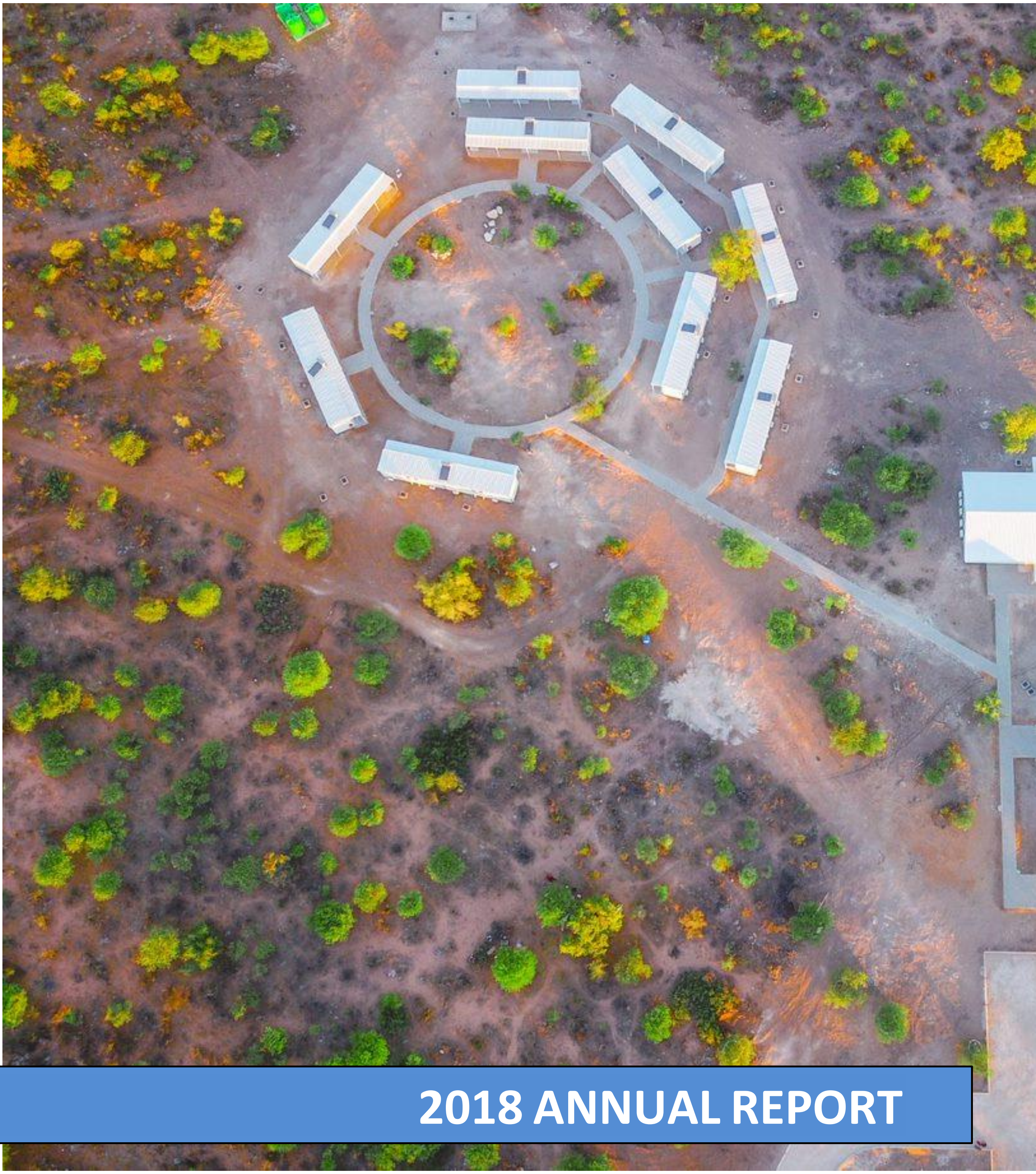

2018 ANNUAL REPORT

For the year ended 31 December 2018

MOD RESOURCES LTD

MOD Resources Limited
ABN 78 003 103 544

CORPORATE DIRECTORY

Directors

Mr Mark Clements	(Executive Chairman)
Mr Julian Hanna	(Managing Director)
Mr Steven McGhee	(Technical Director)
Mr Simon Lee AO	(Non-Executive Director)
Ms Bronwyn Barnes	(Non-Executive Director)
Mr Michael McNeilly	(Non-Executive Director)

Secretary

Mr Mark Clements

Registered Office

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Share Registry

Computershare Investor Services Pty Limited
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PERTH WA 6000
Telephone: 1300 850 505
Facsimile: (61 3) 9473 2500
E-mail: www.investorcentre.com/contact

ASX CODE: MOD
LSE CODE : MOD

Auditors

Grant Thornton Audit Pty Ltd
Central Park
Level 43, 152-158 St Georges Terrace
PERTH WA 6000

CONTENTS

Dear Shareholders

We are pleased to present our 2018 Annual Report outlining the significant achievements that have set the foundations to enable the evolution of your company towards becoming a copper developer and producer in the very stable and supportive African jurisdiction of Botswana.

While we recognize that 2018 was a challenging year for not only MOD, but for resources and resource companies in general, we would like to reflect on where the Company has come from and how we plan to move the T3 Copper Project forward.

Since 2016, MOD has seen rapid growth and impressively, within three years from the initial T3 discovery hole, we expect to have completed the Feasibility Study and be ready for a decision to mine during the first half of 2019. T3 is shaping up to be a robust, long life mining project which we expect will produce high-margin copper and generate strong cash flows throughout its mine life.

The MOD Board is committed to pursuing all funding options for the T3 Copper Project and exploration of our dominant and prospective licence holdings in the Kalahari Copper belt to maximize shareholder value.

Our exploration team has had considerable success during 2018, identifying several very promising new occurrences of copper mineralisation which have potential to further enhance the value of your Company, in the highly prospective area surrounding the T3 Copper Project. A number of these new copper occurrences have potential to contribute additional production through the planned T3 processing plant and have been prioritised for further drilling programs during 2019.

One of MOD's greatest assets is our experienced and very committed Botswana team employed within the two in-country operating companies, Tshukudu Exploration, owned 70% by MOD and Tshukudu Metals, owned 100% by MOD. Our Botswana team is also making excellent progress in building on our social licence to operate within Ghanzi District where the majority of our licences are located.

Through the Community Relations Office located in Ghanzi, Tshukudu has established strong relationships with a wide range of stakeholders in Ghanzi District and also with Government regulators and departments located in the Botswana capital, Gaborone. The Company has a well-developed set of guiding principles and values that drive the way we operate at a corporate level and on site in Ghanzi. Our employees are also pro-actively involved in a number of community and environmental initiatives as we seek to lay the foundations for a long and positive relationship with our local community.

As the Company evolves and as we deliver against our strategic objectives, we will continue to operate to the highest standards of health, safety, environment and sustainability. We will work collaboratively with regulators and members of our host community of Ghanzi to ensure that the benefits of the T3 Copper Project as well as any future developments are positive and enduring.

The combination of a commercially robust, long life mine to be developed at T3, a highly prospective, proven copper-belt scale opportunity, a fully committed and very experienced management and technical team, a positive outlook for copper and a very limited number of new development projects coming into production puts your Company in a unique position in the global copper industry.

We look forward to reporting further progress to shareholders on the Company's activities during 2019.

MARK CLEMENTS
Executive Chairman

Dear Shareholders

2018 was a very busy and productive year which resulted in some major milestones being achieved by the Company.

Milestones include completion of the pre-feasibility study for the T3 Copper Project in January 2018, followed by a substantial increase in the T3 Mineral Resource to over 60Mt in July 2018.

Subsequent to the reporting period, on 12 March 2019, MOD announced a 61% increase to the T3 Ore Reserve to 34.4Mt @ 1.0% Cu containing 342kt of copper and 14.6Moz of silver. This revised ore reserve forms the basis for the T3 Feasibility Study (FS) for a long life open pit mine and 3Mtpa processing plant, targeted for completion by the end of March 2019. The FS will be a major step towards moving MOD's first mine in the Kalahari Copper Belt through to a decision to mine and towards production and is expected to be completed only 3 years since the T3 discovery hole was announced in March 2016, demonstrating the benefits of operating in Botswana.

The FS has run in parallel with the Environmental and Social Impact Assessment (ESIA) study, which is progressing towards approval by the Department of Environmental Affairs (DEA) and a public review process. The FS and the ESIA have been conducted to a very high standard largely due to the commitment of MOD's project development team and our specialist consulting groups, led by Project Development Manager Jeff Bowen.

Once the FS and ESIA for the T3 Copper Project are presented to the Department of Mines, MOD's 100% owned operating company Tshukudu Metals expects to be in a position to apply for a mining licence.

In order to consolidate ownership and streamline funding for the T3 Copper Project, MOD announced completion of the transaction to acquire Metal Tiger's 30% non-controlling interest in T3 (MTR Joint Venture) on 16 November 2018.

Importantly, the agreement with Metal Tiger also includes options for MOD to acquire Metal Tiger's 30% interests in any other copper discoveries which reach a scoping study level, and also an option for MOD to acquire all MTR's remaining interests three years from the agreement completion. Until MOD exercises any option, all exploration on joint venture licences are still funded jointly by MOD (70%) and Metal Tiger (30%) through the newly incorporated Tshukudu Exploration (Pty) Ltd.

In addition to the excellent progress made at the T3 Copper Project during 2018, MOD was able to report considerable success on our regional exploration programs on MOD's extensive 70% owned joint venture and 100% owned licence holdings within the highly prospective, under-explored central part of the Kalahari Copper Belt.

MOD's licence holdings cover a total area of approximately 11,700km2, and represent the largest single holding in the copper belt in Botswana. In the December 2018 quarter, the Minister for Mines approved two year extensions of terms, with no reduction in area for all key joint venture licences extending ~200km along the prospective geology.

Significant new copper mineralisation was intersected in many drill holes, notably at the A1 Dome and the A4 Dome within the ~950km2 T3 Expansion Project, surrounding the T3 Copper Project. Wide zones of disseminated copper were also intersected at shallow depth in the first phase of drilling at the T23 Dome, approximately 100km west of T3. These discoveries, while still at an early stage, demonstrate the rapid growth in understanding the geological potential of the copper belt, the effectiveness of using airborne electromagnetics (EM) to define large conductive domes to target drilling, and the skill of our exploration team in Botswana.

The two main mineralisation types intersected within the conductive domes tested to date are high grade vein hosted mineralisation near the tops of the domes, and disseminated and structurally related, high tenor chalcocite mineralisation along the Ngwako Pan Formation (NPF) contact, below the domes. While many holes at the A4 Dome (and at the T3 Dome) have intersected both types of mineralisation, it is the extensive potential of the NPF contact mineralisation which may provide the opportunity to move production within the T3 Expansion Project to another level.

In late 2018, MOD commissioned two preliminary conceptual mining studies to evaluate the potential for underground mining below the T3 open pit and along the NPF contact at the A4 Dome. While it is too early to report the results of these conceptual studies without defined mineral resources, we are encouraged by the underground potential of the region. As a result, future drilling is expected to target both the near-surface vein hosted mineralisation similar to the T3 open pit and also the deeper, high grade NPF contact type mineralisation more suited to underground mining.

The A1, A4 and T23 Domes and the T4 Prospect are prioritised for further drilling to test the extent of the mineralisation intersected to date, with drilling planned to ramp up once the T3 Copper Project FS is complete.

The large A4 Dome in particular is a compelling target given the width and grade of the numerous copper intersections announced to date and the proximity to the planned processing plant and infrastructure at T3. T23 Dome and the adjacent T4 Prospect are also compelling targets with copper mineralisation reported at shallow depth in previous drilling at the T4 Prospect, and at shallow depth in the first holes drilled at the T23 Dome in December 2018. The 2018 exploration success and our other achievements in Botswana were largely due to the commitment and hard work of our wonderful Tshukudu in-country team led by Gaba Chinyepi, Executive Manager and Kebalemogile Tau, General Manager of Exploration.

The MOD/Tshukudu Team is determined to ensure that we work methodically to maximise the value of our unique and undervalued assets by bringing the T3 open pit into production, delivering new exploration success and steadily building on our mineral resources. The T3 Copper Project is an excellent start-up mine which has the major benefit of being located in the centre of the T3 Expansion Project, a large area of proven exploration and resource potential.

In addition, we consider there is potential for more copper discoveries within our regional licence holdings particularly in the T20 Exploration Project area where we are already seeing copper mineralisation at shallow depth at T23 and T4 located on the northern edge of this huge, prospective and previously unexplored region.

A large part of MOD's social licence to operate in Ghanzi District, under the now well recognised company Tshukudu (Setswana for 'Rhino') Metals Botswana, is down to the superb work and commitment of our Community Relations team lead by Ketsile Molokomme. This team reports to a committee of employees and community members, chaired by MOD Director Bronwyn Barnes. The Community Relations team has initiated and supports a number of projects which are intended to bring long term benefits to the people in Ghanzi District and works to ensure that the activities of Tshukudu Metals are aligned with the local communities and farmers.

The safety of all of our employees in Botswana remains our highest priority so I am pleased to be able to report that in 2018, we recorded only 1 lost time injury and a Lost Time Injury Frequency Rate of 1.44 per million work hours. While this is an impressive result, we will continue to improve our safety performance, as one work related injury is one too many.

Finally, I would like to thank the MOD board, management team, staff and contractors for all your work and unflinching enthusiasm throughout the year. I would also like to thank our numerous supporters and shareholders, who I hope realise that what we have here in Botswana is a unique, and very exciting copper belt scale opportunity.

JULIAN HANNA
Managing Director

The Directors submit their report together with the financial report of MOD Resources Limited ("Consolidated Entity" or "Group") for the year ended 31 December 2018 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the financial year are:

Mr Mark Clements (Executive Chairman and Company Secretary)
Mr Clements has over 20 years' experience in corporate accounting and public company administration. He is a Fellow of the Chartered Accountants Australia & New Zealand, a Member of the Australian Institute of Company Directors and holds a bachelor's degree in commerce from University of Western Australia. Since 1997, Mr Clements has held the roles of Chief Financial Officer (to 3 May 2017) and Company Secretary of the Company and has been responsible for the financial and corporate administration of the Company. Mr Clements was appointed Chief Operating Officer of the Company in 2005 and became an Executive Director on 15 March 2006. Mr Clements is currently a Non-Executive Director of MSM Corporation International Ltd and Company Secretary for a number of diversified ASX listed companies. Mr Clements previously worked for an international accounting firm. Mr Clements was appointed Chairman of the Company on 30 April 2014. Mr Clements is also a Director of Tshukudu Metals Botswana (Pty) Ltd and Tshukudu Exploration (Pty) Ltd.

Mr Julian Hanna (Managing Director)
Mr Hanna has a bachelor's degree in geology from Auckland University, New Zealand and is a geologist with over 35 years' experience in a wide range of activities including project acquisitions, exploration, development, mining and corporate growth. This includes 15 years in senior management roles with a number of gold mining companies in Western Australia. Mr Hanna was the Managing Director of Western Areas NL for 12 years before stepping down from that position in January 2012. He was a co-founder of Western Areas NL and led the company during its transformation from a A$6 million junior explorer to become Australia's third largest nickel mining company capitalised at more than A$800 million. Mr Hanna was a Non-Executive Director of Western Areas NL until May 2016. Mr Hanna was appointed Non-Executive Director of the Company on 22 January 2013 and was then appointed Managing Director on 19 March 2013. Mr Hanna is also a Director of Metal Capital Limited, Metal Capital Exploration Limited, Tshukudu Metals Botswana (Pty) Ltd and Tshukudu Exploration (Pty) Ltd. In 2018 Mr Hanna was granted a 10 year visa and work permit in Botswana.

Mr Steve McGhee (Technical Director)
Mr McGhee has a bachelor's degree in chemistry and mineral science from Murdoch University, Western Australia and is a metallurgist with over 30 years' experience in the mining industry covering testwork management, project development, engineering, commissioning and process plant management. He has held senior management operations and project roles throughout Australia, South East Asia and South America with particular emphasis on gold and base metals. He is also a director of Perth-based Independent Metallurgical Operations Pty Ltd and Metallurgy Pty Ltd. Mr McGhee was appointed Non-Executive Director on 30 April 2014 and moved to an executive role effective 1 January 2017 .

Mr Simon Lee AO (Non-Executive Director)
Mr Lee AO has a successful track record in the resources industry spanning more than 27 years. He was instrumental in building gold mining houses Great Victoria Gold NL, Samantha Gold NL and Equigold NL – which was taken over by Lihir Gold for $1.1 billion. In 1993, Mr Lee AO received the Advance Australia Award for his contribution to commerce and industry and in 1994 he was bestowed an Officer of the Order of Australia. During his corporate career, Mr Lee AO has been involved in a diverse range of business enterprises which have seen him based in Asia, England, Canada and Australia. He is a former Board Member of the Australian Trade Commission (AUSTRADE), Chairman of the Western Australian Museum Foundation Trust and former President of the Western Australian Chinese Chamber of Commerce. Mr Lee is also Chairman of Emerald Resources NL. Mr Lee was appointed Director of the Company on 13 January 1997 and was Chairman of the Company from the date of appointment until April 2011.

Ms Bronwyn Barnes (Non-Executive Director)
Ms Barnes has had an extensive range of experience across mining in Australia and overseas for companies ranging from BHP Billiton to emerging juniors in director, leadership and operational roles. Most recently she was Executive Chair of Windward Resources Ltd where she oversaw the successful on-market takeover of Windward by Independence Group NL and before this spent four years as Deputy CEO of AMC Bauxite Ltd, operating in Guinea, West Africa. Ms Barnes is the non-executive Chair of Indiana Resources Limited (ASX: IDA), Non-executive Director of Scorpion Minerals Ltd (ASX: SCN) and was formerly the Non-executive Chair of Auris Minerals Limited (ASX: AUR) and a Non-executive Director of JC International Ltd (ASX: JCI). She is also a member of the Executive Council of the Association of Mineral and Exploration Companies (AMEC), a member of the Advisory Council for the Curtin University School of Business, an independent Director of Perth Racing and on 7 March 2019 was inducted to the WA Women's Hall of Fame, recognising and celebrating her contribution to the resources sector over 20 years. Ms Barnes was appointed Director of the Company on 18 September 2017.

Mr Michael McNeilly (Non-Executive Director)
Mr McNeilly is an experienced corporate financier having advised several private, Main Market listed, AIM quoted and ISDX listed companies on a variety of corporate transactions during his tenure at Arden Partners (AIM:ARDN) and Allenby Capital respectively. Metal Tiger plc (Brady plc) was one of Michael's clients whilst at Allenby Capital. Michael was appointed as a Non-Executive Director of Connemara Mining Company plc in February 2018, and was also previously a director of Greatland Gold Plc, as well as a Corporate Executive at Coinsilium (ISDX:COIN) where he worked with early stage blockchain focused startups providing corporate finance and strategy advice. Prior to his career in corporate finance, he worked at Simmons & Simmons and Partners and started two new start-up businesses. Michael studied Biology at Imperial College London and has a BA in Economics from the American University of Paris. Mr McNeilly, who represents Metal Tiger, was appointed Director of the Company on 16 November 2018 upon completion of the Company's transaction with Metal Tiger.

CORPORATE INFORMATION

Corporate Structure

MOD Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity. MOD Resources Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the Group's controlled entities at Note 24.

On 26 November 2018, the Company was admitted and commenced trading on the London Stock Exchange ("LSE") Main Market under the ticker of "MOD". All ordinary shares are fully fungible across both the Australian and London Stock Exchanges, with the primary listing remaining as the Australian Stock Exchange.

Nature of Operations and Principal Activities

The principal activities of the consolidated entity during the financial year ended 31 December 2018 were exploration for copper and silver in Botswana.

Operating Result

The consolidated net loss for the year ended 31 December 2018 including discontinued operations was $9,404,913 (2017 net loss: $3,320,669). Excluding discontinued operations, the consolidated net loss for the year ended 31 December 2018 was $5,668,273 (2017 net loss: $3,263,425).

MOD's cash on hand as at 31 December 2018 was A$5.0 million. As at 31 December 2018, debt was nil. Post the end of the December 2018 quarter following a placement and subsequent Rights Issue, MOD raised A$15.2 million (before costs).

MISSION STATEMENT

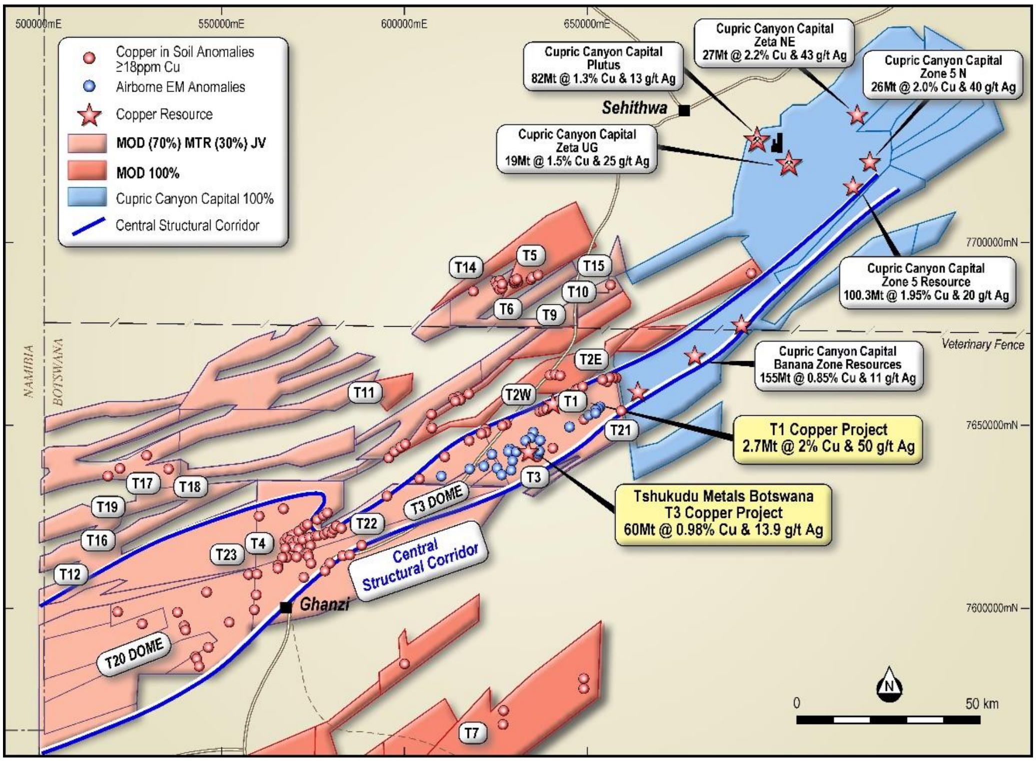
"To become a significant copper producer by delivering on objectives, creating shareholder value and working with the local community creating employment opportunities and environmental sustainability"

ABOUT MOD RESOURCES

MOD Resources Ltd (ASX/LSE: MOD) ("MOD" or "the Company") is a dual listed copper exploration and development company with a dominant land position within the Kalahari Copper Belt in Botswana (Figure 1 and Figure 2).

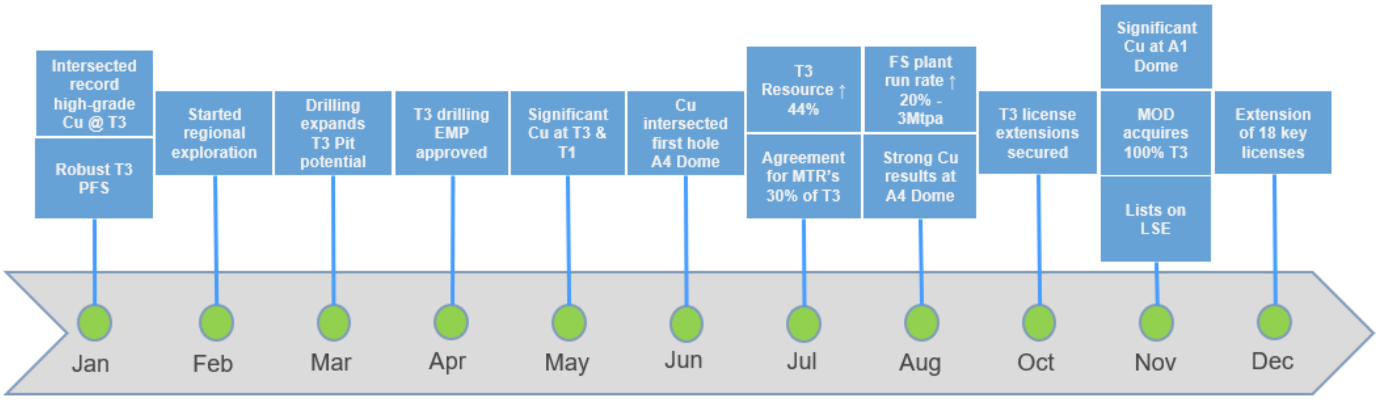
Figure 1: MOD Resources Global Footprint

Figure 2: MOD Resources Licence Holding within the Kalahari Copper Belt



In 2018 and in line with the Mission Statement, the Company completed a number of corporate activities, designed to facilitate this next period of growth and activity (Figure 3). The T3 Copper Project has remained the focus and at the beginning of the year, the T3 Pre-Feasibility Study ("PFS") confirmed a robust, long-life copper mine. As the year progressed, through targeted exploration activities the Company was successful in significantly expanding the Resource base of the already robust project. A review of the process plant throughput was also completed, resulting in the throughput of the process plant increasing by 20% to 3.0 million tonnes per annum.

Figure 3: 2018 - The Transformational Year



In parallel, MOD stayed true to its exploration roots, continuing with drilling of selected priority regional targets. 2018 exploration activities incorporated the use of Airborne Electromagnetic ("AEM") techniques to identify buried domal formations that have historically been associated with copper mineralisation. Drilling results from 2018 supported by AEM has been successful in identifying copper mineralisation in first drill holes at the A1 and A4 Domes, strengthening the pipeline of future exploration targets within our potential copper-belt scale landholding. The results of the 2018 exploration campaign have increased MOD's confidence of the possibility for many more copper discoveries within the Kalahari Copper Belt (Figure 2).

