

# Rockfire Resources *plc*

(formerly Papua Mining plc)

*Co number 07791328*

**SATURDAY**



**\*A895BIKH\***  
A15 06/07/2019 #49  
COMPANIES HOUSE

**TU**

**\*A88D58R6\***  
A27 25/06/2019 #107  
COMPANIES HOUSE

## Financial Statements

for the year ended 31 December 2018

# Contents

|                                                | <i>Page</i> |
|------------------------------------------------|-------------|
| Company information                            | 2           |
| Chairman's statement                           | 3           |
| Directors' biographies                         | 5           |
| Strategic report                               | 6           |
| Key Performance Indicators and Risk Management | 13          |
| <b>Directors' report</b>                       | 16          |
| <b>Financial statements</b>                    |             |
| Independent auditors' report                   | 27          |
| Consolidated statement of financial position   | 32          |
| Company statement of financial position        | 33          |
| Consolidated statement of comprehensive income | 34          |
| Consolidated statement of changes in equity    | 35          |
| Company statement of changes in equity         | 36          |
| Consolidated statement of cash flows           | 37          |
| Company statement of cash flows                | 38          |
| Notes to the financial statements              | 39          |

## Company Information

**Directors**

Gordon Hart  
David W Price  
Ian Staunton  
Patrick Elliott  
Nicholas Walley

**Secretary**

Stephen Ronaldson

**Company registration number**

07791328

**Registered office**

Salisbury House,  
London Wall,  
London EC2M 5PS,  
United Kingdom

**Nominated adviser**

Allenby Capital Limited  
5 St Helen's Place,  
London EC3A 6AB,  
United Kingdom

**Joint brokers**

First Equity Limited  
Salisbury House,  
London Wall,  
London EC2M 5PS,  
United Kingdom

SI Capital Limited  
46 Bridge Street,  
Godalming,  
Surrey GU8 1HL,  
United Kingdom

**Solicitors-UK**

Druces LLP  
Salisbury House,  
London Wall,  
London EC2M 5PS,  
United Kingdom

**Independent auditor**

Grant Thornton  
Chartered Accountants & Statutory Auditor  
13-18 City Quay  
Dublin 2  
Ireland

**Registrar**

Computershare Investor Services plc  
The Pavilions  
Bridgewater Road  
Bristol BS13 8AE  
United Kingdom

## Chairman's Statement

I take pleasure in presenting the Annual Report for Rockfire Resources plc ("**Rockfire**" or "**the Group**") for the financial year ended 31 December 2018. The past year has seen many changes for the Group, including a material change in the Board of Directors. The Group's exploration activities in Queensland have been determined, well-targeted and most importantly, successful. Rockfire has accumulated an additional 300 square kilometres of prospective ground-holding in the immediate vicinity of our Lighthouse tenement in Queensland and our projects in Papua New Guinea ("PNG") have undergone reappraisal, resulting in the relinquishment of two exploration licenses on the island of New Britain.

Rockfire now holds six fully-permitted exploration permit for minerals (EPM's) in Queensland and retains only the single 'Tripela' exploration license in PNG, which is pending Ministerial approval for renewal. The Group has excellent tenure over a variety of mineralizing styles ranging from high-level epithermal, mesothermal breccia/vein systems and large-scale porphyry copper targets. Between the prospects, all owned 100% by Rockfire, both open cut and underground extraction potential exists, with opportunity for near-term discovery success.

The gold and copper short to medium-term price outlook remains positive, with price predictions for both commodities varying wildly, particularly for gold. Your Board doesn't attempt to predict the price of gold or copper but remains focused on the delivery of shareholder value through drill-bit discovery and high-growth acquisition opportunities. Throughout the last 12 months, our technical team has completed detailed assessment of nearly two dozen projects throughout the world, however only Copper Dome has proven suitable to meet the very strict internal criteria for the Company's growth ambitions.

The revised Board includes the addition of myself as your new Chairman and Ian Staunton, Patrick Elliott and Nicholas Walley as Non-executive Directors. On 7 June 2018, the Group announced that Michael Somerset-Leeke, Hugh McCullough and Kieran Harrington had resigned from the Board. All three retiring Directors had an association with the Group since its admission to trading on AIM in March 2012. In my new role as Chairman, I would like to reiterate how grateful the Group is for their contributions during their time leading the Group. I would also like to personally thank Michael for his continuing support in his capacity as one of our largest shareholders.

