ERRAWARRA

Resources

LTD

ABN 95 155 472 834

ANNUAL REPORT

30 June 2017

ANNUAL REPORT
for the financial year ended 30 June 2017

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Chairman: Mr Damian Hicks

Directors: Mr Jonathan Murray
Mr Markus Bachmann

Company Secretary: Mrs Mindy Ku

PRINCIPAL OFFICE

Level 11 London House
216 St Georges Terrace
Perth WA 6000

REGISTERED OFFICE

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Perth WA 6000

POSTAL ADDRESS

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CONTACT DETAILS

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info@errawarra.com

AUDITORS

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

Chairman's Letter

Dear Shareholders

Errawarra has continued its research into manufacturing commercial grade sulphate of potassium (SOP) fertiliser for the Australian market. We have continued validation and purification testing and recently produced a lab product with chemical grades that provide sufficient encouragement to continue funding this particular project.

The demand for SOP remains strong as the urbanisation of China (and other high population zones) has increased the demand for value adding fertiliser that can provide the nutrients to 'leafy green' high value crops farmed intensively for human consumption. Supply of SOP has also been somewhat constrained as the main manufacturers of SOP in Europe have difficulty disposing of the waste product (hydrochloric acid) from the process in accordance with strict environmental legislation.

Interest in SOP development projects also remains strong as can be seen by the number of ASX listed companies seeking to develop large brine deposits located in remote regions in Australia to satisfy local and international demand. Shareholders should be aware that Australia imports 100% of the SOP it uses and an opportunity exists for Errawarra to supply product into the local market in the future.

A recent positive development is that Errawarra has entered into a technology agreement that may enable the Company to extract potassium from sources of hard rock. If this can be achieved economically we may be able to decrease the costs of the inputs required to produce SOP and thereby improve the financial returns of the SOP fertiliser project.

Importantly the Board has now resolved to proceed to a pre-feasibility study (+/- 25% accuracy) (PFS) on the overall SOP fertiliser project that is expected to incorporate further metallurgical test work and a scoping study (+/- 35% accuracy) on the potassium extraction process. The PFS is expected to be delivered in April 2018. The Company will need to complete a capital raising of not less than $500,000 this financial year to fund these activities and subject to a positive PFS raise additional capital (not less than $1,000,000) to fund a Feasibility Study (+/-15% accuracy).

Activities this year have once again been funded by borrowings which need to be repaid. We will therefore continue to sell down of listed shares owned by Errawarra and also seek to complete a capital raising to fund project development and working capital. We remain committed to commercialising the fertiliser project (using ammonium sulphate produced via the Reid Process™) subject to the project satisfying our internal financial metrics.

The Company will hold its AGM on 30 November 2017 and I encourage you to attend.

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 2 February 2012)

Mr Hicks was a founding Director of Errawarra Resources Ltd and was appointed to the position of Chairman on 2 February 2012.

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, a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries Australia and is a Graduate of the Australian Institute of Company Directors course.

Mr Hicks is an Executive Director of Hannans Ltd, an ASX listed minerals exploration company. He is also a Non-Executive Director of funds management company, Growth Equities Pty Ltd.

Mr Jonathan Murray, Non-Executive Director (Appointed 2 February 2012)

Mr Murray is a partner at law firm Steinepreis Paganin, based in Perth, Western Australia. Since joining the firm in 1997, he has gained significant experience in advising on initial public offers and secondary market capital raisings, all forms of commercial acquisitions and divestments and providing general corporate and strategic advice.

Mr Murray graduated from Murdoch University in 1996 with a Bachelor of Laws and Commerce (majoring in Accounting). He is also a member of FINSIA (formerly the Securities Institute of Australia).

Mr Markus Bachmann, Non-Executive Director (Appointed 2 February 2012)

Mr Bachmann graduated with Honours ("cum laude") from the University of Berne, Switzerland and began his corporate finance career in 1993.

In 2001, Mr Bachmann was Senior Portfolio Manager with Coronation Fund Managers in Cape Town when it was awarded the Standard & Poor's Award for Manager of the Best Performing Large Cap Equity Unit Trust in South Africa.

In 2003, Mr Bachmann was founding partner of Craton Capital and is the Chief Executive Officer. Craton Capital was awarded Fund Manager of the Year at the Mining Journal's "Outstanding Achievement Awards" announced in London during December 2010 for the Craton Capital Precious Metal Fund. The award is the most prestigious fund award in the mining industry.

At the date of this report the following table sets out the current Directors' relevant interests in shares and options of Errawarra Resources Ltd.

	Ordinary Shares	
	Current Holding	Net Increase/ (decrease)
Damian Hicks	302,260	–
Jonathan Murray	4,824,387	–
Markus Bachmann	4,432,612	–

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 form 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

Details of remuneration of the directors and key management personnel (as defined in AASB 124 Related Party Disclosures) of Errawarra Resources Ltd are set out in the following table.

