EQUITY & ROYALTY INVESTMENTS LTD

ABN 56 129 549 435

Annual Report 2017

ANNUAL REPORT
for the financial year ended 30 June 2017

CORPORATE DIRECTORY

Board of Directors

Chairman	Mr Damian Hicks
Directors	Mr Ian Gregory Mr Olof Forslund
Company Secretary	Mr Ian Gregory

Principal Office

Level 11, 216 St Georges Terrace
Perth, Western Australia 6000

Registered Office

Level 11, 216 St Georges Terrace
Perth, Western Australia 6000

Postal Address

PO Box 1227
West Perth
Western Australia 6872

Contact Details

+61 8 9322 3383 (Telephone)
+61 8 9324 3366 (Facsimile)
ABN 56 129 549 435

Auditors

Stantons International
Level 2
1 Walker Avenue
West Perth
Western Australia 6005

CHAIRMAN'S LETTER

Dear Shareholders

Equity & Royalty Investments Ltd (**ERI** or **Company**) is a shareholder in Hannans Ltd (**Hannans**) and Critical Metals Ltd (**Critical Metals**).

Hannans is focussed on exploration for nickel, gold and lithium in Western Australia. Please visit www.hannansreward.com for more information and follow the company on Twitter @hannansreward.

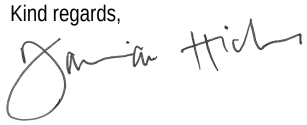
Critical Metals is focussed on exploration for copper-gold, iron and lithium in northern Sweden. Please visit **www.criticalmetals.eu** for more information and follow the company on Twitter @CuAuNiFeLiCoC.

During November 2016 ERI settled all outstanding financial obligations with Anglo American Exploration (Australia) Pty Ltd (**Anglo**) in consideration for the transfer of shares held by ERI in Hannans. For more information please refer to note 11 of this Annual Report for further information.

Our strategy is to continue holding the equity investments in both Hannans and Critical Metals to provide the Company's with the opportunity to implement their strategies, which we expect will lead to a re-rating of our equity investments. Ultimately we plan to distribute the value of these investments to our shareholders.

Please consider the ERI audited financial statements and should you have any questions please do not hesitate to contact me.

Kind regards,



Damian Hicks
Chairman

BOARD OF DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr Damian Hicks, Chairman (Appointed 5 February 2008)

Mr Hicks is a founding Director of Equity & Royalty Investments Ltd.

Prior to incorporation of the Company, Mr Hicks was a business analyst for three years, worked with law firms for five years and an international chartered accounting firm for one year.

Mr Hicks holds a Bachelor of Commerce (Accounting and Finance) from the University of Western Australia, is admitted as a Barrister and Solicitor of the Supreme Court of Western Australia, holds a Graduate Diploma in Applied Finance & Investment from FINSIA (formerly the Securities Institute of Australia), a Graduate Diploma in Company Secretarial Practice from Governance Institute of Australia and is a Graduate of the Australian Institute of Company Directors course.

Mr Olof Forslund, Executive Director (Appointed 5 February 2008)

Mr Forslund is a founding Director of Equity & Royalty Investments Ltd.

Mr Forslund is a geophysicist and has extensive international experience in the minerals exploration industry.

Mr Forslund was Regional Manager of the Geological Survey of Sweden's Mineral Resources Information Office in Mala, Sweden and was also a founding shareholder and President of Mala Geoscience between 1994 and 1998.

Mr Ian Gregory, Director & Company Secretary (Appointed 5 February 2008)

Mr Gregory is a founding Director of Equity & Royalty Investments Ltd.

Mr Gregory holds a Bachelor of Business from Curtin University. Prior to founding his own business in 2005 Mr Gregory was the Company Secretary of Iluka Resources Ltd (6 years), IBJ Australia Bank Ltd Group (12 years) and the Griffin Group of Companies (4 years). Mr Gregory is a past Chairman of the Western Australian branch of the Governance Institute of Australia.

Unless otherwise stated, the above named Directors held office for the whole of the financial year and up to the date of this report.

At the date of this report the following table sets out the current Directors' relevant interests in shares of Equity & Royalty Investments Ltd.

