



LUSTRUM
MINERALS LIMITED

ABN 83 609 594 005

FINANCIAL REPORT

FOR THE YEAR ENDED

30 June 2020

FINANCIAL REPORT

for the year ended 30 June 2020

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CORPORATE DIRECTORY

DIRECTORS

David Prentice (Non-Executive Chairman)
Luke Hall (Non-Executive Director)
Piers Lewis (Non-Executive Director)

COMPANY SECRETARY

Loren King

REGISTERED OFFICE

C/- Cicero Group Pty Ltd
Suite 9, 330 Churchill Avenue
Subiaco WA 6008

POSTAL ADDRESS

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CONTACT INFORMATION

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AUDITORS

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BANKER

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SHARE REGISTRY

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DIRECTORS' REPORT

The directors of Lustrum Minerals Limited (**Company** or **Lustrum**) submit herewith the financial report of the Company for the financial year ended 30 June 2020 (**year**). In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names, appointment periods and particulars of the Company directors who held office during the year are:

Director	Position	Date Appointed	Date Retired
Mr David Prentice	Non-Executive Chairman	1 July 2016	-
Mr Luke Hall	Non-Executive Director	3 December 2019	-
Mr Piers Lewis	Non-Executive Director	3 December 2019	-
Mr Josh Puckridge	Non-Executive Director	1 December 2015	3 December 2019
Mrs Loren King	Non-Executive Director	1 July 2016	3 December 2019

The names of the secretaries in office at any time during or since the end of the year are:

Company Secretary	Position	Date Appointed	Date Retired
Mrs Loren King	Company Secretary	1 July 2016	-

INFORMATION ON DIRECTORS AND KEY MANAGEMENT PERSONNEL

Information on Directors as at the date of this report is as follows:

MR DAVID PRENTICE

NON-EXECUTIVE CHAIRMAN

David is a senior resources executive with 28 plus years domestic and international experience. David started his career working in commercial and business development roles within the resources sector working for some of Australia's most successful gold and nickel exploration and production companies.

During the last 15 years David has gained international oil and gas exploration and production sector experience (with a specific focus on the Mid-Continent region of the United States) working in both executive and non-executive director roles with Australian publicly traded companies. David is currently Managing Director of Brookside Energy Limited (ASX: BRK), a non-executive director of Comet Resources Limited (ASX: CRL) and a director of Oklahoma unlisted company Black Mesa Production, LLC.

MRS PIERS LEWIS

NON-EXECUTIVE DIRECTOR

Piers Lewis has over 20 of years corporate advisory experience with various ASX and AIM listed companies and is a fellow of the Governance Institute of Australia. Piers completed a Bachelor of Commerce at the University of Western Australia and is a member of Chartered Secretaries Australia. In 2001 he qualified as a Chartered Accountant with Deloitte (Perth), and brings extensive and diverse financial and corporate experience from previous senior management roles with Credit Suisse (London); Mizuho International, ABN Amro and NAB Capital and in 2011 Piers founded Smallcap Corporate, a Corporate Advisory services company.

Piers currently serves as chairman of Cycliq Group (ASX:CYQ), eSense Labs (ASX:ESE), and is company secretary for Grange Resources (ASX:GRR) and Ultima United (ASX:UUL).

DIRECTORS' REPORT

MR LUKE HALL NON-EXECUTIVE DIRECTOR

Luke Hall is a corporate and commercial lawyer. He has experience in capital raising and structuring issues including Corporations Act and ASX Listing Rule compliance and governance issues, private mergers and acquisitions, private equity transactions, initial public offerings and backdoor listings.

Luke has formerly worked for major mining companies, engineering firms, and contractors in the mining and engineering sector, including Fluor Corporation, Rio Tinto and Mineral Resources Limited. Prior to his career in the mining and engineering sector, he was employed by the Australian Securities and Investments Commission (ASIC) as a lawyer in the area of financial services regulation. In the last 3 years preceding, Luke has not acted as a director for any other ASX listed entities.

DIRECTOR MEETINGS

The following table sets out information in relation to Board meetings held during the year:

Director	Eligible to Attend	Attended	Circular Resolutions Passed
Mr David Prentice	4	4	-
Mr Luke Hall	2	2	-
Mr Piers Lewis	2	2	-
Mr Josh Puckridge	2	2	-
Mrs Loren King	2	2	-

DIRECTORS' SHAREHOLDINGS

At the date of this report the following table sets out the current directors' relevant interests in shares and options of Lustrum Minerals Limited and the changes during the year ended 30 June 2019:

Director	Ordinary Shares	
	Current holding	Net increase/(decrease)
Mr David Prentice	100,000	-
Mr Luke Hall	-	-
Mr Piers Lewis	-	-

REVIEW OF OPERATIONS

Lustrum Minerals Limited (ASX: **LRM**) (**Lustrum**) (**Company**) is pleased to provide a summary of its activities for the twelve (12) months ending 30 June 2020 (**year**).

PROJECT AND EXPLORATION SUMMARY

During the year, the Company maintained its interest in the Consuelo Project in Queensland.

The Consuelo Project is comprised of three (3) Coal Exploration Permits (EPCs 2327, 2318 and 2332, together the EPCs or Project) located south of the town of Rolleston in Queensland's Bowen Basin adjacent to the Rolleston thermal coal mine.

DIRECTORS' REPORT

During the year, the Company also appointed SRK Consulting to prepare a report on past and recent exploration work completed on the Consuelo Project. SRK Consulting subsequently provided Lustrum with a preliminary report designed to assist Lustrum with internal strategic decision making regarding future activities on the Consuelo EPC's. The preliminary report reviewed previous exploration work conducted on the EPC's, including work completed by Lustrum. The SRK Consulting report concluded that the exploration program commissioned by Lustrum in 2018 was executed competently and that the data acquired was reliable. The Board of Lustrum is currently reviewing the report with a view to developing and approving an updated forward plan for the project.

