queensland, PL1836 and PL1837 in Vanuatu, and EL2302, EL2314, EL2418, EL2509, EL2378 and EL2390 in PNG, converted to AUD at current exchange rates.

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Directors' Report

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director. During the financial year, 7 board meetings were held.

| Name | Board of directors | |
|----------------|--------------------|----------|
| | Held | Attended |
| R E Moller | 7 | 7 |
| J E D Anderson | 7 | 7 |
| GA Craighead | 7 | 7 |
| GN Fallon | 7 | 6 |
| S Bartrop | 3 | 2 |

Remuneration of key management personnel

| Name | Short-term employee benefits | | | Post-employment benefits | Share based payments | Total | Performance related |
|----------------|------------------------------|-----------------|-----------------|--------------------------|----------------------|---------|---------------------|
| | Salary | Directors' fees | Consulting fees | Super-annuation | Options | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| R E Moller | - | 22,500 | - | - | 5,250 | 27,500 | 19 |
| J E D Anderson | - | 22,500 | 42,600 | - | 5,250 | 70,350 | 7 |
| GA Craighead | - | - | 122,727 | - | 5,250 | 127,977 | 4 |
| GN Fallon | - | 20,566 | - | 2,603 | 5,250 | 28,419 | 18 |
| S Bartrop | - | - | - | - | - | - | - |

Transactions with associates of Directors

S Bartrop and G Craighead are Directors of, and have a significant financial interest in, Breakaway Mining Services Pty Ltd, a company that provided technical and office services to the company during the year. These services were provided under normal commercial terms and conditions, and fees totalled \$197,838 in FY18 (\$172,047 in FY17).

Employee share option plan

Canterbury resources limited operates an employee share option plan for employees and contractors of the consolidated entity. In accordance with the provisions of the plan, as approved by the shareholders at a previous annual general meeting in 2013, eligible employees may be granted options to purchase parcels of ordinary shares at an exercise price of \$0.40 per ordinary share.

Each employee share option converts into one ordinary share of Canterbury Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The option carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

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The options granted expire on their expiry date, or one month after the resignation of the employee, whichever is the earlier.

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current financial year or future financial years:

| Options Series | Grant date | Exercise Price | Expiry date | Vesting date |
|----------------|------------|----------------|-------------|--------------|
| CATU03A | 26/2/16 | \$0.20 | 30/6/19 | 26/2/16 |
| CATU04 | 28/3/17 | \$0.25 | 30/6/20 | 28/3/17 |
| CATU05 | 20/2/18 | \$0.40 | 30/6/21 | 15/4/18 |

Proceedings on behalf of company

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

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

Indemnification of Officers and Auditors

During the financial year, the Canterbury paid a premium in respect of a contract insuring the directors of the Group, the Group secretary, and all executive officers of the Group and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

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Auditor's independence declaration

The auditor's independence declaration is included after this report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Director: 

Dated: 28-11-18

Insert audit ind dec]

partners

A J Dowell CA
M Galouzis CA
A N Fraser CA
G W Cliffe CA
B Kolevski CPA (Affiliate ICAA)

associate

M A Nakkan CA

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Auditor's Independence Declaration

To the directors of Canterbury Resources Limited

As engagement partner for the audit of Canterbury 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 the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

BDJ Partners
Chartered Accountants



.....
Gregory W Cliffe
Partner
27 November 2018

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Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018

| | | Consolidated | |
|---|------|------------------|------------------|
| | Note | 2018 | 2017 |
| | | \$ | \$ |
| Revenue | 4 | 20,508 | 89,497 |
| Administration expenses | | (140,328) | (31,044) |
| Corporate costs | | (100,193) | (77,800) |
| Consultancy | | (249,353) | (11,400) |
| Depreciation and amortisation expense | | (3,546) | (393) |
| Exploration expense | | (66,204) | (8,407) |
| Marketing expense | | - | (1,002) |
| Travel expense | | (7,439) | (5,986) |
| Insurance | | (14,002) | (10,188) |
| Registration fees | | (3,540) | (1,425) |
| Share based payment expense | | (42,000) | (75,600) |
| Other expenses | | (21,084) | (2,864) |
| Loss before tax | | (627,181) | (136,612) |
| Income tax benefit | 5 | - | - |
| Loss for the year | | (627,181) | (136,612) |
| Attributable to: | | | |
| Owners of the company | | <u>(627,181)</u> | <u>(136,612)</u> |
| Other comprehensive income for the year | | - | - |
| Total comprehensive loss for the year | | <u>(627,181)</u> | <u>(136,612)</u> |
| Total comprehensive profit/ (loss) attributable to: | | | |
| Owners of the company | | <u>(627,181)</u> | <u>(136,612)</u> |
| Earnings per share | | (0.0118) | (0.0043) |

The accompanying notes form part of these financial statements.