In August 2018, the Group raised £405,000 through a placement of ordinary shares. This, together with funds raised nearly 12-months prior, Rockfire completed an aggressive exploration program which is detailed in the Review of Operations. In summary, the Group completed:

- Four drilling campaigns at Double Event, Plateau and Marengo projects;
- A geophysical appraisal and target delineation at Copperhead;
- Two geophysical campaigns at Marengo for target delineation;
- Received approval for the Kookaburra exploration permit;
- Ground acquisitions to Rockfire's portfolio immediately surrounding Mt Leyshon Gold Mine, and;
- An agreement to acquire the potentially large-scale Copper Dome Project.

### Annual General Meeting and recommendation

The year ahead is looking particularly prosperous, with much of the administrative matters now complete and having access to so much highly-prospective ground. We welcome you to take the journey with us as we build Rockfire through exploration success and quality asset acquisition.

At a General Meeting of Rockfire on 18 February 2019, the Board received approval from shareholders for discretion to issue £150,000 of Rockfire shares for potential acquisitions and additional working capital if required. To date, the Board has issued only A\$50,000 (approximately £27,000) worth of Rockfire ordinary shares (on a 5 day VWAP pricing) to exercise the Option to acquire the Copper Dome Project as reported to

## Chairman's Statement (continued)

the market on 23 May 2019. The balance of this discretionary issue amount was not used and lapses on 30 June 2019. Your Board wishes, through Resolutions 7 and 8, to replace and increase this authority to £250,000. The purpose of this is for potential high-impact acquisitions, as well as further working capital as required. Your Board remains committed to prudent use of this authority.

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and the Group as a whole and its unanimous recommendation is that shareholders support these proposals as the Directors intend to do in respect of their own holdings. Further details regarding the location and timing of the Company's forthcoming Annual General Meeting will be provided shortly.



**Gordon Hart**

22 May 2019

## Directors' Biographies

### ***Gordon Hart Chairman***

Gordon has over 35 years of experience in the equity capital and financial advisory markets. He has spent the last 12 years as Managing Director of Venture Group Equities Pty. Ltd, where he advised on transactions involving over US\$300 million of funding. He is a Graduate of the Australian Institute of Company Directors and has a Graduate Diploma in Corporate Governance. Gordon has a wealth of corporate knowledge, equities and finance expertise and emerging company experience to the Group, having developed an expertise in emerging resource and technology companies which will be invaluable in assisting Rockfire's future development.

### ***David William Price CEO and Managing Director***

David is an experienced geologist and senior executive with +30 years of experience in the global mining industry and has over 20 years' experience in securing funding for exploration projects. David holds the highest category of membership as a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM) and is a Competent Person for Mineral Exploration under the guidelines of the JORC Code. David has previously held senior roles in both listed and private resource companies including CEO of Golden Tiger Mining Limited, CEO of Convergent Minerals Limited and Managing Director of Millennium Mining Limited.

### ***Ian Staunton Non-executive Director***

Ian has worked in the City of London for more than 40 years, in roles including Audit Partner, Corporate Finance Partner and Equity Partner in various accounting firms. Ian is a qualified Chartered Accountant, a Fellow of the Institute of Chartered Accountants in England & Wales and has a Diploma in Corporate Finance. Having worked as Equity Partner and Head of Capital Markets for Chantrey Vellacott DFK LLP and a Senior Equity Partner for Moore Stephens during the last 25 years, Ian provides Rockfire with a strong level of accounting and audit experience. Such high-level accounting, audit and compliance capability fulfils Rockfire's ambition to broaden its corporate skill base and to bring relevant experience from London onto the Board.