	Ordinary Shares	
Director	Current Holding	Net increase/ (decrease)
Damian Hicks	1,218,576	–
Ian Gregory	1,050,909	–
Olof Forslund	5,250,000	–
	7,519,485	–

During and since the end of the financial year no share options were granted to directors as part of their remuneration by Equity & Royalty Investments Ltd.

REMUNERATION REPORT (Unaudited)

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share-based compensation

E. Directors' equity holdings

F. Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. Principles used to determine the nature and amount of remuneration

The whole Board forms the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long term incentives based on key performance areas affecting the Company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Company.

The Directors of the Company have not entered into an employment contract with the Company. It is envisaged that subject to completion of key milestones, including future capital raisings, the Directors will if necessary seek shareholder approval for individual Director's employment contract that will reflect past and future services to the Company.

B. Details of remuneration

All key management personnel (as defined in AASB 124 Related Party Disclosures) of Equity & Royalty Investments Ltd did not receive any remuneration or compensation from the Company in 2017 or 2016.

The key management personnel of Equity & Royalty Investments Ltd are the directors as listed on page 4.

C. Service agreements

The Company has a corporate service agreement with Corporate Board Services Pty Ltd (CBS) to provide management, financial, company secretary and administrative services from 1 July 2011. Mr Damian Hicks is a director of CBS. There are no monthly fees payable to CBS. One month notice of termination is required.

D. Share-based compensation

Options can be issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders.

There were no options granted or other share-based compensation issued to directors or executives during the year or in prior year.

E. Directors' equity holdings

(a) Fully paid ordinary shares of Equity & Royalty Investments Ltd

Key management personnel	Balance at 1 July No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
2017					
Damian Hicks	1,218,576	–	–	–	1,218,576
Ian Gregory	1,050,909	–	–	–	1,050,909
Olof Forslund	5,250,000	–	–	–	5,250,000
	7,519,485	–	–	–	7,519,485
2016					
Damian Hicks	1,218,576	–	–	–	1,218,576
Ian Gregory	1,000,000	–	–	50,909	1,050,909
Olof Forslund	5,250,000	–	–	–	5,250,000
	7,468,576	–	–	50,909	7,519,485

(b) Share options of Equity & Royalty Investments Ltd

Key management personnel did not hold options in the Company in 2017 or 2016.

F. Additional information

Performance income as a proportion of total compensation

No performance based bonuses have been paid to directors or executives during the financial year.

End of Remuneration Report (Unaudited)

Meetings of Directors

The following tables set information in relation to Board meetings held during the financial period. Due to the scope and size of the Company's operations no committees were established. Attendances by each director during the year were as follows:

Directors	Board Meetings	Circular Resolutions Passed
Damian Hicks	1	1
Olof Forslund	1	1
Ian Gregory	1	1

PRINCIPAL ACTIVITY

The principal activity of the Company is the investment in equity and royalties in other companies.

REVIEW OF OPERATIONS

The Company's strategy has been, and remains, holding an investment in Hannans Ltd (listed) and Critical Metals Ltd (unlisted) with the objective of realising gains through equity and generating an income stream through the royalties. The Company does not hold any other listed or unlisted investments and does not trade in shares of listed or unlisted companies.

FINANCIAL REVIEW

The Company began the financial year with cash reserves of $1,584.

Net administration expenditure incurred after deducting interest received or payable amounted to $11,373 (2016: $9,596). The Company saw a net gain on settlement loan of $4,278,430. These have resulted in an operating gain after income tax for the year ended 30 June 2017 of $5,074,935 (2016: loss $299,596).

The Company's net liability position of $3,392,438 increased to a net surplus position of $962,497 primarily due to the settlement of the Anglo loan.

As at 30 June 2017 cash and cash equivalents totalled $1,141.

Additional Compliance Statements

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee. The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

Significant Changes in State of Affairs

Other than those disclosed in this annual report no significant changes in the state of affairs of the Company occurred during the financial year.

DIRECTORS' REPORT

Significant Events after the Balance Date

No other matter or circumstances have arisen since the end of the financial year which significantly affect the operations of the Company, the results of those operations, or state of affairs of the Company in future financial years.