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Consolidated statement of financial position

As at 30 June 2018

| | | Consolidated | |
|----------------------------------|------|------------------|------------------|
| | Note | 2018 | 2017 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 15 | 171,068 | 223,198 |
| Trade and other receivables | 7 | 6,500 | 500 |
| Other current assets | 8 | 7,168 | 6,597 |
| Total current assets | | <u>184,736</u> | <u>230,295</u> |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 13,157 | 1,039 |
| Intangible assets | 16 | 2,718,341 | - |
| Exploration & Evaluation Phase | 18 | 1,835,396 | 1,256,719 |
| Other assets | 10 | 9,401 | 107,597 |
| Total non-current assets | | <u>4,576,295</u> | <u>1,365,355</u> |
| Total assets | | <u>4,761,031</u> | <u>1,595,650</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 1,231,852 | 13,582 |
| Total current liabilities | | <u>1,231,852</u> | <u>13,582</u> |
| Total liabilities | | <u>1,231,852</u> | <u>13,582</u> |
| Net assets | | <u>3,529,179</u> | <u>1,582,068</u> |
| Equity | | | |
| Issued capital | 12 | 4,571,544 | 2,019,720 |
| Reserves | 13 | 117,600 | 132,436 |
| Retained earnings | 14 | (1,159,965) | (570,088) |
| Total equity | | <u>3,529,179</u> | <u>1,582,068</u> |

The accompanying notes form part of these financial statements.

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Consolidated statement of changes in equity for the year ended 30 June 2018

| Consolidated | Note | Ordinary shares \$ | Reserves \$ | Accumulated losses \$ | Total \$ |
|---|------|--------------------------|----------------|-----------------------------|------------------|
| Balance at 1 July 2016 | | 1,375,020 | 56,836 | (433,476) | 998,380 |
| Shares issued during the year | | 644,700 | - | - | 644,700 |
| Share based payment | | - | 75,600 | - | 75,600 |
| Total comprehensive income/(loss) for the year | | - | - | (136,612) | (136,612) |
| Balance at 30 June 2017 | | <u>2,019,720</u> | <u>132,436</u> | <u>(570,088)</u> | <u>1,582,068</u> |
| | | | | | |
| Balance at 1 July 2017 | 14 | 2,019,720 | 132,436 | (570,088) | 1,582,068 |
| Shares issued during the year | | 2,551,824 | | - | 2,551,824 |
| Losses Introduced | | | | (19,532) | (19,532) |
| Share based payment | | | 42,000 | | 42,000 |
| Allocation of share options | | | (56,836) | 56,836 | - |
| Total comprehensive income/(loss) for the year | | - | - | (627,181) | (627,181) |
| Balance at 30 June 2018 | | <u>4,571,544</u> | <u>117,600</u> | <u>(1,159,965)</u> | <u>3,529,179</u> |

The accompanying notes form part of these financial statements.

Canterbury Resources Limited and Controlled Entities

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Consolidated statement of cash flows for the year ended 30 June 2018

| | Consolidated Period ending 30 June 2018 | Consolidated Period ending 30 June 2017 |
|---|---|---|
| Note | \$ | \$ |
| Cash flows from operating activities | | |
| Interest received | - | 10 |
| Other income | 20,508 | 89,487 |
| Payments to suppliers and employees | <u>(584,444)</u> | <u>(142,325)</u> |
| Net cash generated by/(used in) operating activities | 15(b) <u>(563,936)</u> | <u>(52,828)</u> |
| Cash flows from investing activities | | |
| Payments from plant & equipment | (15,663) | - |
| Payments for exploration expenditure | <u>(418,356)</u> | <u>(324,743)</u> |
| Net cash generated by/(used in) investing activities | <u>(434,019)</u> | <u>(324,743)</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 945,825 | 544,700 |
| Net cash (used in)/generated by financing activities | <u>945,825</u> | <u>544,700</u> |
| Net decrease in cash and cash equivalents | (52,130) | 167,129 |
| Cash and cash equivalents at the beginning of the year | <u>223,198</u> | <u>56,069</u> |
| Cash and cash equivalents at the end of the year | <u>171,068</u> | <u>223,198</u> |

The accompanying notes form part of these financial statements.

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

1. General information

Canterbury Resources Limited (the “company”) is a public company incorporated in Australia. The address of its registered office and principal place of business is as follows:

Suite 505
35 Lime St
Sydney NSW 2000

The principal activity of the group during the period was exploration for minerals.

These consolidated financial statements and notes represent Canterbury Resources Limited and controlled entities (“consolidated group” or “group”).

2. Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the group. For the purposes of preparing the consolidated financial statements, the company is a for-profit entity. Accounting Standards include Australian Accounting Standards.

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. For the purpose of preparing the financial statements, the Group is a for-profit entity. Accounting Standards include Australian Accounting Standards (‘AAS’). Compliance with AAS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (‘IFRS’).

The financial statements were authorised for issue by the directors on 30 November 2018.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 ‘Inventories’ or value in use in AASB 136 ‘Impairment of Assets’.

The principal accounting policies are set out below.

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Notes to the financial statements

for the year ended 30 June 2018

2. Significant accounting policies (cont'd)

(a) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Canterbury Resources Limited at the end of the reporting period. A controlled entity is any entity over which Canterbury Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Where controlled entities have entered or left the group during the year, the financial performance of those entities are included only for the period of the year they were controlled. A list of controlled entities included in note 19 to the consolidated financial statements.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 '*Income Taxes*' and AASB 119 '*Employee Benefits*' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 '*Share-based Payment*' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 '*Non-current Assets Held for Sale and Discontinued Operations*' are measured in accordance with that Standard.