### ***Patrick Elliott Non-executive Director***

Pat Elliott is an experienced resources and industrial company director. In a career spanning over 45 years, he has held senior executive positions with Consolidated Gold Fields (Australia) Limited and Morgan Grenfell Australia Limited. Pat has an MBA in Mineral Economics from Macquarie University, and a B Comm from the University of New South Wales. He has extensive management experience in a range of fields including manufacturing, mineral exploration and oil and gas exploration. Pat is currently Executive Chairman of Argonaut Resources NL (an ASX-listed copper explorer), Cap-XX Limited and Tamboran Resources Ltd (an unlisted Australian oil and gas explorer). He is also a Non-Executive Director of Loneer Limited (formerly Global Geoscience, an ASX-listed lithium/boron developer of the Rhyolite Ridge project in Nevada, USA) and Kirrama Resources Limited (an unlisted explorer and developer of chromite and manganese projects in Madagascar).

### ***Nicholas Walley Non-executive Director***

Nicholas Walley has a business background spanning multiple industries including agriculture, property, construction, plant hire, food and beverage packaging, leisure and charitable work. Importantly, Nicholas has critical skills in logistics, infrastructure, organisational management and sales. The Board believes Mr Walley's personal success in business and his knowledge and experience with the UK legal requirements will benefit Rockfire in its growth plans.

## Strategic report

The Board of Rockfire has a deliberate and determined strategy to achieve growth of the Group and therefore, shareholder value.

Through its subsidiaries (together, "the Group"), Rockfire holds six exploration permit for minerals ("EPM's") in Queensland and one tenement in PNG which awaits approval by the Minister for renewal. The Queensland assets particularly, have the potential for discovery and Rockfire has been and will continue to be aggressive explorers to achieve exploration success. In addition, the Group maintains rigorous and persistent data appraisal of potential new projects which could be acquired by Rockfire to further enhance and accelerate growth of the Group.

Throughout the last 12 months, Rockfire has achieved the following milestones:

- Announced drilling results of the first eleven RC drill holes (2,111m of drilling) at the Plateau Prospect, which succeeded in extending gold and silver mineralization in most holes;
- Applied for and subsequently received granting of the New Leyshon exploration license, which immediately surrounds a deposit of 2.5m ounces of gold and 2.3m ounces of silver;
- Appraised, targeted and subsequently drilled the first fourteen RC drill holes (714m of drilling) at Double Event, in which all holes encountered near-surface, potentially mineable gold widths and grades;
- Received granting of the Monarch exploration license near Charters Towers, which has produced historically at an average grade of +45g/t Au and has over 48 historical gold diggings;
- Identified, mapped and sampled two new intrusion-related systems at Marengo and completed two phases of Induced Polarisation geophysics.
- Subsequently drilled the first ten RC drill holes (940m of drilling) at Marengo, which resulted in the down-grading of one target and the enhancement of the second target, with 4m @ 2.1g/t Au intersected only 11m from surface;
- Identified and modelled an historical resource estimate at Copperhead, which provides a material stepping-stone for the Group to build additional resources of copper;
- Applied for and subsequently received granting of the Kookaburra exploration license, which includes the western extension of the Double Event mineralized structures, as well as the Kookaburra Prospect which has 3m @ 5.13g/t Au in previous drilling;
- Identified and remodelled historical Induced polarisation geophysics at Copperhead which extends prospectivity for copper mineralization towards the northwest of previous drilling;
- Completed a second phase of drilling with twelve RC holes (605m of drilling) at Double Event, with all holes intersecting gold, including 3m @ 10.04g/t Au which was intersected only 27m from surface;
- Signed an option to acquire the Copper Dome Prospect, which is a copper porphyry only 50km from Copperhead. Previous drilling has intersected 15.24m @ 0.88% Cu (including 4.58m @ 2.28% Cu), close to surface;
- Identified and appraised the Native Bee Prospect within the Kookaburra license, which lies 18km from an operating gold processing plant. Previous drilling at Native Bee intersected 16m @ 2.14g/t Au only 35m below surface;
- Completed detailed data appraisal of twenty-three exploration and mining projects globally for potential acquisition. Rockfire has a strict criterion for growth and only one project to date (Copper Dome) has met the criteria set by management.

More detailed information is provided below for each of the prospects owned 100% by Rockfire.