The key management personnel of Errawarra Resources Ltd are the directors as listed on page 3.

The table below shows the 2017 and 2016 figures for remuneration received by the Company's directors.

	Short Term			Post-employment		Equity		Other benefits (D&O Insurance) (ii)	Total
	Salary & fees $	Bonus $	Other benefits $	Super-annua-tion $	Pre-scribed benefits $	Shares $	Options (i) $	$	$
2017									
Directors									
Damian Hicks	–	–	–	–	–	16,951	–	–	16,951
Jonathan Murray	–	–	–	–	–	3,390	–	–	3,390
Markus Bachmann	–	–	–	–	–	3,390	–	–	3,390
Total	–	–	–	–	–	23,731	–	–	23,731
2016									
Directors									
Damian Hicks	–	–	–	–	–	–	–	–	–
Jonathan Murray	–	–	–	–	–	–	–	–	–
Markus Bachmann	–	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–	–

(i) These amounts are accounting valuations of options issued as remuneration and are not cash payments.

(ii) For accounting purposes Directors & Officers Indemnity Insurance is required to be recorded as remuneration. No director receives any cash benefits, simply the benefit of the insurance coverage. The Group did not have Directors & Officers Indemnity Insurance during the year.

C. Service agreements

The Group has a corporate service agreement with Corporate Board Services Pty Ltd (**CBS**) to provide management, financial, company secretary and administrative services from 10 February 2012. 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 Errawarra Resources Ltd

Key management personnel	Balance at beginning of year	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June
	No.	No.	No.	No.	No.
2017					
Damian Hicks (i)	302,260	22,163,093	–	(22,163,093)	302,260
Jonathan Murray	391,775	4,432,612	–	–	4,824,387
Markus Bachmann (ii)	11,000,000	4,432,612	–	(11,000,000)	4,432,612
	11,694,035	31,028,317	–	(33,163,093)	9,559,259
2016					
Damian Hicks	302,260	–	–	–	302,260
Jonathan Murray	391,775	–	–	–	391,775
Markus Bachmann (ii)	11,000,000	–	–	–	11,000,000
	11,694,035	–	–	–	11,694,035

(i) Mr Hicks received 22,163,093 ordinary shares during the year. At the direction of Mr Hicks, the shares were issued to Acacia Investments Pty Ltd (**Acacia**). Mr Hicks is neither a director, shareholder or beneficiary of Acacia or any trust where Acacia is the trustee.

(ii) The shares are held by Craton Capital Funds. Craton Capital Funds are legally owned by the Landesbank of Liechtenstein.

(b) Share options of Errawarra Resources Ltd

No key management personnel held 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)

Directors Meetings

The following tables set information in relation to Board meetings held during the financial year.

Board Member	Board Meetings held while Director	Attended	Circular Resolutions Passed	Total
Damian Hicks	1	1	2	3
Jonathan Murray	1	1	2	3
Markus Bachmann	1	1	2	3

PROJECT

The Group is investigating the potential to economically manufacture sulphate of potassium (SOP).

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was progressing the overall SOP fertiliser project.

REVIEW OF OPERATIONS

The Group continued its research into manufacturing commercial grade sulphate of potassium (SOP) fertiliser for the Australian market. The Group continued to validate and test the process and recently produced a lab product with chemical grades that provide sufficient encouragement to continue funding this particular project.

The Group entered into a technology agreement that may enable the Company to extract potassium from sources of hard rock. If this can be achieved economically the Group may be able to decrease the costs of the inputs required to produce SOP and thereby improve the financial returns of the SOP fertiliser project.

The Board has now resolved to proceed to a pre-feasibility study (+/- 25% accuracy) (PFS) on the overall SOP fertiliser project that is expected to incorporate further metallurgical test work and a scoping study (+/- 35% accuracy) on the potassium hard rock extraction process. The PFS is expected to be delivered in April 2018. The Company will need to complete a capital raising of not less than $500,000 this financial year to fund these activities and subject to a positive PFS raise additional capital (not less than $1,000,000) to fund a Feasibility Study (+/-15% accuracy).

The Directors have prepared the financial statements on a going concern basis which contemplates the continuity of normal business activities.

FINANCIAL REVIEW

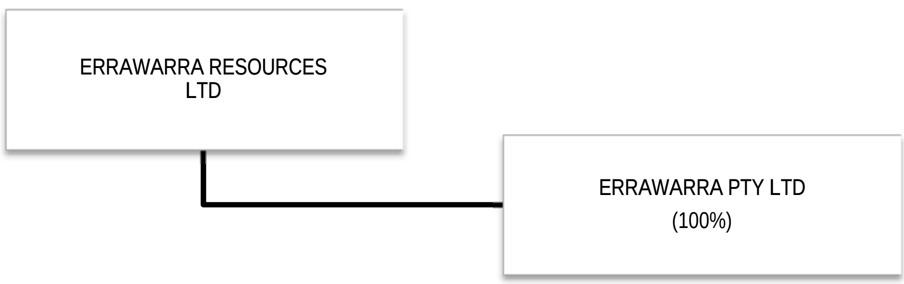
The Group began the financial year with cash reserves of $30,920.