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Notes to the financial statements for the year ended 30 June 2018

2. Significant accounting policies (cont'd)

(b) Business combinations (cont'd)

Where the consideration transferred by the group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Finny Limited

On 15 February 2018, Canterbury Resources Limited entered into a Share and Claims Sales Agreement with the owners of all issued shares held in Finny Limited (Finny). Finny is the registered owner of Tenements EL 2378 and EL 2390 on Manus Island in Papua New Guinea.

Details of the purchase consideration is as follows:

| | 2018 |
|---|-------------|
| Purchase consideration | |
| Ordinary shares issued and to be issued | \$2,800,000 |
| Total purchase consideration | \$2,800,000 |

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably).

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

(d) Leasing

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

The group as lessee

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

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Notes to the financial statements for the year ended 30 June 2018

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

(e) Taxation

The company is part of a tax-consolidated group under Australian taxation law, of which Canterbury Resources Limited is the head entity. As a result, Canterbury Resources Limited is subject to income tax through its membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Canterbury Resources Limited have agreed to pay a tax equivalent payment to or from the head entity equal to the tax liability or asset assumed by the head entity for that period as noted above. Such amounts are reflected in amounts receivable from or payable to the head entity. Accordingly, the amount arising under the tax funding arrangement for each period is equal to the tax liability or asset assumed by the head entity for that period and no contribution from (or distribution to) equity participants arises in relation to income taxes.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that the company's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

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Notes to the financial statements for the year ended 30 June 2018

2. Significant accounting policies (cont'd)

(e) Taxation (cont'd)

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

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Notes to the financial statements for the year ended 30 June 2018

2. Significant accounting policies (cont'd)

(g) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis. The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(h) Exploration and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decisions to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area.

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Notes to the financial statements for the year ended 30 June 2018

(h) Exploration and Development Expenditure (cont'd)

Costs of site restoration are provided for over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legalisation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(i) Impairment of tangible and intangible assets

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

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

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

2. Significant accounting policies (cont'd)

(j) Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

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

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

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Notes to the financial statements for the year ended 30 June 2018

2. Significant accounting policies (cont'd)

Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

2. Significant accounting policies (cont'd)

(k) Financial instruments (cont'd)

Financial assets (cont'd)

Derecognition of financial assets (cont'd)

On derecognition of a financial asset other than in its entirety (e.g. when the group retains an option to repurchase part of a transferred asset), the group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(l) Goods and Services Tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

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Notes to the financial statements for the year ended 30 June 2018

2. Significant accounting policies (cont'd)

(m) Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position of the group are expressed in Australian dollars ('\$'), which is the functional currency of the company and the presentation currency for the consolidated financial statements.

In preparing the financial statements, transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

(n) Comparative amounts

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

Where the group retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

(o) Critical accounting judgments and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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Notes to the financial statements for the year ended 30 June 2018

2. Significant accounting policies (cont'd)

(o) Critical accounting judgments and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

As described at (g) above, the group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

(p) Share based payments

Employee share option plan

Canterbury Resources Limited operates an employee share option plan for employees and contractors of the consolidated entity. In accordance with the provisions of the plan, as approved by the shareholders at a previous annual general meeting in 2013, eligible employees may be granted options to purchase parcels of ordinary shares at an exercise price of \$0.40 per ordinary share.

Each employee share option converts into one ordinary share of Canterbury Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The option carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The options granted expire on their expiry date, or one month after the resignation of the employee, whichever is the earlier.

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current financial year or future financial years:

| Options Series | Grant date | Exercise Price | Expiry date | Vesting date |
|----------------|------------|----------------|-------------|--------------|
| CATU03A | 26/2/16 | \$0.20 | 30/6/19 | 26/2/16 |
| CATU04 | 28/3/17 | \$0.25 | 30/6/20 | 28/3/17 |
| CATU05 | 20/2/18 | \$0.40 | 30/6/21 | 15/4/18 |

These options were valued based on the Cox Ross Rubenstein option pricing model, the value of the options was assessed using the annual volatility of returns based on the daily share price history of CooperMoly (a comparable company as it is a PNG focussed copper exploration company) for a period of 12 months immediately preceding and including the measurement date on ASX.

The table below summarises the options movement for the year:

| | Unlisted Options | ESOP | Total |
|--------------------------------|------------------|-----------|------------|
| Options at beginning of period | 9,298,281 | 1,350,000 | 10,648,281 |
| Granted during period | | 1,000,000 | 1,000,000 |
| Exercised during period | 1,485,566 | | 1,485,566 |
| Options at end of period | 7,812,725 | 2,350,000 | 10,162,725 |

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Notes to the financial statements for the year ended 30 June 2018

2. Significant accounting policies (cont'd)

(q) Application of new and revised Accounting Standards

Standards and Interpretations on issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below were in issue but not yet effective. Management is still assessing the impact on reported results on adoption of these pronouncements. Adoption of these pronouncements may result in changes to information currently disclosed in the financial statement. The group does not intend to adopt any of these pronouncements before their effective dates.