## Strategic report (continued)

### COPPER DOME PROJECT

On 26 November 2018, Rockfire announced that it had entered into an option to acquire the Copper Dome porphyry copper project in Queensland. This project is an excellent fit for the Rockfire portfolio and is situated only 50km from the Copperhead Project. Under its historical name of "Mt Leslie", Copper Dome is listed in the "Global Mineral Resource Assessment", published in 2010 by the US Geological Survey and, in the event the option is exercised, would potentially add material value to Rockfire's porphyry copper portfolio.

The surface expression of copper mineralisation at Copper Dome is over 2km long and 1km wide and the prospect is vastly under-explored. In 1972, Australian Selection Pty. Ltd. ("ASP") drilled three percussion drill holes and six diamond drill holes, totalling 1,297 metres. All the drill holes were drilled vertically and all holes intersected geological/alteration features which the Directors of Rockfire believe could be indicative of a large-scale porphyry deposit. Previous diamond drilling intersected 15m @ 0.9 % Cu (including 4.6m @ 2.3 % Cu), 12m @ 0.6 % Cu (including 3m @ 1.2 % Cu), and 24m @ 0.3 % Cu (including 7m @ 0.4% Cu). Diamond hole QML004 also intersected 51.20m @ 0.20 g/t gold.

Many intervals of visible copper mineralisation in the core and chips remain un-assayed for copper and gold and only sporadic gold analysis has been done, with gold peaking at 1.86 g/t Au in drilling. All previous drilling is vertical, which provides opportunity that mineralisation hosted within vertical to sub-vertical fracture/vein networks may have been missed by previous explorers. Copper mineralisation outcrops at surface, providing low-cost, near-surface exploration, resulting in lower anticipated exploration costs.

### THE LIGHTHOUSE TENEMENT

To date, Rockfire has drilled eleven holes at the **Plateau Gold Prospect**, with results including 22m @ 1.86g/t Au + 22g/t Ag (including 12m @ 2.45g/t Au), 10m @ 1.37g/t Au + 12.4g/t Ag (including 2m @ 4.43g/t Au), 18m @ 1.0g/t Au + 10.5g/t Ag, 10m @ 1.9g/t Au and 9g/t Ag (including 4m @ 3.65g/t Au) and 20m @ 0.50g/t Au (including 9m @ 0.9g/t Au). In addition to this, significant base metal and associated mineralisation was encountered in this drilling including 16m @ 1.1% Zn, 40m @ 3g/t Ag, 43m @ 4g/t Ag, 24m @ 0.5% Zn, 43m @ 2g/t Ag and 20m @ 0.2% Cu from surface.

Drill hole BPL006 returned 20m @ 0.2% Cu from surface, which is the broadest elevated copper zone intersected to date at Plateau. This broad zone of elevated copper in the eastern-most hole sits on the western edge of a surface copper geochemical anomaly which is continuous between Plateau and Split Rock (2.5km north of Plateau). At Split Rock, which lies inside the Lighthouse tenement, historical surface rock samples collected in 2011 returned up to 11.36% Cu, 3.5 g/t Au, 38.1 g/t Ag and 0.4% Co.

Split Rock is a significant surface copper anomaly (2km x 1.5km), which represents another prospective target for Rockfire. This prospect will be included in an Induced polarisation (IP) geophysical survey being planned. This survey will assist in determining if Plateau and Split Rock form part of a much larger mineralised system, which could potentially be connected at depth.

BPL007 and BPL008 were both drilled into the main line of mineralisation with the aim of filling gaps in the historical drilling pattern, close to surface. These holes have confirmed the validity of historical drilling results (from 30 years ago) and have also successfully filled gaps in the drilling density to assist in the aim of delivering a maiden resource.

Two holes (BPL009 and BPL010) were designed as pure exploration holes and were drilled south of the main lode of mineralisation (250m and 650m respectively) with the aim of testing the prospectivity of regional structures. Hole BPL009 drill-tested a NE-striking, semi-regional fault which was barren of mineralisation, as was hole BPL010, which tested a remote, circular magnetic feature.