During the year the net administration expenditure incurred by the Group amounted to $24,838 (2016: $330,204), which included impairing a loan to a related party of $5,000 (2016: impairment of loan of $2,500), impairment of intangible assets of $6,750 (2016: $261,689) and incurred interest expense of $69,164 (2016: $16,282). The Company sold listed equities and transferred the available-for-sale revaluation reserve to the profit or loss of $122,172. This has resulted in an operating gain after income tax for the year ended 30 June 2017 of $106,895 (2016: loss $330,175).

As at 30 June 2017 cash and cash equivalents totalled $46,384.

CORPORATE STRUCTURE

The corporate structure of Errawarra Resources Ltd group is as follows:



COMPLIANCE

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

Significant Events after the Balance Date

No other matters or circumstances besides those disclosed at note 24 have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

Likely developments and Expected Results

The Group expects to review potential projects to generate shareholder wealth. The present status and level of operations has reduced significantly due to the sale of all tenements in prior year.

Environmental Regulation and Performance

The Group is no longer subject to environmental regulation in respect to its exploration activities as the Group has sold all its tenements in prior year.

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 neither Stantons International or any of its associated entities provided any non–audit services to the Group.

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 Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group 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.

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

On behalf of the Directors

Damian Hicks
Chairman
Perth, Australia this 31st day of October 2017

INDEPENDENCE DECLARATION TO THE DIRECTORS OF ERRAWARRA RESOURCES LTD

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

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Australia

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31 October 2017

Board of Directors
Errawarra Resources Limited
Level 11 London House
216 St Georges Terrace
PERTH WA 6000

Dear Directors

RE: ERRAWARRA RESOURCES 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 Errawarra Resources Limited.

As Audit Director for the audit of the financial statements of Errawarra Resources 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

The Directors declare that:

(a) 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;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards and International Financial Reporting Standards as disclosed in note 2 and giving a true and fair view of the financial position and performance of the consolidated entity for the financial year ended on that date; and

(c) the remuneration disclosures set out in the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Act and Regulations 2001*.

(d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* 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 31st day of October 2017

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

Report on the Financial Report

We have audited the accompanying financial report of Errawarra Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cashflows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the consolidated entity 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 consolidated entity, 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 consolidated 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 consolidated 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.

Stantons International

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Errawarra Resources Limited is in accordance with the *Corporations Act 2001*, including:

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

(b) the financial report of the consolidated entity also complies with International Financial Reporting Standards as disclosed in note 2.

Emphasis of Matter Regarding Going Concern

Without modification to the opinion expressed above, attention is drawn to the following matter:

As referred to in Note 2(a) to the consolidated financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2017 the consolidated entity had cash and cash equivalents totalling $46,384 and had incurred a profit before tax for the year of $58,359. The ability of the consolidated entity to continue as a going concern is subject to the successful recapitalisation of the consolidated entity. In the event that the Board is not successful in recapitalising the consolidated entity and in raising further funds, the consolidated entity may not be able to meet their liabilities as they fall due and the realisable value of the consolidated entity's assets may be significantly less than book values.

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

Stantons International
Samir

Samir R Tirodkar
Director

West Perth, Western Australia
31 October 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial period ended 30 June 2017

	Note	2017 $	2016 $
Other income	4(a)	1	29
Gain on sale of listed securities		13,803	–
Income from in-specie distribution		19,717	–
Total other income		33,521	29
Employee beenfits expense		(23,731)	–
Depreciation expense	4(b)	–	(203)
Consultants expenses		15,243	(31,858)
Interest expenses		(69,164)	(16,282)
Impairment expenses	4(c)	(6,750)	(264,189)
Transfer of available-for-sale revaluation reserve for shares in Hannans Ltd from other comprehensive loss to profit & loss		122,172	–
Other expenses		(12,932)	(17,672)
Profit/(Loss) from continuing operations before income tax benefit		58,359	(330,175)
Income tax benefit	5	48,536	–
Profit/(Loss) from continuing operations attributable to members of the parent entity		106,895	(330,175)
Other comprehensive (loss)/income 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	9	(4,893)	224,000
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(122,172)	–
Total items that may be reclassified subsequently to profit or loss		(127,065)	224,000
Items that will not be reclassified to profit or loss		–	–
Total other comprehensive (loss)/income for the year		(127,065)	224,000
Total comprehensive loss for the year		(20,170)	(106,175)
Net profit/(loss) attributable to the parent entity		106,895	(330,175)
Total comprehensive loss attributable to the parent entity		(20,170)	(106,175)
Earnings/(Loss) per share:			
Basic (cents per share)	18	0.06	(0.24)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Note	2017 $	2016 $
Current assets			
Cash and cash equivalents	25(a)	46,384	30,920
Trade and other receivables	8	1,588	9,945
Other financial assets	9	93,119	256,000
Total current assets		141,091	296,865
Non–current assets			
Property, plant and equipment	10	–	–
Intangible assets	11	–	–
Other financial assets	12	–	–
Total non–current assets		–	–
TOTAL ASSETS		141,091	296,865
Current liabilities			
Trade and other payables	13	77,899	139,577
Borrowings	14	173,227	–
Total current liabilities		251,126	139,577
Non–current liabilities			
Borrowings	14	–	270,884
Total non–current liabilities		–	270,884
TOTAL LIABILITIES		251,126	410,461
NET (LIABILITIES)/ASSETS		(110,035)	(113,596)
Equity			
Issued capital	15	24,013	282
Reserves	16	777,515	904,580
Accumulated losses	17	(911,563)	(1,018,458)
TOTAL (DEFICIENCY)/EQUITY		(110,035)	(113,596)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial period 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	282	904,580	(1,018,458)	(113,596)
Total comprehensive income				
Loss for the year	–	–	106,895	106,895
Other comprehensive loss for the year	–	(4,893)	–	(4,893)
Other comprehensive income gain transfer to profit or loss	–	(122,172)	–	(122,172)
Total comprehensive loss for the year	–	(127,065)	106,895	(20,170)
Transactions with owners recorded direct to equity				
Issue of shares	23,731	–	–	23,731
Share issue costs	–	–	–	–
Total transactions with owners	23,731	–	–	23,731
Balance as at 30 June 2017	24,013	777,515	(911,563)	(110,035)