During the last quarter of 2018, the Company finalised the acquisition of Metal Tiger's 30% stake in the T3 Copper Project and secured 18 key licence extensions (including the T3 licence area) for an additional two years. Both the licence extensions and the 100% ownership of the T3 Copper Project are important, providing the Company with certainty of tenure for the T3 Copper Project and its highly prospective exploration ground while providing significant flexibility in the lead up to a decision to mine.

On 26 November 2018, MOD was admitted to trading on the Standard Segment of the Main Market of the London Stock Exchange ("LSE") with the expectation that this secondary listing will continue to enhance the Company's international reputation while improving access to the significant base of retail and institutional investors in the UK and throughout Europe.

By the end of 2018, MOD had made significant progress on the T3 Copper Project FS and submitted the draft ESIA to the DEA.

During the first quarter of 2019 the primary focus of the Company has been the completion of the T3 Copper Project FS. Following completion of the FS and approval of the ESIA by the DEA the Company will be in a position to apply for the T3 mining licence, targeted for approval before the end of the first half of 2019.

The Company has commenced a 60-hole infill drilling program at the T3 Copper Project resource to upgrade the early stage production area of the planned mine into the higher confidence, JORC compliant Measured Resource category. The Company is also planning follow-up drilling of very encouraging shallow mineralisation along the T4-T23 Dome area and will undertake initial shallow drilling of the extensive Cu-Zn soil anomalies within the adjacent T20 Exploration Project and conduct follow-up drilling of the A4 Dome as a potential satellite resource to T3.

T3 Copper Project (MOD 100%)

MOD's flagship T3 Copper Project is a significant new vein hosted and disseminated copper and silver deposit in the central part of the Kalahari Copper Belt. The T3 Copper Project is located within Ghanzi District, approximately 80km north-east of the regional town of Ghanzi and 200km south-west of Maun in northern Botswana.

The T3 deposit was discovered in March 2016, when an RC drill hole intersected 52m at 2.0% Cu and 32g/t Ag from shallow depth, immediately below a low order copper soil anomaly (28ppm copper).

A scoping study was completed on the T3 Copper Project in December 2016. The scoping study was based on the T3 Project's maiden Mineral Resource estimate, comprising 28.36Mt grading 1.24% Cu and 15.7g/t Ag, and assessed a project processing 2.0 Mtpa of ore using a conventional copper concentrator.

In August 2017, MOD announced a revised Mineral Resource estimate comprising 36Mt grading 1.14% Cu and 12.8g/t Ag (using a 0.5% Cu cut-off grade), containing approximately 411Kt of copper and 14.8Moz silver.

In October 2017 MOD announced results from locked cycle flotation test work of T3 Copper Project sulphide ores. Results were excellent with copper recoveries ranging from 93.3% to 96.3% into concentrate grades containing 33.1% to 48.6% copper. Silver recoveries and concentrate grades were also very good.

Only 22 months after the initial discovery of the T3 Project, on 31 January 2018, MOD released results of the PFS for the T3 Copper Project which confirmed a robust, long-life copper mine based on a base case process plant throughput of 2.5Mtpa. The PFS was also modelled using a 4Mtpa processing plant as an expansion case (Table 1).

Table 1: PFS Highlighted Metrics

Pre-Feasibility Study	Base Case	Expansion Case
NPV (pre-tax, 8% d.r.)	US$281m	US$402m
LOM EBITDA	US$734m	US$1.1bn
Net Cash Flow (pre-tax)	US$530m	US$840m
Free Cash Flow (pre-tax)	US$77m	US$85m
Payback (years)	2.7	3.3
C1 Cash Costs	US$1.22/lb	US$1.30/lb
ASIC	US$1.36/lb	US$1.46/lb
Process Plant Capacity	2.5Mtpa	4.0Mtpa
Life of Mine (years)	8.8	11.7
Average Annual Production	23ktpa	28ktpa
Strip Ratio	4.76:1	4.28:1
Capital Cost	US$155m	US$192m

Following the completion of the PFS, the Board of Directors of both MOD and joint venture partner, Metal Tiger Plc., agreed to progress with the Feasibility Study ("FS").

Following the outstanding results delivered in the PFS, the Company undertook a 90-hole infill and extensional drilling program both within and surrounding the T3 proposed pit boundaries. On 16 July 2018, the Company announced a substantial increase in Total Mineral Resource of 60Mt at 0.98% copper and 14g/t silver and a 44% increase in contained copper with 590kt copper and 27Moz silver at 0.4% Cu cut-off grade (Table 2 and Table 3).

Table 2: T3 Copper Project Revised Indicated Mineral Resources (16 July 2018)

PROJECT AREA	Indicated Resource					
	Cut-off Grade (%)	Tonnage (Mt)	Cu Grade (%)	Ag Grade (g/t)	Contained Cu (kt)	Contained Ag (Moz)
T3 Copper Project	0.4	36.6	1.14	16	417.0	18.6

Table 3: T3 Copper Project Revised Inferred Mineral Resources (16 July 2018)

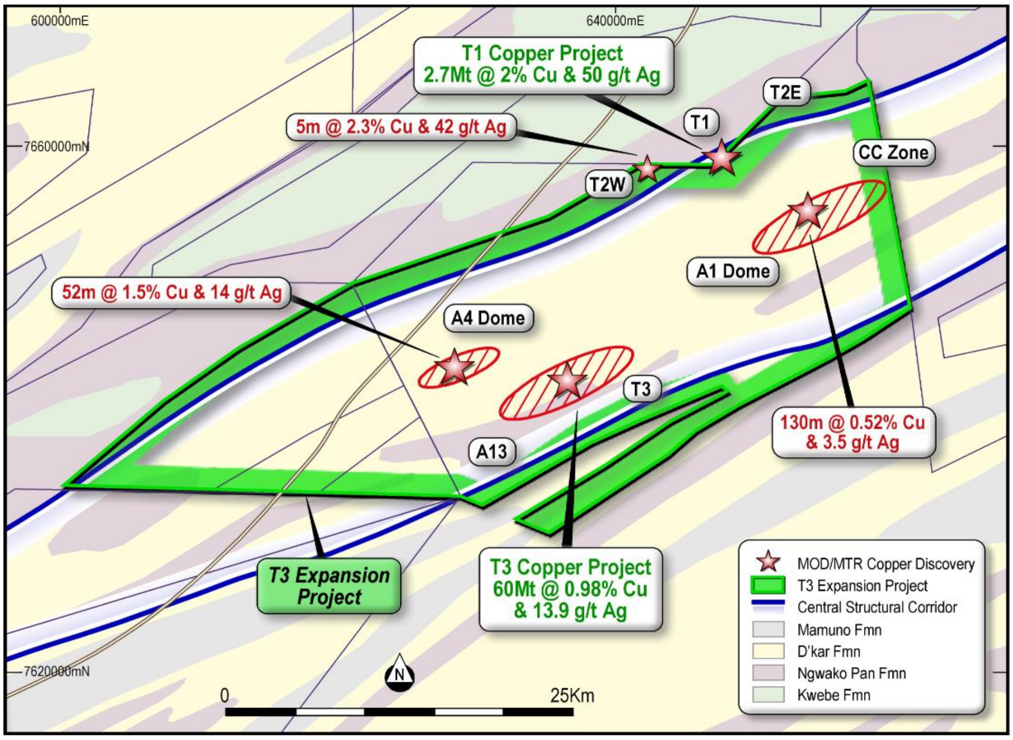
PROJECT AREA	Inferred Resource					
	Cut-off Grade (%)	Tonnage (Mt)	Cu Grade (%)	Ag Grade (g/t)	Contained Cu (kt)	Contained Ag (Moz)
T3 Copper Project	0.4	23.5	0.74	11	173.3	8.3

Following the significant T3 Resource update, the Company reviewed the planned throughout for the T3 process plant, leading to a 20% increase to the T3 PFS plant throughput to 3.0Mtpa while outlining a targeted mine life of more than 10 years.

Construction of Stage 1 of the accommodation village was also completed, with the 40-person village handed over to the Company in late 2018. On 16 October 2018, the Company submitted a Project Brief to the DEA to increase the capacity of the village from 40 up to 400 to accommodate a contractor workforce. The Company expects to submit an Environmental Management Plan ("EMP") to the Department of Environmental Affairs ("DEA") for the accommodation village expansion during the first half of 2019.

On 16 November 2018, the Company announced that it had completed the acquisition for 100% of the T3 Copper Project, acquiring the Metal Tiger 30% interest in the T3 Copper Project via an all scrip transaction. The 100% MOD owned T3 Copper Project is envisioned to be the first Open Pit mine, located within the central part of the T3 Expansion area (Figure 4) and is the subject of a Feasibility Study, expected for completion at the end of the first quarter of 2019, which could lead to a decision to mine, expected by the end of the first half of 2019.

Figure 4: The T3 Expansion Area



During the December quarter of 2018, the Minister for the Department of Mineral Resources, Green Technology and Energy Security renewed 18 key licences for a minimum of two years and transferred these licences to a new exploration company, Tshukudu Exploration. This renewal includes the T3 Copper Project area and provides certainty of title for the T3 Copper Project as well as many prospective exploration targets, including the T20 Exploration Project and the T3 Expansion Project areas.

On 24 December 2018, the Company submitted a draft Environmental and Social Impact Assessment ("ESIA") to the DEA, an important precursor to applying for the T3 Copper Project mining licence. The ESIA is under review by the DEA.

The Company remains on track to complete the T3 Copper Project Feasibility Study by the end of the first quarter of 2019.

T3 Underground Project

In late 2017 and following significant exploration success below, down dip and along strike from the planned T3 open pit, the Company commenced a scoping study to identify conceptual underground mining methods, rates and infrastructure. The underground mining study will be finalized after completion of the T3 Copper Project Feasibility Study, expected by the end of the first quarter of 2019.

REGIONAL EXPLORATION REVIEW

MOD holds a dominant land position within the Kalahari Copper Belt, spanning approximately 11,700km^2, encompassing a number of very prospective priority targets. During 2018, the Company continued to utilise AEM technology, the highly magnetic domes were easily identifiable, which when drilled, were found to contain copper. As a result, the exploration strategy is to continue to utilize this breakthrough AEM technology to identify EM dome structures and drill those domes to identify additional sources of copper mineralization to incrementally prove up the copper-belt opportunity that the Company holds within its licence footprint.

To date, the Company has identified a structural corridor that hosts two styles of copper mineralization – vein hosted and contact hosted mineralization.

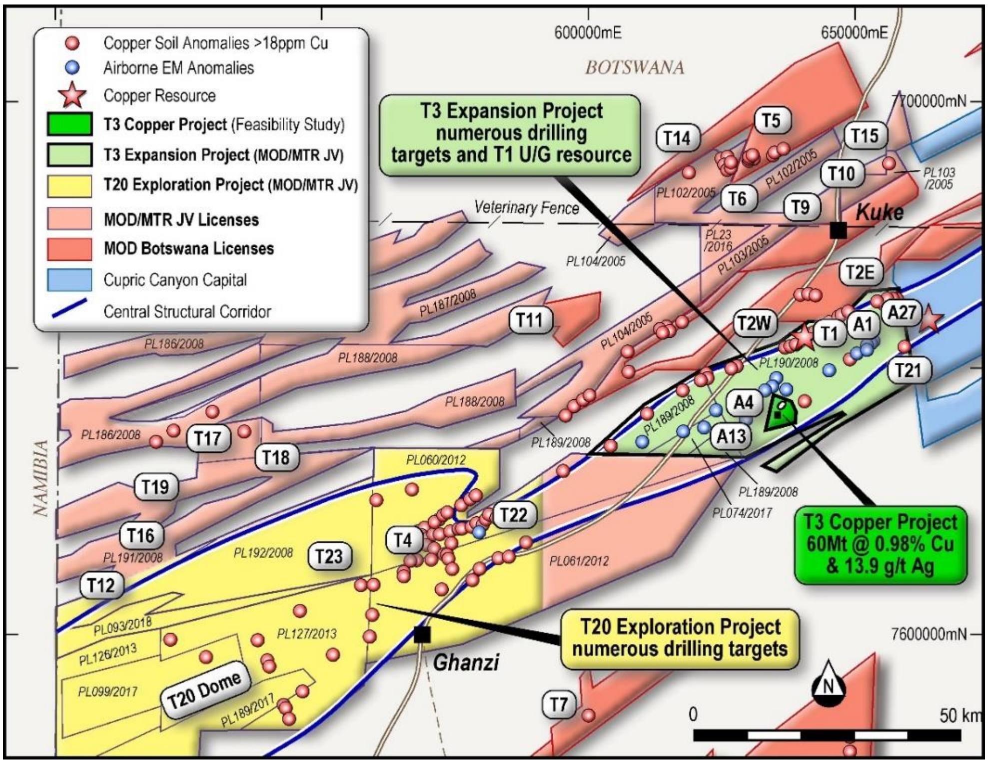
Vein hosted copper mineralization consists of relatively localized and discrete mineralization that has been identified on-top of EM conductive domes, with vein hosted mineralisation the main target within the T3 Open Pit, but also identified on-top of the A4 Dome.

Contact hosted mineralization is interpreted to be copper mineralization that sits at the contact between the Ngwako Pan Formation ("NPF") and the D'kar Formation. This mineralization is interpreted to be present as a 'blanket cover' across a significant area within the structural corridor. Examples of contact mineralization includes NPF mineralization at the A4 Dome and A1 Dome.

2018 exploration activities were focused on EM dome structures for potential high-grade vein mineralization on top of the domes as well as for contact mineralization that is expected throughout the structural corridor.

During 2018, the Company completed exploration activities on selected targets within two, well defined licence areas. The two exploration areas include the T3 Expansion Project and the T20 Exploration Project (Figure 5). Priority targets drilled during 2018 included A4 Dome and A1 Dome, both within the T3 Expansion Project area and the T23 Dome within the T20 Exploration Project area.

Figure 5: MOD Resources Priority Target Areas

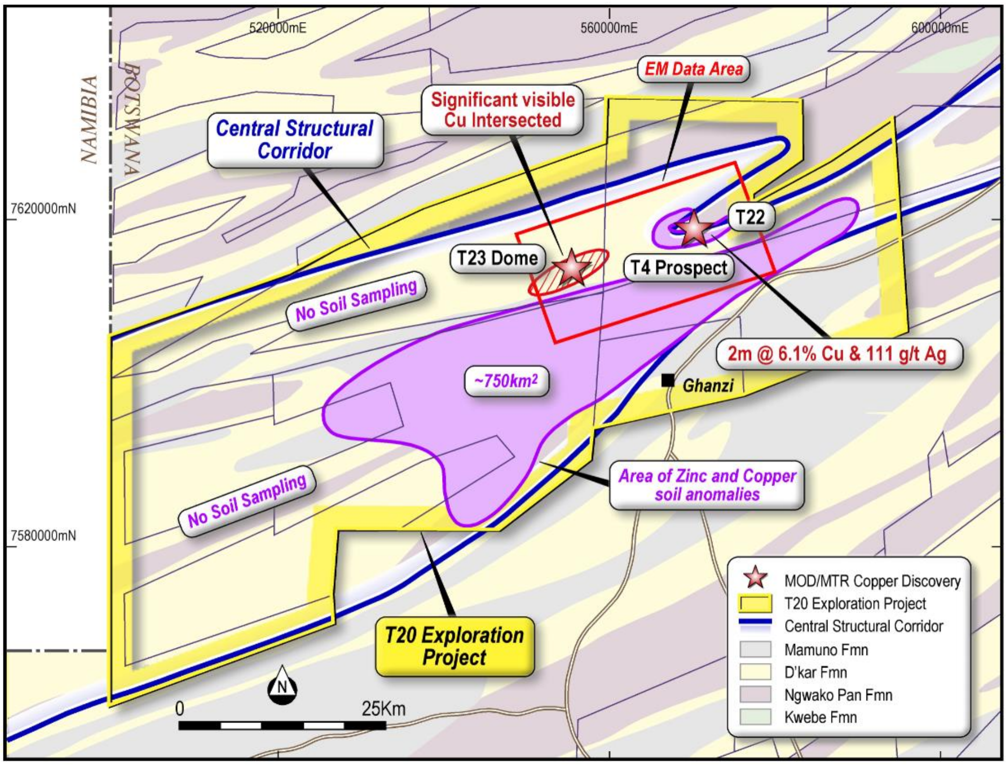


The A4 Dome is located 8 kilometres from the T3 Copper Project, within the T3 Expansion Project area. The A4 Dome is a priority target with only 20 holes drilled, with 1 hole intersecting 52 metres at 1.5% copper and 14g/t silver from 232.2 metres downhole depth – announced 6 August 2018. 18 of the completed holes were successful in identifying both vein hosted and NPF contact mineralization. At the end of 2018, the company commenced a preliminary, conceptual underground mining study, with encouraging preliminary findings.

The A1 Dome is located 22 kilometres to the northeast of the T3 Copper Project, within the T3 Expansion Project Area. The A1 Dome is another priority target with 6 widely spaced holes drilled, intersecting disseminated copper and NPF contact mineralization with 1 drill hole intersecting 52 metres at 0.61% copper from 624 metres and included two individual assays of 3.66% copper and 4.29% copper on the NPF contact from 673 metres down hole – announced 15 November 2018.

The T20 Exploration Area, located approximately 100km west of the T3 Dome and interpreted to occur within the same structural corridor, remains a highly prospective area for exploration activities. More than 80,000 surface soil samples were taken across MOD's significant licence area, identifying multiple copper and zinc soil anomalies with a number displaying similar or higher values to those associated with the original T3 discovery. Copper and zinc anomalies from soil sampling completed to date occur in a ~60km long zone extending from the T20 Dome to the T4 copper prospect (Figure 6). These results were announced on 25 January 2018.

Figure 6: The T20 Exploration Project



T20 Exploration Area is interpreted to be underlain by shallow dipping sediments including the prospective D'Kar Formation and NPF contact. This contact hosts high-grade structurally related copper deposits in the eastern part of the Kalahari Copper Belt. The combined strike length of the zone that hosts the T20 soil anomalies is interpreted to extend ~750km^2.

During 2018, the Company drilled three holes within the T23 Dome, a priority target within the T20 Exploration Area, at 600-metre sections to test the potential of the prospective NPF contact interpreted from EM to occur at shallow depth. Drill results intersected disseminated copper mineralization supporting the potential of the structural corridor to host further copper mineralization. The drilling results from the T23 Dome confirm the effectiveness of the targeting methods being used by MOD to discover new copper occurrences in this largely under-explored copper belt.

MOD's 100%-owned T1 underground project is focused on extending the current Mineral Resource to support the potential development of a small underground mining operation approximately 20km from the T3 Project.

The Mineral Resource for the T1 Deposit includes a 0.5Mt at 1.93% Cu for 10kt contained copper and 48.8g/t Ag for 0.8Moz contained silver in Measured Resource, 1.7Mt at 1.87% Cu for 32.3kt contained copper and 48.0 g/t Ag for 2.7Moz contained silver of Indicated Resource and 0.4Mt at 2.52% Cu for 10.9Kt contained copper and 57.4 g/t Ag for 0.8Moz contained silver Inferred Resource (Table 4 and Table 5).

Table 4: T1 Underground Project Measured and Indicated Mineral Resources (25 March 2015)

JORC Category	T1 (Mahumo) Resource[1]						
	Cut-off Grade (%)	Tonnage (Mt)	Cu Grade (%)	Ag Grade (g/t)	CuEq[2] (%)	Contained Cu (kt)	Contained Ag (Moz)
Measured Resource	1.0	0.5	1.93	48.8	2.37	10.0	0.8
Indicated Resource	1.0	1.7	1.87	48.0	2.30	32.3	2.7

Notes:
1. Tonnes, grade and metal content have been rounded. Rounding may lead to computational discrepancies.
2. The formula used is: CuEq = Cu% + (Ag g/t x 0.009).

Table 5: T1 Underground Project Inferred Mineral Resources (25 March 2015)

JORC Category	T1 (Mahumo) Resource[1]						
	Cut-off Grade (%)	Tonnage (Mt)	Cu Grade (%)	Ag Grade (g/t)	CuEq[2] (%)	Contained Cu (kt)	Contained Ag (Moz)
Inferred Resource	1.0	0.4	2.52	57.4	3.03	10.9	0.8

Notes:
1. Tonnes, grade and metal content have been rounded. Rounding may lead to computational discrepancies.
2. The formula used is: CuEq = Cu% + (Ag g/t x 0.009).

SAMS CREEK GOLD JV, NZ (MOD 80%, OceanaGold Corporation 20%)

On 3 July 2017, MOD Resources Ltd entered into a binding Share Sale Agreement (SSA) to divest its Sams Creek Gold Project to newly incorporated Condamine Resources Ltd (Condamine). The SSA signed with Condamine was mutually terminated in July 2018 and will no longer proceed. The SSA was subject to a number of conditions precedent, which were not fully achieved by Condamine within an acceptable time frame.

The SSA covered the Sams Creek Project, including EP 40338 (MOD 80%) and EP 54454 (MOD 100%). Following the termination of the SSA, OceanaGold Corporation (TSX/ASX: OGC) will continue to hold the remaining 20% in EP 40338 through a joint venture with MOD and the 100% interest in EP 54454 will remain with MOD.

Sams Creek is a substantial undeveloped gold project with an estimated +1 million ounce porphyry hosted gold resource (Table 6 and Table 7) which remains open at depth and along strike, supporting significant additional exploration potential. MOD remains focused on advancing its copper projects in Botswana and is exploring other opportunities to monetise the Sams Creek Gold Project, however no discussions are advanced enough for the Company to reliably hold the Sam's Creek Gold Project as an asset held for sale with a supportable value and as such the asset held for sale has been fully impaired during the current period.

Table 6: Sams Creek Indicated Mineral Resources (9 October 2013)

PROJECT AREA	Indicated Resource			
	Cut-off Grade (%)	Tonnage (Mt)	Au Grade (g/t)	Contained Au (Koz)
Sams Creek	0.7	10.1	1.77	575

Table 7: Sams Creek Inferred Mineral Resources (9 October 2013)

PROJECT AREA	Indicated Resource			
	Cut-off Grade (%)	Tonnage (Mt)	Au Grade (g/t)	Contained Ag (Koz)
Sams Creek	0.7	10.4	1.31	439

SUSTAINABILITY

MOD is a responsible company, with our activities and the way we operate driven by our "Guiding Principles". These guiding principles have been defined with core values at heart and to ensure that everyone that works with, or for MOD, works in a safe, responsible and sustainable manner to generate value for shareholders whilst working collaboratively with our local stakeholders to create positive and enduring social and environmental outcomes.

At the end of 2018, the Company recorded a Lost Time Injury Frequency Rate ("LTIFR") of 1.44 per million hours worked ("LTI"'s). These statistics include both contractors and employees.

Guiding Principles

Employees of MOD Resources and Tshukudu Metals follow the values and principles that include:

- Ensure safety is always the First Priority
- Maintain highest environmental standards for all exploration and operational activities
- Employment to be sourced from within Botswana and locally from Ghanzi District, where possible
- Provide training programs for all employees to support them in their work
- Specialist advisors from overseas to provide technical support and help upskill
- Support sustainable local businesses in Ghanzi District whenever possible and look to support the creation of new local business opportunities
- Encourage and fund collaborative studies and graduate programs at Botswana universities
- Build and maintain relationships based on transparency and open communication with local government and the communities in which we operate
- Zero tolerance for any activities that may lead to illegal or corrupt outcomes

The health and safety of contractors and employees is MOD's highest priority and the Company is striving to ensure that it creates a workplace that is free from serious injuries so that all employees and contractors return home from work, safely, each day. As the Company continues to evolve and progresses towards a decision to mine, the health and safety practices and procedures must also evolve, and through the development of a culture that proactively identifies and mitigates risk, holding a mindset of continuous safety improvement, MOD and Tshukudu aims to create a safe working environment for everyone.

During the year, in order to raise awareness of all aspects of health, safety and the environment, there were over 70 toolbox talks held on site, involving all employees and contractors, covering topics that include:

- Wildlife interaction;
- Natural disaster management;
- Working at heights;
- Personal hygiene;
- Spillage controls;
- Emergency response plans;
- General housekeeping.

During the year, the Company finalised the T3 Copper Project ESIA, developed in accordance with international requirements and best practice and submitted to the DEA on 24 December 2018. Before that the DEA and the Company agreed the terms and the scope of reference of the ESIA in August 2018.

MOD recognises the importance of ethical conduct, human rights and the Group's impact on the environment. The Company is committed to adhering to internationally recognised and accepted standards and responsible business conduct such as the UN Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals, the International Finance Corporation ("IFC") Performance Standards and OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

To date, the Group's activities in Botswana have been limited to activities such as exploration, project assessment and stakeholder meetings, and proportionate procedures have been adopted as outlined in this document. The Group has strict policies which will be further developed as the T3 Copper Project moves into project execution phase. MOD is not currently aware of any environmental or cultural issues that may materially impact the progress of the T3 Project through to its final execution and delivery.

Pre-feasibility level studies were carried out by LOCI Environmental (with assistance from Karunya Consulting, an independent environmental and social consultant) to advance the environmental and social permitting requirements of the T3 Project. In order to bring the T3 Project into production an ESIA was undertaken in line with Botswana's policy and legislative framework, international requirements and best practice.

The studies completed during the PFS included the following:

- Baseline flora and fauna surveys (wet and dry season)
- Archaeological impact assessment
- Stakeholder engagement planning and policy
- Stakeholder meetings

The following highlights some key actions that have been completed as part of the ESIA:

- Environmental scoping and Terms of Reference document has been approved by the DEA in the third quarter of 2018
- Stakeholder engagement meetings initiated and on-going
- Reports completed for climate analysis, air quality, acoustics, cultural heritage, traffic, bio-diversity and camera trap
- Water bore drilling and pump testing underway for dewatering bores and production bores
- Mine closure plan for ESIA was developed

In a further step to proactively demonstrate MOD's commitment to being a responsible and sustainable company, a Community Relations office was established in a local shopping centre in Ghanzi, providing community members with a focal point to connect with the Company to discuss development plans, register for potential employment, access information on procurement opportunities and discuss opportunities for local content. At the end of 2018, there were two full time Community Relations employees, increasing to three in early 2019. As the T3 Copper Project develops and the Group's activities in country increase, the Company will continue to evaluate the appropriateness and effectiveness of its policies and procedures.