Likely Developments and Expected Results

Equity & Royalty Investments Ltd is a shareholder of Hannans Ltd (ASX:HNR) and a major shareholder of unlisted public company Critical Metals Ltd. The Company expects to maintain its holding in Hannans Ltd while continuing its current level of operations. There are no likely developments expected in the Company's operations.

Environmental Regulation and Performance

Equity & Royalty has no exploration assets and is therefore not subjected to environmental regulations.

Dividends

No dividends were paid or declared during the financial year and no recommendation for payment of dividends has been made.

Options

There are no potential shares to be issued under options outstanding at the date of this report.

Non-Audit Services

During the year Stantons International or associated entities did not provide any non-audit services to the Company.

Indemnifying Officers or Auditor

During or since the end of the financial year the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums on behalf of the directors.

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.

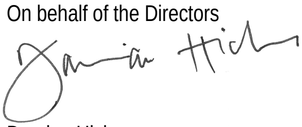
The Company was not party to any such proceedings during the year.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 8 of the financial report.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Damian Hicks
Chairman
Perth, Australia this 30th day of October 2017

INDEPENDENCE DECLARATION TO THE DIRECTORS

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

30 October 2017

Board of Directors
Equity & Royalty Investments Limited
Level 11, 216 St Georges Terrace
PERTH WA 6000

Dear Directors

RE: EQUITY & ROYALTY INVESTMENTS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Equity & Royalty Investments Limited.

As Audit Director for the audit of the financial statements of Equity & Royalty Investments Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT & CONSULTING PTY LTD
(Trading as Stantons International)
(Authorised Audit Company)

Samir R Tirodkar
Director

DIRECTORS' DECLARATION

The Directors declare that:

- 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;
- in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and International Financial Reporting Standards as disclosed in note 2 and give a true and fair view of the financial position and performance of the Company for the financial year ended on that date;
- The remuneration disclosures set out in the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and *Corporations Act and Regulations 2001*; and
- the Directors have been given the declarations required by s.295A of the Corporations Act for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Damian Hicks
Chairman
Perth, Australia this 30th day of October 2017

Stantons International Audit and Consulting Pty Ltd
trading as
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Chartered Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITY & ROYALTY INVESTMENTS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Equity & Royalty Investments Limited, which comprises the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Stantons International

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Audit opinion

In our opinion,

(a) The financial report of Equity and Royalty Investments Limited is in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the Company as at 30 June 2017 and of its performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

(b) The financial report also complies with International Financial reporting Standards as disclosed in Note 2.

STANTONS INTERNATIONAL AUDIT & CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International

Samir R Tirodkar
Director

West Perth, Western Australia
30 October 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Note	2017 $	2016 $
Revenue	4(a)	–	–
Other income:			
Net settlement of loan	4(b)	4,278,430	–
Income from in-specie distribution		147,878	–
Finance costs		–	(290,000)
Consultants expenses		(10,062)	(7,965)
Impairment of available-for-sale financial asset		–	–
Transfer of available-for-sale revaluation reserve for shares in Hannans Ltd from other comprehensive gain/(loss) to profit & loss		660,000	–
Other expenses		(1,311)	(1,631)
Profit/(Loss) from continuing operations before income tax benefit/expense		5,074,935	(299,596)
Income tax benefit/(expense)	5	–	–
Profit/(Loss) from continuing operations attributable to members of the parent entity		5,074,935	(299,596)
Other comprehensive income/(loss) for the year			
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets		(60,000)	1,680,000
Net change in fair value of available for sale assets transfered to profit and loss		(660,000)	–
Total items that are or may be reclassified subsequently to profit or loss		(720,000)	1,680,000
Items that will not be reclassified to profit or loss		–	–
Total other comprehensive income/(loss) for the year		(720,000)	1,680,000
Total comprehensive income/(loss) for the year		4,354,935	1,380,404
Net income/(loss) attributable to the parent entity		5,074,935	(299,596)
Total comprehensive income/(loss) attributable to the Company		4,354,935	1,380,404
Income/(Loss) per share:			
Basic (cents per share)	15	5.07	(0.30)