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|---|--|
| AASB 9 'Financial Instruments', and the relevant amending standards ¹ | 1 January 2018 | 30 June 2019 |
| AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' | 1 January 2018 | 30 June 2019 |
| AASB 16 'Leases' | 1 January 2019 | 30 June 2020 |
| AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions' | 1 January 2018 | 30 June 2019 |
| AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' | 1 January 2018 | 30 June 2019 |
| AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 | 30 June 2019 |
| AASB 17 'Insurance Contracts' | 1 January 2021 | 30 June 2021 |
| IFRIC 23 'Uncertainty over Income Tax Treatments' | 1 January 2019 | 30 June 2020 |

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Notes to the financial statements for the year ended 30 June 2018

2. Significant accounting policies (cont'd)

(r) Going concern basis

This financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors are aware of the fact that future development and administration activities are constrained by available cash assets, and believe future identified cash flows are sufficient to fund the short term working capital and forecasted exploration requirements of the Company.

The Directors are confident of securing funds as and when necessary to meet the company's obligations as and when they fall due, and consider the adoption of the going concern basis to be appropriate in the preparation of these financial statements.

Should the fund raising be unsuccessful, it would indicate a material uncertainty which may cast doubt about the consolidated entity's ability to continue as a going concern and the consolidated entity's ability to pay its debts as and when they fall due.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of Canterbury's accounting policies, which are described in Note 1, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

There have been no assumptions concerning the future or other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Revenue

| | Consolidated | |
|-------------------|---------------|---------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Interest received | - | 10 |
| Other income | 20,508 | 89,487 |
| | <u>20,508</u> | <u>89,497</u> |

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Notes to the financial statements for the year ended 30 June 2018

5. Income tax benefit

The Prima facie income tax expense in the statement of profit or loss and other comprehensive income is as follows:

| | | |
|--|------------------|------------------|
| Loss before income tax from continuing operations | <u>(627,181)</u> | <u>(136,612)</u> |
| Income tax benefit calculated at 27.5% (2017: 27.5%) | (172,475) | (37,568) |
| Effect of expenses that are not deductible in determining taxable | - | - |
| Effect of previously unrecognised and unused tax losses and deductible temporary differences | <u>172,475</u> | <u>37,568</u> |
| Income tax benefit attributable to profit/ (loss) | <u>-</u> | <u>-</u> |

6. Loss per share

| | Consolidated 2018 Cents per share | 2017 Cents per share |
|-------------------------------|--|---|
| Basic loss per share | | |
| From continuing operations | <u>(0.0118)</u> | <u>(0.0043)</u> |
| Diluted loss per share | | |
| From continuing operations | <u>(0.0118)</u> | <u>(0.0043)</u> |

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

| | Consolidated 2018 \$ | 2017 \$ |
|---|---|--------------------------|
| Loss used in the calculation of basic and diluted loss per share | <u>(627,181)</u> | <u>(136,612)</u> |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (a) | <u>34,436,252</u> | <u>31,508,432</u> |

(a) During the year ended 30 June 2018 the potential ordinary shares associated with the employee share option plan as set out in Note 12 are anti-dilutive and therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share. The potential ordinary shares associated with the Performance Rights, as set out in Note 12 are anti-dilutive, and have not been included in the weighted average number of ordinary shares for the purposes of diluted earnings per share

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

7. Trade and other receivables

| | Consolidated | |
|-------------------|--------------|------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Other receivables | 6,500 | 500 |
| | <u>6,500</u> | <u>500</u> |

8. Other assets

| | Consolidated | |
|-------------|--------------|--------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Prepayments | 7,168 | 6,597 |
| | <u>7,168</u> | <u>6,597</u> |

9. Plant and equipment

| | Consolidated | |
|---------------------------|---------------|--------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Plant and equipment: | | |
| At cost | 2,973 | 2,309 |
| Accumulated depreciation | (1,796) | (1,270) |
| | <u>1,177</u> | <u>1,039</u> |
| Website Development Costs | | |
| At cost | 15,000 | - |
| Accumulated depreciation | (3,020) | - |
| | <u>11,980</u> | <u>-</u> |
| Total | <u>13,157</u> | <u>1,039</u> |

(a) Movements in carrying amounts

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

| | Plant and equipment | Website Development | Total |
|-------------------------|------------------------|------------------------|---------------|
| | \$ | \$ | \$ |
| Balance at 30 June 2016 | 798 | - | 798 |
| Additions | 634 | - | 634 |
| Depreciation expense | (393) | - | (393) |
| Balance at 30 June 2017 | <u>1,039</u> | <u>-</u> | <u>1,039</u> |
| Additions | 1,934 | 15,000 | 16,934 |
| Depreciation expense | (1,796) | (3,020) | (4,816) |
| Balance at 30 June 2018 | <u>1,177</u> | <u>11,980</u> | <u>13,157</u> |

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

10. Other asset

| | 2018 | Consolidated 2017 |
|-----------------|--------------|----------------------|
| | \$ | \$ |
| Tenements | 7,597 | 107,597 |
| Consultancy fee | 1,804 | - |
| | <u>9,401</u> | <u>107,597</u> |

11. Trade and other payables

| | Consolidated 2018 | 2017 |
|--------------------------------------|----------------------|---------------|
| | \$ | \$ |
| <i>Unsecured – at amortised cost</i> | | |
| Sundry payables and accrued expenses | 26,000 | 10,000 |
| Other payables | 1,205,852 | 3,582 |
| | <u>1,231,852</u> | <u>13,582</u> |

12. Issued capital

| | Consolidated 2018 | 2017 |
|--|----------------------|------------------|
| | \$ | \$ |
| 49,805,769 fully paid ordinary shares (2017: 35,293,246) | <u>4,571,544</u> | <u>2,019,720</u> |

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the group does not have a limited amount of authorised capital and issued shares do not have a par value.