CAPITAL MANAGEMENT

As at the end of the year, the Company had \$1,507,211 in cash and 33,851,450 fully paid ordinary shares on issue. The Top 20 Shareholders hold approximately 70% of the share on issue.

CORPORATE

On 30 August 2019, the Company requested the voluntary suspension of its securities. The Company's securities remained suspended during the year.

On 3 December 2019, the Company welcomed the appointments of Mr Piers Lewis and Mr Luke Hall as Non-Executive Directors of the Company. Coinciding with these appointments was the retirement of Non-Executive Directors Mr Josh Puckridge and Mrs Loren King. Loren continued in her position as Lustrum's company secretary.

BUSINESS DEVELOPMENT

During the year, the Company spent significant time reviewing opportunities to create shareholder value via the acquisition of a project, or projects, complimentary to its existing asset base. These potential acquisitions are natural developments of the Company's business strategy and operations and should any of these opportunities consummate, the Company's board believes they have the potential to create significant value for shareholders.

The execution of this business development strategy during the year, ultimately resulted in the proposed acquisition of several copper projects located in Canada and Namibia. Details of this proposed acquisition are set out in the Events Subsequent section of this report.

SIGNIFICANT CHANGE IN THE STATE OF AFFAIRS

No significant changes in the Company's state of affairs occurred during the year.

PRINCIPAL ACTIVITIES

The Company is a mineral exploration company and was incorporated for the purpose of assessing opportunities in the natural resources sector.

The Company is mindful that it must constantly assess new opportunities for the Company to ensure the long-term creation of shareholder value.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 23 July 2020, the Company announced that it had entered into a binding term sheet (**Term Sheet**) pursuant to which it has agreed, subject to satisfaction of certain conditions precedent, to acquire 80% of the shares in Larchmont Investments Pty Ltd (**Larchmont**) (**Proposed Acquisition**). Larchmont holds a portfolio of high-

DIRECTORS' REPORT

grade copper claims in Canada (**Canadian Projects**). As a condition precedent to the Proposed Acquisition, Larchmont will also be assigned an option to acquire up to a 95% interest in three exclusive prospecting licences that are prospective for sedimentary Cu-Ag mineralisation along the prolific Kalahari Copper Belt that spans Namibia and Botswana (**Namibian Projects**).

The Proposed Acquisition is conditional on the Company obtaining all necessary regulatory and Shareholder approvals to effect the Proposed Acquisition and satisfying all other requirements of ASX for the reinstatement to official quotation of the Company's Shares on the ASX (among other things) (**Approvals**). On completion, the Proposed Acquisition will amount to a significant change in the nature and scale of the Company's current activities and as such, the Company will be required to obtain approval from its shareholders and to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The Approvals are being sought at a meeting of Shareholders scheduled for 30 September 2020. For further details of the meeting and the resolutions being put forward, please refer to the Company's notice of meeting (**NOM**) released to ASX on 1 September 2020 and the addendum to the NOM released 8 September 2020.

On 15 September 2020 Lustrum lodged a prospectus with ASIC (**Prospectus**) containing a public offer of up to 90,000,000 fully paid ordinary shares (Shares) at an issue price of \$0.05 per Share to raise up to \$4,500,000, with a minimum subscription of \$3,000,000 (60,000,000 Shares) (**Public Offer**) as part of the Proposed Acquisition.

There were no other events subsequent to the reporting date that required disclosure.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Further information, other than as disclosed the Directors' Report, about likely developments in the operations of the Company and the expected results of those operations in future years has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL ISSUES

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

DIVIDENDS

No dividends were paid or declared during the year. The directors do not recommend the payment of a dividend in respect of the financial year.

OPTIONS ON ISSUE

There were no options on issue at the date of this report.

INDEMNIFICATION OF OFFICERS

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer or auditor of the Company.

DIRECTORS' REPORT

PROCEEDING ON BEHALF OF COMPANY

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

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Company and/or Group are important. No non-audit services were provided by the Company's current auditors, HLB Mann Judd, although HLB Mann Judd acted as Investigating Accountant to the Prospectus lodged in September 2020.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2020 has been received and can be found on page 11.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Lustrum and its controlled entities have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2015 and became effective for financial years beginning on or after 1 July 2015.

REMUNERATION REPORT (AUDITED)

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

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Director's equity holdings

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

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

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

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- All remuneration paid to directors and executives is valued at the cost to the Company and expensed.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and directors and executive performance. Currently, this is facilitated through the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Company currently has no performance-based remuneration component built into director and executive remuneration packages.

NON-EXECUTIVE DIRECTORS

The remuneration of Non-Executive directors consists of directors' fees, payable in arrears. The total aggregate fee pool to be paid to directors (excluding Executive directors) is set at \$250,000 per year. Remuneration of Non-Executive directors is based on fees approved by the Board of directors and is set at levels to reflect market conditions and encourage the continued services of the directors. Non-Executive directors do not receive retirement benefits but are able to participate in share-based incentive programmes in accordance with Company policy.

REMUNERATION REPORT (AUDITED)

SERVICE CONTRACTS

The Company entered into services agreements with each of its executive Directors and key management personnel. The Company also entered into Non-Executive Director appointment letters outlining the policies and terms of this appointment including compensation to the office of Director.