The accompanying notes form part of the financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Note	2017 $	2016 $
Current assets			
Cash and cash equivalents	21(a)	1,141	1,584
Other receivables	8	121	22
Other financial assets	9	1,047,878	1,920,000
Total current assets		1,049,140	1,921,606
Non-current assets			
Other financial assets		–	–
Total non-current assets		–	–
TOTAL ASSETS		1,049,140	1,921,606
Current liabilities			
Other payables	10	59,143	53,114
Borrowings	11	27,500	5,260,930
Total current liabilities		86,643	5,314,044
Non-current liabilities			
Borrowings	11	–	–
Total non-current liabilities		–	–
TOTAL LIABILITIES		86,643	5,314,044
NET ASSETS/(LIABILITIES)		962,497	(3,392,438)
Equity			
Contributed equity	12	79,500	79,500
Reserves	13	600,000	1,320,000
Accumulated losses	14	282,997	(4,791,938)
TOTAL EQUITY/(DEFICIENCY)		962,497	(3,392,438)

The accompanying notes form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Attributable to equity holders			
For the year ended 30 June 2017	Ordinary Shares $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2016	79,500	1,320,000	(4,791,938)	(3,392,438)
Total comprehensive income				
Loss for the year	–	–	5,074,935	5,074,935
Other comprehensive income	–	(60,000)	–	(60,000)
Other comprehensive income gain transfer to profit or loss	–	(660,000)	–	(660,000)
Total comprehensive income/(loss) for the year	–	(720,000)	5,074,935	4,354,935
Transactions with owners recorded direct to equity				
Issue of shares	–	–	–	–
Shares issue expenses	–	–	–	–
Total transactions with owners	–	–	–	–
Balance as at 30 June 2017	79,500	600,000	282,997	962,497

	Attributable to equity holders			
For the year ended 30 June 2016	Ordinary Shares $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2015	79,500	(360,000)	(4,492,342)	(4,772,842)
Total comprehensive income				
Loss for the year	–	–	(299,596)	(299,596)
Other comprehensive loss transfer to profit or loss	–	1,680,000	–	1,680,000
Total comprehensive loss for the year	–	1,680,000	(299,596)	1,380,404
Transactions with owners recorded direct to equity				
Issue of shares	–	–	–	–
Shares issue expenses	–	–	–	–
Total transactions with owners	–	–	–	–
Balance as at 30 June 2016	79,500	1,320,000	(4,791,938)	(3,392,438)

The accompanying notes form part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Payments to suppliers		(5,443)	(5,835)
Interest received		–	–
Receipt from customers		–	–
Net cash (used in) operating activities	21(b)	(5,443)	(5,835)
Cash flows from investing activities			
Payment for investment securities		–	–
Net cash (used in)/provided by investing activities		–	–
Cash flows from financing activities			
Proceeds from borrowings		5,000	2,500
Net cash provided by financing activities		5,000	2,500
Net (decrease) in cash and cash equivalents		(443)	(3,335)
Cash and cash equivalents at the beginning of the financial year		1,584	4,919
Cash and cash equivalents at the end of the financial year	21(a)	1,141	1,584

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1. General Information

Equity & Royalty Investments Ltd (the Company) is an unlisted public company, domiciled and incorporated in Australia.

The Company's registered office and its principal place of business are located at Level 11, 216 St Georges Terrace, Perth, Western Australia 6000.

2. Statement of significant accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 30 October 2017.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, except as noted below.

(a) Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical cost, except for certain financial assets and liabilities which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going concern basis of preparation

The financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation and extinguishment of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern. The financial statements and notes are prepared under the Australian Financial Reporting Standards which comply with the International Financial Standards.

The largest asset is the shares held in Hannans Ltd (ASX:HNR) (Hannans). At 30 June 2017 the Company is the fifth largest shareholder of Hannans with 60,000,003 ordinary shares valued at $900,000 (at the date of this report the market value of the shares is approximately $1.08 million). These shares have increased in value during the year. The Company also holds ordinary shares in an unlisted public company, Critical Metals Ltd (Critical Metals) which is valued at $147,878. Critical Metals has announced that there are plans to list Critical Metals and the value of the shares may increase when Critical Metals list on a stock exchange.