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

(a) Movement in ordinary share capital

| | Consolidated 2018 | | Consolidated 2017 | |
|--------------------------------------|----------------------|------------------|----------------------|------------------|
| | Number of shares | \$ | Number of shares | \$ |
| Balance at the beginning of the year | 35,293,246 | 2,019,720 | 28,989,246 | 1,375,020 |
| Shares issued during the year | 14,512,523 | 2,551,824 | 6,304,000 | 644,700 |
| Balance at the end of the year | <u>49,805,769</u> | <u>4,571,544</u> | <u>35,293,246</u> | <u>2,019,720</u> |

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

13. Reserves

| | Consolidated | |
|--------------------------|--------------|---------|
| | 2018 | 2017 |
| | \$ | \$ |
| Share based payments (i) | 174,436 | 132,436 |
| Options Exercised | (56,836) | - |
| | 117,600 | 132,436 |

(i) The share based payments reserve records the value of options issued to directors, employees and consultants as part of the remuneration for their services.

14. Accumulated losses

| | Consolidated | |
|--------------------------------------|--------------|-----------|
| | 2018 | 2017 |
| | \$ | \$ |
| Balance at the beginning of the year | (570,088) | (433,476) |
| Options Exercised | 56,836 | - |
| Losses Introduced | (19,532) | - |
| Loss during the year | (627,181) | (136,612) |
| Balance at the end of the year | (1,159,965) | (570,088) |

15. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

(a) Reconciliation of cash

| | Consolidated | |
|--------------------------|--------------|---------|
| | 2018 | 2017 |
| | \$ | \$ |
| Cash at bank and on hand | 171,068 | 223,198 |
| | 171,068 | 223,198 |

(b) Reconciliation of profit for the year to net cash flows from operating activities

| | Consolidated | |
|--|------------------|-----------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Loss for the year | (627,181) | (136,612) |
| Depreciation | 3,546 | 393 |
| <i>Movements in working capital</i> | | |
| Non-cash share based payments | (42,000) | 75,600 |
| (Increase)/decrease in trade and other receivables | - | 5,039 |
| (Increase)/decrease in other assets | (571) | (350) |
| Increase/(decrease) in trade and other payables | 18,270 | 3,102 |
| Net cash flows from operating activities | (563,936) | (52,828) |

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Notes to the financial statements for the year ended 30 June 2018

16. Intangible Assets

| | Intangible Assets \$ | Total \$ |
|--|-------------------------|------------------|
| Balance at 30 June 2016 | - | - |
| Balance at 30 June 2017 | - | - |
| Goodwill on Acquisition of Finny Limited | 2,718,341 | 2,718,341 |
| Balance at 30 June 2018 | <u>2,718,341</u> | <u>2,718,341</u> |

17. Commitments for expenditure

| | Consolidated | |
|--------------------------|------------------|------------------|
| | 2018 \$ | 2017 \$ |
| Tenement expenditure (i) | <u>1,671,202</u> | <u>1,256,719</u> |

(i) In order to maintain the Company's tenements in good standing with the relevant mining authorities, the Company will be required to incur exploration expenditure under the terms of each exploration licence. This is a pro rata estimate based on the terms for EPM 18504 and EPM 19198 in Queensland, PL1836, PL1837 and PL1851 in Vanuatu, and EL2302, EL2314, EL2418, EL2509, EL2378 and EL2390 in PNG, converted to AUD at current exchange rates.

| 18. Exploration and Development Expenditure | 2018 \$ | 2017 \$ |
|---|------------------|------------------|
| Opening Balance | 1,364,316 | 940,207 |
| Additions | 537,284 | 432,516 |
| Write-offs | (66,204) | (8,407) |
| Capitalised | <u>1,835,396</u> | <u>1,364,316</u> |

The exploration expenditure capitalised by Canterbury Resources ending 30 June 2018, is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

19. Contingent liabilities and contingent assets

In the opinion of the directors, the group did not have any contingent liabilities or contingent assets at 30 June 2018.

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

20. Auditors' remuneration

| | Consolidated | |
|---|---------------|---------------|
| | 2018 | 2017 |
| | \$ | \$ |
| Audit of the financial statements | 16,000 | 10,000 |
| Investigating Accountants Report for inclusion in the Company's Prospectus: | | |
| Preparation | 10,000 | |
| Revision | 7,500 | |
| | <u>33,500</u> | <u>10,000</u> |

The auditor of Canterbury Resources Limited is BDJ Partners.

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

21. Financial instruments

Capital management

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of its equity balance.

In managing its capital, the group's primary objective is to ensure its continued ability to maintain its operations and provide a platform to enable a return for its equity shareholders to be made when successful commercial operations are achieved. In order to achieve this objective, the group seeks to maximise its fund raising to provide sufficient funding to enable the group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues, or reduction of debt, the group considers not only its short-term position but also its long-term operational and strategic objectives.

The group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of cash and bank balances (note 14) and equity of the group (comprising issued capital, reserves and accumulated losses as detailed in notes 11 to 13).