Additionally, during the June quarter of 2018, the Company implemented a formal system for community sponsorship and support and allocated a fixed percentage of the annual exploration expenditure for community projects. A Community Liaison Committee ("CLC") made up of Tshukudu employees, was formed to assess requests for community support through its sponsorships and donations programme towards socio-economic development and environmental and conservation initiatives in the Ghanzi District. Specific support was given to the key areas of education, health and wellness as well as biodiversity and wildlife conservation in-line with national legislation as well as the global sustainable development agenda.

One key issue identified as offering an opportunity to positively impact a broad cross-section of the population is the promotion of education and the provision of educational services to children in remote districts such as Ghanzi. As a result, 75% of projects supported in 2018 were related to the provision of education and educational services contributing to children's learning outcomes through Early Childhood, Primary and Secondary levels of schooling.

Below (Table 8) presents some of the projects that were supported, forming some of the highlights of 2018.

Table 8: 2018 MOD Resources Supported Community and Environmental Initiatives

2018 PROJECT	FOCUS AREA	HIGHLIGHTS
International Vultures Awareness Day	**Wildlife/Conservation:** Recognising vultures as vulnerable and endangered, this initiative carries out research; facilitates conservation education and manages a vulture restaurant for their feeding and nesting.	• The awareness and education programme reached a significant number of schools in the Ghanzi District and beyond. • Number of tourists/visitors to the vulture restaurant were reported to have increased. • Anecdotal information is that the knowledge, attitudes and practices towards this threatened vulture species is improving with more children learning about them and also playing an advocacy role.
Ghanzi Senior Secondary School	**Education:** The only senior secondary school in the Ghanzi area catering for all children entering senior school.	• This school showed a marked improvement in its results of the 2018 intake compared to the previous year. • Donations were provided to top performing students to enhance and promote academic performance.
20km Health Walk	**Health & Wellness:** Participants included Government departments; Tshukudu employees and members of the community	• To raise awareness of the importance that an active lifestyle provides for personal health and wellness • Over 100 people from the Ghanzi community participated. • The event also promoted a spirit of friendship and co-operation between and across stakeholders in the community, public, private sector and NGO/CBO sector of the Ghanzi Township. • Observations made after this historic health walk included a noticeable increase in the number of people exercising along the roads after working hours.
Grootlaagte Primary School	**Education:** The only Primary school in the village catering for pre-primary school. The school envisioned enhancing learning and improving educational outcomes and results.	• Improved learning outcomes/results reported by the school in 2018
D' Kar Children's Home And Pre-Primary School	**Education:** A special school catering to vulnerable children with a mission of contributing to enrolment, retention and completion of schooling.	• Provision of irrigation materials towards the school vegetable garden. • A major highlight in this project is the potential contribution of the vegetable garden to the long-term sustainability of the school – food self-sufficiency
Windows Of Hope	**Education:** An initiative catering for disadvantaged, vulnerable children	• The educational materials donated for the first time offered opportunities for visualisation in the participatory training and learning of the children.

Subsequent to the end of the year, the Company donated a number of books to the Ghanzi District Library, receiving a Certificate of Appreciation for determined efforts for giving back to the community.

On 20 February 2019, the Company was awarded the Craig Oliver Award at the 2019 RIU Explorers Conference. This award is presented to the Australian small to mid-cap "all-rounder" who displays excellence across a number of areas including exploration, corporate, as well as community and environmental performance.

On 7 March 2019, MOD Resources Non-Executive Director, Bronwyn Barnes was inducted to the WA Women's Hall of Fame, recognising and celebrating her contribution to the resources sector over 20 years.

People And Culture

MOD recognises the importance of its people in building a strong and successful organisation, particularly in developing a new operation.

To achieve this, MOD has focussed on developing the right culture across the organisation, which is strongly based on a Mission Statement and through our "Guiding Principles". A strong and defined set of guiding principles and a consistent strategy has enabled MOD and Tshukudu to build a very successful team who are achieving excellence and of whom we are very proud. Their success to date in proving our resources has largely been due to their positive attitude and strong belief in what we are trying to achieve in Botswana for our employees and the Botswana people in general.

Supporting this culture is a strong team of leaders who understand the importance of positive engagement and development. MOD continue to focus on recruiting talent from within Botswana who have strong mining and exploration expertise to lead our teams.

High performance and open communication are strong aspects of our culture and we have been instilling this in our teams in Perth and Botswana with regular discussions to ensure our team know what is expected of them, both operationally and behaviourally, and are recognised for their good work.

MOD has also focussed on development of skills, both technical and safety related, with a number of development programs having been rolled out to the exploration team. Further development programs are being planned to lift the skills and expertise of our current and future team members. Central to this is our Capability and Training Strategy, which is designed to embed a culture of building strong internal capability across the organisation.

As part of this strategy MOD is developing capability standards across the following key areas:

- Safety, including Safety Leadership;
- Leadership and Management;
- Engineering;
- Professional and Technical Support; and
- Trade/Artisan.

These standards guide the recruitment strategy to ensure a strong focus on sourcing talent from across Botswana for all levels of its workforce. This strategy targets skilled mining talent for the leadership, technical, trades/artisan and operational roles from established mining regions. In addition to this, the Company will work specifically with the local community in the Ghanzi region to source local labour for as many internal and contract positions as possible.

The Capability and Training Strategy also sets out the processes, systems and programs that deliver high quality and cost-effective training outcomes that ensure the company has a highly competent and skilled leadership group and workforce. This will include specialist programs including:

- Management and leadership coaching for all levels of line management;
- Specialist safety training for leaders and teams;
- Australian mining skills exposure through site visits and possible cadetships; and
- Specialist artisan and operator training

These programs will utilise expert trainers and will grow to include the latest training processes and systems, with the intention of building a comprehensive set of training programs across all levels of the organisation.

Employee Engagement

MOD recognises its employees as one of its most valuable resources. Employee Engagement Surveys have become a regular feature of the business to ensure that employees are effectively engaged, motivated and productive. Results of the 2018 Employee Engagement Survey will feed into discussions for improvement opportunities to be undertaken in 2019.

Local Procurement

Another way in which MOD looks to promote economic growth of Ghanzi, is through a commitment to support local businesses through local procurement. During 2018, MOD was supported by a number of local businesses who supplied goods and services including accommodation, hardware, engineering, furniture, stationary, motor spares and repairs. MOD expects that as the Company continues to grow, that its commitment to local procurement will also continue to grow.

Citizen And Local Employment

A guiding principle held by MOD is the commitment to source employment from Botswana and locally from Ghanzi. In 2018, 100% of the employees of Tshukudu were local Botswana citizens. Additionally, all casual labour was also sourced from the local communities. At the beginning of 2018, Tshukudu employed 40 staff growing to a total of 58 employees by the end of the year.

CORPORATE

2018 was a year underpinned by corporate activity to facilitate the growth of the Company and position it to be able to continue towards finalizing the T3 Copper Project FS and make a decision to mine in 2019.

Share Consolidation

On 30 May 2018, shareholders approved the consolidation of the Company's shares through the conversion of every 10 shares into one share. All options and performance rights were reorganised on the same basis. The Company now has a more appropriate, effective capital structure and a share price more appealing to a wider range of investors.

Acquisition of Metal Tiger's 30% stake in T3 Copper Project

On 18 July 2018, MOD announced it had signed binding agreements with MTR, to consolidate 100% of the T3 Project and acquire the rights to purchase, at MOD's election, MTR's 30% interest in all other JV assets up to three years from completion (Transaction). The Transaction is approximately 14% accretive on a fully diluted basis for MOD shareholders in terms of per share ownership of the T3 Project and is subject to shareholder approval.

One of the key benefits of simplifying the ownership structure is enabling the accelerated financing and development of the T3 Project. It will also enable the JV to maintain the current high level of exploration activity and gives MOD the flexibility to create additional shareholder value through the rights to acquire the remaining JV assets.

The T3 Project area consists of the T3 Open Pit Project, T3 Underground Project and the proposed processing plant and associated infrastructure.

Consideration for the transaction comprised of:

- 17.2m ordinary MOD shares which, including MTR's current holding in MOD, resulted in MTR's shareholding in MOD increasing to 12.5% when the transaction was completed
- ~40.6m zero exercise price options convertible to ordinary MOD shares within 3 years, provided that such conversion will not result in MTR's shareholding in MOD increasing to more than 12.5% (post conversion)

Significant restrictions apply to MTR including a 12-month escrow on all shares issued to MTR as consideration pursuant to the Transaction or issued as a result of the conversion of Options.

Other key terms include:

- Options have no voting or dividend rights until they are converted into ordinary shares;
- MTR will have a right to nominate a board representative provided MTR holds at least 10% of MOD's issued share capital (including unconverted Options); and
- MTR has agreed to support all MOD Board recommendations put to shareholders, including in respect of change of control transactions.

Importantly, MOD shareholders will receive additional value through several rights, exercisable at MOD's election through any combination of cash or scrip, which provide MOD flexibility to acquire:

- 100% of any JV Exploration Asset that progresses to a completed scoping study level within 3 years from completion of the Transaction; and
- MTR's 30% interest in remaining JV Exploration Assets 3 years after completion of the Transaction, or alternatively, following an announcement of a change of control transaction recommended by the MOD Board.

As announced on 16 November 2018, the Company successfully completed the acquisition of MTR's 30% interest in the T3 Copper Project and now holds 100% ownership of the T3 Copper Project providing the Company with significant operational flexibility in the lead up to the decision to mine at the T3 Copper Project. Additionally, the Company welcomes Mr Michael McNeilly to the Board of Directors as a Non-Executive Director and as a nominee of MTR.

Mr McNeilly is an experienced corporate financier having advised several private, Main Market listed, AIM quoted and ISDX listed companies on a variety of transactions. Mr McNeilly and his experience and understanding of the markets in the United Kingdom and throughout Europe will be a valuable addition to the Board of Directors.

UK Listing

In early August 2018 MOD announced it had commenced the process to seek a dual listing of the Company's shares on the Standard Segment of the Main Market of the London Stock Exchange (LSE). MOD will retain its existing ASX listing as the Company's primary listing and is not intending to raise equity capital at the time of the LSE Listing.

The Company commenced trading on the Standard Segment of the Main Market of the LSE at 8am BST on Monday, 26 November 2018 under the ticker code "MOD".

The ASX will remain as MOD's primary listing. It is an important market and strategic focus for the Company, however due to the significant size of the retail and institutional investor base in the United Kingdom and Europe, the robust liquidity and perceivably a stronger investor appetite for junior mining companies with African exposure, a secondary listing on the LSE is pertinent during this period of rapid growth and activity. The secondary listing on the LSE is expected to continue to enhance the Company's international reputation while improving access to the significant base of retail and institutional investors in the UK and throughout Europe.

Capital Raising

On 6 March 2018 MOD announced a capital raising of $18m through an oversubscribed share placement and fully underwritten rights issue. The share placement raised $12m before costs in an oversubscribed issue of 255.3 million shares at an issue price of $0.047. The Placement was followed in early April by a fully underwritten rights issue that raised $6.3m, before costs (refer announcements 5 and 10 April 2018). The Placement and Rights Issue strengthened the Company's share register with further institutional support from Australia, Singapore and Hong Kong. The majority of the funds raised were applied to the major expansion of exploration activities along the T3 Dome, T20 Dome and across the Company's wider regional holdings.

Additionally, and subsequent to the end of 2018, the Company announced an equity raise of $10 million through placement of 33.3 million shares to institutional and sophisticated investors at $0.30 per share. Following the Placement, a fully underwritten Rights Issue, priced at $0.24 per share was offered to existing shareholders, on the basis of 1 new share per 13 held to raise up to $5.2 million from approximately 21.7 million shares.

The funds raised from the Placement and Rights Issue will be used for;

- Completion of purchase of the farm on which T3 Open Pit is located and construction of initial project infrastructure;
- Infill drilling to upgrade a part of the early stages of T3 production to a JORC compliant Measured Resource;
- Conceptual underground mining studies for the T3 Expansion Project and A4 Dome with resource drilling as appropriate;
- Conducting follow-up drilling of initial, shallow copper and silver intersections at the T4 - T23 Dome; and
- Initial shallow drilling of selected targets within the extensive T20 soil anomaly.

In addition, the Company has also advanced discussions with a number of substantial global parties who have provided the Board with confidence in the availability of funding options to progress the T3 Copper Project.

Sandfire Indicative Proposal

On 16 January 2019, the Company received an unsolicited, non-binding, indicative and conditional proposal from Sandfire Resources NL (ASX:SFR) ("**Sandfire**") to acquire 100% of the securities in MOD, following a period of technical due diligence by Sandfire with respect to a potential joint venture arrangement, sale of a partial interest in T3 Project and a market placement to support development of the T3 Project.

The proposal comprised a full scrip consideration equivalent to $0.38 per Ordinary Share, valuing the Company's equity, on a fully diluted basis, at $113 million (as at the close of ASX on 15 January 2019, being the day immediately prior to receipt of the Indicative Proposal).

As announced on 21 January 2019, the Board believed that the Indicative Proposal undervalued the assets of MOD. The Board remains fully committed to act in the best interests of, and to maximise value for Shareholders. MOD has not received any offer capable of acceptance by the Company's shareholders and no certainty that the Indicative Proposal will result in a transaction.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year, other than as described in the Review of Operations.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 25 March 2019, the Company announced an updated T3 Ore Reserve. The updated Ore Reserve has increased by 61% to a total of 34.4Mt @ 1.0% Cu for 342.7kt of copper and 14.6Moz of silver.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As outlined in the Review of Operations and Significant Events After the Reporting Date sections of the Directors' Report, the Directors consider the following as a summary of the likely developments and expected results for the next 12 months;

Botswana Copper/Silver Project

The Board considers the Company is well positioned to progress the T3 Copper Project to a decision to mine and benefit from the regional exploration upside of the Company's significant licence holding in the Kalahari Copper Belt.

Immediate priorities include;

- Complete the T3 Copper Project Feasibility Study and consider a decision to mine;
- Complete an infill drilling program of the initial stages of the T3 Copper Project to upgrade the early stage production to JORC compliant Measured category;
- Finalize the application for the T3 Mining Licence, targeted for approval by the end of the first half of 2019;
- Complete the funding package for the T3 Copper Project;
- Explore for major regional discovery outside T3 Project Area;
- Evaluate the potential T3 underground mine; and
- Build local employment, community and government relationships.

Corporate

The Board intends to continue operating at a level of expenditure designed to ensure that there are at all times sufficient funds on hand to continue operations for the foreseeable future, whilst at the same time progressing the exploration and potential development of its mineral exploration projects in an effective manner and will consider capital raising opportunities to fund future exploration and development programs.

DIVIDENDS

In respect of the financial year ended 31 December 2018, no dividends were declared and paid (2017: Nil).

OPTIONS

On 31 January 2018 and subsequent to the end of 2018, the Company issued 9,045,000 Options under the Employee Incentive Plan set out as follows:

- 3,015,000 unlisted options expiring 30 January 2023 with an exercise price of $0.457, vesting 12 months from date of issue and subject to a restriction period to 30 January 2022
- 3,015,000 unlisted options expiring 30 January 2023 with an exercise price of $0.707, vesting 24 months from date of issue and subject to a restriction period to 30 January 2022
- 3,015,000 unlisted options expiring 30 January 2023 with an exercise price of $0.907, vesting 36 months from date of issue.

The Options granted under the Employee Incentive Plan are subject to a cashless exercise facility whereby the exercise price of the Options may be set off against the value of the Ordinary Shares that the Option holder is entitled to receive such that the Option holder receives Ordinary Shares equal in value to the difference between the exercise price of the options and the market value of the Ordinary Shares.

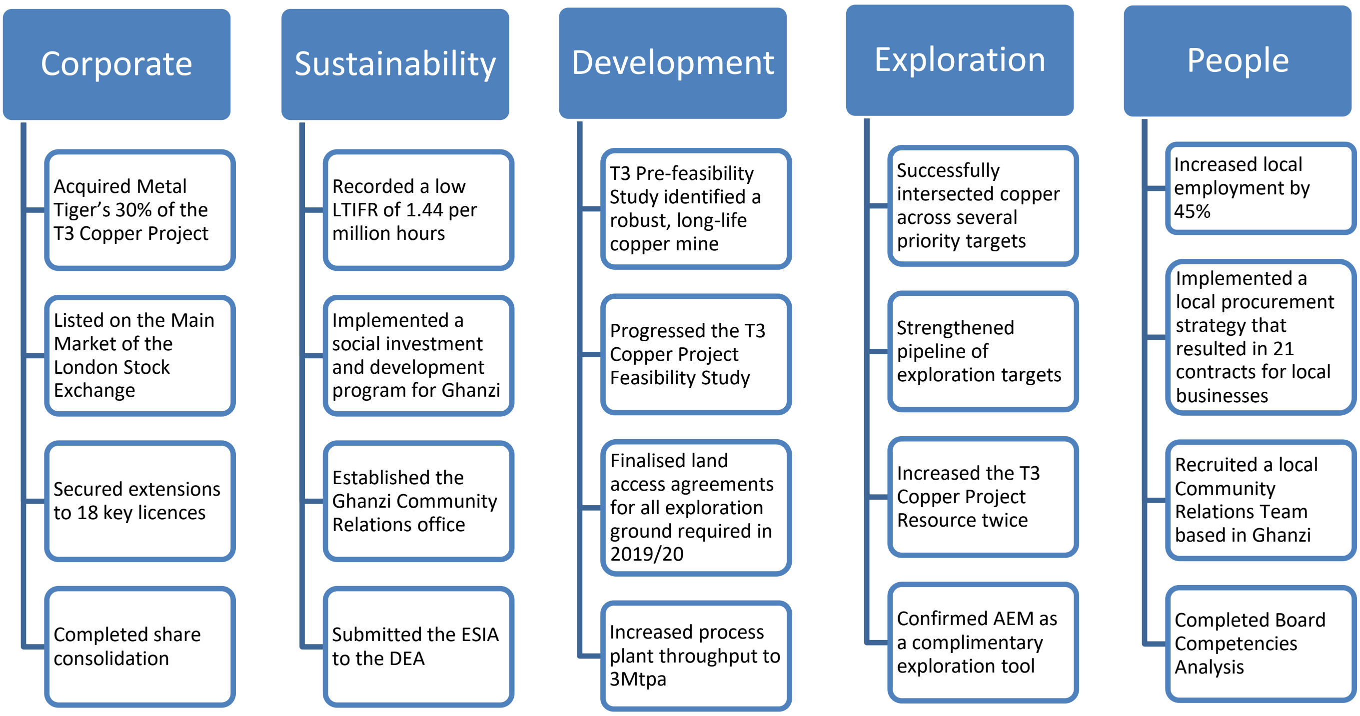
REMUNERATION REPORT (AUDITED)

Remuneration strategy review and benchmarking

Following a period of significant activity and growth, MOD recognises that success cannot be achieved without having a Company built on strong fundamentals, driven by a group of high achieving employees who are committed to the Corporate vision, and most importantly supported by a continuous social licence to operate.

As MOD continues to grow towards a resource producer, the Board has sought to ensure that the remuneration strategy for the Executive team and employees are aligned with shareholder expectations and reflect the Company's strategy. Although 2018 was a year characterised by a macro-economic environment that exerted downward pressure on commodity prices and in turn resource company share price values, particularly exacerbated within the junior end of the market, MOD continued to deliver positive business outcomes within our five strategic pillars of Corporate, Sustainability, Development, Exploration and People.

Some examples of how your Board and Management achieved significant success within these pillars is demonstrated by the following:



Whilst the Executive delivered against many significant milestones which were rewarded through the Short Term Incentive programme, the Board understands shareholder frustration with the share price performance during the year. It is for this reason that the Remuneration Committee deemed it appropriate that Long Term Incentives for Executive Directors were not available for exercise or vesting in the 2018 year.

While we cannot control a large number of external forces, we have been focused on delivering excellence within the areas that we can control. One area that we are very pleased with, is the safety performance of 2018. We believe that one serious workplace injury is too many, however in 2018, we recorded a Total Recordable Injury Frequency Rate ("LTIFR") of 1.44 per million hours worked, a significant improvement on the 2017 LTIFR of 2.8 and significantly better than the industry average of 2.0 per million hours worked[1].

[1] Western Australian mining and exploration companies during the Financial Year of 2018, according to the Department of Mines, Industry Regulation and Safety.

As MOD looks to the future, we aim to continue to grow and mature towards becoming a resource producer and employer of choice. In order to attract and retain the right people for the right roles, the Board has sought to ensure that the remuneration strategy for the Executive team and broader staff base are progressive and consistent with the company objectives and shareholder values. Substantial work was undertaken in 2018 to refine remuneration principles to align with business needs and market practice and implement a clear and consistent remuneration approach for the Company that could grow as development activities increased.

During the year, the Remuneration Committee approved the engagement of The Reward Practice as Remuneration Consultants to assist with various remuneration matters including independent benchmarking of remuneration for key management personnel (KMP) and senior management.

The Company has taken the important step of implementing new short-term and long-term incentive schemes for the KMP and senior management in 2018 to drive stronger alignment of the Company objectives to remuneration outcomes.

Details regarding the changes to the remuneration framework for Executives and Non-Executive Directors are outlined in this report.

Remuneration Outcomes

Details of the remuneration outcomes for 2018 are summarised below.

Executive fixed remuneration

- Fixed remuneration remains unchanged in 2018 for the Managing Director and other Executive Directors with the exception that the Technical Director's remuneration increased 19.27% in line with his increased hours.

- For the other KMP, the Chief Financial Officer's fixed remuneration was increased by 12% based on independent benchmarking analysis and an assessment of skills, responsibilities and knowledge in performing the Chief Financial Officer role.

Executive incentives

- Short term incentive (STI): The STI was focussed on the achievement of a number of strategic Company objectives aligned with the Company's five strategic pillars of Corporate, Sustainability, Development, Exploration and People.

  Based on the achievement of the key short-term performance measures, Executives were awarded an average of 89% of their STI opportunity.

  One of the Development KPI's includes the finalisation of the T3 Feasibility Study, which was targeted for 31 March 2019. Hence, that STI objective has been held over until the conclusion of the study and will be awarded as a deferred outcome if achieved. The Managing Director, Executive Chairman and Chief Financial Officer have 20% of Target Pool still available in relation to this objective, and 25% for the Technical Director.

  In 2018, the STI plan was modified with the election for 50% settlement in MOD shares to enhance KMP equity position and alignment with shareholders.

- Long term incentive (LTI): No LTI grants from prior years vested or were exercised in 2018 due to share price and market capitalisation hurdles not being met.

Non-Executive Director (NED) Remuneration

No changes were made to NED fees in 2018 based on independent benchmarking analysis, ensuring alignment of fees with the median (P50) for NED base fees in the comparator group of companies with similar market capitalisation.

Remuneration in 2019

The remuneration strategy set out in this report and applied in 2018 will continue including future granted LTIs having a three-year vesting period in line with the Company's revised strategy.

The Company is entering an important phase and we believe that the remuneration framework is appropriate based on the Company's development and growth profile and to drive and deliver the outcomes desired by all shareholders.

This Remuneration Report for the year ended 31 December 2018 outlines the remuneration arrangements of the Company and is in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act. The Remuneration Report is presented under the following sections:

1. Introduction
2. Response to "No Vote"
3. Remuneration governance
4. Executive remuneration arrangements
    A. Remuneration principles and strategy
    B. Approach to setting remuneration
    C. Detail of incentive plans
5. Executive contracts
6. Non-Executive Director remuneration arrangements
7. Additional disclosures relating to options and shares
8. Loans to key management personnel and their related parties
9. Other transactions and balances with key management personnel and their related parties

1. Introduction

The Remuneration Report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Company, directly or indirectly, including any director (whether Executive or otherwise) of the Parent. For the purposes of this report, the term "Executive" includes the Managing Director (MD), Executive Directors and other senior Executives of the Company.

The following persons acted as Directors or Executives during or since the end of the financial year:

Role	Appointment Dates
Non-Executive Directors (NEDs)	
Mr Simon Lee AO	13 January 1997
Ms Bronwyn Barnes	18 September 2017
Mr Michael McNeilly	15 November 2018
Executive Directors	
Mr Julian Hanna – Managing Director	22 January 2013
Mr Mark Clements – Chairman and Company Secretary	15 March 2006
Mr Steve McGhee – Technical Director	30 April 2014
Other Executives	
Mr Stef Weber – Chief Financial Officer	3 May 2017
Mr Jacques Janse van Rensburg – Manager Business Development	1 December 2011

2. Response to "No-vote"

At the 2017 Annual General Meeting (2017 AGM) held on 30 May 2018, 64.19% of the votes cast voted in favour of the adoption of the 2017 Remuneration Report. The 35.81% of votes against the Remuneration Report were cast by 12 of the Company's 2,700 shareholders (0.4%), representing approximately 10.6% of the Company's share register.

By virtue of the fact that more than 25% of shareholders voted against the adoption, the Company incurred a 'first strike' pursuant to section 250R of the Act. The Company recognises that the alignment between Executive remuneration, market practice and shareholder views was not clearly outlined in the 2017 Remuneration Report. As a result, the Company took positive steps to engage with all key stakeholders and included meeting with shareholders, liaising with proxy advisors and engaging The Reward Practice for external remuneration advice and support. The Company used this consultation process to fully understand the views of stakeholders and has sought to incorporate those views into the development of its Remuneration Strategy for 2018. Full details of the changes implemented as a consequence of the 2017 vote are outlined in this report.