On a day-to-day basis the Company has minimal operating expenses and these will be funded through cash at bank, loans from related third parties and or the partial sell down of assets. For these reasons the Directors are of the opinion that the financial statements can be prepared on a going concern basis.

(b) New Accounting Standards for Application in the Current Financial Year and Future Periods

The Group has consistently applied the following accounting policies to all periods presented in the financial statements. The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 January 2016 but determined that their application to the financial statements is either not relevant or not material.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(d) Employee benefits

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

2. Statement of significant accounting policies (cont'd)

(e) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

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

Financial assets at fair value through profit or loss

The Company classifies certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Available–for–sale financial assets

Shares and options held by the Company are classified as being available–for–sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available–for–sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available–for–sale revaluation reserve is included in profit or loss for the period.

Loans and receivables

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

(f) Financial instruments issued by the Company

Debt and equity instruments

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

Transaction costs on the issue of equity instruments

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

(g) 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 statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) Impairment of assets

At each reporting date, the Company 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). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

2. Statement of significant accounting policies (cont'd)

(h) Impairment of assets (cont'd)

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

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

(i) Income tax

<u>Current tax</u>

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

<u>Deferred tax</u>

Deferred tax is accounted for using the comprehensive statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associated companies and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these 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.

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

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

<u>Current and deferred tax for the year</u>

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

(j) Operating cycle

The operating cycle of the entity coincides with the annual reporting cycle.

(k) Payables

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

(l) Presentation and functional currency

The Company operates in Australia and its presentation and functional currency is Australian dollars.

2. Statement of significant accounting policies (cont'd)

(m) Provisions

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

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

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

(n) Revenue recognition

Dividend and interest revenue

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

(o) Fair value measurement

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

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

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

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

Valuation techniques

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

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

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

2. Statement of significant accounting policies (cont'd)

(o) Fair value measurement (cont'd)

Fair value hierarchy

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

Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Measurements based on unobservable inputs for the asset or liability.

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

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

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

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

(p) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.(or the directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments).

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

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

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

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

2. Statement of significant accounting policies (cont'd)

(p) New accounting standards and interpretations (cont'd)

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's recognition of leases and disclosures.

- *AASB 16: Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

  AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

  The directors anticipate that the adoption of AASB 16 will not have a material impact on the Group's recognition of leases and disclosures.

- *Other standards not yet applicable*

  There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

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

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

Key estimates — impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Key judgments – deferred taxation

Deferred tax liabilities are recognised for all taxable temporary differences in accordance with accounting policies. Deferred tax assets are recognised in respect of tax losses only where the tax losses are expected to be recovered. The Company has not recognised any deferred tax assets as the Directors cannot determine with any degree of certainty the probability of using the deferred tax assets arising from tax losses and other temporary differences.

	2017 $	2016 $
4. (Loss)/Income from operations		
(a) Revenue		
Bank interest	–	–
	–	–
(b) Other income: Net settlement of loan		
Settlement of loan	5,238,430	–
Less: Payment of 60 million Hannans shares (i)	(1,080,000)	–
Add: Gain on transfer of Hannans shares	120,000	–
	4,278,430	–

(i) 60,000,000 Hannans shares were transferred to Anglo American Exploration (Australia) Pty Ltd on 10 November 2016. Further details of this loan are provided in note 11.

	2017 $	2016 $
5. Income taxes		
Income tax recognised in profit or loss		
Tax benefit/(expense) comprises:		
Current tax expense	–	–
Deferred tax benefit/(expense) relating to the origination and reversal of temporary differences	–	–
Total tax benefit/(expense)	–	–

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	2017 $	2016 $
Loss from operations	5,074,935	(299,596)
Income tax expense calculated at 27.5% (2016: 28.5%)	1,395,607	(85,385)
Effect of expenses that are not deductible in determining taxable loss	(255,304)	(143)
Unused tax losses and temporary differences not recognised as deferred tax assets	3,265	85,528
Effect of deferred tax asset recognised	(757,704)	–
Effect of losses utilised	(385,864)	–
Income tax attributable to operating loss	–	–