The principal terms of the executive service agreements existing at reporting date are set out below:

Mr David Prentice – Non-Executive Chairman Engagement Deed

The Company has entered into a Non-Executive Director engagement deed with Mr Prentice pursuant to which the Company has agreed to pay \$80,000 per annum for services provided to the Company by Mr Prentice as a Non-Executive Director.

Either the Company or Mr Prentice may terminate the engagement upon 4 weeks written notice.

Mr Luke Hall - Non-Executive Director Engagement Deed (appointed 3 December 2019)

The Company has entered into a Non-Executive Director engagement deed with Mr Hall pursuant to which the Company has agreed to pay Mr Hall \$40,000 per annum, for services provided to the Company as Non-Executive Director.

This agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

Mr Piers Lewis - Non-Executive Director Engagement Deed (appointed 3 December 2019)

The Company has entered into a Non-Executive Director engagement deed with Mr Lewis pursuant to which the Company has agreed to pay Mr Lewis \$40,000 per annum, for services provided to the Company as Non-Executive Director.

This agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

Mr Josh Puckridge - Non-Executive Director Engagement Deed (retired 3 December 2019)

The Company has entered into a Non-Executive Director engagement deed with Mr Puckridge pursuant to which the Company has agreed to pay Mr Puckridge \$40,000 per annum, for services provided to the Company as Non-Executive Director.

This agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

Mrs Loren King - Non-Executive Director Engagement Deed (retired 3 December 2019)

The Company has entered into a Non-Executive Director engagement deed with Mrs King pursuant to which the Company has agreed to pay Mrs King \$40,000 per annum, for services provided to the Company as Non-Executive Director.

This agreement is otherwise on terms and conditions considered standard for agreements of this nature in Australia.

REMUNERATION REPORT (AUDITED)

VOTING AND COMMENTS MADE AT THE COMPANY'S LAST ANNUAL GENERAL MEETING

The Company received 7% of votes against, and no specific feedback on, its Remuneration Report at its Annual General Meeting held on 29 November 2019. The Resolution passed by a show of hands.

B. DETAILS OF REMUNERATION

The key management personnel of Lustrum Minerals Limited are the directors as listed on page 2 of the Director's Report.

The Company does not have any other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

No Remunerations consultants were used during the year.

The table below shows the 2020 and 2019 figures for remuneration received by the Company's directors and key management personnel:

Directors	Short-term employee benefits		Postemploy-ment benefits	Share-based Payments		Total	Performance based % of remuneration	
	Cash salary and fees	Other benefits	Super-annuation	Share Options	Perform-ance Rights		Fixed remuneration %	Remunera-tion linked to performance %
	\$	\$	\$	\$	\$	\$	%	%
2020								
Mr David Prentice ⁽ⁱ⁾	74,999	-	-	-	-	74,999	-	-
Mr Luke Hall ⁽ⁱⁱ⁾	20,832	-	-	-	-	20,832	-	-
Mr Piers Lewis ⁽ⁱⁱⁱ⁾	20,510	-	-	-	-	20,510	-	-
Mr Josh Puckridge	26,662	-	-	-	-	26,662	-	-
Mrs Loren King	17,869	-	-	-	-	17,869	-	-
	160,872	-	-	-	-	160,872	-	-
2019								
Mr David Prentice ⁽ⁱ⁾	80,000	-	-	-	-	80,000	-	-
Mr Josh Puckridge	39,993	-	-	-	-	39,993	-	-
Mrs Loren King	40,000	-	-	-	-	40,000	-	-
	159,993	-	-	-	-	159,993	-	-

(i) Director fees for Mr Prentice were paid to Newstead Consulting Pty Ltd, an entity related to Mr Prentice. From April 2020, Mr Prentice has agreed to reduce his director fees to \$5,000 per month.

(ii) From April 2020, Mr Hall has agreed to reduce his director fees to \$2,500 per month.

(iii) From April 2020, Mr Lewis has agreed to reduce his director fees to \$2,500 per month.

RELATED PARTY TRANSACTIONS

A monthly fee of \$10,000 (exc. GST) was paid to Cicero Group Pty Ltd (**CGC**), a company related to Mrs King for corporate administration services including financial reporting, company secretarial services, rent and administrative operations. From April 2020, CGC has agreed to reduce its monthly fee to \$8,000 (exc. GST) with 50% accruing until the Company is reinstated on the ASX. CGC provided services to the amount of \$114,000 (2019: \$120,000). As at 30 June 2020 \$12,000 was accrued and as such remains outstanding (2019: Nil).

REMUNERATION REPORT (AUDITED)

C. DIRECTORS' EQUITY HOLDINGS

(i) Fully paid ordinary shares of Lustrum Minerals Limited:

The following fully paid ordinary shares were held directly, indirectly or beneficially by key management personnel and their related parties during the years ended 30 June 2020 and 30 June 2019:

Directors	Balance at 1 July No.	Granted as remuneration No.	Net other change No.	At date of resignation No.	Balance at 30 June No.
2020					
Mr David Prentice	100,000	-	-	-	100,000
Mr Luke Hall	-	-	-	-	-
Mr Piers Lewis	-	-	-	-	-
Mr Josh Puckridge	-	-	-	-	-
Mrs Loren King	-	-	-	-	-
	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
2019					
Mr David Prentice	100,000	-	-	-	100,000
Mr Josh Puckridge	-	-	-	-	-
Mrs Loren King	-	-	-	-	-
	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>

(ii) Share options of Lustrum Minerals Limited:

During and since the end of the year, no options were granted to directors or senior management.