The table below provides further information on remuneration matters raised by proxy shareholder groups and the subsequent response:

Issue	Company Response
► Increase to Managing Director fixed remuneration in FY 2017.	► The increased fixed remuneration was based on benchmarking of the role to align with the median (P50) for MDs in the comparator group. The fixed remuneration is considered conservative when taking into account Mr Hanna's years of relevant experience, responsibilities in creating a substantial mining entity and recognition in the change in business and remuneration framework from a cash constrained explorer to a more mature and progressive resources company.
► Company did not disclose specific STI targets, weightings and outcomes relating to organisational performance.	► The Company recognises the need for enhanced disclosure regarding STI payment and metrics including alignment with short term company imperatives/milestones. This increased disclosure is reflected in this report.
► LTI vesting period too short – Options vest in tranches over 3 years.	► A holding lock has been introduced for 2018 approved Options to ensure shares are not able to be traded until three years from the time of Options grant. A resolution has been made to ensure future LTI grants have a vesting period of not less than three years to adequately align the performance period with the incentive available.
► LTI metric based on market capitalisation.	► The Board has resolved to no longer make LTI grants under the Performance Rights plan where Market Capitalisation was the sole performance hurdle.
► Change of control provisions are overly generous and provide for automatic vesting regardless of vesting conditions being satisfied.	► Modification to change of control provisions such that unvested LTI awards vest on a pro-rata basis in relation to the time lapsed and the satisfaction of performance hurdles.
► Dilution impact of implementing a second plan.	► The Board has resolved to make grants under only one plan in any given performance year.
► NED participation in LTI plan - including grant of equity instruments.	► The Board has resolved that eligibility in the long-term incentive plan will exclude Non-Executive Directors. Any minimum shareholding requirements will be satisfied by share purchase/fee sacrifice arrangements.

3. Remuneration governance

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, Senior Executives and Directors themselves. The Remuneration Committee's role also includes responsibility for incentive structures, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies.

The members of this Committee for most of the year were Non-Executive Directors, Mr Lee AO and Ms Barnes. Upon his appointment as a director on 16 November 2018 Mr Michael McNeilly joined this committee. The Company has actively sought to appoint an additional independent director to the Board in 2018 and a skills matrix has been developed that provides guidance on capabilities and experience required for all directors. The Remuneration Committee met once during the year to approve the FY18 short term and long term incentives.

A sub-committee of Ms Barnes, Mr Clements and representatives from the Company's independent HR consultant were tasked with addressing the remuneration matters raised by proxy shareholder groups as outlined in section 2 of this report. This involved weekly internal meetings and in the case of Ms Barnes and Mr Clements, face to face meetings with proxy advisors and ESG teams of major investors.

Further information on the Remuneration Committee's role, responsibilities and membership can be seen at http://www.modresources.com.au.

Use of remuneration consultants

To ensure the Remuneration Committee is fully informed when making remuneration decisions, it seeks external remuneration advice. Remuneration consultants are engaged by, and report directly to, the Committee. In selecting remuneration consultants, the Committee considers potential conflicts of interest and requires independence from the Company's key management personnel and other Executives as part of their terms of engagement.

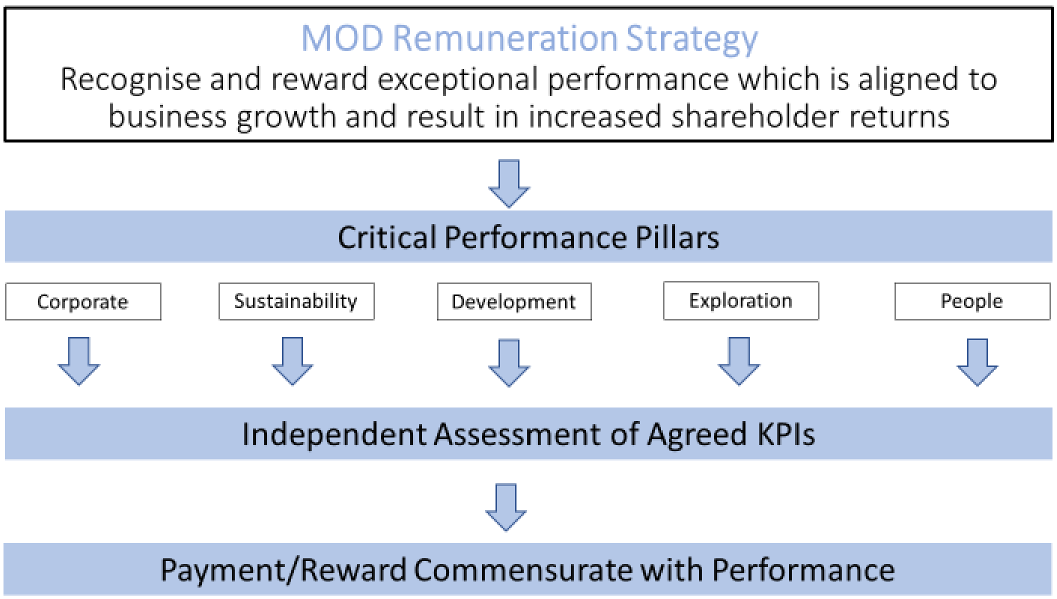
During 2018, the Company engaged The Reward Practice to support remuneration related decisions.

4. Executive remuneration arrangements and principles

4A: Remuneration principles and strategy

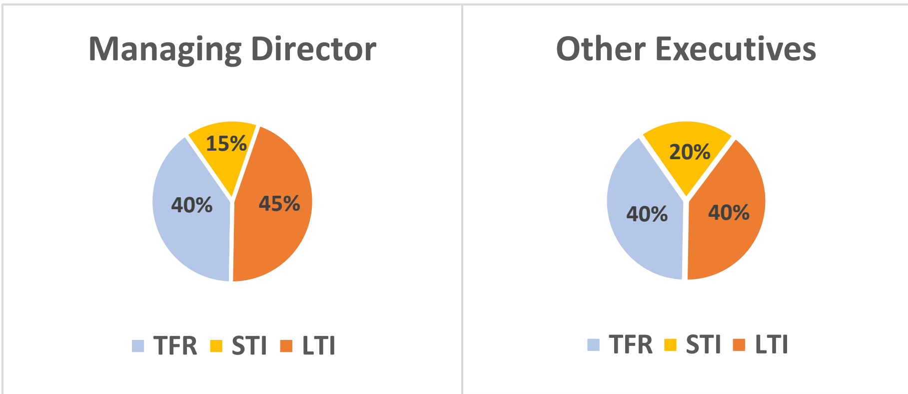
MOD Resources Limited's Executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of Executives and shareholders.

The following diagram illustrates how the Company's remuneration strategy aligns with the strategic direction and links remuneration outcomes to performance.



4B. Approach to setting remuneration

In FY2018, the Executive remuneration framework consisted of fixed remuneration and short and long-term incentives as outlined in the table below.

Overall remuneration level and mix	
How is overall remuneration and mix determined?	Remuneration levels are considered annually through a review that considers comparative market data, the performance of the Company and individual, and the broader economic environment. The Company aims to reward Executives with a level and mix (proportion of fixed, short term incentives and long-term incentives) of remuneration appropriate to their position, responsibilities and performance within the Company and that which is aligned with targeted market comparators. Comparative companies are based on the following: ▪ Industry peers with similar market capitalisation ▪ Resource companies with African assets and comparable market capitalisation ▪ Other industry companies with which MOD competes for talent In 2018 remuneration benchmarking was undertaken with reference to industry peers with a comparative market capitalisation. The Company's policy is to position fixed remuneration around the median of direct industry peers while total reward opportunities (fixed plus variable) are intended to provide top quartile outcomes for outstanding performance (Company and individual) against the stretch targets set. The chart below summarises the MD's and other executives' target remuneration mix for total fixed remuneration (TFR), short term incentives (STI) and long-term incentives (LTI). The target mix is considered appropriate for MOD based on the Company's current phase of growth. 
Fixed remuneration	
What is included in total fixed remuneration (TFR)?	TFR includes base salary and superannuation contributions.
How is fixed remuneration reviewed and approved?	TFR is reviewed annually, based on benchmarked remuneration data. TFR changes for Executives are subject to approval from the Board based on recommendations from the Remuneration Committee.
Short Term Incentive	
What is the STI plan?	The Company operates an annual STI program that is available to Executives and awards a cash bonus subject to the attainment of clearly defined Company and business unit measures. Actual STI payments awarded to each Executive depend on the extent to which performance criteria set at the beginning of the financial year are met.
What are the performance criteria and how do they align with business performance?	The performance criteria consist of a number of key performance indicators (KPIs) covering financial and non-financial, corporate and business unit measures of performance which are focussed on the following key performance drivers for the business:

	► Corporate ► Sustainability ► Development ► Exploration ► People Within each category, measures are chosen which represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value.
What is the value of the STI award opportunity?	The MD and Executives have a target STI opportunity of 40% of fixed remuneration, with a maximum opportunity (if all the stretch targets are met) of 60% of fixed remuneration.
How are STI payouts determined?	On an annual basis, after consideration of performance against KPIs, the Board, in line with their responsibilities, determine the amount, if any, of the short-term incentive to be paid to each executive, seeking recommendations from the Managing Director as appropriate. In the case of the 2018 STI, given the importance of finalising the Feasibility Study for the T3 Project, the Remuneration Committee approved holding over up to 25% of the Target 2018 STI award until after the target date for the study to ensure this remained the focus of Executives.
What is the new equity election available?	In 2018, the STI plan was modified to provide an election for 50% of any STI payout to be awarded in MOD shares. The election aims to enhance the Executive equity position and alignment with shareholders. There is no deferral/holding restriction regarding the equity received as a consequence of the election on the basis that the election is intended to promote share ownership.
What happens to STI Awards in the event of a Termination of Employment?	Unvested Awards will generally be forfeited subject to overarching Board discretion.
Long Term Incentive	
What is the LTI plan?	LTI awards to Executives are made under the Executive LTI plan and are delivered in the form of premium priced share Options. Whilst the options will vest after 12 months, 24 months and 36 months subject to a share price hurdle and continued employment, after feedback from shareholders and proxy advisors on the shorter vesting periods, the Board decided to apply a holding lock such that no resulting Shares from exercised Options can be traded before three years from the time of the original Option grant. Future LTI plans will have a three-year vesting period in line with the Company's revised strategy.
How often are LTI grants made?	LTI grants are considered (though not necessarily granted) on an annual basis.
Why does the Board consider the LTI plan appropriate?	LTI awards are made to Executives in order to align remuneration with the creation of shareholder value over the long-term. As such, LTI awards are only made to Executives and other key talent who have an impact on the Company's performance against the relevant long-term performance measure. The significant share price growth required for the LTI awards to result in tangible benefits to the Executives ensures that there is a strong alignment between Executive remuneration and shareholder returns.
What are the performance criteria for the LTI?	The 2018 approved Options granted to Executives represent "premium priced options" whereby the Options will only vest and be exercised if the MOD share price increases significantly. The relevant exercise prices for the Options are as follows: ► Tranche 1 – 145% of MODs share price at grant ► Tranche 2 – 145% of MODs share price at grant + $0.25 ► Tranche 3 – 145% of MODs share price at grant + $0.45
What happens to LTI Awards in the event of a Termination of Employment?	Where a participant ceases employment prior to their award vesting due to resignation or termination for cause, awards will be forfeited. Where a participant ceases employment for any other reason, they may retain a number of unvested share Options, subject to Board discretion.
What happens to LTI Awards in the event of a Change in Control?	In these circumstances, unvested Options will vest on a pro-rata basis based on time and performance conditions subject to overarching Board discretion.

5. Executive remuneration outcomes for 2018

Executive KMP actual remuneration earned in FY2018

The actual remuneration earned by Executives in FY2018 is set out below. The value of remuneration includes equity grants where the Executive received control of the shares in FY2018. This differs from the remuneration disclosures in Table 9. For example, Table 9 discloses the value of LTI grants which may or may not vest in future years, whereas this table discloses the value of LTI grants from previous years which have vested in FY2018.

STI Outcomes

Actual STI payments awarded to each Executive depend on the extent to which specific target set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (KPIs) covering financial and non-financial measures. Variances existing in relation to the weightings applied to the KPIs for each individual. A summary of average STI outcomes are shown below:

Performance Pillar	Strategic Initiative			Executive KMP	
		Outcome Less Than Threshold	Threshold	Target	Stretch
CORPORATE	Consolidation of Joint Venture		●		
	Strategic equity raise				●
	London Listing		●		
SUSTAINABILITY	Zero harm - LTI		●		
DEVELOPMENT	Underground Resource Development			●	
	T3 Feasibility Study			To be assessed post 31/3/2019	
EXPLORATION	New Resource Discovery		●		
PEOPLE	People Development				●

Note: Delivery of the T3 Feasibility Study is not due until the end of March 2019. However, this was included as a KPI in the 2018 STI Plan due to the importance of it as a focus item for 2018. It will be assessed and awarded post the due date of 31 March 2019. For the purposes of calculating the 2018 STI payment, the percentage component allocated to the T3 Feasibility Study has been excluded from consideration. The STI figures shown in the tables below are reflective of this exclusion.

In accordance with the STI Plan rules, the following members of the Executive KMP have elected to receive 50% of their STI award in shares:

- Mark Clements
- Steve McGhee

LTI Outcomes

Due to market capitalisation hurdles not being met in 2018, no LTI grants from prior years vested or were exercised in 2018. The issue of 2018 LTI's were held over until 2019 to enable an assessment to be made of the Company's performance for the full 2018 year. LTI's were issued where outcomes were delivered in line with the Company's strategic plan, but no LTI's were issued for market capitalisation hurdles. Hence the percentage of base salary issued to Executives in the form of LTI's were suitably reduced.

Table 9 - Executive KMP actual remuneration earned in FY2018

Name	Salary and fees ($)	Benefits and allowances ($)	Short-term Incentive ($)	Short-term Incentive (equity election)[1]	Superannuation	LTI Plan ($)	Total actual remuneration ($)
Mark Clements	$264,000	-	$32,496	$32,496	-	$27,033	$356,025
Julian Hanna	$350,000	-	$94,103	-	$33,250	$33,792	$511,145
Steve McGhee	$276,600	-	$32,480	$32,479	-	$27,033	$368,592
Stef Weber	$280,000	-	$95,635	-	$26,600	$15,513	$417,748
Jacques Janse van Rensburg	$200,004	-	$80,072	-	-	$20,275	$300,351

[1] Mark Clements and Steve McGhee elected to receive 50% of their STI award in shares, which will be subject to shareholder approval at the 2019 AGM. The number of shares was determined at time of payout by dividing the STI entitlement by the MOD share price. The MOD share price is calculated as the Volume Weighted Average Price (VWAP) of MOD Resources Limited shares over the 5 trading days immediately prior the Grant Date of equity award.

Statutory Executive KMP remuneration

The following table sets out total remuneration for Executive KMP in 2018 and 2017, calculated in accordance with statutory accounting requirements.

Table 10 – Statutory Executive KMP remuneration

		Short-term benefits			Long-term benefits	Post Employment	Share based payments		
		Salary & fees	Benefits and allow-ances	STI payment	Long service leave	Super-annuation	LTI Plan rights	Total	Performance related
		$	$	$	$	$	$	$	%
Current									
Mark Clements	**2018**	$264,000	-	$64,992	-	-	$27,033	$356,025	**18%**
	2017	$264,000	-	$21,120	-	-	$165,980	$451,100	5%
Julian Hanna	**2018**	$350,000	-	$94,103	-	$33,250	$33,792	$511,145	**18%**
	2017	$350,000	-	$28,000	-	$33,250	$207,474	$618,724	**5%**
Steve McGhee[1]	**2018**	$276,600	-	$64,959	-	-	$27,033	$368,592	**18%**
	2017	$198,000	-	$31,680	-	$1,568	$165,980	$397,228	8%
Stef Weber[2]	**2018**	$280,000	-	$95,635	-	$26,600	$15,513	$417,748	**23%**
	2017	$166,667	-	$20,000	-	$15,833	$84,390	$286,890	**7%**
Jacques Janse van Rensburg	**2018**	$200,004	-	$80,072	-	-	$20,275	$300,351	**27%**
	2017	$200,004	-	$32,000	-	-	$124,485	$356,489	**9%**
Paul Angus[3]	2017	$72,466	-	-	-	-	-	$72,466	**0%**
Total	**2018**	$1,370,604	-	$399,761	-	$59,850	$123,646	$1,953,862	
	2017	$1,251,137	-	$132,800	-	$50,651	$748,309	$2,182,897	

[1] Mr Steve McGhee's fixed remuneration was increased by 19.27% in line with his increased hours.
[2] Mr Stef Weber's fixed remuneration for 2018 was increased by 12% based on the benchmarked salary review. Mr Weber's 2017 salary was for a part year as he commenced on 3 May 2017.
[3] Based on a change in responsibilities, Mr Paul Angus – Project Manager Exploration (New Zealand) is not considered a KMP for the 2018 year.

6. Executive Contracts

The Remuneration Committee reviews and agrees Executive Service and Employment Agreements for Key Management Personnel on a periodic basis. The Remuneration Committee is also assisted, where appropriate, by external consultants specialising in remuneration reviews and other employment issues.

The following employment agreements were in place at 31 December 2018 and as at the date of this report, unless otherwise noted, based upon the following terms;

Name	Salary/ Fees	Term of Contract	Notice period (company)	Notice period (KMP)	STI and LTI treatment on termination [1] (same for all KMP)
Julian Hanna	$383,250	Ongoing employment agreement	12 months	6 months	*STI Cash/Shares*: the Board has discretion as to how the STI entitlement for the current year will be calculated *LTI*: unvested LTI awards will lapse immediately (subject to "Good Leaver" provisions. Where the Participant is a "Good Leaver", unvested Options will remain 'on foot'
Stef Weber	$306,600	Ongoing employment agreement	6 months	6 months	
Mark Clements	$22,000 per month	Ongoing service agreement	6 months	6 months	
Steve McGhee	$27,500 per month	Ongoing service agreement	6 months	6 months	
Jacques Janse van Rensburg	$200,004	Ongoing service agreement	6 months	6 months	

[1] Subject to statutory limitations

7. Non-Executive Director remuneration arrangements

Remuneration policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The Board considers advice from external consultants when undertaking the annual review process. The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting.

Based on the future growth of the Company and the planned increase in number of independent directors, MOD intends to seek approval to increase the aggregate fee pool from $350,000 per annum to an appropriate amount. This will represent the first request for an increase in the NED fee pool since MOD listed on the ASX.

Structure

The remuneration of NEDs consists of directors' fees and committee fees. The payment of additional fees for serving on a committee recognises the additional time commitment required by NEDs who serve on sub-committees. There were no additional committee fees paid in 2018. Further development of the fee structure for NEDs, including committee chair and member fees is proposed for 2019 as part of the revised remuneration strategy designed to attract and retain talent on the MOD Board.

Statutory NED remuneration

The following table sets out the NED fees calculated in accordance with statutory accounting requirements and which reflects the actual remuneration received.

NED fees for the year ended 31 December 2018 and 31 December 2017

		Short-term benefits	Long-term benefits	Post-employment	
Name	**Financial year**	**Base Fees $**	**LTI $**	**Superannuation $**	**Total $**
Simon Lee AO	**2018**	$60,000	$16,896	$5,700	$82,596
	2017	$60,000	$103,737[1]	$5,700	$169,437
Bronwyn Barnes	**2018**	$60,000	$5,577	-	$65,577
	2017	$17,637	$14,451[1]	-	$32,088
Michael McNeilly	**2018**	$7,500	-	-	$7,500
Total remuneration	**2018**	$127,500	$22,473	$5,700	$155,673
	2017	$77,637	$118,188	$5,700	$207,225

[1]. Long-term benefits received in the form of performance rights granted under the previous Company incentive plan.

8. Additional disclosures relating to options and shares

Key Management Personnel Holdings of Shares and Options

Option holdings of Key Management Personnel - 2018

							Vested at 31 December 2018	
	Balance 1.1.2018	Granted as Remuneration	Options Exercised	Performance Rights Vested	Net Change Other (iv)	Balance 31.12.18	Total	Exercisable
Directors								
M Clements (i)	11,637,586	-	(2,028,912)	-	(8,647,805)	960,869	560,869	560,869
J Hanna (ii)	13,763,855	-	(1,620,120)	-	(10,929,360)	1,214,375	714,375	714,375
S Lee AO	6,686,650	-	(3,250,000)	-	(3,092,985)	343,665	93,665	93,665
S McGhee (iii)	6,835,230	-	-	-	(6,151,707)	683,523	283,523	283,523
B Barnes	5,000,000	-	-	-	(4,500,000)	500,000	-	-
M McNeilly	-	-	-	-	-	-	-	-
Executives								
S Weber	1,500,000	-	-	-	(1,350,000)	150,000	-	-
J Janse van Rensburg	8,000,000	-	-	-	(7,200,000)	800,000	500,000	500,000
P Angus	13,000	-	-	-	(13,000)	-	-	-
	53,436,321	-	(6,899,032)	-	(41,884,857)	4,652,432	2,152,432	2,152,432

Notes:

(i) Mr Clements is a director of Balion Pty Ltd which is the holder of 560,615 unlisted $0.60 options expiring 15 April 2019.

(ii) Mr Hanna is the spouse of Mrs Patricia Hanna who is the holder of 333,270 unlisted $0.60 options expiring 15 April 2019. Mr Hanna is the direct beneficiary of J Hanna Superannuation Fund which is the holder of 81,105 unlisted $0.60 options expiring 15 April 2019.

(iii) Mr McGhee is a director and shareholder of McGhee Investment Holdings Pty Ltd which is the holder of 83,523 unlisted $0.60 options expiring 15 April 2019.

(iv) Net Change Other is due to 1:10 share and option consolidation during the year or derecognition of the individual as a KMP in the case of Mr. Angus.

Shareholdings of Key Management Personnel - 2018

	Balance 1.1.2018	Granted as Remuneration	On Exercise of Options	Net Change Other (v)	Reduction due to Share Consolidation	Balance 31.12.18
Directors						
M Clements (i)	32,505,772	-	2,028,912	2,031,612	(32,909,665)	3,656,631
J Hanna (ii)	58,496,724	-	1,620,120	1,500,000	(55,455,158)	6,161,686
S Lee AO (iii)	140,067,328	-	3,250,000	8,754,210	(136,864,382)	15,207,156
S McGhee (iv)	45,534,191	-	-	2,845,888	(43,542,070)	4,838,009
B Barnes	-	-	-	-	-	-
M McNeilly	-	-	-	-	-	-
Executives						
S Weber	1,500,000	-	-	93,750	(1,434,375)	159,375
J Janse van Rensburg	23,097,068	-	-	241,380	(21,004,603)	2,333,845
P Angus	192,000	-	-	(192,000)	-	-
	301,393,083	-	6,899,032	15,274,840	(291,210,253)	32,356,702

Notes:

(i) Mr Clements is a director of Balion Pty Ltd which is the holder of 3,643,946 shares.

(ii) Mr Hanna is a trustee and beneficiary of the J Hanna Superannuation Fund which is the holder of 5,322,811 shares and the spouse of Mrs Patricia Hanna who is the holder of 838,875 shares.

(iii) Phoenix Properties International Pty Ltd is a Trustee of the Wellington Place Property Trust which is the holder of 9,871,315 shares. Mr Lee AO is not a director, shareholder or involved in the management of Phoenix Properties International Pty Ltd as trustee for the Wellington Place Property Trust. He is only a direct and indirect contingent beneficiary of this trust.

(iv) Mr McGhee is a director and shareholder of McGhee Investment Holdings Pty Ltd which is the holder of 4,542,198 shares.

(v) Shares acquired through participation in the Company's Non-Renounceable Rights Issue or derecognition of the individual as a KMP.

9. Other Transactions and Balances with Key Management Personnel

During the year, capital repayments of $500,000 were made (2017: $1,000,000) and interest of $4,375 was paid to SHL Pty Ltd, a Company associated with Mr Lee (2017: $67,083). As at 31 December 2018, there was no further capital or interest amounts outstanding.

Transactions with Directors

Director and company secretarial services of $264,000 were provided by a company associated with Mr Clements (2017: $264,000), in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2018, $22,828 was payable (2017: $21,971).

Director services of $276,600 (2017: $181,500) and consulting services of $336,910 (2017: $447,671) for feasibility study metallurgical sample preparation and test work were provided by Independent Metallurgical Operations Pty Ltd, a company associated with Mr McGhee in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2018, $132,596 was payable (2017: $67,636).

Consulting services of $351,489 (2017: $0) for feasibility study metallurgical test work were provided by Metallurgy Pty Ltd, a company associated with Mr McGhee in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2018, $200,927 was payable (2017: $0).

Director services of $60,000 (2017: $17,637) and consulting services of $82,425 (2017: $20,671) were provided by a company associated with Ms Barnes, in the ordinary course of business and on normal commercial terms and conditions. Additional consulting services provided by Ms Barnes related to her role as Chair of the Remuneration Committee and the significant additional work completed by her reviewing and coordinating the implementation of a significantly improved remuneration structure. Additionally, Ms Barnes Chairs the Tshukudu Metals Botswana (TMB) Community Liaison Council and during 2018 provided leadership and guidance to TMB for the development of the in-country community relations team and strategy. It is expected that Ms Barnes will continue to Chair the TMB Community Liaison Council for the duration of the Development of T3, at which point responsibility will transfer to the local Country Manager. As at 31 December 2018, $26,675 was payable (2017: $20,171).

As at 31 December 2018, the amount payable for other director fees is $41,667; consisting of $29,167 to Mr Hanna (2017: $22,964), $7,500 to Mr McNeilly (2017: $0) and $5,000 to Mr Lee (2017: $6,625).

Transactions with Executives

Consulting services of $200,004 (2017: $200,004) were provided by an associated company of Mr Jacques Janse van Rensburg. The consulting services were provided in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2018, $16,667 was payable (2017: $17,031).

As at 31 December 2018, the amount payable to Mr Weber for executive fees is $23,333 (2017: $20,833).

Short Term Incentive Bonus Scheme ("STIB")

The total amount payable at 31 December 2018 to directors and key management personnel for the achievement of key performance indicators was $399,761 (2017: $132,800).