	Attributable to equity holders			
For the year ended 30 June 2016	Ordinary Shares $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2015	2	680,580	(688,283)	(7,701)
Total comprehensive income				
Loss for the year	–	–	(330,175)	(330,175)
Other comprehensive loss for the year	–	224,000	–	224,000
Total comprehensive loss for the year	–	224,000	(330,175)	(106,175)
Transactions with owners recorded direct to equity				
Issue of shares	280	–	–	280
Share issue costs	–	–	–	–
Total transactions with owners	280	–	–	280
Balance as at 30 June 2016	282	904,580	(1,018,458)	(113,596)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial period ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Payments to suppliers and employees		(27,510)	(33,363)
Interest received		1	29
Interest paid		(69,747)	–
Research and Development rebate received		48,536	–
Net cash used in operating activities	25(b)	(48,720)	(33,334)
Cash flows from investing activities			
Proceeds on sale of investment securities		189,767	–
Amounts advanced to related entities		(5,000)	(2,500)
Payments for intangible asset		(23,509)	(231,506)
Net cash (used in)/provided by investing activities		(234,006)	(234,006)
Cash flows from financing activities			
Proceeds/(repayment) from borrowing		(97,074)	254,602
Net cash provided by/(used in) financing activities		(97,074)	254,602
Net decrease in cash and cash equivalents		15,464	(12,738)
Cash and cash equivalents at the beginning of the financial year		30,920	43,658
Cash and cash equivalents at the end of the financial year	25(a)	46,384	30,920

The accompanying notes form part of the financial statements.

1. General Information

Errawarra Resources Ltd (the Company) is a unlisted public company, domiciled and incorporated in Australia.

The Group's registered office and its principal place of business are as follows:

Registered office	Principal place of business
Level 11, London House,	Level 11, London House,
216 St Georges Terrace	216 St Georges Terrace
Perth WA 6000	Perth WA 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. The financial report includes the financial statements of the consolidated entity (Group) comprising the Company and Errawarra Pty Ltd. Separate financial statements for Errawarra Resources Ltd as an individual entity are no longer presented as the consequence of a change to the *Corporations Act 2001*, however, required financial information for Errawarra Resources Ltd as an individual entity is included in note 27.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A–IFRS'). Compliance with the A–IFRS ensures that the consolidated and parent financial statements and notes of the Group and parent entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 31 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.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017.

<u>Going concern basis of preparation</u>

The consolidated 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.

For the year ended 30 June 2017 the Group incurred a gain of $106,895 (2016: loss $330,175) and had a working capital deficit of $110,035 (2016: $157,288 surplus). Based upon the Group's existing cash resources of $46,384 (2016: $30,920) and other financial assets of $93,119 (2016: $256,000) as at 30 June 2017, the ability to modify expenditure outlays if required, and the Directors' confidence of sourcing additional

(a) Basis of preparation (cont'd)

funds, the Directors consider there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation is considered to be appropriate for the Group's 2017 financial report.

The Board of Directors is aware, having prepared a cashflow forecast, of the Group's working capital requirements and the Group needs to has sufficient funds to continue minimal operations for the next 12 months. However the Directors are aware that access to additional equity funding to repay the existing related party loan and to expand its operations.

In the event that the Group is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in its financial report.

(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 2017 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

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

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, and '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 Group 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 Group 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:

(g) Goods and services tax (cont'd)

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

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

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

(h) Impairment of assets

At each reporting date, 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). Where the asset does not generate cash flows that are independent from other assets, the Group 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.