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

For, and on behalf of, the Board of the Company,



David Prentice

Non-Executive Chairman

Perth, Western Australia this 25th day of September 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Lustrum Minerals Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
25 September 2020



N G Neill
Partner

hlb.com.au

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DIRECTORS' DECLARATION

The directors declare that the financial statements and notes are in accordance with the *Corporations Act 2001*:

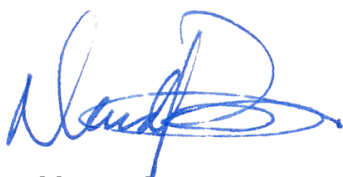
- (a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
- (b) As stated in Note 1, the financial statements also comply with International Financial Reporting Standards; and
- (c) Give a true and fair view of the financial position of the Group as at 30 June 2020 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Lustrum Minerals Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declaration required to be made by the Non-Executive Chairman to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

This declaration is made in accordance with a resolution of the directors.

For, and on behalf of, the Board of the Company,



David Prentice

Non-Executive Chairman

Perth, Western Australia this 25th day of September 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Lustrum Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Lustrum Minerals Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; 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

We have determined that there are no key audit matters to communicate in our report.

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 financial report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

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Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Lustrum Minerals Limited for the year ended 30 June 2020 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.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
25 September 2020



N G Neill
Partner

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2020

	Note	CONSOLIDATED	
		2020 \$	2019 \$
Continuing operations			
Interest revenue		-	26,113
Audit and accounting fees		(32,070)	(31,350)
Corporate compliance costs		(153,306)	(152,610)
Consultants fees		(35,537)	(129,502)
Directors' fees, salaries, superannuation and consulting costs		(160,872)	(159,993)
Insurance expense		(22,194)	(21,479)
Legal fees		(150,951)	(11,421)
Other expenses from ordinary activities	2	(27,815)	(14,621)
Exploration expenditure expensed		(112,748)	(127,929)
Loss before income tax expense		(695,493)	(622,792)
Income tax (benefit)/expense	6	-	-
Loss after tax from continuing operations		(695,493)	(622,792)
Other comprehensive income for the year, net of tax			
Total comprehensive loss net of tax for the year		(695,493)	(622,792)
Loss Per Share			
Basic and diluted loss per share (cents)	3	(2.0)	(1.8)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Note	CONSOLIDATED	
		2020 \$	2019 \$
Current assets			
Cash and cash equivalents	11	1,507,211	2,078,872
Trade and other receivables	9	7,447	39,503
Total current assets		1,514,658	2,118,375
Total assets		1,514,658	2,118,375
Current liabilities			
Trade and other payables	10	168,575	76,799
Total current liabilities		168,575	76,799
Total liabilities		168,575	76,799
Net Assets		1,346,083	2,041,576
Equity			
Issued capital	4	6,140,048	6,140,048
Accumulated losses		(4,793,965)	(4,098,472)
Total equity		1,346,083	2,041,576

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

CONSOLIDATED	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018		6,790,249	(3,475,680)	3,314,569
Loss for the year		-	(622,792)	(622,792)
Total comprehensive loss for the year		-	(622,792)	(622,792)
Share Buy-Back and cancellation	4	(650,201)	-	(650,201)
Balance as at 30 June 2019		6,140,048	(4,098,472)	2,041,576
Balance at 1 July 2019		6,140,048	(4,098,472)	2,041,576
Loss for the year		-	(695,493)	(695,493)
Total comprehensive loss for the year		-	(695,493)	(695,493)
Balance at 30 June 2020		6,140,048	(4,793,965)	1,346,083

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Note	CONSOLIDATED	
		2020 \$	2019 \$
Cash flows from operating activities			
Payments to suppliers and employees		(571,661)	(658,343)
Interest received		-	26,113
<i>Net cash used in operating activities</i>	11	(571,661)	(632,230)
Cash flows from investing activities			
Loan repayment received		-	69,000
<i>Net cash generated by investing activities</i>		-	69,000
Cash flows from financing activities			
Share Buy-Back		-	(650,201)
<i>Net cash used in financing activities</i>		-	(650,201)
Net (decrease)/increase in cash and cash equivalents		(571,661)	(1,213,431)
Cash and cash equivalents at the beginning of the year		2,078,872	3,292,303
Cash and cash equivalents at the end of the year	11	1,507,211	2,078,872

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

GENERAL INFORMATION

Lustrum Minerals Limited (the Company and controlled entities) is a for-profit company limited by shares, domiciled and incorporated in Australia. The financial statements are presented in whole Australian dollars.

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements comprise the consolidated financial statements of the Company and its controlled entities (collectively the Group). The financial statements were authorised for issue by the directors on 25 September 2020.

1.1. BASIS OF PREPARATION

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated. The financial statements have been prepared on a historical cost basis.

1.2. STATEMENT OF COMPLIANCE

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) which include Australian equivalents to International Financial Reporting Standards (**AIFRS**). Compliance with AIFRS ensures that the financial statements and notes thereto comply with International Financial Reporting Standards (**IFRS**).

Australian Accounting Board Standards (**AASBs**) set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

1.3. FINANCIAL POSITION

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the financial year ended 30 June 2020, the Company incurred a net loss after tax of \$695,493 (2019: \$622,792), and a net cash outflow from operations of \$571,661 (2019: \$632,230). At 30 June 2020, the Company's has net current assets of \$1,346,083 (2019: \$2,041,576) and net equity of \$1,346,083 (2019: \$2,041,576).

The Directors consider the going concern basis of preparation to be appropriate based on the current cash reserves showing to provide sufficient working capital to fund its contracted obligations for the year ending 12 months from the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

1.4. ADOPTION OF NEW AND REVISED STANDARDS

1.4.1. Changes in accounting policies on initial application of Accounting Standards

Standards and interpretations applicable to 30 June 2020

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for the current financial reporting period.