End of Remuneration Report

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors' of the Company during the financial year are:

	Board Meetings		Audit Committee Meetings*		Remuneration Committee Meetings*	
	A	B	A	B	A	B
M Clements	7	7	2	2	1	1
J Hanna	7	7	2	2	1	1
S Lee AO	5	7	2	2	1	1
S McGhee	7	7	-	-	1	1
B Barnes	7	7	2	2	1	1
M McNeilly	1	1	-	-	-	-

A: number of meetings attended
B: reflects the number of meetings held during the time the directors were in office during the year
*: number includes where Directors attended by invitation.

In addition to the above, the directors met by circular resolution on 23 occasions during the year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has not, during or since the financial year, in respect to any person who is or has been an officer of the Company or related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

During the year the Company paid insurance premiums of $31,325 to insure directors and officers against liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by the Corporations Act 2001.

AUDIT COMMITTEE

The Company has an Audit Committee. The members of this committee are Ms Barnes, Mr Lee and Mr McNeilly (appointed 16 November 2018) whose qualifications are outlined in the Directors' Report. The external auditors and Executive Directors are invited to Audit Committee meetings at the discretion of the Committee. The Audit Committee meets as required. The Committee met on two occasions during the year.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and

- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 20 to the Financial Statements.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 36 of this financial report and forms part of this Directors' Report.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

Signed in accordance with a resolution of the Directors.

MARK CLEMENTS
Executive Chairman

27th March 2019

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Auditor's Independence Declaration

To the Directors of MOD Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of MOD Resources Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 27 March 2019

CORPORATE GOVERNANCE STATEMENT

MOD Resources ("MOD" or "the Company") has adopted the 3rd edition of the ASX Corporate Governance Principles and Recommendations ("ASX Recommendations") as introduced on 27 March 2014.

During 2018, the Board of Directors continued to monitor and guide the activities of the business in a responsible and considered manner, driving execution against MOD's strategic objectives to generate value for, and by representing shareholders. The Board is a strong advocate of continued improvement of corporate governance practices and expect to continue to develop its framework to support and enable the growth of the Company.

MOD's corporate governance framework is underpinned by the guiding principles of the Company, supported by corporate governance policies and practices consistent with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (Recommendations). In other cases, and where appropriate, the Board has adopted modified procedures and practices to enable it to meet the principles of good corporate governance for a company of MOD's size and stage of development. The information in this Statement is current as at 27 March 2019.

This statement describes how MOD Resources has addressed the Council's guidelines and eight corporate governance principles and where the Company's corporate governance practices depart from a recommendation, the Company discloses the reason for adoption of its own practices on an "if not, why not" basis.

In accordance with the ASX Recommendations, the Company's policies, procedures and charters referred to within this statement is available on the Company's website at www.modresources.com.au under the section marked "Corporate Governance":

Charters

- Board
- Audit Committee
- Remuneration Committee
- Nomination Committee

Policies and Procedures

- Anti-Bribery Policy
- Board Performance Evaluation
- Code of Conduct
- Shareholder Communications
- Continuous Disclosure Policy
- Securities Dealing Policy
- Diversity Policy
- Risk Management and Internal Control Policy
- Health & Safety Policy
- Environment Policy

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholders value. To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity, including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the Board Charter are set out on the Company's website.

The Board has delegated responsibility for operation and administration of the Company to the Executive Directors and senior Executives.

Board Processes

To assist in the execution of its responsibilities, the Board has established an Audit Committee, a Remuneration Committee and Nomination Committee. The committees have written mandates which are reviewed on a regular basis. The Board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. A copy of the advice received by the Director must be made available to all other members of the Board.

Composition of the Board

The Board members as at the date of this report are:

- Mr Mark Clements, Executive Chairman and Company Secretary (tenure 13 years)
- Mr Julian Hanna, Managing Director (tenure 6 years and 2 months)
- Mr Steven McGhee, Technical Director (tenure 4 years and 11 months)
- Mr Simon Lee AO, Non-Executive Director (tenure 22 years and 2 months)
- Ms Bronwyn Barnes, Non-Executive Director (tenure 1 year and 6 months)
- Mr Michael McNeilly, Non-Executive Director (tenure < 1 year)

The composition of the Board is determined using the Statement of Selection and Appointment of New Directors contained in the Board Charter on the Company's website.

Board Competency Report

During the year the Board continued to work towards transitioning to a Board of Directors composed of a majority of Non-Executive, independent Directors, including an independent Non-Executive Chair by engaging an external remuneration consultant to provide the Company with a Board Competency Report. The Board then set about identifying and assessing suitable independent Non-Executive Director candidates to complement the existing competencies of the MOD Board to drive performance, create shareholder value and lead ethically by example.

The purpose of the Report was to provide feedback;

1. In relation to the current capabilities of the MOD Board;
2. On the views around future competencies required for the MOD Board and
3. On considerations for potential future board composition.

A board competency survey was designed to investigate two main reference points:

1. The importance of various Board competencies (as judged by the MOD Board members), and
2. Current capabilities of the Board (as judged by the MOD Board members).

The Board of Directors Skills Matrix is an important driver to formalise the Director nomination processes. The Board's skills assessment is below;

SKILL	NUMBER OF DIRECTORS HOLDING THIS SKILL
Resources industry experience	6
Mineral industry experience	3
Strategy	6
Mergers and acquisitions	6
Finance	6
International relations	6
Capital management and project financing	4
Sustainable development	5
Previous board experience	6
People and culture	5
Executive leadership	4
Remuneration	5
Talent and succession	4
Risk management	6
Sustainable development	4
Governance	5
Policy	6
Audit	5

The agreed competencies that the current Board members were surveyed and analysed by the independent remuneration consultant were as follows:

- **Resources Industry Experience** - experience in the resources industry, including broad knowledge of exploration, operations, project development, markets, shipping and competition.
- **Copper or Gold Experience** - specific experience in the copper or gold industry, including an in-depth knowledge of exploration, operations, project development, markets, shipping, competitors and relevant technology.
- **African Experience** - experience managing business operations within an African country, including a broad understanding of the appropriate governance and legislative requirements.
- **Strategy** – identifying and critically assessing the strategic opportunities and threats to the organisation and developing and implementing successful strategies in context to an organisation's policies and business objectives.
- **Mergers & Acquisition** – experience managing, directing or advising on mergers, acquisitions, divestments and portfolio optimisations.
- **Finance** – senior executive or other experience in financial accounting and reporting, internal financial and risk controls, corporate finance and, restructuring corporate transactions (e.g: JVs, listings etc).
- **International Relations** – senior management or equivalent experience (particularly transactional) working in politically, culturally and regulatory diverse business environments.
- **Capital Management & Project Financing** – experience with projects involving contractual negotiations, significant capital outlays, procuring project investment and securing partners with long investment horizons.
- **Previous Board Experience** – serving on boards of varying size & composition in varying industries & for a range of organisations. Awareness of global practices, benchmarking, some international experience.
- **People & Culture** - experience in human capital management, specifically managing: culture, productivity, diversity, equal employment opportunity, engagement and development.
- **Executive Leadership** – experience in corporate structuring, overseeing strategic human capital planning, evaluating the performance of senior management, industrial relations, organisational change management and sustainable success in business at senior level.
- **Remuneration** – experience in remuneration strategy, remuneration governance frameworks, Corporations Act and employment law, performance and incentive schemes.
- **Talent & Succession** - experience in capability frameworks, succession planning, talent management, retention and people development.
- **Risk Management -** experience working with and applying broad risk management frameworks in various countries, regulatory or business environments, identifying key risks to an organisation, monitoring risks and compliance and knowledge of legal and regulatory requirements.
- **Sustainable Development –** senior management or equivalent experience in economic, social and environmental sustainability and workplace health & safety practices.
- **Governance –** implementing the high standards of governance in a major organisation that is subject to rigorous governance standards and assessing the effectiveness of senior management.
- **Policy –** identifying key issues for an organisation & developing appropriate policy parameters within which the organisation should operate.
- **Audit -** audit committee membership or experience in relation to managing external and internal audit processes, liaising with and assessing the performance of external auditors, liaising with management on financial matters and understanding the regulatory framework governing financial reporting, compliance and disclosure.

These criteria are being applied to identify and assess suitable candidates through a Non-executive Director Matrix which includes readily available information on respective backgrounds, current Board positions and visible competencies. The Nomination Committee is focussed on addressing the independence on the Board as its key objective for 2019. The Nomination Committee has short-listed candidates for the roles of independent Non-Executive Director and independent Non-Executive Chair and expects to finalise these appointments in the first half of 2019.

Director Rotation

The Company's constitution specifies that all Directors must retire from office no later than the third Annual General Meeting (AGM) following their last election. Where eligible, a Director may stand for re-election. Mr Clements will seek re-election via rotation at the 2019 AGM.

Directors' Independence

Directors have been chosen for their skills, expertise, and the value they can add to the Board at this time. The Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective. However the Board recognises that it must transition to one that is comprised of a majority of independent directors, including independent Non-Executive Chair, whilst maintaining sufficient experience for the Board to fulfil its responsibilities.

The Company does not have a majority of independent directors appointed at present. Non-Executive Director Ms Bronwyn Barnes (appointed on 18 September 2017) is considered an independent Director of the Company. Mr Mark Clements (Executive Chairman and Company Secretary - appointed Executive Director 15 March 2016), Mr Hanna (Managing Director appointed 22 January 2013) and Mr McGhee (Technical Director appointed 30 April 2014), are not considered Independent Directors as they are Executives of the Company. Mr Simon Lee AO (appointed 13 January 1997) is not considered an independent Director as he is a direct and indirect contingent beneficiary of the Wellington Place Property Trust, which its trustee, Phoenix Properties International Pty Ltd was a substantial shareholder of the Company during the year. Mr Michael McNeilly (appointed on 15 November 2018) is not considered an independent Director as he is the representative of Metal Tiger Plc which was a substantial shareholder of the Company during the year.

Chairman and Managing Director

The roles of Chairman and Managing Director are separated. The roles and responsibilities are set out in the Company's Board Charter and Code of Conduct.

Board Committees

The Audit Committee

The Audit Committee has a documented charter approved by the Board. All members of the Audit Committee must be Non-Executive Directors, consist of a majority of independent Directors, is chaired by an independent Director and has at least three members. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. The external auditors and Executive Directors are invited to Audit Committee meetings at the discretion of the Committee. The Audit Committee meets as required.

The Committee consists of three members being Ms Bronwyn Barnes, who is an independent Non-Executive Director and Non-Executive Directors, Mr Simon Lee AO and Mr Michael McNeilly (appointed 16 November 2018). The Company recognises that the Committee does not currently consist of a majority of independent Directors and the Nomination Committee is seeking to address this in 2019. As the Company is not a S&P All Ordinaries Top 300 Company, it is exempt under ASX Listing Rule 12.7 from maintaining an Audit Committee. However, in compliance with Recommendation 4.1 the Company continues to have an Audit Committee as a principle of best practice.

The Managing Director and Chief Financial Officer have declared in writing to the Board that the Company's financial reports for the year ended 31 December 2018 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

The Audit Committee's charter is available on the Company's website.

The responsibilities of the Audit Committee include reporting to the Board on:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- reviewing the Company's policies and procedures for convergence with International Financial Reporting Standards;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence
- reviewing the appointment and performance of the external auditor;
- assessing the adequacy of the internal control framework and the Company's code of conduct; and
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any other significant adjustments required as a result of the auditor's findings and to recommend Board approval of these documents, prior to announcement of results; and
- review the draft financial report and recommend Board approval of the financial report.

Information on procedures in relation to these matters may be viewed in the Audit Committee Charter on the Company's website.

Grant Thornton Audit Pty Ltd, who is the current external auditor, has an independence policy of rotating the audit partner at least every 5 years.

The Remuneration Committee

The Remuneration Committee has a documented charter approved by the Board. The Remuneration Committee should consist of Non-Executive Directors of which a majority should be independent Directors, is chaired by an independent Director and has at least three members. The Remuneration Committee meets as required. The Committee attendance is disclosed in the Directors' Report.

The Committee consists of three members being Ms Bronwyn Barnes, who is an independent Non-Executive Director and Non-Executive Directors, Mr Simon Lee AO and Mr Michael McNeilly (appointed 16 November 2018). The Company recognises that the Committee does not currently consist of a majority of independent Directors and the Nomination Committee is seeking to address this in 2019. The Company has established a Remuneration Committee as a principle of best practice.

The Remuneration Committee's charter is available on the Company's website.

Remuneration of directors and executives

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive directors, senior executives and directors themselves. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies.

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. The Remuneration Committee, when deemed necessary, obtains independent advice on the appropriateness of remuneration packages.

The Remuneration Committee meets as required.

The Nomination Committee

The Company has established a separate Nomination Committee as a sub-committee. The role of the Committee is to support the Board in fulfilling its responsibilities by maintain a Board that has an appropriate mix of skills and experience, developing the processes for evaluation of performance of the Board and its Committees, ensuring the Company's diversity policy is implemented in respect of the Board and managing the process to identifying and selecting new Directors. Members of this Committee include Ms Bronwyn Barnes, Mr Julian Hanna and Mr Mark Clements.

The Nomination Committee meets as required.

Oversight of the Risk Management System

The Board oversees the establishment, implementation and annual review of the Company's risk management system. Management has an established approach for assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity.

The Managing Director has declared in writing to the Board that the risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The Risk Management and Internal Control Policy may be viewed at the Company's website.

Risk Profile

Major risks for the consolidated entity arise from such matters as exchange rates, commodity pricing, political and economic climate in areas of investments, operational risks and financial reporting.

Risk Management and Compliance and Control

The Board is responsible for the overall internal control framework but recognises that no cost-effective internal control system will preclude all errors and irregularities. The consolidated entity has established a system of internal controls which takes account of key business exposures. The system is designed to provide reasonable assurance that assets are safe-guarded, proper accounting records are maintained, and financial information is reliable. The system is based upon detailed financial and operating reporting, written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

Operating practices including a delegations of authority framework have been established to ensure:

- major capital expenditure commitments obtain prior Board approval;
- financial exposures are controlled, including the use of derivatives;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

During the year, the Company has undertaken a rigorous review of its risk management system specific to the Company's objectives to satisfy the regulatory requirements of the LSE Listing and the technical and economic analysis of the T3 Copper Project Feasibility Study.

Financial Reporting

In accordance with section 295A of the Corporations Act, the Managing Director and Chief Financial Officer have declared in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Governance Policies

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a senior executive to whom they may refer any issues arising from their employment. The Board reviews the ethical standards related policies regularly and processes are in place to promote and communicate these policies.

Code of Conduct

The consolidated entity has advised each Director, senior executive and employee that they must comply with the Company's Code of Conduct. The Code may be viewed at the Company's website, and it covers the following:

- the pursuit of the highest standards of ethical conduct in the interests of shareholders and other stakeholders;
- usefulness of financial information by maintaining appropriate accounting policies and practices and disclosure;
- employment practices such as employment opportunity, the level and structure of remuneration, and conflict resolution;
- responsibilities to the community;
- compliance with all legislation affecting the operations and activities of the consolidated entity, both in Australia and overseas;
- conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- protection and proper use of the Company's assets;
- compliance with laws; and
- reporting of unethical behaviour.

Guiding Principles

The Company has established Guiding Principles for the employees of MOD Resources and Tshukudu Metals that follow the values and principles including:

- Ensure safety is always the First Priority
- Maintain highest environmental standards for all exploration and operational activities
- Employment to be sourced from within Botswana and locally from Ghanzi District, where possible
- Provide training programs for all employees to support them in their work
- Specialist advisors from overseas to provide technical support and help upskill

- Support sustainable local businesses in Ghanzi District whenever possible and look to support the creation of new local business opportunities
- Encourage and fund collaborative studies and graduate programs at Botswana universities
- Build and maintain relationships based on transparency and open communication with local government and the communities in which we operate
- Zero tolerance for any activities that may lead to illegal or corrupt outcomes

MOD recognises the importance of ethical conduct, human rights and the Group's impact on the environment. The Company is committed to adhering to internationally recognised and accepted standards and responsible business conduct such as the UN Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals, the International Finance Corporation ("IFC") Performance Standards and OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists for a director on a board matter, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Trading in the Company's Securities by Directors and Employees

All Directors have an obligation to immediately advise the Company of all changes to their interests in shares, options and debentures, if any, in the Company and its associates for reporting to the ASX by the Company Secretary.

Directors and employees may not deal in securities of the Company when in possession of any information which, if made publicly available, could reasonably be expected to materially affect the price of the Company's securities, whether upwards or downwards. Legal advice will be obtained by the Company Secretary on behalf of the Director and employees in circumstances where any doubt exists.

As part of the LSE listing in November 2018, the Company completed a rigorous review of its Securities Trading Policy and implemented an improved policy to meet the regulatory requirements of the ASX, as the Company's primary listing and now the LSE. The Securities Dealing Policy is available on the Company's website.

Diversity

The Board is committed to having an appropriate blend of diversity on the Board and in all areas of the Group's business. The Board has established a policy regarding gender, age, ethnic and cultural diversity. Details of the policy are available on the Company's website.

The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's *Principles and Recommendations*

The Diversity Policy does not form part of an employee's contract of employment with the Company, nor gives rise to contractual obligations. However, to the extent that the Diversity Policy requires an employee to do or refrain from doing something and at all times subject to legal obligations, the Diversity Policy forms a direction of the Company with which an employee is expected to comply.

The key objectives of the Diversity Policy are to achieve:

1. a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;

2. a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;

3. improved employment and career development opportunities for women;

4. a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and

5. awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity

The Diversity Policy does not impose on the Company, its directors, officers, agents or employee any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws in any State or Territory of Australia or of any foreign jurisdiction.

Diversity Reporting

The Group's gender diversity as at the end of the reporting period is as follows:

	31 December 2018				31 December 2017			
Gender representation	**Female**		**Male**		**Female**		**Male**	
	No	**%**	**No**	**%**	**No**	**%**	**No**	**%**
Board representation	1	17	5	83	1	20	4	80
Group representation	12	18	54	82	8	16	43	84

The following senior positions with the Group are currently held by female employees:

- Community Relations Manager
- Office Manager

The Company's proposed diversity objectives for the 2019 financial year are to continue to assess and proactively monitor gender diversity at all levels of MOD's business and report to the Board and to continue to assess and monitor the implementation and effectiveness of the Company's diversity initiatives and programs.

Continuous Disclosure to ASX

The Company's shares are listed on the ASX and as such the Company is required to comply with the continuous disclosure requirements set out in the ASX Listing Rules. The Managing Director is responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX as soon as possible on the day they are discovered and all senior executives are responsible for monitoring the Group's internal and external environment for information or events potentially requiring disclosure.

In order to ensure that the Company meets its obligations with regard to the continuous disclosure requirements, the Company has adopted a Continuous Disclosure Policy.

The Continuous Disclosure Policy sets out the Company's obligations and its policies and procedures to ensure timely and accurate disclosure of price sensitive information to the market. The detail of this policy is available on the Company's website.

Communication with Shareholders

The Board provides shareholders with information using a Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website.

In summary, the Continuous Disclosure policy operates as follows:

- the annual report is distributed to all shareholders (unless a shareholder has opted not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments. The annual report is posted on the Company's website;

- the half-yearly report and preliminary final report contain summarised information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report and full year audited financial report are lodged with the ASX and sent to any shareholder who requests a copy. The half-yearly report is posted on the Company's website;

- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;

- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;

- transcripts of analyst and media presentations are placed on the Company's website; and

- the external auditor is requested to attend the annual general meeting to answer any questions concerning the audit and the content of the auditor's report.

As at 31 December 2018

	Note	2018 $	2017 $
CURRENT ASSETS			
Cash and cash equivalents	5	5,038,392	10,004,190
Trade and other receivables	6	831,712	644,518
Prepayments		798,297	83,968
		6,668,401	10,732,676
Assets held-for-sale	8	-	3,428,296
TOTAL CURRENT ASSETS		6,668,401	14,160,972
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	9	41,111,220	21,431,176
Property, plant and equipment	10	2,809,692	773,808
Other non-current assets		36,500	36,500
TOTAL NON-CURRENT ASSETS		43,957,412	22,241,484
TOTAL ASSETS		50,625,813	36,402,456
CURRENT LIABILITIES			
Trade and other payables	11	3,256,555	1,935,273
Metal Tiger contributions	12	439,081	3,124,016
Interest bearing liabilities	13	-	500,000
Employee benefits provision	14	235,455	79,554
		3,931,091	5,638,843
Liabilities directly associated with the assets held for sale	8	-	65,196
TOTAL CURRENT LIABILITIES		3,931,091	5,704,039
NON-CURRENT LIABILITIES			
Trade and other payables	11	11,107	44,443
TOTAL NON-CURRENT LIABILITIES		11,107	44,443
TOTAL LIABILITIES		3,942,198	5,748,482
NET ASSETS		46,683,615	30,653,974
EQUITY			
Issued capital	15	111,411,044	88,125,636
Share option reserves	16	14,535,000	511,507
Foreign currency translation reserves	17	1,398,340	1,568,100
Other reserves	17	(11,911,938)	-
Accumulated losses	18	(68,700,018)	(59,612,539)
Equity attributable to equity holders of the Parent		46,732,428	30,592,704
Non-controlling interest	27	(48,813)	61,270
TOTAL EQUITY		46,683,615	30,653,974

The above financial statements should be read in conjunction with the accompanying notes.

For the year ended 31 December 2018

	Note	**2018** **$**	2017 $
Continuing operations			
Interest income	3	292,038	283,885
Foreign exchange gain / (loss)		(26,298)	205,214
Share-based payments	3	(227,539)	(1,073,974)
Administrative expenses	3	(5,699,047)	(2,551,169)
Exploration and evaluation expenditure expensed		-	(50,203)
Impairment loss on exploration and evaluation expenditure	3	-	(15,928)
(Loss) on disposal of plant and equipment	3	(3,052)	-
Interest expense	3	(4,375)	(61,250)
Loss before income tax from continuing operations		(5,668,273)	(3,263,425)
Income tax benefit	4	-	-
Net loss for the year from continuing operations		(5,668,273)	(3,263,425)
Discontinued operations			
Loss after tax for the year from discontinued operations	8	(3,736,640)	(57,244)
Net loss for the year		(9,404,913)	(3,320,669)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences attributed to parent		(169,760)	(42,105)
Foreign currency translation differences attributed to non-controlling interest		23,455	42,589
Other comprehensive income for the year, net of tax		(146,305)	484
Total comprehensive loss for the year		(9,551,218)	(3,320,185)
Net loss for the year attributable to:			
Equity holders of the parent		(9,102,697)	(3,317,975)
Non-controlling interest		(302,216)	(2,694)
		(9,404,913)	(3,320,669)
Total comprehensive loss for the year attributable to:			
Equity holders of the parent		(9,272,456)	(3,360,080)
Non-controlling interest		(278,762)	39,895
		(9,551,218)	(3,320,185)
Total basic loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share) – continuing operations	19	(2.38)	(1.80)
Basic loss per share (cents per share) – discontinued operations	19	(1.68)	-
Total loss per share (cents per share)		**(4.06)**	**(1.80)**
Total diluted loss per share attributable to the ordinary equity holders of the Company:			
Diluted loss per share (cents per share) – continuing operations	19	(2.38)	(1.80)
Diluted loss per share (cents per share) – discontinued operations	19	(1.68)	-
Total loss per share (cents per share)		**(4.06)**	**(1.80)**

The above financial statements should be read in conjunction with the accompanying notes.

For the year ended 31 December 2018

	Note	Issued Capital $	Share Option Reserves $	Foreign Currency Translation Reserves $	Accumulated Losses $	Other Reserves $	Total $	Non-controlling Interest $	Total Equity $
At 1 January 2018		88,125,636	511,507	1,568,100	(59,612,539)	-	30,592,704	61,270	30,653,974
Net loss for the year		-	-	-	(9,102,697)	-	(9,102,697)	(302,216)	(9,404,913)
Other comprehensive loss		-	-	(169,760)	-	-	(169,760)	23,454	(146,306)
Total comprehensive loss for the year		-	-	(169,760)	(9,102,697)	-	(9,272,457)	(278,762)	(9,551,219)
Transaction with owners in their capacity as owners									
Issuance of shares	15(b)	24,544,724	(17,840)	-	-	-	24,526,884	-	24,526,884
Share-based payments - Options	16(b)	-	227,539	-	-	-	227,539	-	227,539
Options lapsed and exercised	16(a)	-	(15,218)	-	15,218	-	-	-	-
Capital raising costs	15(b)	(1,259,316)	-	-	-	-	(1,259,316)	-	(1,259,316)
Metal Tiger Share Option Reserve		-	13,829,012	-	-	-	13,829,012	-	13,829,012
Acquisition Reserve		-	-	-	-	(11,911,938)	(11,911,938)	168,679	(11,743,259)
At 31 December 2018		111,411,044	14,535,000	1,398,340	(68,700,018)	(11,911,938)	46,732,428	(48,813)	46,683,615
At 1 January 2017		72,736,019	354,720	1,610,205	(56,314,903)	-	18,386,041	21,375	18,407,416
Net loss for the year		-	-	-	(3,317,975)	-	(3,317,975)	(2,694)	(3,320,669)
Other comprehensive loss		-	-	(42,105)	-	-	(42,105)	42,589	484
Total comprehensive loss for the year		-	-	(42,105)	(3,317,975)	-	(3,360,080)	39,895	(3,320,185)
Transaction with owners in their capacity as owners									
Issuance of shares	15(b)	16,245,391	(896,848)	-	-	-	15,348,543	-	15,348,543
Share-based payments - Options	16(a)	-	1,073,974	-	-	-	1,073,974	-	1,073,974
Options lapsed and exercised	16(a)	-	(20,339)	-	20,339	-	-	-	-
Capital raising costs	15(b)	(855,774)	-	-	-	-	(855,774)	-	(855,774)
At 31 December 2017		88,125,636	511,507	1,568,100	(59,612,539)	-	30,592,704	61,270	30,653,974

The above financial statements should be read in conjunction with the accompanying notes.