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.

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

(i) Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. 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 periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the 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, associates 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 period(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.

Current and deferred tax for the period

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.

(i) Tax (cont'd)

Tax consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation in February 2012 with Errawarra Resources Ltd as the head entity.

(j) Intangible assets

Acquired rights to commercialise trademark and licences

Trademarks and licences acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Upon completion of the commercialised project, the carried costs are amortised to profit or loss using the straight-line method over 10 to 20 years, which is the shorter of their estimated useful lives and periods of contractual rights

(k) Joint arrangements

Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

(l) Operating cycle

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

(m) 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.

(n) Presentation currency

The entity operates entirely within Australia and the presentation currency is Australian dollars.

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

(o) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Company (the parent entity) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in note 22.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(p) Plant and equipment

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

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line or diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate (%)
Plant & equipment	20.00

(q) Provisions

Provisions are recognised when the Group 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.

(q) Provisions (cont'd)

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.

(r) Revenue recognition

<u>Dividend and interest revenue</u>

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.

(s) Share–based payments

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

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

For cash–settled share–based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(t) Fair value measurement

The Group 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 Group 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.

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

(t) Fair value measurement (cont'd)

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 Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Group 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 Group 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 Group 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.

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.

(t) Fair value measurement (cont'd)

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 Group 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 Group 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.

(u) Segment reporting policy

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income and statement of financial position.

(v) 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.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

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

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

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.

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 financial instruments.

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 financial instruments.

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 estimates and judgements

In the application of the Group'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 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.

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 period are:

Key estimates – impairment

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

An impairment was recognised in respect to the investment in Hannans Ltd in the year ended 30 June 2017. In the current year no further impairment has been recognised.

Key judgments — doubtful debts provision

The Directors believe that the intercompany loans from Errawarra Pty Ltd to Errawarra Resources Ltd and the related party loan to Equity & Royalty Investments Ltd, if recoverable, would only be recoverable in the long term and have therefore provided for the full amount as at 30 June 2017.

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 Group 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 from operations		
(a) Revenue		
Interest revenue		
Bank interest	1	29
Other interest	–	–
Sale of tenements	–	–
	1	29
(b) Loss before income tax		
Loss before income tax has been arrived at after charging the following gains and (losses) from continuing operations		
Depreciation of non–current assets	–	203
(c) Impairment		
Impairment of loan to a related party (i)	5,000	2,500
Impairment provision of intangible assets (ii)	1,750	261,689
	6,750	264,189

(i) Refer note 12 for further details.

(ii) Refer note 11 for further details.

5. Income taxes

	2017 $	2016 $
Income tax recognised in profit or loss		
Tax benefit/(expense) comprises:		
Current tax expense	–	–
Research and Development rebate	48,536	–
Deferred tax expense relating to the origination and reversal of temporary differences	–	–
Total tax benefit	48,536	–

5. Income taxes (cont'd)

	2017 $	2016 $
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:		
Profit/(Loss) from operations	58,359	(330,175)
Income tax expense calculated at 27.5% (2016: 28.5%)	16,049	(94,100)
Research and Development rebate received	48,536	–
Effect of expenses that are not deductible in determining taxable loss	(29,492)	771
Unused tax losses and temporary differences not recognised as deferred tax assets	13,443	93,329
Income tax benefit	48,536	–

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.

Unrecognised deferred tax balances

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

	2017 $	2016 $
Tax losses – revenue	141,141	219,128
Net temporary differences	1,611	(2,988)
	142,752	216,140

In addition to the above at the 30 June 2017 the Company had unrecognised deferred tax assets of $1,077 (2016: $4,560) from net temporary differences on capital losses.

Tax consolidation

Relevance of tax consolidation to the Group

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation.

6. Key management personnel disclosures

(a) Details of key management personnel

The Directors and Executives of Errawarra Resources Ltd during the year were:

Directors

- Damian Hicks
- Jonathan Murray
- Markus Bachmann

(b) Key management personnel compensation

The aggregate compensation made to key management personnel of the Group is set out below. Detailed compensation of each member of the key management personnel of the Group is set out in the Directors Remuneration report on page 4.

	2017 $	2016 $
Short-term employee benefits	–	–
Post-employment benefits	–	–
Other benefits	23,731	–
	23,731	–

		2017 $	2016 $
7.	Remuneration of auditors		
	Audit or review of the financial report		
	Stantons International	4,025	4,525
	Stantons International Securities (associate of Stantons International)	–	5,600
		4,025	10,125

The auditor of the Group is Stantons International.