AASB 16 Leases

The Company has applied AASB 16 from 1 July 2019 using the modified retrospective approach, with no restatement of comparative information.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company's business and, therefore, no change is necessary to the Company accounting policies, due to there not being any leases in place.

Standards and interpretations on issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations issued but not yet effective that are relevant to the Company and effective for the annual reporting period beginning on or after 1 July 2020. As a result of this review, the Directors have determined that there is no material impact of the new and revised standards and interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Company accounting policies.

1.5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

1.6. PRINCIPLES OF CONSOLIDATION

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

1.6.1. Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

1.6.2. Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

1.6.3. Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

1.7. INCOME TAX

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date or reporting date.

Deferred tax is accounted for in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised, or liability is settled. Deferred tax is credited to profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

1.8. IMPAIRMENT OF ASSETS

The Company assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease). Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

1.9. PROVISIONS

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

1.10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

1.11. REVENUE RECOGNITION

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

1.12. GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.13. ISSUED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

1.14. EXPLORATION AND EVALUATION COSTS

Mineral exploration and evaluation costs are expensed as incurred. Acquisition costs will normally be expensed but will be assessed on a case by case basis and if appropriate may be capitalised. These acquisition costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the tenement. Accumulated acquisition costs in relation to an abandoned tenement are written off in full against the profit and loss in the year which the decision to abandon the tenement is made.

Where a decision has been made to proceed with development in respect of a particular area of interest, all future costs are recorded as a development asset.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

1.15. EMPLOYEE ENTITLEMENTS

1.15.1. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

1.15.2. Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Based on the Company's experience of employee departures, a long service leave liability is only recognised once an employee has been employed by the Company for a period of 5 years. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

1.16. SHARE-BASED PAYMENT TRANSACTIONS

1.16.1. Equity settled transactions

The Company may provide benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Lustrum Minerals Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects:

- a) the extent to which the vesting period has expired, and
- b) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of profit and loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

1.17. TRADE AND OTHER RECEIVABLES

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit and loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit and loss and other comprehensive income.

1.18. TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the period that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

2. EXPENSES

2.1. OTHER EXPENSES

	Consolidated	
	2020	2019
	\$	\$
Finance costs	(74)	(360)
Other expenses from ordinary activities	(27,741)	(14,261)
	<u>(27,815)</u>	<u>(14,621)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

3. LOSS PER SHARE

3.1. BASIC LOSS PER SHARE

	Consolidated	
	2020 Cents Per Share	2019 Cents Per Share
From continuing operations	(2.0)	(1.8)
Total basic loss per share	(2.0)	(1.8)

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

	Consolidated	
	2020 \$	2019 \$
Loss used in calculation of basic equity per share	(695,493)	(622,792)

	No.	
	No.	No.
Weighted average number of ordinary shares for the purposes of basic loss per share	33,851,450	34,638,580

4. ISSUED CAPITAL

	Consolidated	
	2020 No.	2019 No.
Fully paid ordinary shares	33,851,450	33,851,450

4.1. FULLY PAID ORDINARY SHARES

	Consolidated			
	2020		2019	
	No.	\$	No.	\$
Balance at beginning of the year	33,851,450	6,140,048	38,550,001	6,790,249
Share Buy-Back and Cancellation ⁽ⁱ⁾	-	-	(4,698,551)	(650,201)
Balance at end of the year	33,851,450	6,140,048	33,851,450	6,140,048

⁽ⁱ⁾ During the previous financial years, the Company embarked on a share buy-back to buy back up to 10,000,000 of its own shares (**Buy-Back**). The Company closed the Buy-Back on 19 August 2019 having acquired a total of 6,148,551 of its own shares for \$848,913. Please consult the relevant appendices lodged with ASX for further information.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

4.2. PERFORMANCE SHARES

	Consolidated	
	2020 No.	2019 No.
Class A Performance Shares ⁽ⁱ⁾	15,000,000	15,000,000
Class C Performance Shares ⁽ⁱⁱ⁾	15,000,000	15,000,000

No value has been ascribed to the deferred consideration as the Company has not yet reached a stage where it can reliably estimate the likelihood of the milestones being achieved. Refer to Note 14 for further details.

- (i) A Class A Performance Share in the relevant class will convert into one Share upon the delineation of an "indicated mineral resource" (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 50 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021.
- (ii) A Class C Performance Share in the relevant class will convert into one Share upon the delineation of an "indicated mineral resource" (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 150 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021.

5. FINANCIAL INSTRUMENTS

5.1. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company's overall strategy remains unchanged during the financial period.

The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. None of the Company's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

5.2. CATEGORIES OF FINANCIAL INSTRUMENTS

5.2.1. FINANCIAL ASSETS

	Weighted Average Interest Rate %	2020 \$	Weighted Average Interest Rate %	2019 \$
Cash and cash equivalents	-	1,507,211	1.79%	2,078,872
Trade and other receivables	-	7,447	-	39,503

5.2.2. FINANCIAL LIABILITIES

Trade creditors	-	(115,020)	-	(61,799)
Accruals	-	(53,556)	-	(15,000)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

5.2.3. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company is exposed to market risk (including fair value interest rate risk and liquidity risk). The use of financial derivatives is governed by the Company's policies approved by the board of Directors, which provide written principles on interest rate risk, non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

5.2.4. INTEREST RATE RISK MANAGEMENT

The Company is exposed to interest rate risk as it has cash at both fixed and floating interest rates. The Company's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analysis above has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at balance date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period.