The group is not subject to any externally imposed capital requirements.

(a) Market risk

The group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency.

There has been no change to the group's exposure to market risks or the manner in which these risks are managed and measured.

i. Interest rate risk management

The group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

| Consolidated 2018 | Weighted average interest rate | Floating interest rate | Fixed maturing in 1 yr to 5 yrs | Non- interest bearing | Total |
|------------------------------|---|---------------------------------------|--|--------------------------------------|----------------|
| | % | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Cash | 0.00 | 171,068 | - | - | 171,068 |
| Term deposits | 4.00 | - | - | - | - |
| Trade and other receivables | 0.00 | - | - | 6,500 | 6,500 |
| Total assets | | 171,068 | - | 6,500 | 177,568 |
| Financial liabilities | | | | | |
| Trade and other payables | 0.00 | - | - | - | - |
| Total liabilities | 0.00 | - | - | - | - |
| Net financial assets | | 171,068 | - | 6,500 | 177,568 |

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

21. Financial instruments (cont'd)

(a) Market risk (cont'd)

i. Interest rate risk management (cont'd)

| Consolidated 2017 | Weighted average interest rate % | Floating interest rate \$ | Fixed maturing in 1 yr to 5 yrs \$ | Non-interest bearing \$ | Total \$ |
|------------------------------|----------------------------------|---------------------------|------------------------------------|-------------------------|----------|
| Financial assets | | | | | |
| Cash | 0.00 | 220,816 | - | - | 220,816 |
| Term deposits | 4.00 | - | 2,382 | - | 2,382 |
| Trade and other receivables | 0.00 | - | - | 500 | 500 |
| Total assets | | 220,816 | 2,382 | 500 | 223,698 |
| Financial liabilities | | | | | |
| Trade and other payables | 0.00 | - | - | - | - |
| Total liabilities | 0.00 | - | - | - | - |
| Net financial assets | | 220,816 | 2,382 | 500 | 223,698 |

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. The analysis assumes all other variables remain constant.

| Consolidated 2018 | Carrying amount \$ | +0.5% interest rate profit & loss \$ | -0.5% interest rate profit & loss \$ |
|---------------------------------------|--------------------|--------------------------------------|--------------------------------------|
| Cash at bank | | | |
| Cash on short term deposit | 171,068 | 855 | (855) |
| Tax charge of 27.5% | | (235) | 235 |
| Post tax profit increase / (decrease) | | 620 | (620) |
| Consolidated 2017 | | | |
| | Carrying amount | +0.5% interest rate profit & loss | -0.5% interest rate profit & loss |
| Cash at bank | 223,198 | 1,116 | (1,116) |
| Cash on short term deposit | - | - | - |
| | 223,198 | 1,116 | (1,116) |
| Tax charge of 27.5% | | (307) | 307 |
| Post tax profit increase / (decrease) | | 809 | (809) |

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

21. Financial instruments (cont'd)

Financial risk management objectives (cont'd)

(a) Market risk (cont'd)

ii. Currency risk (cont'd)

The group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the group.

The group's exposure to foreign currency risk, which arises out of its investments in Vanuatu and Papua New Guinea, is as follows:

| | Consolidated | |
|-------------------------------------|----------------|----------------|
| | 2018 | 2017 |
| | \$ | |
| Cash at bank | 1,490 | 2,247 |
| Exploration expenditure capitalised | 343,260 | 316,072 |
| Net exposure | <u>344,750</u> | <u>318,319</u> |

Sensitivity analysis

Consolidated 2018

| | Carrying amount | +10% VUV&KNA/AUD profit & loss | -10% VUV&KNA/AUD profit & loss |
|---------------------------------------|--------------------|--------------------------------------|--------------------------------------|
| | AUD\$ | AUD\$ | AUD\$ |
| Cash at bank | 1,490 | 149 | (149) |
| Exploration expenditure capitalised | 343,260 | 34,326 | (34,326) |
| | <u>344,750</u> | <u>34,475</u> | <u>(34,475)</u> |
| Tax charge of 27.5% | | (9,481) | 9,481 |
| Post tax profit increase / (decrease) | | 24,994 | (24,994) |

Consolidated 2017

| | Carrying amount | +10% VUV/AUD profit & loss | -10% VUV/AUD profit & loss |
|---------------------------------------|--------------------|-------------------------------|-------------------------------|
| | AUD\$ | AUD\$ | AUD\$ |
| Cash at bank | 2,247 | 225 | (225) |
| Exploration expenditure capitalised | 316,072 | 31,607 | (31,607) |
| | <u>318,319</u> | <u>31,832</u> | <u>(31,832)</u> |
| Tax charge of 27.5% | | (8,754) | 8,754 |
| Post tax profit increase / (decrease) | | 23,078 | (23,078) |

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

21. Financial instruments (cont'd)

(b) Credit risk

Credit risk arises principally from the group's trade receivables. It is the risk that the counterpart fails to discharge its obligation in respect of the instrument. Ongoing credit evaluation is performed on the financial condition of trade and other receivables. The group does not have significant concentration of credit risk with respect to any single counter party or company of counter parties.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the group's short medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining a reputable credit risk profile, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows,

The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

The Board receives cash flow projections in a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The group does not have any financing facilities in place and does not have a bank overdraft.