For the year ended 31 December 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Payments to suppliers and employees		(4,727,971)	(2,276,025)
Net cash used in operating activities	5(b)	(4,727,971)	(2,276,025)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(19,732,786)	(8,296,657)
Interest income received		296,083	279,543
Acquisition of plant and equipment		(2,042,671)	(651,419)
Acquisition of other non-current assets		(3,819)	
Proceeds from sale of plant and equipment		-	-
Net cash used in investing activities		(21,483,193)	(8,668,533)
Cash flows from financing activities			
Proceeds from issuance of shares		18,321,703	14,896,160
Proceeds of exercise of share options		254,580	389,383
Metal Tiger contributions		4,397,013	2,120,425
Repayment of interest bearing liabilities		(500,000)	(1,000,000)
Interest expense paid		(7,292)	(67,083)
Capital raising costs		(1,259,316)	(876,128)
Net cash provided by financing activities		21,206,688	15,462,757
Net (decrease)/increase in cash and cash equivalents		(5,004,476)	4,518,199
Net foreign exchange differences		22,693	(44,103)
Cash and cash equivalents at the beginning of the financial year		10,020,175	5,546,079
Cash and cash equivalents at the end of the financial year	5(a)	5,038,392	10,020,175

The above financial statements should be read in conjunction with the accompanying notes.

1. Corporate Information

The consolidated financial report of MOD Resources Limited for the year ended 31 December 2018 was authorised for issue in accordance with a resolution of Directors on 27 March 2019.

MOD Resources Limited (the "Company" or "Parent") is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. MOD Resources Limited and its subsidiaries (the "Group") are a for-profit entity.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for other financial assets at fair value through statement of profit or loss and other comprehensive income that have been measured at fair value.

The financial report is presented in Australian dollars.

The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) New and revised standards that are effective for these financial statements

(i) New standards adopted as at 1 January 2018

AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applies as at 1 January 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2018 and comparatives are not restated.

The adoption of this standard has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

The adoption of this standard has had no impact on the current or previous reporting period.

2. Summary of Significant Accounting Policies (continued)

(ii) Accounting standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 December 2018 are outlined in the table below:

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods ending on or after ….)	Likely impact on initial application
AASB 16 Leases	*AASB 117 Leases* *Int. 4 Determining whether an Arrangement contains a Lease* *Int. 115 Operating Leases—Lease Incentives* *Int. 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	AASB 16: • replaces AASB 117 Leases and some lease-related Interpretations • requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases • provides new guidance on the application of the definition of lease and on sale and lease back accounting • largely retains the existing lessor accounting requirements in AASB 117 • requires new and different disclosures about leases	1 January 2019	When this standard is first adopted for the year ending 31 December 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

2. Summary of Significant Accounting Policies (continued)

(c) Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries as of 31 December 2018. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Statement of profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's Statement of profit or loss and other comprehensive income and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(d) Foreign currency translation

The consolidated financial statements are presented in Australian dollars ($) which is both the functional and presentation currency of the Parent. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currencies of the overseas subsidiaries are Botswana Pula (BWP), United States Dollar (USD) and New Zealand Dollar (NZD) which are translated to the presentation currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulated amount is reclassified to Statement of profit or loss and other comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the items (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(ii) Group companies

On consolidation the assets and liabilities of foreign operations are translated into Australian Dollars (presentation currency) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

2. Summary of Significant Accounting Policies (continued)

(e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Where the Group's activities are conducted through joint operations, the Group recognises its assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

(h) Exploration and evaluation expenditure

Exploration and evaluation expenditure include costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditure is capitalised on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit is not larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine properties under development. No amortisation is charged during the exploration and evaluation phase.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

2. Summary of Significant Accounting Policies (continued)

(i) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable) For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.
Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

Financial assets at fair value through profit or loss (FVPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

2. Summary of Significant Accounting Policies (continued)

(i) Financial instruments (continued)

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

Any gains or losses recognised in OCI will be reclassified to profit or loss upon derecognition of the asset.

Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

Trade receivables, which are generally on a 30-day term, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

No trade receivables were past due at the date of this report.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

2. Summary of Significant Accounting Policies (continued)

(i) Financial instruments (continued)

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

The Group applies new hedge accounting requirements of AASB 9 prospectively.

Derivative financial instruments are accounted for at FVPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

Accounting policy applicable to comparative period (31 December 2017) – Financial Instruments

i) Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. The Group has not designated any financial assets as held-to-maturity investments, or as derivatives designated as hedging instruments in an effective hedge. The Group's financial assets include trade and other receivables, other financial assets and available for sale financial assets.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

2. Summary of Significant Accounting Policies (continued)

(i) Financial instruments (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes from fair value adjustments of financial assets at fair value through profit or loss in the statement of profit or loss and other comprehensive income. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the statement of profit or loss and other comprehensive income in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity.

Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss and other comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2. Summary of Significant Accounting Policies (continued)

(i) Financial instruments (continued)

ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Available for sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income – is removed from other comprehensive income and recognised in the statement of profit or loss and other comprehensive income. Impairment losses on equity investments are not reversed through the statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, described as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria are satisfied.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

2. Summary of Significant Accounting Policies (continued)

(j) Property, plant and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The depreciation rates used for the current and previous years is as follows:

- Office leasehold improvements 33%
- Property and equipment 10% - 40%
- Motor vehicles 20%

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate at each financial year end.

(k) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. 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.

Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income. Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Trade and other payables

Trade payables and other payables are carried at amortised cost due to their short term nature and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessment of the time value of money and the risks specific to the liability.

(n) Employee benefits

Short-term employee benefits
Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The Group's liabilities for annual leave and long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

2. Summary of Significant Accounting Policies (continued)

(o) Revenue

Interest and dividend income
Interest income and expenses are reported on an accrual basis using the effective interest method. Dividends, other than those from investments in associates, are recognised at the time the right to receive payment is established.

(p) Leases

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

(q) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

Current tax
Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax
Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation
MOD Resources Limited and its wholly-owned Australian subsidiary have formed an income tax consolidated entity under the tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax liabilities. Such taxes are measured using the ‘stand-alone taxpayer’ approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 January 2002. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group’s taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

2. Summary of Significant Accounting Policies (continued)

(q) Income tax (continued)

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

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

Cash flows are included in the statement of cash flows on a gross basis and 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 part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Contributed equity

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

(s) Share-based payment transactions

Equity-settled compensation
The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the options granted is recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(t) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends.
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(u) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

2. Summary of Significant Accounting Policies (continued)

(v) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss and other comprehensive income.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

(w) Critical accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Exploration and Evaluation Expenditure
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether the activities have not reached a state which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since exploration programs in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $41,111,220 (2017: $21,431,176) (Note 9).

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of exploration and evaluation assets
The future recoverability of capitalised exploration and evaluation expenditure is dependent upon a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which the determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in an area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which the determination is made.

Share-based payments
The Group is required to use assumptions in respect of the fair value models used in determining share-based payments to employees in accordance with the requirements of AASB 2 *Share–based payment*. Further information regarding share-based payments and the assumptions used is set out in Note 16. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Recovery of Deferred Tax Assets
Deferred tax assets are recognised for deductible temporary differences and tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next year.

2. Summary of Significant Accounting Policies (continued)

(x) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Whilst the Group has achieved exploration success with its mineral projects, the Directors recognise that the Group will have to seek additional funding in order to continue to exploit and develop its projects.

During the year, the Group incurred a net loss of $9,404,913 (2017: $3,320,669). Net cash outflows from operations was $4,727,971 (2017: net cash outflows of $2,276,025).

The Directors believe that the going concern basis of preparation continues to be appropriate for the following reasons:

- continued cash management according to exploration success;
- successful capital raising of $15m via a placement and rights issue subsequent to year end (Note 28);
- future exploration and evaluation expenditure are generally discretionary in nature (i.e. at the discretion of the Directors having regard to an assessment of the progress of works undertaken to date);
- subject to meeting certain expenditure commitments, further exploration activities may be slowed or suspended as part of the management of the Group's working capital;
- the historical ability of the Company to raise capital via equity placements and capital raisings given the prospectivity of the Group's current projects.

(y) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

3. Revenues and Expenses

	Note	2018 $	2017 $
Interest income			
- Bank		292,038	283,885
		292,038	283,885
Share-based payments			
- Performance rights expense	16(b)	(227,539)	(1,073,974)
- Issue options to key management personnel		-	-
		(227,539)	(1,073,974)
Administrative expenses			
- Professional fees		(948,560)	(317,351)
- Salaries and wages		(1,316,074)	(929,155)
- Conference expenses		(263,334)	(160,744)
- Financial services		(35,000)	(60,000)
- Rental expense on leases		(127,245)	(121,540)
- Directors fees		(649,963)	(258,006)
- Investor relations		(358,521)	(210,266)
- New projects/opportunities		-	(16,445)
- Travel and accommodation		(167,928)	(44,573)
- Insurance		(56,673)	(36,564)
- AGM/Annual Report expenses		(33,195)	(34,985)
- Depreciation expense		(73,548)	(40,093)
- MTR transaction and UK listing expenses		(1,244,193)	-
- Other administrative expenses		(424,813)	(321,447)
		(5,699,047)	(2,551,169)
Impairment loss on exploration and evaluation expenditure			
- Botswana Copper/Silver Project		-	(15,928)
Profit / loss on disposal of plant and equipment		(3,052)	-
Interest expense on shareholder loan		(4,375)	(61,250)

4. Income Tax

	2018 $	2017 $
Recognised in the statement of profit or loss and other comprehensive income		
Current tax (benefit)		
Current year	-	-
Total income tax (benefit)	-	-
Numerical reconciliation between tax (benefit) and pre-tax net loss		
Loss before tax	(9,404,913)	(3,320,669)
Income tax benefit using the domestic corporation tax rate of 30% (2017: 28.5%)	(2,821,474)	(946,391)
Increase in income tax (benefit) due to:		
Effect of overseas tax rate	118,556	4,929
Share-based payments	68,262	306,082
Non-deductible expenses	751,125	92,995
Non-assessable non-exempt income	-	-
Australian operations current year losses where deferred tax assets are not recognised	1,056,363	533,152
Foreign operations current year losses where deferred tax assets are not recognised	3,419,915	1,411,384
Current year temporary differences for which no deferred tax asset was recognised	(2,592,747)	(1,402,151)
Income tax (benefit) on pre-tax net profit at effective income tax rate of Nil% (2017: Nil%)	-	-
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences - Australia	199,748	132,225
Revenue tax losses – Australia	3,722,234	2,508,252
Capital tax losses – Australia	144,890	144,890
Deductible temporary differences - Foreign	4,186	6,556
Revenue tax losses – Foreign	2,736,322	1,663,136
	6,807,380	4,455,059

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits there from. Revenue and capital tax losses are subject to relevant statutory tests.

	2018 $	2017 $
Income Tax Payable	-	-

Tax consolidation

MOD Resources Limited and its wholly owned subsidiaries formed a tax consolidated group which have elected to consolidate and be treated as a single entity for income tax purposes. The head entity of the tax consolidated group is MOD Resources Limited. Members of the tax consolidated group have not entered into a tax funding arrangement. Hence no compensation is receivable or payable for any deferred tax asset or current tax payable (receivable) assumed by the head company and the assumption of these amounts is instead treated as a contribution/distribution to equity.

5. Cash and Cash Equivalents

(a) Reconciliation of cash

	2018 $	2017 $
Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank and on hand	3,037,680	2,004,190
Short term deposits	2,000,000	8,000,000
	5,037,680	10,004,190
Cash at bank attributable to discontinued operations (Note 8)	712	15,985
Cash and cash equivalents	5,038,392	10,020,175

(b) Reconciliation of the net loss after income tax to the net cash used in operating activities

	2018 $	2017 $
Loss from ordinary activities after income tax	(9,404,913)	(3,320,669)
Interest income received	(295,267)	(279,543)
Interest expense paid	7,292	67,083
Add non-cash items:		
Impairment loss on assets held-for-sale (Note 8)	3,709,837	16,393
Impairment loss on exploration and evaluation expenditure (Note 9)	-	15,928
Exploration and evaluation expenditure expensed	-	50,203
Share-based payments	227,539	1,073,974
Foreign exchange gain	(71,343)	(177,352)
Loss on disposal of plant and equipment	3,052	-
Depreciation expense	73,548	40,093
	(5,750,255)	(2,513,890)
Changes in assets and liabilities:		
Receivables	207,268	(24,813)
Other current assets	132,343	(32,455)
Other non-current assets	-	(36,500)
Payables	634,866	282,571
Employee benefits provision	47,807	49,062
Net cash used in operating activities	(4,727,971)	(2,276,025)

(c) Non-cash financing and investing activities

Details of non-cash financing activities are disclosed in Note 15.

(d) Interest rate risk

Detail regarding interest rate risk exposure is disclosed in Note 25.

6. Trade and Other Receivables

	2018 $	2017 $
Current		
Other debtors [(i)]	831,712	644,518
	831,712	644,518

(i) Other debtors include recharges, accrued interest income and GST/VAT receivables.

6. Trade and Other Receivables (continued)

A provision for impairment loss is recognised when there is objective evidence than an individual receivable is impaired. No impairment loss on other debtors is recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 (2017: Nil).

Fair value and credit risk
Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Interest rate risk
Detail regarding interest rate risk exposure is disclosed in Note 25.

7. Information relating to MOD Resources Limited ("the parent entity")

	2018 **$**	2017 $
Current assets	5,228,870	10,061,967
Non-current assets	41,995,314	21,786,176
Total assets	47,224,184	31,848,143
Current liabilities	2,570,664	1,314,736
Non-current liabilities	11,107	44,443
Total liabilities	2,581,771	1,359,179
Issued capital	111,411,044	88,125,636
Reserves - options	14,535,000	511,507
Accumulated losses	(81,303,631)	(58,148,179)
	44,642,413	30,488,964
Loss of the parent entity	(23,170,670)	(3,196,122)
Total comprehensive loss of the parent entity	(23,170,670)	(3,196,122)

Refer to Note 21(a) for operating lease commitments and Note 26 for contingent liabilities.

8. Assets Held-for Sale

On 3 July 2017, MOD Resources Ltd entered into a binding Share Sale Agreement (SSA) to divest its Sams Creek Gold Project to newly incorporated Condamine Resources Ltd (Condamine). The SSA signed with Condamine has now been mutually terminated recently and will no longer proceed. The SSA was subject to a number of conditions precedent, which were not fully achieved by Condamine within an acceptable time frame.

The SSA covered the Sams Creek Project, including EP 40338 (MOD 80%) and EP 54454 (MOD 100%). Following the termination of the SSA, OceanaGold Corporation (TSX/ASX: OGC) will continue to hold the remaining 20% in EP 40338 through a joint venture with MOD and the 100% interest in EP 54454 will remain with MOD.

The Company remains focused on advancing its copper projects in Botswana and is exploring other opportunities to monetise the Sams Creek Gold Project, however as at the reporting date of the Annual Return, no discussions are advanced enough for the Company to reliably hold the Sam's Creek Gold Project as an asset held for sale with a supportable value. In accordance with IFRS 6, management has determined that the Assets Held-for-Sale be fully impaired.

8. Assets Held-for Sale (continued)

The results of Sams Creek Gold Project for the year are:	**2018**	2017
	$	$
Revenues	-	-
Impairment loss on assets held-for-sale	(3,709,837)	(16,393)
Expenses	(26,803)	(40,851)
Loss before tax	(3,736,640)	(57,244)
Tax expense	-	-
Loss after tax for the period from discontinued operation	(3,736,640)	(57,244)

The net cash flows by Sams Creek Gold Project for the period:

Operating	(16,823)	(39,855)
Investing	(142,794)	(296,250)
Financing	139,303	344,795
Net cash outflows	(20,314)	8,690

Loss per share:		
– basic and diluted loss per share (cents per share) from discontinued operation	1.68	-

At 31 December 2018, the assets and liabilities of Sams Creek Gold Project have been removed from assets and liabilities held for sale and were fully impaired.

	2018	2017
	$	**$**
Assets held-for-sale		
Exploration and evaluation expenditure (Note 9)	-	3,410,145
Cash in bank (Note 5)	-	15,985
Other assets	-	2,166
Total assets held-for-sale	-	3,428,296
Liabilities directly associated with assets held-for-sale		
Trade and other payables	-	12,637
Oceana Gold contributions	-	52,559
Total liabilities directly associated with assets held-for-sale	-	65,196

9. Exploration and evaluation expenditure

	2018	2017
	$	$
Exploration and evaluation expenditure	41,111,220	21,431,176

(a) Movements in exploration and evaluation expenditure

At 1 January	21,431,176	15,735,511
Expenditure during the period	19,687,692	9,029,054
Transfer from / (to) assets held-for-sale (Note 8)	3,410,145	(3,410,145)
Impairment loss of exploration and evaluation expenditure [(i)]	(3,709,837)	(15,928)
Impairment loss on assets held-for-sale	-	(16,393)
Foreign exchange difference	292,044	109,077
Ending balance	41,111,220	21,431,176

(i) During the 2018 year, expenditure on the Sams Creek Gold Project has been fully impaired (refer note 8).

9. Exploration and evaluation expenditure (continued)

At 31 December 2018, the future recoverability of capitalised exploration and evaluation expenditure incurred on the Botswana Copper Project and MOD/MTR Joint Venture ('JV') Project were assessed no impairment loss (2017: $15,928) was recognised during the year. The Sams Creek Gold Project exploration expenditure was assessed and an impairment loss of $3,709,837 was recognised during the year.

(b) Exploration and evaluation expenditure Projects

	2018 $	2017 $
MOD/MTR JV licences (MOD 70%)	8,320,184	13,007,680
T3 Copper/Silver Project [(i)]	23,060,739	-
Botswana Copper/Silver Project	9,730,297	8,423,496
Sams Creek Gold Project (Note 8)	-	-
Total exploration and expenditure	41,111,220	21,431,176

[(i)] During the 2018 year, MOD acquired 100% of the T3 project which was previously included as MOD/MTR JV licences (MOD 70%).

The recoverability of the carrying amount of exploration assets is dependent on the success of mineral exploration.

10. Property, Plant and Equipment

	2018 $	2017 $
Land	794,932	130,091
Office leasehold improvements		
- Gross carrying value - cost	125,229	100,000
- Accumulated depreciation	(65,021)	(22,224)
Net carrying amount	60,208	77,776
Property and equipment		
- Gross carrying value – cost	556,053	312,710
- Accumulated depreciation	(272,207)	(191,943)
Net carrying amount	283,846	120,767
Motor vehicles		
- Gross carrying value - cost	385,943	212,141
- Accumulated depreciation	(99,370)	(49,930)
Net carrying amount	286,573	162,211
Construction in progress – Gross carrying value - cost	1,384,133	282,963
Net carrying amount	2,809,692	773,808
Reconciliation of property, plant and equipment		
Land		
Opening net carrying amount	130,091	-
Additions	662,284	125,161
Exchange difference	2,557	4,930
Closing net carrying amount	794,932	130,091
Office leasehold improvements		
Opening net carrying amount	77,776	-
Additions	25,229	100,000
Disposals/transfers	-	-
Depreciation expense	(42,797)	(22,224)
Exchange difference	-	-
Closing net carrying amount	60,208	77,776

10. Property, Plant and equipment (continued)

	2018 $	2017 $
Plant and equipment		
Opening net carrying amount	120,767	71,398
Additions	242,515	81,865
Transfer from assets held-for-sale	-	-
Disposals/transfers	(3,135)	-
Depreciation expense	-	(17,869)
Depreciation expense transferred to exploration and evaluation expenditure	(78,021)	(16,571)
Exchange difference	1,720	1,944
Closing net carrying amount	283,846	120,767
Motor vehicles		
Opening net carrying amount	162,211	-
Additions	169,633	175,004
Disposals/transfers	-	-
Depreciation expense transferred to exploration and evaluation expenditure	(48,155)	(20,447)
Exchange difference	2,884	7,654
Closing net carrying amount	286,573	162,211
Construction in progress		
Opening net carrying amount	282,963	-
Additions	1,095,610	269,389
Transfers	-	-
Exchange difference	5,560	13,574
Closing net carrying amount	1,384,133	282,963
Net carrying amount	2,809,692	773,808

11. Trade and Other Payables

	Note	2018 $	2017 $
Current			
Trade Creditors		1,689,558	1,274,092
Payables to related parties (i)	22	842,634	326,293
Other payables – lease liability (ii)		33,333	33,333
Other creditors and accruals		691,030	301,555
		3,256,555	1,935,273
Non-Current			
Other payables – lease liability (ii)		11,107	44,443
		11,107	44,443

Trade, Related Parties and Other Creditors and Accruals are non-interest bearing. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Notes:

(i) Payments owing to Directors, Director related entities and other key management personnel of $842,634 (31 December 2017: $326,293).
(ii) Reflects the liability (current and non-current) that needs to be recognised in terms of accounting standards for leasehold improvements made to MOD's corporate offices during the period under review.

12. Metal Tiger contributions

	2018 $	2017 $
Opening Balance	3,124,016	1,106,500
Metal Tiger contributions to Metal Capital Limited	4,629,721	2,017,516
Acquisition by MOD Resources Limited of Metal Tiger's 30% interest in Metal Capital Limited	(7,753,737)	-
Metal Tiger contributions to Metal Capital Exploration Limited	439,081	-
	439,081	3,124,016

13. Interest-bearing liabilities

	2018 $	2017 $
Loan	-	500,000

On 8 July 2013, MOD secured a $2 million loan from SHL Pty Ltd, a Company associated with MOD director Simon Lee, AO. The $2 million loan was unsecured for an initial 12-month period at an interest rate of 8% per annum, payable monthly in arrears.

A Deed of Extension and Variation was signed on 5 May 2014 so as to extend the Initial Facility Period to end on 4 January 2015. MOD exercised its option to extend the term of the loan for a further 12-month period at a reduced interest rate of 7% per annum with the loan secured against the unencumbered assets of MOD subject to shareholder approval.

On 19 October 2015, MOD entered into a Deed of Amendment with SHL Pty Ltd to extend the repayment date for its existing $2 million loan to 4 April 2016. The parties agreed that MOD did not have the capacity to repay the loan on this date and so agreed that the repayment date for the loan will be extended a further three months to 4 July 2016.

On 25 May 2016, the Company entered into a Deed of Extension and Variation with SHL Pty Ltd which stipulated that the Company was to repay a minimum of $0.5 million and outstanding interest payments owing to SHL by 4 July 2016. This condition was met by the Company and both parties agreed to review the financial capacity of the Company to repay the balance of the SHL Loan on a rolling 3-month basis.

During the year, the loan was fully repaid with capital repayments of $500,000 (2017: $1,000,000) made ($250,000 per quarter) and interest of $4,375 was paid to this entity (2017: $67,083).

14. Employee Benefits Provision

	2018 $	2017 $
Provision for employee entitlements	235,455	79,554

15. Issued Capital and Other Capital

	2018 $	2017 $
Issued capital		
Issued and fully paid ordinary shares	111,411,044	88,125,636
	111,411,044	88,125,636

	Number of Shares 2018	Number of Shares 2017
(a) Fully paid ordinary shares		
Issued and fully paid ordinary shares	248,572,620	1,895,997,625

(b) Ordinary shares

	31 December 2018 Number of Shares	31 December 2018 $	31 December 2017 Number of Shares	31 December 2017 $
Movement in Ordinary Shares on Issue				
Beginning of the period	1,895,997,625	88,125,636	1,589,134,144	72,736,019
Issued during the year				
- shares issued following options exercised (i)	25,458,039	254,580	-	-
- shares issued under Performance Rights Plan (ii)	500,000	17,840	-	-
- shares issued pursuant to placement (iii)	255,319,148	12,000,000	-	-
- shares issued pursuant to non-renounceable rights issue (iv)	134,504,298	6,321,703	-	-
- shares issued pursuant to licence acquisition (v)	3,043,478	140,000	-	-
- share consolidation on 1:10 basis (vi)	(2,083,339,968)	-	-	-
- shares issued pursuant to 100% acquisition of T3 Project (vii)	17,090,000	5,810,600	-	-
- shares issued following options exercised	-	-	35,196,727	389,383
- shares issued pursuant to placement	-	-	10,344,825	300,000
- shares issued pursuant to licence acquisition	-	-	1,400,000	63,000
- shares issued to institutional investors (iii)	-	-	235,421,929	14,596,160
- shares issued under Performance Rights Plan	-	-	24,500,000	896,848
- capital raising costs	-	(1,259,315)	-	(855,774)
End of the period	248,572,620	111,411,044	1,895,997,625	88,125,636

Notes:

(i) The Company issued fully paid ordinary shares at various dates during the period following the exercise of listed $0.01 options (MODO) expiring 1 May 2018.

(ii) On 5 February 2018, the Company allotted 500,000 shares following performance rights being vested and exercised.

(iii) On 12 March 2018, the Company allotted 255,319,148 fully paid ordinary shares pursuant to participation in the Company's placement as announced on 6 March 2018.

(iv) The Company issued 134,504,298 fully paid ordinary shares pursuant to participation in the Company's non-renounceable rights issue as announced on 6 March 2018.

(v) On 26 April 2018, the Company issued 3,043,478 fully paid ordinary shares pursuant to the terms and conditions of a sale agreement with Senyetse Resources (Pty) Ltd to acquire 100% interests in PL 126/2013 and PL 127/2013.

(vi) On 4 June 2018, the Company's shares were consolidated on a 1:10 basis.

(vii) On 16 November 2018, the Company issued 17,090,000 Consideration Shares and 40,673,566 Consideration Options to Metal Tiger Plc pursuant to the terms and conditions of an agreement to acquire Metal Tiger Plc's 30% interest in the T3 Project, which was approved by shareholders at a General Meeting of the Company on 19 September 2018.

(c) Capital management

The Group's objective in managing capital is to continue to provide shareholders with attractive investment returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital consists of equity attributable to equity holders of the Parent plus net debt. At 31 December 2018, the Group was in a net cash position of $5,038,392 (2017: $9,504,190). Gearing ratio is Nil (2017: Nil).