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% (2016: 28.5%) payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Deferred tax recognised in profit or loss

The following deferred amounts were charged to income during the year:

	2017 $	2016 $
Deferred taxation utilised during the year	(757,704)	–
	(757,704)	–

Unrecognised deferred tax balances

The following deferred tax assets and (liabilities) have not been brought to account:

	2017 $	2016 $
Tax losses – revenue	3,265	399,917
Tax losses – capital	–	–
Net temporary differences	138	143
	3,403	400,060

In addition to the above at the 30 June 2017 the company had unrecognised deferred tax assets of $638,196 (2016: $1,584,000) from net temporary differences on capital losses.

6. Key management personnel

(a) Details of key management personnel

The Directors of Equity & Royalty Investments Ltd during the year were:

- Damian Hicks
- Ian Gregory
- Olof Forslund

There were no other key management personnel during the year.

(b) Key management personnel compensation

The key management personnel of the Company did not receive any compensation during the year under review (2016: $Nil).

	2017 $	2016 $
7. Remuneration of auditors		
Audit of the financial report	4,526	4,526
	4,526	4,526

The auditor of Equity & Royalty Investments Ltd is Stantons International.

8. Other current receivables

	2017 $	2016 $
Goods and services tax (GST)	121	22
	121	22

9. Current other financial assets

	2017 $	2016 $
Investments in Hannans Ltd (i) 2017: 60,000,003 ordinary fully paid shares (2016: 120,000,003 ordinary fully paid shares)	900,000	1,920,000
Investments in Critical Metals Ltd (ii) 2017: 2,202,976 ordinary fully paid shares	147,878	–
	1,047,878	1,920,000

(i) 60,000,000 Hannans shares were transferred to Anglo American Exploration (Australia) Pty Ltd on 10 November 2016. Further details of this loan are provided in note 11. The investment in Hannans Ltd has been measured and classified as a Tier 1 financial asset which is based on a quoted price in an active market.

(ii) On 21 September 2016 Hannans Ltd announced the completion of the in-specie distribution, the Company received 2,202,976 Critical Metals (unlisted company) shares as part of the in-specie distribution. The investment in Critical Metals has been measured and classified as a Tier 3 financial asset which is based on unobservable price.

10. Other current payables

	2017 $	2016 $
Accruals	8,500	9,000
Payables to related party (refer note 19(c))	50,643	44,114
	59,143	53,114

	2017 $	2016 $
11. Borrowings		
Current		
Loan (i)	–	5,238,430
Related party loan (ii)	27,500	22,500
	27,500	5,260,930

(i) A loan agreement with Anglo American Exploration (Australia) Pty Ltd (Anglo) was entered into on 23 April 2012 for $4 million to exercise 20 million $0.20 unlisted options in Scandinavian Resources Ltd (Scandinavian). The terms of the loan require the principal and interest to be repaid on or before 25 April 2015. Interest is charged at a rate of 4.65% plus the LIBOR rate per annum. The LIBOR rate was discontinued on 31 May 2013 and was replaced with BBSW rate. The interest charged for 2016 was $290,000 which has been capitalised to the loan.

Security for the loan is provided by the shares issued following the exercise of 20,000,000 Scandinavian options at $0.20 each for a total of $4 million. Following the receipt of the shares, Scandinavian was acquired by Hannans Ltd (Hannans) and as consideration 3 Hannans shares were issued for every 1 Scandinavian share and security is now provided by 60,000,000 Hannans shares.

In conjunction with the loan agreement the Company has entered into a Call Option Deed where Anglo American Exploration Luxembourg (Anglo Luxembourg) may purchase from Equity & Royalty Investments (ERI) Ltd up to 50 per cent of the shares issued from the exercise of the Scandinavian options which are now Hannans shares. Anglo Luxembourg are therefore able to purchase up to 30 million Hannans shares. The purchase price per share is to be 90 per cent of the volume weighted average price of Hannans shares for 14 trading days prior to exercise of the call option with a minimum price of not less than the original cost. Funds from the purchase of the shares are to be used to reduce the loan balance or paid to ERI. The call option deed ends 6 months following the repayment of the loan.