		2017 $	2016 $
8.	Current trade and other receivables		
	Net goods and services tax (GST) receivable	1,588	9,945
	Other	–	–
		1,588	9,945
9.	Current other financial assets		
	Investments in Hannans Ltd (i)	73,402	256,000
	Investments in Critical Metals Ltd (ii)	19,717	–
		93,119	256,000
	Balance at beginning of year	256,000	32,000
	Movement for the year	(162,881)	224,000
	Balance at end of financial year	93,119	256,000

(i) Investment consists of 4,693,468 ordinary fully paid shares. This is classified as a Level 1 financial asset carried at market value.
(ii) Investment consists of 293,730 ordinary fully paid shares. This is classified as a Level 3 financial asset carried at historical value.

10. Property, plant and equipment

	Equipment at cost $	Total $
Gross carrying amount		
Balance at 1 July 2015	4,500	4,500
Disposals	(4,500)	(4,500)
Balance at 1 July 2016	–	–
Additions	–	–
Balance at 30 June 2017	–	–
Accumulated depreciation and impairment		
Balance at 1 July 2015	3,487	3,487
Depreciation expense	203	203
Disposal	(3,690)	(3,690)
Balance at 1 July 2016	–	–
Depreciation expense	–	–
Balance at 30 June 2017	–	–

10. Property, plant and equipment (cont'd)

Net book value		
As at 30 June 2016	–	–
As at 30 June 2017	–	–

11. Intangible assets

	Patent, trademarks and other rights $	Total $
Gross carrying amount		
Balance at 1 July 2015	–	–
Additions – development	261,689	261,689
Balance at 1 July 2016	261,689	261,689
Additions – development	1,750	1,750
Research & Development refund	(48,536)	(48,536)
Balance at 30 June 2017	214,903	214,903
Accumulated depreciation and impairment		
Balance at 1 July 2015	–	–
Impairment provision	(261,689)	(261,689)
Balance at 1 July 2016	(261,689)	(261,689)
Impairment provision	46,786	46,786
Balance at 30 June 2017	(214,903)	(214,903)
Net book value		
Cost	214,903	214,903
Impairment provision	(214,903)	(214,903)
As at 30 June 2017	–	–

Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Patent, trademark and licences 10 years

	2017 $	2016 $
12. Non-current other financial assets		
Loan (i)	27,500	22,500
Provision (i)	(27,500)	(22,500)
	–	–

(i) On 20 January 2015 a related party loan was provided to Equity & Royalty Investments Ltd. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. The loan, if recoverable, would only be recoverable in the long term and therefore the full amount has been provided for.

	2017 $	2016 $
13. Current trade and other payables		
Trade payables (i)	10,935	29,707
Payables to related party (ii)	51,920	89,174
Accruals	15,044	20,696
	77,899	139,577

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(ii) Refer to note 23(d) for further details.

14. Borrowings

	2017 $	2016 $
Current		
Loan from outside entity includes interest payable (i)	173,227	–
	173,227	–
Non-current		
Loan from outside entity includes interest payable (i)	–	270,884
	–	270,884

(i) The loans were executed between Hananns Ltd, Murray Trust Account no 2 and Mr Damian Hicks. Refer to note 23(c) for further details.

15. Issued capital

	2017 $	2016 $
177,304,667 fully paid ordinary shares (2016: 146,276,350)	24,013	282
	24,013	282

	2017		2016	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of year	146,276,350	282	131,648,715	2
Issue of shares	31,028,317	23,731	14,627,635	280
Share issue costs			–	–
Balance at end of financial year	177,304,667	24,013	146,276,350	282

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

	2017 $	2016 $
16. Reserves		
Comprising:		
Reserve relating to the in-specie distribution of shares received from Hannans Ltd in February 2012.	728,580	728,580
Available-for-sale revaluation reserve	48,935	176,000
	777,515	904,580

	2017 $	2016 $
16. Reserves (cont'd)		
Movements in reserves		
Balance at beginning of year	904,580	680,580
Available-for-sale revaluation reserve movement for the year	(127,065)	224,000
Balance at end of financial year	777,515	904,580

17. Accumulated losses

	2017 $	2016 $
Balance at beginning of year	(1,018,458)	(688,283)
Profit/(Loss) attributable to members of the parent entity	106,895	(330,175)
Balance at end of financial year	(911,563)	(1,018,458)

18. Earnings/(Loss) per share

	2017 Cents per share	2016 Cents per share
Basic earnings/(loss) per share:		
From continuing operations	0.06	(0.24)
Total basic earnings/(loss) per share	0.06	(0.24)

Basic loss per share

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

	2017 $	2016 $
Profit/(Loss) for the year	106,895	(330,175)

	2017 No	2016 No
Weighted average number of ordinary shares for the purposes of basic loss per share	166,338,495	137,283,951

19. Commitments for expenditure

The Company will proceed to a pre-feasibility study (+/- 25% accuracy) (PFS) on the overall SOP fertiliser project that is expected to incorporate further metallurgical test work. The Company has engaged a consultancy firm to complete the PFS which includes the process design, further test work and drafting with a final report to be presented to the Company in April 2018. The estimated budget to complete the PFS is approximately $150,000.