A 10-basis point increase is used when reporting interest rate risk internally to management and represents management's assessment of the change in interest rates.

At balance date, if interest rates have been 10 basis points higher or lower and all other variables were held constant, there would be no impact on the Company as all cash balances are held in zero interest accounts.

5.2.5. LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

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

5.3. FAIR VALUE MEASUREMENT

The Directors consider that the carrying amount of other financial assets and liabilities recognised in the consolidated financial statements approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

6. INCOME TAX

(a) Income tax expense/benefit

	Consolidated	
	2020	2019
	\$	\$
<i>Income tax expense/(benefit):</i>		
Current tax (benefit)/expense	-	-
Deferred tax expense/(benefit)	-	-
<i>Deferred income tax expense included in income tax expense comprises:</i>		
Decrease/(increase) in deferred tax assets	-	-
(Decrease)/increase in deferred tax liabilities	-	-

(b) Reconciliation of income tax expense to prima facie tax payable

The prima facie tax payable on losses from ordinary activities before income tax is reconciled to the income tax expense as follows:

Loss from continuing operations before income tax expense	(695,493)	(622,792)
Australian tax rate	30.0%	30.0%
Tax amount at the Australian tax rate	(208,648)	(186,838)
<i>Add / (Less) Tax effect of:</i>		
Effect of current year temporary differences	(28,855)	(39,896)
Non-deductible expenses	100	2,497
Deferred tax asset not brought to account	237,403	224,237
Total income tax expense/(benefit)	-	-

(c) Deferred tax assets

Capital Raising Costs	131,979	164,496
Acquisition costs/other	606,000	604,500
Tax Losses	829,287	594,506
Total deferred tax assets	1,567,266	1,363,502

Set-off deferred tax liabilities pursuant to set-off provisions		
Less deferred tax assets not recognised	-	(5,762)
Net deferred tax assets	1,567,266	1,357,740

(d) Deferred tax liabilities

	-	5,762
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(e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	2,764,290	1,981,686
Potential tax benefit @ 30% (2019: 30%)	829,287	594,506

The benefit for tax losses will only be obtained if:

- (i) The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) The Company continues to comply with the conditions for deductibility imposed by law; and
- (iii) No changes in tax legislation adversely affect the ability of the Company and consolidated entity to realise these benefits.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

7. REMUNERATION OF AUDITORS

	Consolidated	
	2019	2018
	\$	\$
Audit and review of financial reports	20,270	28,560
	<u>20,270</u>	<u>28,560</u>

8. KEY MANAGEMENT PERSONNEL DISCLOSURES

8.1. KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to key management personnel of the Company is set out below:

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	160,872	159,993
	<u>160,872</u>	<u>159,993</u>

The compensation of each member of the key management personnel of the Company is set out in the Directors' Remuneration report on page 4.

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2020	2019
	\$	\$
<i>Current</i> Other debtors	7,447	39,503
	<u>7,447</u>	<u>39,503</u>

Trade receivables are non-interest bearing and generally on terms of 14-60 days. No provision for expected credit loss at year end is considered necessary.

10. TRADE AND OTHER PAYABLES

	Consolidated	
	2020	2019
	\$	\$
<i>Current</i> Trade Creditors	115,020	61,799
Accrued Expenses	53,556	15,000
	<u>168,576</u>	<u>76,799</u>

Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

11. CASH AND CASH EQUIVALENTS

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

	Consolidated	
	2020	2019
	\$	\$
Cash and cash equivalents	1,507,211	2,078,872

11.1. RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Loss for the year	(695,493)	(622,792)
<i>Add/less:</i>		
Deposit written off	-	50,000
<i>Movements in working capital</i>		
Increase in trade and other receivables	32,056	(3,088)
(Decrease)/increase in trade and other payables	91,776	(56,350)
Net cash used in operating activities	(571,661)	(632,230)

11.2. NON-CASH TRANSACTIONS

In the prior year, the Group did not enter into any non-cash financing activities as reflected in the consolidated statement of cash flows.

12. COMMITMENTS AND CONTINGENT LIABILITIES

12.1. TENEMENT RELATED COMMITMENTS

The Company is required to meet minimum committed expenditure requirements to maintain current rights of tenure to exploration licences. These obligations may be subject to re-negotiation, may be farmed-out or may be relinquished and have not been provided for in the statement of financial position. A summary of aggregate commitments is as follows:

	Consolidated	
	2020	2019
	\$	\$
Within one year	350,000	650,000
After one year but not more than five years	75,000	425,000
More than five years	-	-
	425,000	1,075,000

12.2. CONTINGENT LIABILITIES

No contingent liabilities exist as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

13. RELATED PARTIES TRANSACTIONS

A monthly fee of \$10,000 (exc. GST) was paid to Cicero Group Pty Ltd (**CGC**), a company related to Mrs King for corporate administration services including financial reporting, company secretarial services, rent and administrative operations. From April 2020, CGC has agreed to reduce its monthly fee to \$8,000 (exc. GST) with 50% accruing until the Company is reinstated on the ASX. CGC provided services to the amount of \$114,000 (2019: \$120,000).

The Company has not sought Shareholder approval for the execution of the proposal despite CGC being a related party of the Company on the basis that the Proposal has been negotiated at arm's length and contains standards commercial terms and therefore falls within the exception on section 210 of the Corporations Act.

14. ACQUISITION OF CONSUELO ASSETS

14.1. SHARE SALE AGREEMENT WITH CONSUELO COAL HOLDINGS PTY LIMITED

On the 26th of September 2017 the Company acquired 100% of CCPL's shares in consideration for \$2,000,000 in consideration consisting of 10,000,000 Shares at \$0.20 per share and 30,000,000 performance shares consisting of; 15,000,000 Class A performance shares, and 15,000,000 Class C performance shares (together, the **Consideration**) and deferred consideration.