On 29 October 2014 Anglo agreed to extend the repayment date by twelve (12) months through to 25 April 2016. On 30 October 2015 Anglo agreed to further extend the repayment date by twelve (12) months through to 25 April 2017. The loan amendment agreement to effect the extension between Anglo and the Company will be finalised by 30 June 2017.

On 10 November 2016 Anglo and the Company executed a Settlement Deed where the Company agreed to transfer 60 million fully paid ordinary share in Hannans to Anglo. Upon completion of the share transfer, the outstanding loan to Anglo will be deemed to have been satisfied and settled

(ii) A related party loan was received from Errawarra Resources Ltd. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. On 20 November 2015 $2,500 was received and on 28 December 2016 a further $5,000 was received from Errawarra Resources Ltd on the same terms.

12. Contributed equity

	2017		2016	
	No.	$	No.	$
Share capital	100,000,000	79,500	100,000,000	79,500
	100,000,000	79,500	100,000,000	79,500
Movements in ordinary share capital				
Fully paid ordinary shares				
Balance at beginning of financial year	100,000,000	79,500	100,000,000	79,500
Balance at end of financial year	100,000,000	79,500	100,000,000	79,500

Ordinary Shares

Ordinary Shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on shares held. On a show of hands every holder of ordinary shares present at a meeting or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	2017 $	2016 $
13. Reserves		
Balance at the beginning of financial year	1,320,000	(360,000)
Available-for-sale revaluation reserve movement for the year	(720,000)	1,680,000
Balance at the end of financial year	600,000	1,320,000
The balance of reserves is made up as follows:		
Available-for-sale revaluation reserve	600,000	1,320,000
Balance at the end of financial year	600,000	1,320,000

14. Accumulated losses

	2017 $	2016 $
Balance at the beginning of financial year	(4,791,938)	(4,492,342)
Loss attributable to members of the entity	5,074,935	(299,596)
Balance at the end of financial year	282,997	(4,791,938)

15. Loss per share

	2017 Cents per share	2016 Cents per share
Basic loss per share:		
From continuing operations	5.07	(0.30)
Total basic loss per share	5.07	(0.30)

Basic earnings per share

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

	2017 $	2016 $
Profit/(Loss)	5,074,935	(299,596)

	2017 No.	2016 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	100,000,000	100,000,000

16. Commitments for expenditure

As at reporting date the Company has no obligation to commit to any fixed expenditure.

17. Contingent liabilities and contingent assets

In the opinion of the Directors, there are no contingent liabilities as at 30 June 2017 and none were incurred in the interval between the year end and the date of this financial report.

18. Segment information

For management purposes the Company is organised into one main operating segment which involves the investment in other companies. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

19. Related party disclosures

(a) Key management personnel remuneration

The key management personnel of Equity & Royalty Investments Ltd did not receive any remuneration or compensation from the Company in 2017 or 2016.

(b) Loan from key management personnel and their related parties

Errawarra Resources Ltd, of which Mr Damian Hicks is the Chairman, provided a loan amounting to $27,500 (2016: $22,500) during the year. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. Details of the loan is disclosed in note 11 to the financial statements.

(c) Transactions with other related parties

At 30 June 2017 Equity & Royalty Investments Ltd is the fifth largest shareholder of Hannans Ltd. Mr Damian Hicks is the Executive Director of Hannans Ltd.

Director transactions

Corporate Board Services (CBS), of which Mr Damian Hicks is a Director, provided management, financial, company secretary and administrative services amounting to $5,136 (2016: $4,281) during the year. The services provided were on arm's length commercial terms. At 30 June 2017 $49,763 (2016: $44,114) was owing to CBS.

20. Subsequent events

The following matters or circumstances have arisen since 30 June 2017 that may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

(a) As at the date of this report the Company held 60 million shares in Hannans Ltd (Hannans), the fair value of shares held in the listed equities (Hannans) was $1.08 million.

21. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2017 $	2016 $
Cash and cash at bank	1,141	1,584
	1,141	1,584

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

	2017 $	2016 $
Loss for the year	5,074,935	(299,596)
Income from in-specie distribution	(147,878)	–
Net settlement of loan	(4,278,430)	–
Transfer from other comprehensive loss to profit & loss	(660,000)	
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Other receivables	(99)	(20)
Increase/(decrease) in liabilities:		
Interest accrued on loan	–	290,000
Other payables	6,029	3,781
Net cash (used in) operating activities	(5,443)	(5,835)

(c) Non–cash financing and investing activities

During the current year, the Company did not enter into any non-cash investing and financing activities which are not reflected in the statement of cash flows.

22. Financial instruments

(a) Financial risk management objectives

The Company manages the financial risks relating to the operations of the Company.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes although it holds, at 30 June 2017, shares in a listed exploration company. The use of financial derivatives is governed by the Company's Board of Directors.

The Company's activities expose it primarily to the financial risks of changes in interest rates, but at 30 June 2017 it is also exposed to market price risk. The Company does not enter into derivative financial instruments to manage its exposure to interest rate.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Foreign currency risk management

The Company does not transact in foreign currency, hence no exposure to exchange rate fluctuations arise.

23. Financial instruments (cont'd)

(d) Interest rate risk management

The Company is not exposed to interest rate risk as its funds are placed at floating interest rates. The Company was exposed to interest rate risk in 2016, an increase of 1 per cent in interest rates on the loan by Anglo American Exploration (Australia) Pty Ltd would have increased equity and profit or loss by $52,384 and an equal change in the opposite direction would decrease equity and profit or loss by the same amount.

Maturity profile of financial instruments

The following table details the Company's exposure to interest rate risk.

	Weighted average effective interest rate	Variable interest rate	Fixed maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	5+ years		
Company	%	$	$	$	$	$	$
2017							
Financial assets:							
Cash and cash equivalents	0.00%	–	–	–	–	1,141	1,141
Receivables		–	–	–	–	121	121
Other financial assets		–	–	–	–	1,047,878	1,047,878
		–	–	–	–	1,049,140	1,049,140
Financial liabilities:							
Loan	0.00%	–	–	–	–	27,500	27,500
Other payables		–	–	–	–	59,143	59,143
		–	–	–	–	86,643	86,643
2016							
Financial assets:							
Cash and cash equivalents		–	–	–	–	1,584	1,584
Receivables		–	–	–	–	22	22
Other financial assets		–	–	–	–	1,920,000	1,920,000
		–	–	–	–	1,921,606	1,921,606
Financial liabilities:							
Loan		–	5,238,430	–	–	22,500	5,260,930
Other payables		–	–	–	–	53,114	53,114
		–	5,238,430	–	–	75,614	5,314,044

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. The Company measures credit risk on a fair value basis.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

23. Financial instruments (cont'd)

(f) Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company does not perform any sensitivity analysis and none is disclosed in the financial statements as the impact would not be material.

(g) Market price risk

Market risk is the potential for profit or loss arising from adverse movements in the level and volatility of equity prices.

The Company's investment subject to price risk is listed or future listing on the Australian Securities Exchange as detailed in note 9. A 10 percent increase at reporting date in the equity prices would increase the market value of the securities by $104,788 (2016: $192,000), and an equal change in the opposite direction would decrease the value by the same amount. The increase/decrease would be reflected in equity as these financial instruments are classified as available-for-sale. The increase/decrease net of deferred tax would be $75,971 (2016: $134,400).

(h) Fair value of financial instruments

The net fair value of financial assets and liabilities of the Company approximated their carrying amount. The Company has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and notes to the financial statements.

	Level 1 $	Level 2 $	Level 3 $	Total $
2017				
Financial assets				
– available-for-sale Australian listed shares (note 9)	900,000	–	147,878	1,047,878
Total financial assets recognised at fair value	900,000	–	147,878	1,047,878
2016				
Financial assets				
– available-for-sale Australian listed shares (note 9)	1,920,000	–	–	1,920,000
Total financial assets recognised at fair value	1,920,000	–	–	1,920,000

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