Maturity analysis of financial assets and liability based on contractual obligations

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade and other payables mainly originate from the financing of assets used in ongoing operations such as, plant, equipment and investments in working capital (e.g. trade receivables). These assets are considered in the group's overall liquidity risk.

| Consolidated 2018 | Contractual cash flows | | | | On demand |
|------------------------------|------------------------|----------------|-------------|-------------|-----------|
| | Carrying amount | < 6 months | 6-12 months | > 12 months | |
| | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Cash | 171,068 | 171,068 | - | - | - |
| Term deposits | - | - | - | - | - |
| Trade and other receivables | 6,500 | 6,500 | - | - | - |
| Total assets | 177,568 | 177,568 | - | - | - |
| Financial liabilities | | | | | |
| Trade and other payables | - | - | - | - | - |
| Total liabilities | - | - | - | - | - |
| Net maturity | 177,568 | 177,568 | - | - | - |

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

21. Financial instruments (cont'd)

(c) Liquidity risk (cont'd)

| Consolidated 2017 | Carrying amount \$ | Contractual cash flows | | | On demand \$ |
|------------------------------|--------------------------|------------------------|----------------------|----------------------|--------------------|
| | | < 6 months \$ | 6-12 months \$ | > 12 months \$ | |
| Financial assets | | | | | |
| Cash | 220,816 | 220,816 | - | - | - |
| Term deposits | 2,382 | 2,382 | - | - | - |
| Trade and other receivables | 500 | 500 | - | - | - |
| Total assets | 223,698 | 223,698 | - | - | - |
| Financial liabilities | | | | | |
| Trade and other payables | - | - | - | - | - |
| Total liabilities | - | - | - | - | - |
| Net maturity | 223,698 | 223,698 | - | - | - |

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

22. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to the group.

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| Statement of financial position | | |
| Assets | | |
| Current assets | 191,806 | 225,666 |
| Non-current assets | 3,561,046 | 1,438,364 |
| Total assets | <u>3,752,852</u> | <u>1,664,030</u> |
| Liabilities | | |
| Current liabilities | 1,255,944 | 14,965 |
| Non-current liabilities | - | - |
| Total liabilities | <u>1,255,944</u> | <u>14,965</u> |
| Equity | | |
| Issued capital | 4,571,544 | 2,019,720 |
| Reserves | 117,600 | 132,436 |
| Accumulated losses | (992,236) | (503,091) |
| Total equity | <u>3,690,908</u> | <u>1,649,065</u> |
| Total comprehensive loss | <u>(545,981)</u> | <u>(114,193)</u> |

Contingent liabilities

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

Capital commitments - property, plant and equipment

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

Guarantees

The parent entity has not entered into any guarantees, in the current or previous financial year, with respect to the debts of its subsidiaries.

23. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name of entity | Country of incorporation | Ownership interest | |
|--------------------------------|--------------------------|--------------------|------|
| | | 2018 | 2017 |
| | | % | % |
| Canterbury Exploration Pty Ltd | Australia | 100 | 100 |
| Capella Ventures Pty Ltd | Australia | 100 | 100 |
| Capella Vanuatu Ltd | Vanuatu | 100 | 100 |
| Canterbury Resources (PNG) Ltd | Papua New Guinea | 100 | 100 |
| Finny Ltd | Papua New Guinea | 100 | 0 |

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

24. Key management personnel disclosures

Directors

The following persons were directors of the group during the financial year:

JED Anderson
GA Craighead
GN Fallon
RE Moller
S Bartrop

Key management personnel compensation

| 2018 | Short-term employee benefits | | | Post-employment benefits | Share based payments | Total | Performance related |
|--------------|------------------------------|-----------------|-----------------|--------------------------|----------------------|---------|---------------------|
| | Salary | Directors' fees | Consulting fees | Super-annuation | Options | | |
| Name | \$ | \$ | \$ | \$ | \$ | \$ | % |
| JED Anderson | - | 22,500 | 42,600 | - | 5,250 | 70,350 | 7 |
| GA Craighead | - | - | 122,727 | - | 5,250 | 127,977 | 4 |
| GN Fallon | - | 20,566 | - | 2,603 | 5,250 | 28,419 | 18 |
| RE Moller | - | 22,500 | - | - | 5,250 | 27,750 | 19 |
| S Bartrop | - | - | - | - | - | - | - |
| | - | 65,566 | 165,327 | 2,603 | 21,000 | 254,496 | - |

| 2017 | Short-term employee benefits | | | Post-employment benefits | Share based payments | Total | Performance related |
|--------------|------------------------------|-----------------|-----------------|--------------------------|----------------------|-------|---------------------|
| | Salary | Directors' fees | Consulting fees | Super-annuation | Options | | |
| Name | \$ | \$ | \$ | \$ | \$ | \$ | % |
| JED Anderson | - | - | - | - | - | - | - |
| GA Craighead | - | - | - | - | - | - | - |
| GN Fallon | - | - | - | - | - | - | - |
| RE Moller | - | - | - | - | - | - | - |
| S Bartrop | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

24. Key management personnel disclosures (cont'd)

Transactions with associates of key management personnel

| | Consolidated | |
|--------------------------------------|--------------|---------|
| | 2018 | 2017 |
| | \$ | |
| <i>Amounts recognised as expense</i> | | |
| Office overheads (i) | 197,838 | 172,047 |

(i) Mr Craighead and Mr Bartrop, directors of the company, have a significant financial interest in Breakaway Mining Services Pty Limited, a company that provided technical and office overhead services to the company during the year. These services were provided under normal commercial terms and conditions.