## Strategic report (continued)

The final hole (BPL011) was a "scissor hole" drilled north of the main line of mineralisation to test for possible repetitions of mineralisation to the north and to drill back towards the mineralisation and parallel to the mineralisation to ensure holes were targeted in the correct orientation. BPL011 concluded that there is no repetition to the north and confirmed drilling orientation and additionally intersected 1m @ 1g/t Au at 244m downhole.

*Drilling results showed significant intersections of gold and base metals for many of the holes drilled.*

| Plateau Prospect, Queensland<br>Significant RC drilling results Nov/Dec 2017 |                       |        |              |          |          |        |        |
|------------------------------------------------------------------------------|-----------------------|--------|--------------|----------|----------|--------|--------|
| Hole Number                                                                  | From (m)              | To (m) | Interval (m) | Au (g/t) | Ag (g/t) | Zn (%) | Cu (%) |
| BPL001                                                                       | 28                    | 30     | 2            | 0.83     | 9.2      |        |        |
| BPL002                                                                       | 39                    | 61     | 22           | 1.86     | 22.3     |        |        |
| BPL002                                                                       | 129                   | 145    | 16           | 0.21     | 3.2      | 1.1    |        |
| BPL003                                                                       | 32                    | 95     | 63           |          | 2.3      |        |        |
| BPL004                                                                       | 129                   | 139    | 10           | 1.37     | 12.4     |        |        |
| BPL005                                                                       | 139                   | 141    | 2            | 1.00     | 7.7      | 1.0    | 0.2    |
| BPL006                                                                       | 0                     | 20     | 20           |          |          |        | 0.2    |
| BPL007                                                                       | 16                    | 36     | 20           | 0.50     | 2.5      |        |        |
| BPL007                                                                       | 0                     | 43     | 43           |          | 2.0      |        |        |
| BPL007                                                                       | 0                     | 22     | 22           |          |          | 0.4    |        |
| BPL008                                                                       | 18                    | 28     | 10           | 1.90     | 9.0      |        |        |
| BPL008                                                                       | 25                    | 49     | 24           |          |          | 0.5    |        |
| BPL009                                                                       | no significant assays |        |              |          |          |        |        |
| BPL010                                                                       | no significant assays |        |              |          |          |        |        |
| BPL011                                                                       | 244                   | 245    | 1            | 1.00     |          |        |        |

At the **Double Event Gold Prospect**, drilling by Battle Mountain Gold Company intersected 2m @ 13.2g/t Au, 2m @ 4.1g/t Au, 1m @ 3.3g/t Au, 2m @ 2.7g/t Au and 1m @ 3.9g/t Au. Subsequent exploration by Rockfire in 2018 to infill the drilling density resulted in an enhancement of the gold lode after drilling intersected 3m @ 2.1g/t Au, 2m @ 4.0g/t Au, 1m @ 4.8g/t Au and 1m @ 6.0g/t Au. Each of these intersections lies within 25m from the surface.

## Strategic report (continued)

*Assay results for all 14 holes drilled at Double Event in June 2018*

| Hole Number | From (m)              | To (m) | Interval (m) | Au (g/t) | Ag (g/t) |
|-------------|-----------------------|--------|--------------|----------|----------|
| BDE001      | no significant assays |        |              |          |          |
| BDE002      | 25                    | 26     | 1            | 6.00     | 30.1     |
| BDE003      | 14                    | 16     | 2            | 0.91     | 4.6      |
| BDE004      | 24                    | 28     | 4            | 1.20     | 4.0      |
| BDE005      | 10                    | 13     | 3            | 1.30     | 4.3      |
| BDE006      | 41                    | 43     | 2            | 2.51     | 4.7      |
| BDE007      | 39                    | 42     | 3            | 2.70     | 7.7      |
| BDE008      | 21                    | 23     | 2            | 0.50     | 1.5      |
| BDE009      | 20                    | 24     | 4            | 0.15     | 1.0      |
| BDE010      | 14                    | 18     | 4            | 0.50     | 1.0      |
| BDE011      | 4                     | 5      | 1            | 0.54     | 1.0      |
| BDE012      | 3                     | 4      | 1            | 0.45     | 0.9      |
| BDE013      | 14                    | 17     | 1            | 0.73     | 2.0      |
| BDE014      | 23                    | 26     | 3            | 2.10     | 3.7      |