There are no externally imposed capital requirements.

16. Share Option Reserves

	2018 $	2017 $
Option reserves – share based payments[a]	14,148,175	334,381
Performance rights expense[b]	386,825	177,126
	14,535,000	511,507

Share-based payment transactions
The share-based payment transaction reserve is used to recognise the value of equity-settled share-based payment transactions provided to consultants and employees, including key management personnel, as part of their remuneration.

(a) Share-based payments

The number of unlisted options outstanding over unissued ordinary shares at balance date is as follows:

	2018 $	2017 $
Balance at beginning of year	334,381	354,720
Lead Manager Options		
1 May 2018: expiry of 591,691 listed options exercisable at $0.01	(15,218)	-
Key Management Personnel Options		
20 June 2017: expiry of 2,000,000 unlisted options exercisable at $0.075	-	(20,339)
Metal Tiger Plc Consideration Options		
Options issued during the year (40,673,566 options exercisable at $0.00) [i]	13,829,012	-
Options lapsed during the year	(15,218)	(20,339)
Balance at end of period	14,148,175	334,381

[i] 40,673,566 unlisted options with a nil exercise price and expiring on 15 November 2021 was issued to Metal Tiger Plc pursuant to the 100% acquisition by the Company of the remaining 30% interest in its flagship T3 Copper Project and rights for the Company to acquire 100% of the rest of the JV licences over a 3 year period.

Summaries of options granted as share based payments to directors and employees:

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the period:

	2018 No.	2018 WAEP	2017 No.	2017 WAEP
Outstanding at beginning of year	21,250,000	0.05	23,250,000	0.05
Granted during the period	-		-	-
Exercised during the period	(3,250,000)	0.01	-	-
Reduction due to 1:10 share consolidation	(16,200,000)	0.06	-	-
Expired during the period	-	-	(2,000,000)	0.075
Outstanding at end of period	1,800,000	0.6	21,250,000	0.05

On 4 March 2017, 63,000,000 unlisted $0.06 options expired without being exercised.

Weighted average remaining contractual life

The weighted average remaining contractual life for the options outstanding as at 31 December 2018 is 3.5 months (2017: 1 year and 2 months).

16. Share Option Reserves (continued)

Range of exercise price

The range of exercise prices for share-based payment options outstanding at the end of the year was $0.60 (2017: $0.01 - $0.06).

Weighted average fair value

There were no share options granted during the year. (2017: nil)

Fair value basis

The fair value of these options are recognised, from their date of grant, over their vesting period; fair value is determined as at date of grant using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the underlying share price as at date of grant, the expected price volatility of the underlying shares and the risk-free interest rate for the term of the option. The Company is required to expense the options on the basis that the fair value cost at date of grant is apportioned over the vesting period applicable to each option.

The model inputs for assessing the fair value of options granted during the period are as follows:

a) Options are granted for no consideration and vest as described in the table above;
b) Exercise price is as described in the table above;
c) Grant date is as described in the table above;
d) Expiry date is as described in the table above;
e) Share price is based on the last bid price on ASX as at date of grant, as described in the table above;
f) Expected price volatility of the Company shares is based on independent assessments;
g) Expected dividend yield is nil;
h) Risk-free interest rate is based on the 3-year Commonwealth bond yield, as described in the table above.

(b) Performance Rights

	2018	2017
	$	$
Balance at beginning of year	177,126	-
Performance rights		
Performance rights expense during the period	227,539	1,073,974
Shares issued under the performance rights plan	(17,840)	(896,848)
Balance at end of period	386,825	177,126

The shareholders approved the Company's Performance Rights Plan on 20 February 2017. The Company issued 47,000,000 Performance Rights to Eligible Participants on 21 February 2017 including Directors, Key Management Personnel, staff and select contractors operating in the Company's exploration, development, administrative, financial and corporate activities in Australia and Botswana.

The Performance Rights issued pursuant to the Company's Performance Rights Plan which vest and become exercisable in two equal tranches, expiring 21 February 2022:

(a) Tranche 1: vest upon the Company achieving a market capitalisation of $120 million for a period of 30 consecutive calendar days.

(b) Tranche 2: vest upon the Company achieving a market capitalisation of $180 million for a period of 30 consecutive calendar days.

On 21 June 2017, the Company issued 23,000,000 fully paid ordinary shares following the exercise of 23,000,000 ($820,660) vested Performance Rights by twelve (12) Eligible Participants including Directors, Key Management Personnel, Staff and Select Contractors operating in the Company's exploration, development, administrative, financial and corporate activities in Australia and Botswana.

The Company further issued 3,000,000 Performance Rights on 21 June 2017 to Chief Financial Officer, Mr Stef Weber under the terms of the Performance Rights Plan as approved by shareholders on 20 February 2017. On 6 November 2017, the Company issued 1,500,000 fully paid ordinary shares following the exercise of 1,500,000 ($76,188) vested Performance Rights to Mr Weber.

During the current period, the Company issued a further 550,000 Performance Rights (5,500,000 on a pre-consolidation basis) to Eligible Participants. 500,000 of these Performance Rights were issued solely on the basis of Tranche 2 vesting conditions. The remaining 50,000 Performance Rights are subject to Tranche 1 (50%) and Tranche 2 (50%) vesting conditions.

On 5 February 2018, the Company issued 500,000 fully paid ordinary shares (50,000 fully paid ordinary shares on a post-consolidation basis) following the exercise of 500,000 ($17,841) vested Performance Rights by two (2) Eligible Participants.

16. Share Option Reserves (continued)

Fair value basis

The fair value of these performance rights are recognised, from their date of grant, over their vesting period; fair value is determined as at date of grant using the Black-Scholes pricing model that takes into account the exercise price, the term of the performance rights, the underlying share price as at date of grant, the expected price volatility of the underlying shares and the risk-free interest rate for the term of the performance rights. The fair value of performance rights granted during the year ended 31 December 2018 was estimated on the date of grant using the following assumptions:

- Expected volatility (%): 122
- Risk-free interest rate (%): 2.38
- Expected life of performance rights (years): 3.7 – 4.4 years
- Weighted average share price ($) 0.03 – 0.04

For the year ended 31 December 2018, the Group recognised $227,539 of performance rights expense in the statement of profit or loss (2017: $1,073,974).

17. Reserves

	2018 **$**	2017 $
Foreign currency translation reserves	1,398,340	1,568,100
At the beginning of the financial year	1,568,100	1,610,205
Foreign currency translation during the year	(169,760)	(42,105)
At the end of financial year	1,398,340	1,568,100

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	2018 **$**	2017 $
Other reserves	(11,911,938)	-
At the beginning of the financial year	-	-
Movement during the year	(11,911,938)	-
At the end of financial year	(11,911,938)	-

Other reserves
The other reserve is used to record the acquisition reserve recognised on the acquisition of the 30% interest held by Metal Tiger Plc in the T3 Copper Project.

18. Accumulated Losses

	Note	**2018** **$**	2017 $
Accumulated losses at the beginning of the financial year		(59,612,539)	(56,314,903)
Net loss attributable to members of MOD Resources Limited		(9,102,697)	(3,317,975)
Options lapsed and exercised	16(a)	15,218	20,339
Accumulated losses at end of financial year		(68,700,018)	(59,612,539)

19. Earnings Per Share

	2018 $	2017 $
Net loss attributable to ordinary equity holders of the Parent for basic and diluted loss per share	(9,102,697)	(3,317,975)

	Number of Shares	Number of Shares
Weighted average number of shares used in calculation of:		
Loss per share (cents per share) for continuing operations attributable to the ordinary equity holders of the Company:		
- Basic and diluted loss per share (2017 number restated to a post consolidation basis)	224,243,555	182,427,088
Loss per share for loss (cents per share) attributable to the ordinary equity holders of the Company:		
– Basic and diluted loss per share (2017 number restated to a post consolidation basis)	224,243,555	182,427,088

As the Group incurred a loss for the period, the options on issue have an anti-dilutive effect, therefore the diluted EPS is equal to the basic EPS. A total of 45,597,048 (2017: 75,283,217 (7,528,322 on a post consolidation basis)) share options and 3,050,000 (2017: 25,500,000 (2,550,000 on a post consolidation basis)) performance rights which could potentially dilute EPS in the future have been excluded from the diluted EPS calculation because they are anti-dilutive for the current year presented.

20. Auditors' Remuneration

	2018 $	2017 $
Amounts paid or payable to Grant Thornton Audit Pty Ltd for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	63,435	55,855
Amounts paid or payable to a related practice of Grant Thornton Audit Pty Ltd for:		
- other services provided by Grant Thornton Australia Limited	103,755	17,587
	167,190	73,442
Amounts paid or payable to other Grant Thornton firms:		
- an audit or review of the financial report of the subsidiaries	19,028	20,192
- other services provided by other Grant Thornton firms	84,760	-
	103,788	20,192

21. Expenditure Commitments

(a) Lease commitments	2018 $	2017 $
Operating Lease Commitments -		
contracted but not provided for and payable:		
Office accommodation		
- not later than one year	158,000	146,000
- later than one year and not later than five years	52,667	194,667
	210,667	340,667

(b) Capital expenditure commitments

Botswana Copper/Silver Project
As at 31 December 2018, the minimum exploration expenditure commitments over the licence term on the MOD Licences, MOD JV Licences (MOD 80%) and MOD/MTR JV Licences (MOD 70%; MTR 30%) total BWP27,221,498 ($3.67 million). The Botswana government will retain a levy of 3% NSR (royalty on net smelter return) on base metals and a 5% NSR on precious metals. Furthermore, they also have the right to acquire a 15% working interest upon issuance of a mining licence.

Under certain circumstances these commitments are subject to adjustment and/or timing. They are however expected to be fulfilled in the normal course of operations. The amount disclosed above is estimated only.

Sams Creek Gold Project
The Group has no capital expenditure commitments on the licences for Sams Creek Gold Project as at 31 December 2018.

(c) Finance, lease and hire purchase commitments

There was no finance, lease and hire purchase commitments as at 31 December 2018 (2017: Nil).

22. Key Management Personnel

(a) Details of Key Management Personnel for the year ended 31 December 2018

Directors

Mr Mark Clements (Executive Chairman and Company Secretary)
Mr Julian Hanna (Managing Director)
Mr Steven McGhee (Technical Director)
Mr Simon Lee AO (Non-Executive Director)
Ms Bronwyn Barnes (Non-Executive Director)
Mr Michael McNeilly (Non-Executive Director)

Executives

Mr Stef Weber (Chief Financial Officer)
Mr Jacques Janse Van Rensburg (Business Development Manager)

(b) Remuneration of Key Management Personnel

Details of the key management personnel are as follows:

	2018	2017
	$	$
Short term employee benefits	1,897,865	1,461,574
Post-employment benefits	65,550	56,350
Share-based payments	146,120	866,497
	2,109,535	2,384,421

(c) Other Transaction and Balances with Key Management Personnel

Transactions with Directors

On 8 July 2013, MOD secured a $2 million loan from SHL Pty Ltd, a company associated with MOD director Mr Lee, AO. The $2 million loan was unsecured for an initial 12-month period at an interest rate of 8% per annum, payable monthly in arrears. MOD was not required to pay an establishment fee for the loan and has the right to repay the loan early without incurring any penalty.

A Deed of Extension and Variation was signed on 5 May 2014 so as to extend the Initial Facility Period to end on 4 January 2015. MOD exercised its option to extend the term of the loan for a further 12-month period at a reduced interest rate of 7% per annum with the loan secured against the unencumbered assets of MOD subject to shareholder approval.

On 19 October 2015, MOD entered into a Deed of Amendment with SHL Pty Ltd to extend the repayment date for its existing $2 million loan to 4 April 2016. If MOD does not have the capacity to repay the loan on this date, the parties have agreed that the repayment date for the loan will be extended a further three months to 4 July 2016.

On 25 May 2016, MOD entered into a Deed of Extension and Variation with SHL Pty Ltd which stipulated that the Company was to repay a minimum of $0.5 million and outstanding interest payments owing to SHL by 4 July 2016. This condition was met by MOD and both parties agreed to review the financial capacity of the Company to repay the balance of the SHL Loan on a rolling 3-month basis.

During the year, capital repayments of $500,000 were made (2017: $1,000,000) and interest of $4,375 was paid to this entity (2017: $67,083). As at 31 December 2018, there was no further capital or interest amounts are outstanding.

Director and company secretarial services of $264,000 were provided by a company associated with Mr Clements (2017: $264,000), in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2018, $22,828 was payable (2017: $21,971).

Director services of $276,600 (2017: $181,500) and consulting services of $336,910 (2017: $447,671) for feasibility study metallurgical sample preparation and test work were provided by Independent Metallurgical Operations Pty Ltd, a company associated with Mr McGhee in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2018, $132,596 was payable (2017: $67,636).

Consulting services of $351,489 (2017: $0) for feasibility study metallurgical test work were provided by Metallurgy Pty Ltd, a company associated with Mr McGhee in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2018, $200,927 was payable (2017: $0).

Director services of $60,000 (2017: $17,637) and consulting services of $82,425 (2017: $20,671) were provided by a company associated with Ms Barnes, in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2018, $26,675 was payable (2017: $20,171).

As at 31 December 2018, the amount payable for other director fees is $41,667; consisting of $29,167 to Mr Hanna (2017: $22,964), $7,500 to Mr McNeilly (2017: $0) and $5,000 to Mr Lee (2017: $6,625).

22. Key Management Personnel (continued)

(c) Other Transaction and Balances with Key Management Personnel (continued)

Transactions with Executives

Consulting services of $200,004 (2017: $200,004) were provided by an associated company of Mr Jacques Janse van Rensburg. The consulting services were provided in the ordinary course of business and on normal commercial terms and conditions. As at 31 December 2018, $16,667 was payable (2017: $17,031).

As at 31 December 2018, the amount payable to Mr Weber for executive fees is $23,333 (2017: $20,833).

Short Term Incentive Bonus Scheme ("STIB")

The total amount payable at 31 December 2018 to directors and key management personnel for the achievement of key performance indicators as part of the STIB was $399,761 (2017: $132,800). Details on the STIB are included in the Remuneration Report.

23. Segment Information

Identification of reportable segments
The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Board of Directors review the results on a consolidated basis during their meetings.

The Group has one reportable segment based on the projects held in Botswana which the Directors monitor the performance separately.

Africa-MOD/MTR Joint Venture Project
Comprises operations carried on in the centre of the Kalahari Copper Belt, North-West Botswana subject to a 70/30 joint venture with Metal Tiger Plc.

Africa-Botswana T3 Copper/Silver Project
Comprises operations carried on in the centre of the Kalahari Copper Belt on the Company's flagship T3 project, North-West Botswana and 100% owned by MOD

Africa-Botswana Copper/Silver Project
Comprises other operations carried on in the centre of the Kalahari Copper Belt, North-West Botswana and 100% owned by MOD.

(a) Accounting policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, capitalised exploration and evaluation expenditure, plant and equipment, net of allowances and accumulated depreciation. Most assets can be directly attributed to individual segments. Segment liabilities consist principally of payables, and accrued expenses. Segment assets and liabilities do not include deferred income taxes. Unless stated otherwise, all amounts reported to the Board of Directors in relation to operating segments are determined in accordance with the accounting policies consistent with those adopted in the annual financial statements of the Group.

23. Segment Information (continued)

(b) Intersegment transfers

Segment revenues, expenses and results include transfers between segments. There are no charges on intersegment transactions.

(i) Segment performance

	MOD/MTR JV Project $	T3 Copper/Silver Project $	Botswana Copper/Silver Project $	Total $
For the year ended 31 December 2018				
Interest revenue	-	815	1	816
Total group revenue				816
Segment loss				
Reconciliation of segment result to group net loss before tax	(5,647)	(474,353)	(84,525)	(564,525)
Other items				
- Other expenses not allocated				(9,104,808)
- Other income not allocated				291,222
Net loss after tax				(9,378,111)

Segment revenues, expenses and results include transfers between segments. There are no prices charged on intersegment transactions.

(ii) Segment performance

	MOD/MTR JV Project $	T3 Copper/Silver Project $	Botswana Copper/Silver Project $	Total $
For the year ended 31 December 2017				
Interest revenue	339	-	1	340
Total group revenue				340
Segment loss				
Reconciliation of segment result to group net loss before tax	(8,983)	-	(58,320)	(67,303)
Other items				
- Other expenses not allocated				(3,479,667)
- Other income not allocated				283,545
Net loss after tax				(3,263,425)

23. Segment Information (continued)

(b) Intersegment transfers (continued)

(iii) Other assets and liabilities

	MOD/MTR JV Project $	T3 Copper/Silver Project $	Botswana Copper/Silver Project $	Total $	Reconciling Items $	Group Assets and Liabilities $
31 December 2018						
Segment assets	8,979,103	19,858,170	7,294,573	36,131,846	14,493,967	50,625,813
Segment liabilities	442,709	1,293,396	77,958	1,814,063	2,128,135	3,942,198
31 December 2017						
Segment assets	14,324,884	-	8,454,953	22,779,837	13,622,619	36,402,456
Segment liabilities	4,228,780	-	95,465	4,324,245	1,424,237	5,748,482

(iv) Non-current assets by segment

	MOD/MTR JV Project $	T3 Copper/Silver Project $	Botswana Copper/Silver Project $	Total $	Reconciling Items $	Group Non-current Assets $
31 December 2018						
Exploration and evaluation expenditure	23,060,739	8,320,184	9,730,297	41,111,220	-	41,111,220
Plant and equipment	661,470	1,925,910	1,805	2,589,185	220,507	2,809,692
31 December 2017						
Exploration and evaluation expenditure	13,007,680	-	8,423,496	21,431,176	-	21,431,176
Plant and equipment	674,926	-	3,026	677,952	95,856	773,808

24. Related Party Disclosure

(a) Controlled entities investments

	2018 **%**	2017 %
Parent Entity:		
MOD Resources Limited	-	-
Controlled Entities:		
Metal Capital Limited	100	70
Tshukudu Metals Botswana (Pty) Ltd	100	70
Metal Capital Exploration Limited	70	-
Tshukudu Exploration Botswana (Pty) Ltd	70	-
MOD Resources (Botswana) Pty Ltd	100	100
MOD Resources Botswana (Pty) Ltd	100	100
MOD Resources (NZ) Pty Ltd	100	100
Sams Creek Gold Limited	100	100

Metal Capital Limited is a wholly owned subsidiary of the Company located in the United Kingdom which owns 100% of Tshukudu Metals Botswana (Pty) Ltd. During the 2018 year the Company acquired the 30% interest previously held by Metal Tiger Plc.

MOD Resources Limited has a 70% interest in Metal Capital Exploration Limited, located in the United Kingdom which owns 100% of Tshukudu Exploration Botswana (Pty) Ltd.

Metal Tiger Plc has a 30% non-controlling interest in Metal Capital Exploration Limited.

MOD Resources (Botswana) Pty Ltd is a wholly owned subsidiary of the Company located in Australia which owns 100% of MOD Resources Botswana (Pty) Ltd located in Botswana. MOD Resources Botswana (Pty) Ltd holds exploration licences in Botswana's Kalahari Copper Belt.

MOD Resources (NZ) Pty Ltd is a wholly owned subsidiary of the Company located in Australia which owns 100% of Sams Creek Gold Limited.

Sams Creek Gold Limited is a wholly owned subsidiary of MOD Resources (NZ) Pty Ltd located in New Zealand. Its primary activity is in the gold exploration and mining sector. Sams Creek Gold Limited entered into joint operation activities which it is entitled to a participating interest in the tenements, consents and access arrangement on the fulfilment of certain conditions. It has an 80% interest in the Sams Creek Gold Project (Minerals Exploration Permit 40338).

(b) Key management personnel

Details of key management personnel are set out in Note 22.

25. Financial Risk Management and Policies

The Group's principal financial instruments comprise receivables, payables and cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Primary responsibility for identification and control of financial risks rests with the Board of Directors. The Board reviews and agrees policies for managing each of the risks identified below.

Risk Exposures and Responses

Interest rate risk

The Group does not bear interest rate risks that relates to the Group's cash and short term deposits. Short-term deposits form part of cash and cash equivalents which bear fixed interest rates payable on maturity.

	2018 **$**	2017 $
Cash at bank and on hand	3,038,392	2,004,190
Short term deposits	2,000,000	8,000,000
	5,038,392	10,004,190

25. Financial Risk Management and Policies (continued)

Foreign currency risk

The consolidated financial statements are presented in Australian dollars ($) which is both the functional and presentation currency of the parent company. The functional currencies of the overseas subsidiaries are Botswana Pula (BWP) and New Zealand Dollar (NZD) which are translated to the presentation currency.

The Company's subsidiaries are domiciled in Australia, Botswana, the United Kingdom and New Zealand. The Company's operations exposure to exchange rate fluctuations is the remittance of cash from Australia to Botswana and New Zealand to fund the subsidiaries exploration expenditure and working capital requirements.

The following exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2018	2017	**2018**	2017
AUD 1 = BWP	7.4628	7.8251	7.4161	7.5619
AUD 1 = NZD	1.0793	1.0792	1.0508	1.0987

The Group has not entered into hedging transactions.

Sensitivity analysis

The following table illustrates sensitivities to the consolidated Group's exposures to changes in exchange rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in foreign currency risk that management considers to be reasonably possible. The impact of the change in exchange rates between AUD and BWP to the comprehensive income and equity would have changed as follows:

	2018 **$**	2017 $
+2% (2017: +2%)	(16,365)	(177,310)
-3% (2017: -3%)	27,275	345,738

Credit risk

Credit risk arises from the financial assets of the group which comprise cash and cash equivalents and trade and other receivables. The credit risk on cash and cash equivalents are minimised through investing funds in financial institutions that maintain high credit ratings. Furthermore, receivable balances are monitored by the group on an ongoing basis, thus, the Group is not significantly exposed to credit risk.

Equity price risk

Equity price risk arises where the value of financial instruments fluctuates because of change in prices. The Group is exposed to equity price risk in respect of its listed equity securities in Australia.

Liquidity risk

The table below reflects all contractually fixed pay-offs for repayments from recognised financial liabilities.
The remaining contractual maturities of the Group's financial liabilities are:

	2018 **$**	2017 $
6 months or less	3,676,607	5,607,818
6 – 12 months	-	16,667
1 – 5 years	11,107	44,443
Over 5 years	-	-
	3,687,714	5,668,928

25. Financial Risk Management and Policies (continued)

Risk Exposures and Responses (continued)

Maturity analysis of financial assets and liability based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations. These assets are considered in the Group's overall liquidity risk.

Year ended 31 December 2018	≤ 6 months $	6 - 12 months $	1 - 5 years $	> 5 years $	Total $
Consolidated Financial Assets					
Cash and cash equivalents	5,038,392	-	-	-	5,038,392
Trade and other receivables	831,711	-	-	-	831,711
	5,870,103	-	-	-	5,870,103
Consolidated Financial Liabilities					
Trade and other payables	3,695,635	-	11,107	-	3,706,742
Interest-bearing liabilities	-	-	-	-	-
	3,695,635	-	11,107	-	3,706,742
Net maturity	2,174,468	-	(11,107)	-	2,163,361

The Group monitors liquidity reserves periodically on the basis of expected cash flows.

Fair Value Measurement

Fair value measurement of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices.

25. Financial Risk Management and Policies (continued)

Fair Value Measurement (continued)

	Note	2018 Net Carrying Value $	2018 Fair Value $	2017 Net Carrying Value $	2017 Fair Value $
Financial Assets					
Cash and cash equivalents	(i)	5,038,392	5,038,392	10,004,190	10,004,190
Trade and other receivables	(i)	831,711	831,711	644,518	644,518
Total financial assets		5,870,103	5,870,103	10,648,708	10,648,708
Financial liabilities					
Trade and other payables	(i)	3,708,742	3,708,742	5,168,928	5,168,928
Interest-bearing liabilities	(ii)	-	-	500,000	502,917
Total financial liabilities		3,708,742	3,708,742	5,668,928	5,671,845

The three levels of a fair value hierarchy on financial assets and liabilities are defined based on the observability of significant inputs to the measurement as follows:

Level 1: quoted prices in active markets for assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability

The three levels of a fair value hierarchy for the Group's financial assets and liabilities have been identified for the Group's financial assets and liabilities in the above table which have been determined based on the following methodologies:

(i) Level 2: Cash and cash equivalents, trade and other receivable and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave and long service leave, which is not considered a financial instrument.
(ii) Level 2: Interest-bearing liabilities include interest of $0 (2017: $2,917).

There are no unobservable inputs for the Group's financial assets and liabilities.

26. Contingent Liabilities

Under the shareholder agreement between MOD and MTR relating to the acquisition of DMI, MOD is obligated to pay the contingent consideration balance for the acquisition of DMI of US$300,000 based on the completion of a Bankable Feasibility Study on Mahumo or on DMI licences, upon completion of a liquidity event (being a capital raising by MOD, MTR or an affiliate, or a disposal of 50% of DMI shares, or any part of the DMI licences).

No value has been attributed to the contingent consideration at 31 December 2018 (2017: Nil). The fair value of contingent consideration could not be reliably estimated as the probability of achieving the milestones could not be determined.

MTR will receive a 2% net smelter royalty from any future production derived from the DMI licence which will be capped at US$2 million.

27. Non-controlling interest

	2018 $	2017 $
Share capital	192,169	138,725
Reserves	94,392	70,937
Accumulated losses	(335,374)	(148,392)
	(48,813)	61,270

28. Subsequent Events

On 21 January 2019 MOD announced that it will raise $15m through an oversubscribed institutional share placement and fully underwritten rights placement. The institutional share placement raised $10m before costs through the issue of 33,333,333 shares at an issue price of $0.30. The non-renounceable rights raised $5.1m before costs through the issue of 21,353,317 shares at an issue price of $0.24.

On 16 January 2019, the Company received an unsolicited, non-binding, indicative and conditional proposal from Sandfire Resources NL (ASX:SFR) ("Sandfire") to acquire 100% of the securities in MOD, following a period of technical due diligence by Sandfire with respect to a potential joint venture arrangement, the potential sale of a partial interest in T3 Project and a potential market placement to support development of the T3 Project.