The Company signed an engagement letter to commence the Scoping Study (+/- 35% accuracy) on the potassium extraction process budgeted at approximately $55,000. The Company will fund the Scoping Study and if commercially viable the PFS and Definitive Feasibility Study. The Company is in negotiations, further details will be disclosed when finalised.

The Company has committed to provide financial support of up to $5,000 to assist ERI in meeting its operating and compliance liabilities to 31 December 2018. Refer to note 23(c) for further information.

20. Contingent liabilities and contingent assets

Contingent liabilities

The Office of State Revenue ('OSR') informed the Company on 30 October 2012 that it has raised a Duties Investigation regarding the restructure involving the Mineral Rights Deed between the Company and Hannans Ltd. OSR has requested preliminary supporting information to assess the duty on the transaction. The Company responded to the OSR in regards to this matter. On 21 October 2015 OSR informed the Company that the matter is currently being reviewed by the technical branch. The Company does not consider it probable a stamp duty liability will arise.

Contingent assets

In 2014 the Group sold the Jigalong manganese project in the East Pilbara region of Western Australia to Atlas Iron Limited (ASX:AVI). As part of the sale agreement, Atlas Iron agreed to pay the Company a 1% gross sales revenue royalty from manganese sourced from within the tenements.

21. Segment reporting

The Group operates predominantly in the Australia mineral exploration industry. For management purposes, the Group is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Group'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 Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

22. Subsidiary

		Ownership Interest	
Name of entity	Country of incorporation	2017 %	2016 %
Parent entity:			
Errawarra Resources Ltd (i)	Australia	100	100
Subsidiary:			
Errawarra Pty Ltd	Australia	100	100

(i) Errawarra Resources Ltd is the ultimate parent entity. All the companies are members of the group.

23. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiary

Details of the percentage of ordinary shares held in subsidiary is disclosed in note 22 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 6 to the financial statements.

23. Related party disclosures (cont'd)

(c) Loans to and from key management personnel and their related parties

Loan to related party

Equity & Royalty Investments Ltd, of which Mr Damian Hicks is the Chairman, received a further loan amounting to $5,000 (2016: $2,500) during the year. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. Details of loan is disclosed in note 12 to the financial statements.

Loan from related party

On 9 February 2016 Mr Damian Hicks provided a loan facility of $7,000 to the Group at an interest rate of 20% per annum. The loan is unsecured. A loan drawdown of $6,887 was made on 9 February 2016. Interest accrued to 30 June 2017 amounts to $699 (2016:$436). The loan was fully repaid on 16 December 2016.

On 10 February 2016 Hannans Ltd, of which Mr Damian Hicks, Mr Jonathan Murray and Mr Markus Bachmann are the Directors, provided a loan facility of $50,000 to the Group at an interest rate of 20% per annum. The loan is secured against the Company's rights, title and interest in the agreement executed between the Company, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. A loan drawdown of $25,000 on 10 February 2016 and a further loan drawndown of $25,000 on 9 March 2016. Interest accrued to 30 June 2017 amounts to $11,755 (2016: $3,582). The loan is repayable on 1 July 2018.

On 30 March 2016 Murray Family Trust No 2, of which Mr Jonathan Murray is a beneficiary, provided a loan facility of $250,000 to the Group at an interest rate of 32% per annum. The loan funds were initially to be provided for a short term only. The loan holds second mortgage against the Company's rights, title and interest in the agreement executed between the Company, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. A total drawdown of $197,715 was made during the year. Interest accrued to 30 June 2017 amounts to $56,983 (2016: $12,264). The Company made payments totalling to $158,799 during the year. The amount of principal outstanding as at 30 June 2017 was $107,528. The Company is currently in negotiation with the Murray Family Trust to reduce the interest rate and extend the repayment of loan to 30 June 2018.

(d) Transactions with other related parties

Subsidiary

All loans advanced to and payable to related parties are unsecured. No interest was charged on the outstanding intercompany loan balances during the financial year. Errawarra Resources Limited received interest of nil from loans to subsidiary, and paid interest of nil to subsidiary. The amount owed to its subsidiary at year end is $288,600 (2016: $130,084).

Director transactions

Corporate Board Services (CBS), of which Mr Damian Hicks is a Director, provided management, financial, company secretary and administrative services amounting to $12,532 (2016: $15,539) during the year. The services provided were on arms length commercial terms. At 30 June 2017 $52,005 (2016: $89,174) was owing to CBS for services provided between 1 July 2014 to 30 June 2017.

Steinepreis Paganin, of which Mr Jonathan Murray is a Partner, provided legal services amounting to $223 (2016: $3,392) during the year. The services provided were on arms length commercial terms. There were no amounts owing to Steinepreis Paganin at 30 June 2017.

(e) Parent entity

The ultimate parent entity in the Group is Errawarra Resources Ltd.

24. 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 Group in future financial years.

(a) As at 27 October 2017 the fair value of shares held in listed equities (Hannans Ltd) was $88,082 which is an increase of $14,680 since 30 June 2017.