Canterbury entered into a services contract with Gage Resources Pty Limited <as trustee for Craighead Family trust> ABN 32 092 283 657 dated 23 April 2018 for the services of Mr grant Craighead as Managing Director of Canterbury for a term of 36 months, starting 1 January 2018, automatically renewable unless terminated by six (6) months written notice. The annual remuneration is \$240,000 plus GST to be reviewed annually.

The contract is a related party contract as Gage Resources Pty Limited <as trustee for Craighead Family trust> is an entity controlled by Mr Grant Craighead who is one of its two directors.

25. Related party transactions

(a) *Parent entities*

The parent entity within the group is Canterbury Resources Limited.

(b) *Key management personnel*

Disclosures relating to key management personnel are set out in note 24.

(c) *Subsidiaries*

Interests in subsidiaries are set out in note 23.

(d) *Joint Venture*

Finny Limited has a farm-in and Joint Venture agreement with Rio Tinto. Where Rio Tinto has earned 60% Joint Venture interest by sole-funding \$5m of exploration, and is currently increasing to 80% by sole-funding the next \$12.5 million.

(e) *Shared Based Payments*

Shared Based Payments are set out in note 28.

Canterbury Resources Limited and Controlled Entities

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Notes to the financial statements for the year ended 30 June 2018

26. Events after the reporting period

Two New tenements, EL2509 (Ipi River) in PNG and PL1851 (Santo 1), have been granted following the end of the reporting period.

Since 30 June 2018 the following events have arisen that have been adjusted for in the pro forma historical Statement of Financial Position.

- The Company completed the Contingent Consideration component of the Finny Limited transaction via the issue of 6,000,000 shares on 17 July 2018. This fully completed all payments under the terms of the Finny Limited acquisition.
- The Company issued 1,388,889 shares at a value of \$0.225 as part of a personal placement offer, raising \$312,500.
- The Company issued 865,750 shares from the conversion of \$0.20 options, raising \$173,150.
- The Company issued 500,000 shares from the conversion of \$0.20 options, raising \$100,000.
- The Company issued 71,500 shares from the conversion of \$0.20 options, raising \$14,300.
- The Company issued 150,000 shares from the conversion of \$0.25 options, raising \$37,500.

In aggregate, receipts from the capital raising activities from 1 July 2018 total \$637,450. These funds, plus available working capital of \$171,068 as at 30 June 2018, are being applied to corporate administration, preparation for the proposed listing of the Company on ASX and ongoing exploration activities. On an unaudited basis, \$852,022 of payments have occurred since 1 July 2018 with \$498,955 relating to direct exploration activities (mainly pre-works and equipment purchases for the proposed drilling programs, plus geological supervision) and the balance of \$353,067 relating to corporate administration and IPO costs.

27. Operating Segment

The group operates in one reporting segment being the mining of minerals.

28. Employee share option plan

Canterbury resources limited operates an employee share option plan for employees and contractors of the consolidated entity. In accordance with the provisions of the plan, as approved by the shareholders at a previous annual general meeting in 2013, eligible employees may be granted options to purchase parcels of ordinary shares at an exercise price of \$0.40 per ordinary share.

Each employee share option converts into one ordinary share of Canterbury Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The option carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The options granted expire on their expiry date, or one month after the resignation of the employee, whichever is the earlier.

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current financial year or future financial years:

| Options Series | Grant date | Exercise Price | Expiry date | Vesting date |
|----------------|------------|----------------|-------------|--------------|
| CATU03A | 26/2/16 | \$0.20 | 30/6/19 | 26/2/16 |
| CATU04 | 28/3/17 | \$0.25 | 30/6/20 | 28/3/17 |
| CATU05 | 20/2/18 | \$0.40 | 30/6/21 | 15/4/18 |

Canterbury Resources Limited and Controlled Entities

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Directors' Declaration

In accordance with a resolution of the directors of Canterbury Resources Limited, the directors have determined that the company is not a reporting entity and that this general purpose financial report should be prepared in accordance with the accounting policies described in Note 2 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 38, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards; and
 - b. give a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director 

Dated this ... 28 ... day of ... November 2018

partners

A J Dowell CA
M Galouzis CA
A N Fraser CA
G W Cliffe CA
B Kolevski CPA (Affiliate ICAA)

associate

M A Nakkan CA

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Independent Auditor's Report

To the members of Canterbury Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report, being a general purpose financial report of Canterbury Resources Limited (the company and its subsidiaries) (the group), which comprises the consolidated statements of financial position as at 30 June 2018, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.(r) "Going concern basis" which states that the directors are investigating options to raise additional funds. Should the fund raising be unsuccessful, it would indicate a material uncertainty which may cast doubt about the consolidated entity's ability to continue as a going concern and the consolidated entity's ability to pay its debts as and when they fall due. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with 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 has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

BDJ Partners
Chartered Accountants



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Gregory W Cliffe
Partner

28 November 2018