The performance shares detailed in the Consideration convert into one (1) fully paid ordinary share in the Company and one (1) new performance share for every one (1) of the initial Class A And Class C performance share that are triggered to convert.

Class A performance shares convert on the Project generating an indicated mineral resource (JORC 2012) of not less than 50 million tonnes of Coal before 30 June 2021 (**Class A Performance Shares**).

Class C performance shares convert on the Project generating an indicated mineral resource (JORC 2012) of not less than 150 million tonnes of Coal before 30 June 2021 (**Class C Performance Shares**). Should the Class A Performance Shares convert, the holders will receive one (1) Share and one (1) new class B performance share for every one (1) Class A Performance Share successfully converted. Should the Class C Performance Shares convert, the holders will receive one (1) Share and one (1) new class B performance share for every one (1) Class D Performance Share successfully converted.

Class B Performance Shares convert into ordinary Shares on a one for one (1:1) basis on the Project generating an indicated mineral resource (JORC 2012) of not less than 100 million tonnes of Coal before 30 June 2021 (**Class B Performance Shares**). Class D Performance Shares convert into ordinary Shares on a one for one (1:1) basis on the Project generating an indicated mineral resource (JORC 2012) of not less than 300 million tonnes of Coal before 30 June 2021 (**Class D Performance Shares**).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

14.2. DEFERRED CONSIDERATION

The consideration comprised an issue of equity instruments, performance shares and deferred consideration:

	TOTAL SHARES NO.	COST PER SHARE \$	TOTAL COST \$
Issued Capital	10,000,000	\$0.20	2,000,000
Performance Shares			
Class A Performance shares ⁽ⁱ⁾	15,000,000		-
Class C Performance shares ⁽ⁱⁱ⁾	15,000,000		-
Issue of deferred consideration (shares) as part consideration for acquisition of Consuelo ^{(iii)(iv)}	30,000,000		-
Total consideration			<u>2,000,000</u>
Direct costs relating to the acquisition			<u>-</u>
Assets Acquisition accounting is as follows			
Exploration and Evaluation asset on acquisition ^(v)			<u>2,000,000</u>
Total consideration			<u>2,000,000</u>

No value has been ascribed to the deferred consideration as the Company has not yet reached a stage where it can reliably estimate the likelihood of the milestones being achieved.

- (i) A Class A Performance Share in the relevant class will convert into one Share upon the delineation of an "indicated mineral resource" (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 50 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021.
- (ii) A Class C Performance Share in the relevant class will convert into one Share upon the delineation of an "indicated mineral resource" (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 150 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021.
- (iii) 15,000,000 shares upon the delineation of an "indicated mineral resource" of (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 100 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021; and
- (iv) 15,000,000 Shares upon the delineation of an "indicated mineral resource" (as that term is defined in JORC, 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves) of not less than 300 million tonnes of coal at greater than 5,000 kcal/kg at the Project on or before 30 June 2021.
- (v) Mineral exploration and evaluation costs are expensed as incurred. Acquisition costs will normally be expensed but will be assessed on a case by case basis and if appropriate may be capitalised. These acquisition costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the tenement. Accumulated acquisition costs in relation to an abandoned tenement are written off in full against the profit and loss in the year which the decision to abandon the tenement is made. Where a decision has been made to proceed with development in respect of a particular area of interest, all future costs are recorded as a development asset.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

15. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.6.1. Details of subsidiary companies are as follows:

Entity	Incorporation	2020 Ownership	2019 Ownership
CONSUELO COAL HOLDINGS PTY LTD	Australia	100%	100%
CFR CONSUELO PTY LTD	Australia	100%	100%
ICX CONSUELO PTY LTD	Australia	100%	100%
CFR CONSUELO 2318 PTY LTD	Australia	100%	100%
ICX CONSUELO 2318 PTY LTD	Australia	100%	100%
CONSUELO COAL EPC 2327 PTY LTD	Australia	100%	100%

16. SEGMENT REPORTING

The Company has identified one reportable segment 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 revenues and results of this segment are those of the Company and are set out in the statement of comprehensive income and the assets and liabilities of the Company are set out in the statement of financial position. The Board reviews financial information on the same basis as presented in the financial statements and has therefore determined the operating segment on this basis.

17. PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 1 for a summary of the significant accounting policies relating to the Group.

	2020 \$	2019 \$
Current assets		
Cash and cash equivalents	1,507,211	2,078,872
Trade and other receivables	7,447	39,503
Total current assets	1,514,658	2,118,375
Total assets	1,514,658	2,118,375
Current liabilities		
Trade and other payables	168,575	76,799
Total current liabilities	168,575	76,799
Total liabilities	168,575	76,799
Net Assets	1,346,083	2,041,576
Equity		
Issued capital	6,140,048	6,140,048
Accumulated losses	(4,793,965)	(4,098,472)
Total equity	1,346,083	2,041,576

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2020

17.1. PARENT ENTITY COMMITMENTS

Cicero Group Pty Ltd charges \$8,000 (exc. GST) monthly, for services including financial reporting, company secretarial services, rent and administrative operations. CGC agreed to accrue 50% of its monthly fee until the Company is reinstated on the ASX.

	Corporate Fees
Agreement Start date	1/04/2020
Expiry date	Ongoing
Monthly amount	8,000
Agreement notice period	3 months
Within 12 months to June 2020	24,000
Within 2 <5 years	-
Total	24,000

17.2. PARENT CONTINGENT LIABILITIES

No contingent liabilities exist as at the date of this report.