25. 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 as shown in the statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2017 $	2016 $
Cash and cash at bank	46,384	30,920
	46,384	30,920

25. Notes to the statement of cash flows (cont'd)

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

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 period as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2017 $	2016 $
Loss for the year	106,895	(330,175)
Gain on sale or disposal of investments	(13,803)	–
Income from in-specie distribution	(19,717)	–
Transfer from other comprehensive loss to profit & loss	(122,172)	–
Broker fees on shares sold	1,740	–
Share based payment	23,731	–
Impairment of listed investment	–	–
Disposal of asset	–	810
Depreciation of non–current assets	–	203
Interest on loan to related party	(583)	16,282
Impairment of related party loan	5,000	2,500
Impairment of intangible assets	1,750	261,689
R&D tax concession not yet received	–	–
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Decrease/(increase) in assets:		
Trade and other receivables	8,357	(9,752)
(Decrease)/increase in liabilities:		
Trade and other payables and provisions	(39,918)	25,109
Net (used in)/cash from operating activities	(48,720)	(33,334)

(c) Non–cash financing and investing activities

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

26. Financial instruments

(a) Financial risk management objectives

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

The Group 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 mining company. The use of financial derivatives is governed by the Group's Board of Directors.

The Group'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 Group 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) Interest rate risk management

The Group is exposed to interest rate risk as it places funds at both fixed and floating interest rates. A 100 basis point movement in interest rates based on interest bearing financial assets and liabilities at 30 June 2017 would not have a material impact on the loss for the year or equity at 30 June 2017.

Maturity profile of financial instruments

The following table details the Group'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		
Consolidated	%	$	$	$	$	$	$
2017							
Financial assets:							
Cash and cash equivalents	0.10%	46,382	–	–	–	2	46,384
Trade and other receivables		–	–	–	–	1,588	1,588
Other financial assets		–	–	–	–	93,119	93,119
		46,382	–	–	–	94,709	141,091
Financial liabilities:							
Trade and other payables		–	–	–	–	77,899	77,899
Borrowings	27.47%	–	–	173,227	–	–	173,227
		–	–	173,227	–	77,899	251,126
2016							
Financial assets:							
Cash and cash equivalents	0.10%	30,918	–	–	–	2	30,920
Trade and other receivables	–	–	–	–	–	9,945	9,945
Other financial assets	–	–	–	–	–	256,000	256,000
		30,918	–	–	–	265,947	296,865
Financial liabilities:							
Trade and other payables	–	–	–	–	–	139,577	139,577
Borrowings	29.30%	–	–	270,884	–	–	270,884
		–	–	270,884	–	139,577	410,461

26. Financial instruments (cont'd)

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group's exposure and the credit ratings of its counterparties are continuously monitored. The Group measures credit risk on a fair value basis.

The Group 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.

It is a policy of the Group that creditors are paid within 30 days.

(e) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

(f) Market price risk

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

The Group's investment subject to price risk is unlisted and listed on the Australian Securities Exchange as detailed in note 9. A 10 per cent increase at reporting date in the equity price would increase the market value of the securities by $9,312 (2016: $25,600), 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 $6,751 (2016: $7,296).

(g) Fair value of financial instruments

The net fair value of financial assets and liabilities of the consolidated Group approximated their carrying amount. The Group 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 consolidated statement of financial position and notes to the financial statements.

	Level 1 $	Level 2 $	Level 3 $	Total $
2017				
Financial assets at fair value through profit and loss				
– Available-for-sale financial assets (note 9)	73,402	–	19,717	93,119
Total financial assets recognised at fair value	73,402	–	19,717	93,119
2016				
Financial assets at fair value through profit and loss				
– Available-for-sale financial assets (note 9)	256,000	–	–	256,000
Total financial assets recognised at fair value	256,000	–	–	256,000

27. Parent entity disclosures

The following details information related to the parent entity, Errawarra Resources Ltd, at 30 June 2017. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2017 $	2016 $
Results of the parent entity		
Loss for the year	(41,454)	(328,702)
Other comprehensive income	–	–
Total comprehensive loss for the year	(41,454)	(328,702)
Financial position of parent entity at year end		
Current assets	906	9,947
Non–current assets	50	50
Total assets	956	9,997
Current liabilities	57,694	109,871
Non–current liabilities	461,827	400,969
Total liabilities	519,521	510,840
Total equity of the parent entity comprising of:		
Share capital	24,013	282
Reserves	–	–
Accumulated losses	(542,578)	(501,124)
Total equity	(518,565)	(500,842)

(a) Guarantees entered into by the parent entity in relation to the debts of its subsidiary

The parent entity had not entered into any guarantees in relation to the debts of its subsidiary as at 30 June 2017 other than disclosed in this financial report.

(b) Parent entity contingencies

The parent entity had no contingent liabilities as at 30 June 2017 other than disclosed in this financial report.

(c) Commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 other than disclosed in this financial report.

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