The proposal comprised a full scrip consideration equivalent to $0.38 per Ordinary Share, valuing the Company's equity, on a fully diluted basis, at $113 million (as at the close of ASX on 15 January 2019, being the day immediately prior to receipt of the Indicative Proposal).

As announced on 21 January 2019, the Board believed that the Indicative Proposal undervalued the assets of MOD. The Board remains fully committed to act in the best interests of, and to maximise value for Shareholders. MOD has not received any offer capable of acceptance by the Company's shareholders and no certainty that the Indicative Proposal will result in a transaction.

On 25 March 2019, the Company announced an updated T3 Ore Reserve. The updated Ore Reserve has increased by 61% to a total of 34.4Mt @ 1.0% Cu for 342.7kt of copper and 14.6Moz of silver.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect, the operations of the controlled entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

In accordance with a resolution of the directors of MOD Resources Limited, I state that:

1. In the opinion of the Directors:

   (a) The financial statements and notes of MOD Resources Limited for the financial year ended 31 December 2018 are in accordance with the Corporations Act 2001, including:

      (i) Giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the year ended on that date; and

      (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

   (b) To the best of the Directors' knowledge, the management report (comprising the Directors Report) includes a fair review of the development and performance of the business and the financial position of the Group and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that the Group faces.

   (c) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).

   (d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors by the Managing Director and Chief Financial Officer in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 31 December 2018.

On behalf of the Board

MARK CLEMENTS
Executive Chairman
27th March 2019

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Independent Auditor's Report

To the Members of MOD Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of MOD Resources Limited (the 'Company') and its subsidiaries (the 'Group'), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Carrying value of Exploration and Evaluation Assets – Note 2(h) and Note 9	
As at 31 December 2018 the Group had $41,111,220 of capitalised exploration and evaluation expenditure. The Group is required to assess each area of interest in line with AASB 6 *Exploration for and Evaluation of Mineral Resources* to ensure the carrying value does not exceed its recoverable amount. The process to assess for impairment of exploration and evaluation assets involves significant management judgement and subjectivity with regards to the applicability of impairment indicators and the assessment of the recoverable amount of assets which have not yet reached the production stage. The ability of the Group to determine whether the area of interest is economically viable is dependent on advancing drilling and feasibility studies to a stage whereby information is readily available to undertake value-in-use calculations. This is a key audit matter due to the nature of the balance and the judgements required in determining the recoverable amounts, including the judgemental nature of the estimates and the assumptions used in the impairment analysis.	Our procedures included, amongst others: • Documenting our understanding of the processes and internal controls in respect of accounting for additions and of management's review and assessment of the applicability of impairment indicators; • Obtaining a schedule of areas of interest held by the Group and assessing the Group's right to tenure over the exploration licences by reviewing all legal licences to supporting documentation to which exploration expenditure had been capitalised; • Considering the application of requirements under AASB 6 in relation to expenditure capitalised during the period; • Obtaining management's assessment of impairment considerations and performing the following: - Critically assessing inputs and assumptions in management's analysis; - Evaluating compliance with the requirements of AASB 6; - Engaging the services of an independent geologist to evaluate management's assessment of impairment indicators and compare to fair value based on available market information; - Evaluating the competence, capabilities and objectivity of the expert in line *ASA 620 Using the work of an Auditors Expert*; - Evaluating the sufficiency of the impairment charge; and • Assessing the adequacy of related disclosures relating to exploration and evaluation assert in accordance with AASB 6.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 21 to 33 of the Directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of MOD Resources Limited, for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 27 March 2019

Additional information is required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report.

The information is correct as at 19 March 2019.

SUBSTANTIAL SHAREHOLDERS

Number of ordinary shares held by the substantial shareholders.

Shareholder	No. of Ordinary Shares
Australian Super Pty Ltd	35,724,428 *
Metal Tiger PLC	31,838,393 **
LIM Asia Special Situation Master Fund Limited	15,415,725***

* Based on latest notice of change of substantial shareholder notice dated 8 March 2019
** Based on latest notice of change of substantial shareholder notice dated 27 February 2019
*** Based on latest notice of change of substantial shareholder notice dated 1 February 2019

CLASS OF SHARES AND VOTING RIGHTS

At 19 March 2019, there were 2,578 holders of the ordinary shares of the Company.

Ordinary Shares

In accordance with the Company's constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

DISTRIBUTION OF SHAREHOLDINGS

Category	No. of Shareholders Ordinary Shares
1 - 1,000	434
1,001 - 5,000	755
5,001 - 10,000	338
10,001 - 100,000	805
Over 100,000	246
Total number of shareholders	2,578

Total number of shareholders holding less than a marketable parcel was 587.

TOP 20 SHAREHOLDERS AS AT 19 MARCH 2019

Ordinary Shareholders	Fully Paid Number of Shares Held	Percentage of Shares Held
JP Morgan Nominees Australia Pty Ltd	44,476,108	14.65
Metal Tiger Plc	31,838,393	10.48
HSBC Custody Nominees (Australia) Ltd	18,977,382	6.25
Citicorp Nominees Pty Ltd	13,498,752	4.45
Merrill Lynch (Australia) Nominees Pty Ltd	10,782,049	3.55
Phoenix Properties International Pty Ltd	10,630,649	3.50
BNP Paribas Nominees Pty Ltd (DRP)	5,754,242	1.89
Simon Sui Hee Lee	5,746,291	1.89
Julian P + P G Hanna (J Hanna Super Fund A/C)	5,599,193	1.84
Pershing Australia Nominees Pty Ltd <Blue Ocean Equities A/C>	5,432,985	1.79
McGhee Investment Holdings Pty Ltd	4,999,291	1.65
Rask Pty Ltd (Granger Superannuation Fund Account)	4,603,847	1.52
National Nominees Limited	4,278,295	1.41
Balion Pty Ltd	3,924,250	1.29
Nero Resource Fund Pty Ltd	3,855,770	1.27
Denman Income Limited	3,227,986	1.06
Computershare Clearing Pty Ltd	2,879,566	0.95
David George Glennie	2,676,256	0.88
Lee Miller Investments Pty Ltd	2,636,592	0.87
Onmell Pty Ltd	2,437,397	0.80
	188,255,294	61.99

Unlisted Securityholders

There are 426 holders of unlisted $0.60 options expiring on 15 April 2019.

There are 15 holders of Performance Rights expiring 21 February 2022.

There are 12 holders of unlisted $0.457 options expiring 30 January 2023; unlisted $0.707 options expiring 30 January 2023 and unlisted $0.907 options expiring 30 January 2023.

There is 1 holder of unlisted nil consideration options expiring 16 November 2021.

Stock Exchange Listing

MOD Resources Limited's shares and options are listed on the Australian Securities Exchange and the London Stock Exchange's Main Market.

Other Matters

The chief entity is domiciled in Australia.

The chief entity is a public company for taxation purposes.

The following exploration licences were in place at 31 December 2018;

Botswana Copper/Silver Project and MOD/MTR JV Licences

Permit/Licence Number	Size (km²) (approx.)	Holding	Title Holder	Licence Commencement Date	Renewal Date
MOD Licences					
PL686/2009	463.0	100%	MOD Resources Botswana (Pty) Ltd	01 Jan 19	31 Dec 20
PL204/2014	35.5	100%	MOD Resources Botswana (Pty) Ltd	01 Apr 18	31 Mar 20
PL280/2014	70.2	100%	MOD Resources Botswana (Pty) Ltd	01 Apr 18	31 Mar 20
PL034/2010	619.5	100%	MOD Resources Botswana (Pty) Ltd	01 Apr 18	31 Mar 20
PL035/2010	496.6	100%	MOD Resources Botswana (Pty) Ltd	01 Apr 18	31 Mar 20
PL036/2010	470.0	100%	MOD Resources Botswana (Pty) Ltd	01 Apr 18	31 Mar 20
PL141/2012	387.3	100%	MOD Resources Botswana (Pty) Ltd	01 Apr 18	31 Mar 20
PL211/2017	974.0	100%	MOD Resources Botswana (Pty) Ltd	01 Jan 18	31 Dec 20
MOD/MTR JV Licences					
PL186/2008	557.0	70%	Tshukudu Exploration (Pty) Ltd	01 Jan 19	31 Dec 20
PL187/2008	648.8	70%	Tshukudu Exploration (Pty) Ltd	01 Jan 19	31 Dec 20
PL188/2008	395.0	70%	Tshukudu Exploration (Pty) Ltd	01 Jan 19	31 Dec 20
PL189/2008	210.7	70%	Tshukudu Exploration (Pty) Ltd	01 Oct 18	30 Sep 20
PL190/2008	708.0	70%	Tshukudu Exploration (Pty) Ltd **(Includes 25km² T3 Project)**	01 Oct 18	30 Sep 20
PL191/2008	572.0	70%	Tshukudu Exploration (Pty) Ltd	01 Jan 19	31 Dec 20
PL192/2008	604.5	70%	Tshukudu Exploration (Pty) Ltd	01 Jan 19	31 Dec 20
PL102/2005	331.1	70%	Tshukudu Exploration (Pty) Ltd	01 Jan 19	31 Dec 20
PL103/2005	131.1	70%	Tshukudu Exploration (Pty) Ltd	01 Jan 19	31 Dec 20
PL104/2005	285.3	70%	Tshukudu Exploration (Pty) Ltd	01 Jan 19	31 Dec 20
PL060/2012	809.2	70%	Tshukudu Exploration (Pty) Ltd	01 Jan 19	31 Dec 20
PL061/2012	974.9	70%	Tshukudu Exploration (Pty) Ltd	01 Jan 19	31 Dec 20
PL231/2016	65.0	70%	Tshukudu Exploration (Pty) Ltd	01 Oct 16	30 Sept 19
PL074/2017	45.0	70%	Tshukudu Exploration (Pty) Ltd	01 Apr 17	31 Mar 20
PL093/2018	160.0	70%	Tshukudu Exploration (Pty) Ltd	01 Oct 18	30 Sep 21
PL099/2017	285.0	70%	Tshukudu Exploration (Pty) Ltd	01 Oct 17	30 Sep 20
PL189/2017	370.0	70%	Tshukudu Exploration (Pty) Ltd	01 Oct 17	30 Sep 20
PL126/2013	341.4	70%	Tshukudu Exploration (Pty) Ltd	01 Oct 18	30 Sep 20
PL127/2013	668.6	70%	Tshukudu Exploration (Pty) Ltd	01 Oct 18	30 Sep 20

Sams Creek Gold Project

Permit/Licence Number	Size (km²) (approx.)	Holding	Title Holder	Licence Commencement Date	Renewal Date
EP40338	30.6	80%	Sams Creek Gold Limited	27 Mar 98	26 Mar 21
EP54454	32.0	100%	Sams Creek Gold Limited	25 Sep 12	25 Sep 22

BOTSWANA COPPER/SILVER PROJECTS

Summary of Ore Reserve Estimates

T3 – Ore Reserves at 31 January 2018

Ore Reserve	Quantity (Mt)	Grade Cu (%)	Grade Ag (%)	Contained Cu (Kt)	Contained Ag (Moz)
Proved	8.78	1.13	11.1	98.95	3.14
Probable	12.65	0.94	9.7	118.64	3.93
Total Reserve	**21.43**	**1.02**	**10.3**	**217.59**	**7.07**

Summary of Mineral Resource Estimates

T3 - Mineral Resources at 16 July 2018

JORC Category	Cutoff Cu%	Tonnes	Grade Cu%	Grade Ag g/t	Contained Cu (Kt)	Contained Ag (Moz)
Indicated	0.25	50,040,000	0.92	13	461.3	20.95
	0.4	36,631,000	1.14	16	417.0	18.60
	0.5	27,139,000	1.38	19	374.5	16.82
	1.0	14,154,000	2.06	31	291.9	14.30
	1.5	10,962,000	2.29	36	250.7	12.61
Inferred	0.25	27,667,000	0.68	10	187.3	9.18
	0.4	23,524,000	0.74	11	173.3	8.30
	0.5	19,884,000	0.79	11	156.9	7.35
	1.0	3,511,000	1.58	22	55.6	2.46
	1.5	1,640,000	2.04	29	33.5	1.55
TOTAL (Indicated & Inferred)	**0.25**	**77,706,000**	**0.83**	**12**	**648.6**	**30.14**
	0.4	**60,155,000**	**0.98**	**14**	**590.4**	**26.90**
	0.5	**47,023,000**	**1.13**	**16**	**531.5**	**24.17**
	1.0	**17,665,000**	**1.97**	**30**	**347.6**	**16.77**
	1.5	**12,602,000**	**2.25**	**35**	**284.2**	**14.16**

T3 -Mineral Resources at 31 December 2017 and 24 August 2017

JORC Category	Cutoff Cu%	Tonnes	Grade Cu%	Grade Ag g/t	Contained Cu (Kt)	Contained Ag (Moz)
Measured	0.5	8,954,000	1.27	12.50	113.45	3.60
	1.0	6,548,000	1.45	13.58	94.62	2.86
	1.5	2,179,000	1.90	17.91	41.49	1.25
Indicated	0.5	11,202,000	1.19	12.50	133.43	4.50
	1.0	7,240,000	1.42	14.07	102.52	3.28
	1.5	2,200,000	1.89	18.07	41.62	1.28
Inferred	0.5	15,810,000	1.03	13.09	162.04	6.65
	1.0	6,786,000	1.42	16.59	96.09	3.62
	1.5	2,108,000	1.91	20.66	40.16	1.40
TOTAL	**0.5**	**35,966,000**	**1.14**	**12.79**	**408.93**	**14.79**
	1.0	**20,574,000**	**1.43**	**14.73**	**293.18**	**9.74**
	1.5	**6,487,000**	**1.90**	**18.84**	**123.25**	**3.93**

BOTSWANA COPPER/SILVER PROJECTS (CONTINUED)

T1 -Mineral Resources at 31 December 2018 and 31 December 2017

Mahumo Stage One - Total Resources @ 1.0% Cu cut-off						
JORC Category	Tonnes	Cu %	Ag g/t	CuEq[2] %	Cu Tonnes	Ag Ounces
Measured	518,000	1.93%	48.8	2.37%	10,000	813,000
Indicated	1,726,000	1.87%	48.0	2.30%	32,280	2,660,000
Inferred	433,000	2.52%	57.4	3.03%	10,900	800,000
Total	**2,677,000**	**2.00%**	**50.0**	**2.44%**	**53,180**	**4,273,000**

1. Tonnes, grade and metal content have been rounded. Rounding may lead to computational discrepancies.
2. The formula used is: CuEq= Cu% + (Ag g/t x 0.009).

Corner K - Mineral Resources at 31 December 2018 and 31 December 2017

Corner K Deposit – Mineral Resource Estimates [1]						
Cut-Off Grade (%)	Tonnes (Mt)	Cu %	Ag g/t	CuEq[2] %	Contained Copper Tonnes	Contained Silver 000's oz
0.30%	9.8	0.90%	18.0	1.12%	87,600	5,655
0.40%	9.5	0.91%	18.4	1.14%	86,600	5,631
0.50%	9	0.94%	19.3	1.17%	84,400	5,593
0.60%	8.5	0.96%	20.3	1.21%	81,300	5,519

1. Tonnes, grade and metal content have been rounded. Rounding may lead to computational discrepancies.
2. CuEq (copper equivalent) calculated using US$3.55/Lb Cu & US$29.96/Oz Ag. There is no adjustment for metallurgical recovery.

The formula used is: CuEq= Cu% + (Ag g/t x 0.01231).

Price data is from Bloomberg's compilation of 11 analysts for 2013, 2014 and 2015, accessed on 19/09/12.

Review of material changes

There have been material changes to MOD's Ore Reserve Estimate and Mineral Resource Estimates since the last reporting period.

A maiden Ore Reserve at T3 was announced together with the T3 Preliminary Feasibility Study on 31 January 2018 showing a total Ore Reserve of 21.43Mt @ 1.02% Cu and 7.07Moz Ag.

An updated JORC compliant resource at T3 was announced on 2 July 2018. This comprised 60Mt @ 0.98% Cu and 14g/t Ag. This resource was further updated on 16 July 2018 which due to reclassification resulted in an increase in the Indicated Mineral Resource Category only, the total Mineral Resource of 60Mt @ 0.98% and 14g/t Ag remains the same.

T3 is hosted on Prospecting Licence 190 and is wholly owned by MOD Resources Ltd in the Kalahari Copper Belt, Botswana.

The Mineral Resource Estimates for Prospecting Licence 686 which hosts the Mahumo deposit (formerly Corner K and now referred to as T1) remains unchanged since 31 December 2017. The resource was announced on 25 March 2015.

The maiden Ore Reserve at T3 was estimated by an independent consultant in Australia in accordance with the Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves (JORC Code, 2012). The T3 PFS announcement includes a statement describing all the reserve parameters and assumptions, a competent persons statement and ASX tables appropriate for a new reserve estimate.

The updated T3 Mineral Resources were estimated by an independent consultant in Australia in accordance with the Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves (JORC Code, 2012). The T3 Resource announcements include a statement describing all the resource parameters and assumptions, a competent persons statement and ASX tables appropriate for a new resource estimate.

The T1 Mineral Resources were estimated by an independent consultant in South Africa in accordance with the Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves (JORC Code, 2012). The T1 Resource announcements include a statement describing all the resource parameters and assumptions, a competent persons statement and ASX tables appropriate for a new resource estimate.

SAMS CREEK GOLD PROJECT

Summary of Mineral Resource Estimates
Reported according to JORC Category and Deposit

Sams Creek - Mineral Resources at 31 December 2017 and 31 December 2016

Resource Category	Cut-Off g/t Au	Tonnes (Mt)	Grade g/t Au	Contained 000's oz Au
Indicated	0.7	10.1	1.77	575
Inferred	0.7	10.4	1.31	439
TOTAL	**0.7**	**20.5**	**1.54**	**1,014**
Indicated	1.0	7.9	2.03	515
Inferred	1.0	5.8	1.70	315
TOTAL	**1.0**	**13.7**	**1.89**	**830**
Indicated	1.5	5.0	2.48	402
Inferred	1.5	2.5	2.33	187
TOTAL	**1.5**	**7.5**	**2.43**	**588**

Review of material changes

There has been no additional work on the Sams Creek Stage 2 Mineral Resource estimate by Golder Associates completed in October 2013 which includes a JORC compliant Indicated Mineral Resource of 575,000oz gold, based on 10 million tonnes @ 1.77g/t using a 0.7g/t cut-off.

Golder Associates' Resource Statement (including a summary of the 2012 JORC Code assessment criteria) was attached to the 9 October 2013 announcement. There have been no changes to the Mineral Resource Estimate of this Project.

GOVERNANCE AND INTERNAL CONTROLS

MOD maintains strong QAQC controls across all resource related work.

BOTSWANA COPPER/SILVER PROJECT

Sampling Method
Drill core is logged, split and sampled by MOD personnel at site. The saw blade is cleaned after each sample by cutting unmineralised material to avoid contamination. The logging process documents lithological, alteration and structural information as well as geotechnical data, percentage recovery and density measurements. Diamond core is sampled and assayed at 1m intervals, or less, as dictated by lithological contacts, and assayed for 35 elements at ALS Chemex laboratory in Johannesburg. Industry standards, blanks and duplicates are submitted into the sample stream for analysis.

For RC drilling a 30-35 kilogram sample is collected from the cyclone discharge at 1m intervals. The drill hole is flushed with compressed air after each 1m interval. The sample is then split 75/25. The 25% portion is further split 50/50. One half provides material for analysis and the other half is archived. 1m samples are collected. All samples are bagged, sealed and transported in secured wooden crates and shipped to ALS Chemex laboratories in Johannesburg, South Africa. Standards, blanks and duplicates are inserted into the sample stream for RC.

Sample Preparation and Analysis
MOD has implemented an industry-standard QA/QC program. Drill core is logged, split by sawing and sampled at site. Samples are either prepared to pulp stage on-site and MOD's core logging and storage facility, within a purpose built commercially operated facility (ALS Laboratories) or couriered to a commercial laboratory (also ALS Laboratories) in Johannesburg, South Africa by MOD staff. Blanks and Certified Reference Material standards are inserted into the sample stream at every 10th sample interval. Samples at the lab are prepared using industry standard techniques including a silica wash after each sample has been crushed. Analytical techniques have been chosen to best characterize total and non-sulphide copper and silver mineralisation as well as to test for other metals.

The following methods are utilized:

1. 35 elements by aqua-regia acid digestion and ICP-AES that includes total copper and silver.
2. Analysis of over limits for Cu.
3. Analysis for non-sulphide Cu.

Currently all core samples are analysed for total and acid soluble Cu. RC samples are also assayed for total and soluble Cu. RC samples are not composited. All results are reported as down hole widths.

SAMS CREEK GOLD PROJECT

Sampling Method
Drill core is logged, split and sampled by MOD personnel at site. The logging process documents lithological, alteration and structural information as well as geotechnical data, percentage recovery and density measurements.

Diamond core is sampled and assayed at 1m intervals, or less, as dictated by lithological contacts, and assayed for gold at SGS's laboratory in Waihi, New Zealand and a 50 element suite by ALS in Brisbane.

Industry standards and blanks are submitted with each batch along with duplicates created by splitting half core and submitting both samples into the sample stream.

Sample Preparation, Analysis and Security
MOD has implemented an industry-standard QA/QC program. Drill core is logged, split by sawing and sampled at site. Samples are bagged, labelled, and shipped to SGS laboratory in Waihi, New Zealand. Certified Reference - Material standards including blanks are inserted into the sample stream at approximately every 25th sample interval. Samples at the lab are prepared using industry standard techniques including a silica wash after each sample has been pulverised. SGS splitout a 50gm pulverised sample which is sent to ALS in Brisbane for multi-element determinations.

The following analytical methods are utilized:

1. Gold is analysed by 30gm Fire Assay
2. Other element (50 element suite including As, S, Cu, Pb, Zn and Sb), by aqua-regia acid digestion and ICPMS.

All results are reported as down hole widths with estimates made of the true width of the host porphyry.

Resource estimates were calculated by independent third party, Golder Associates Pty Ltd and reported under JORC 2012 rules. Various visual and statistical checks were made to validate the results.

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COMPETENT PERSON'S STATEMENTS

The information in this Report that relates to Geological Data and the T3 Mineral Resource is reviewed and approved by Mr Bradley Ackroyd, BSc (Hons), Manager Mine Geology for MOD Resources Ltd. Mr Ackroyd is a registered member of the Australian Institute of Geoscientists and has reviewed the technical information in this report. Mr Ackroyd has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and the activity, which it is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Ackroyd consents to the inclusion in this Report of the matters based on information in the form and context in which it appears.

The information in this Report that relates to the T3 Mineral Resource estimate (excluding prior estimates) is based on and fairly represents information and supporting documentation compiled by Dr Matthew Cobb; an employee of CSA Global Pty Ltd. Dr Cobb is a member of both The Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. Dr Cobb has sufficient experience relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Cobb consents to the inclusion in this Report of the matters based on their information in the form and context in which it appears.

The Competent Person responsible for the geological interpretation, Mineral Resource estimation and classification of the T1 Mahumo Copper/Silver Project is Mr A.I. Pretorius, who is a full-time employee of Sphynx Consulting CC and registered with SACNASP (400060/91). Mr Pretorius has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Pretorius consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The Competent Person for reporting of the Mahumo Copper/Silver Project Ore Reserve is Mr Graham Stripp, who is a full time employee of Sound Mining Solution. He is a Fellow of the South African Institute of Mining and Metallurgy. Mr Stripp has sufficient experience that is relevant to the type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Stripp consents to the inclusion in this Report of the matters based on information in the form and context in which it appears.

The Corner K resource estimate was calculated by independent third party, Sphynx Consulting Pty Ltd and reported under JORC 2004 rules. It has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported and is based on and fairly represents information reviewed and approved by Jacques Janse van Rensburg, BSc (Hons), Business Development Manager for MOD Resources Ltd. Various visual and statistical checks were made to validate the results.

The information in this Annual Report that relates to Geological Data and Exploration Results at the Sams Creek Gold Project is based on and fairly represents information compiled by Mr Paul Angus, Project Manager of Sams Creek and a Director of MOD Resources Ltd's subsidiary, Sams Creek Gold Ltd. Mr Angus is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the December 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Angus consents to the inclusion in this Report of the matters based on information in the form and context in which it appears.

Information in this Annual Report relates to previously released exploration data disclosed under the JORC Code 2012 and fairly represents information reviewed and approved by Mr Jacques Janse van Rensburg and Mr Paul Angus.

NO NEW INFORMATION

To the extent that this announcement contains references to prior exploration results and Mineral Resource estimates, which have been cross referenced to previous market announcements made by the Company, unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

DISCLAIMER AND FORWARD LOOKING STATEMENTS

This Annual Report has been prepared by MOD Resources Limited. The document contains background Information about MOD Resources Limited current at the date of this report. The report is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this report.

The report is for information purposes only. Neither this report nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction. The Annual Report may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. Recipients should inform themselves of the restrictions that apply to their own jurisdiction as a failure to do so may result in a violation of securities laws in such jurisdiction.

This Annual Report does not constitute investment advice and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs and the opinions and recommendations in this report are not intended to represent recommendations of particular investments to particular persons. Recipients should seek professional advice when deciding if an investment is appropriate. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments.

To the fullest extent of the law, MOD Resources Limited, its officers, employees, agents and advisers do not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of any information, statements, opinion, estimates, forecasts or other representations contained in this report. No responsibility for any errors or omissions from the Annual Report arising out of negligence or otherwise is accepted.

Such forward looking statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance achievements to differ materially from those expressed, implied or projected in any forward-looking statement. No representation or warranty, expressed or implied, is made by MOD Resources Limited that material contained in this report will be achieved or proved correct.

This report does not include reference to all available information on MOD Resources Limited, the Sams Creek Gold Project or the Botswana Copper Project and should not be used in isolation as a basis to invest in the Company. Potential investors should refer to MOD Resources Limited's other public releases and consult professional advisers before investing in the Company.

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