18. SUBSEQUENT EVENTS

On 23 July 2020, the Company announced that it had entered into a binding term sheet (**Term Sheet**) pursuant to which it has agreed, subject to satisfaction of certain conditions precedent, to acquire 80% of the shares in Larchmont Investments Pty Ltd (**Larchmont**) (**Proposed Acquisition**). Larchmont holds a portfolio of high-grade copper claims in Canada (**Canadian Projects**). As a condition precedent to the Proposed Acquisition, Larchmont will also be assigned an option to acquire up to a 95% interest in three exclusive prospecting licences that are prospective for sedimentary Cu-Ag mineralisation along the prolific Kalahari Copper Belt that spans Namibia and Botswana (**Namibian Projects**).

The Proposed Acquisition is conditional on the Company obtaining all necessary regulatory and Shareholder approvals to effect the Proposed Acquisition and satisfying all other requirements of ASX for the reinstatement to official quotation of the Company's Shares on the ASX (among other things) (**Approvals**). On completion, the Proposed Acquisition will amount to a significant change in the nature and scale of the Company's current activities and as such, the Company will be required to obtain approval from its shareholders and to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The Approvals are being sought at a meeting of Shareholders scheduled for 30 September 2020. For further details of the meeting and the resolutions being put forward, please refer to the Company's notice of meeting (**NOM**) released to ASX on 1 September 2020 and the addendum to the NOM released 8 September 2020.

On 15 September 2020 Lustrum lodged a prospectus with ASIC (**Prospectus**) containing a public offer of up to 90,000,000 fully paid ordinary shares (Shares) at an issue price of \$0.05 per Share to raise up to \$4,500,000, with a minimum subscription of \$3,000,000 (60,000,000 Shares) (**Public Offer**) as part of the Proposed Acquisition.

There were no other events subsequent to the reporting date that required disclosure.

ADDITIONAL SHAREHOLDERS' INFORMATION

As at 16 September 2020, the Company's issued capital was as follows:

ORDINARY FULLY PAID SHARES (ASX: LRM)

At the date of this report there are 33,851,450 Ordinary fully paid shares in the Company.

	Number of Ordinary Shares
Balance at the beginning of the year	33,851,450
Movements of shares during the year and to the date of this report	-
Total number of shares at the date of this report	<u>33,851,450</u>

SHARES UNDER OPTION

At the date of this report there are no unissued ordinary shares in respect of which options are outstanding.

PERFORMANCE SHARES

At the date of this report there are 30,000,000 performance shares in the Company.

	Number of Performance Shares
Balance at the beginning of the year	30,000,000
Movements of performance shares during the year and to the date of this report	-
Total number of shares at the date of this report	<u>30,000,000</u>

RANGE OF SHARES

Range	Total Holders	Units	% Issued Capital
1 - 1,000	6	488	0.00%
1,001 - 5,000	10	34,673	0.10%
5,001 - 10,000	20	183,012	0.54%
10,001 - 100,000	115	6,068,494	17.93%
100,001 - > 100,001	43	27,564,783	81.43%
Total	194	33,851,450	100.00%

UNMARKETABLE PARCELS

\$500.00 parcel at \$0.045 per unit	Minimum parcel size	Holders	Units
	11,112	37	229,273

ADDITIONAL SHAREHOLDERS' INFORMATION

TOP 20 HOLDERS OF ORDINARY SHARES AS AT 16 SEPTEMBER 2020

#	HOLDER NAME	Units	%
1	KONTRARIAN RESOURCE FUND NO 1 PTY LTD	10,000,000	29.54%
2	CORIZON LIMITED	1,975,000	5.83%
3	THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	1,968,073	5.81%
4	MIAL ENTERPRISES PTY LTD <DASHIAN FAMILY A/C>	1,400,051	4.14%
5	SIXTH ERRA PTY LTD	1,035,000	3.06%
6	MR OWEN JOHN CLARE & MRS ROSALIND MARY CLARE <CLARE SUPER FUND A/C>	1,022,500	3.02%
7	STATION NOMINEES PTY LTD <STATION SUPER FUND A/C>	1,008,842	2.98%
8	AVANTEOS INVESTMENTS LIMITED <7788138 WARCZAK A/C>	1,000,000	2.95%
9	CAPRETTI INVESTMENTS PTY LTD <CASTELLO A/C>	525,000	1.55%
10	CHUA & KIANG PTY LIMITED	500,000	1.48%
11	ZERO NOMINEES PTY LTD	450,000	1.33%
12	ACN 161 604 315 PTY LTD	425,000	1.26%
13	SOLEQUEST PTY LTD	350,000	1.03%
14	MR STEPHEN BRIAN CREWES & MRS SARAH LOUISE CREWES <S & S CREWES FAMILY S/F A/C>	325,000	0.96%
15	OVERLAND CORNER WEST PTY LTD <DEVAUX FAMILY A/C>	315,000	0.93%
16	MR OWEN JOHN CLARE	300,000	0.89%
17	MR ROHAN CHARLES EDMONDSON & MRS FIONNUALA CATHERINE EDMONDSON <R F EDMONDSON SUPERFUND A/C>	300,000	0.89%
18	PAC PARTNERS SECURITIES PTY LTD	300,000	0.89%
19	KABILA INVESTMENTS PTY LTD	269,316	0.80%
20	MR IAN ALISTAIR LEETE & MRS HELEN LEETE <THE LEETE FAMILY S/F A/C>	250,000	0.74%
Total of Top 20 Holders of Ordinary Shares (LRM)		23,643,782	69.85%