Battle Mountain also drilled a second section of the 4.5km strike at Double Event, with poor results including 2m @ 0.36g/t Au, 6m @ 0.1g/t Au, 1m @ 0.6g/t Au and a single stand-out intersection of 2m @ 4.65g/t Au. Geological and structural mapping by Rockfire in 2018, along with high-resolution photogrammetry and ground magnetics led the Rockfire geologists to believe the holes drilled by Battle Mountain had been drilled too far to the south and had missed the gold mineralisation. After repositioning the drilling rig further to the north, subsequent drilling by Rockfire intersected 3m @ 10.04g/t Au, 1m @ 5.09g/t Au, 2m @ 3.17g/t Au and 3m @ 2.94g/t Au. These results prove that careful geological observations and tenacity by our geologists are essential in finding gold deposits.

## Strategic report (continued)

*Assay results above 0.1g/t Au for 12 holes drilled at Double Event in November 2018*

| Hole Number | Sample Number | From (m) | To (m) | Interval (m) | Gold (g/t) |
|-------------|---------------|----------|--------|--------------|------------|
| BDE015      | BDERC313      | 31.00    | 32.00  | 1.00         | 2.18       |
| BDE015      | BDERC384      | 102.00   | 103.00 | 1.00         | 0.17       |
| BDE016      | BDERC414      | 13.00    | 14.00  | 1.00         | 5.71       |
| BDE016      | BDERC415      | 14.00    | 15.00  | 1.00         | 0.62       |
| BDE017      | BDERC454      | 14.00    | 15.00  | 1.00         | 0.24       |
| BDE017      | BDERC456      | 16.00    | 17.00  | 1.00         | 3.54       |
| BDE017      | BDERC457      | 17.00    | 18.00  | 1.00         | 0.92       |
| BDE017      | BDERC458      | 18.00    | 19.00  | 1.00         | 0.11       |
| BDE017      | BDERC459      | 19.00    | 20.00  | 1.00         | 0.14       |
| BDE018      | BDERC506      | 26.00    | 27.00  | 1.00         | 0.10       |
| BDE019      | BDERC565      | 15.00    | 16.00  | 1.00         | 5.34       |
| BDE019      | BDERC566      | 16.00    | 17.00  | 1.00         | 2.01       |
| BDE019      | BDERC567      | 17.00    | 18.00  | 1.00         | 1.46       |
| BDE020      | BDERC619      | 29.00    | 30.00  | 1.00         | 0.82       |
| BDE020      | BDERC620      | 30.00    | 31.00  | 1.00         | 1.23       |
| BDE020      | BDERC621      | 31.00    | 32.00  | 1.00         | 0.60       |
| BDE020      | BDERC622      | 32.00    | 33.00  | 1.00         | 0.11       |
| BDE021      | SHAFT         | 18.00    | 18.00  | 0.00         | SHAFT      |
| BDE022      | BDERC684      | 32.00    | 34.00  | 2.00         | 0.31       |
| BDE023      | BDERC731      | 27.00    | 28.00  | 1.00         | 1.30       |
| BDE023      | BDERC732      | 28.00    | 29.00  | 1.00         | 26.90      |
| BDE023      | BDERC733      | 29.00    | 30.00  | 1.00         | 1.93       |
| BDE023      | BDERC734      | 30.00    | 31.00  | 1.00         | 0.51       |
| BDE023      | BDERC735      | 31.00    | 32.00  | 1.00         | 1.30       |
| BDE024      | BDERC772      | 16.00    | 17.00  | 1.00         | 0.31       |
| BDE024      | BDERC774      | 18.00    | 19.00  | 1.00         | 1.47       |
| BDE024      | BDERC775      | 19.00    | 20.00  | 1.00         | 0.36       |
| BDE024      | BDERC776      | 20.00    | 21.00  | 1.00         | 1.75       |
| BDE024      | BDERC777      | 21.00    | 22.00  | 1.00         | 0.15       |
| BDE025      | BDERC827      | 31.00    | 32.00  | 1.00         | 5.09       |
| BDE025      | BDERC828      | 32.00    | 33.00  | 1.00         | 0.21       |
| BDE025      | BDERC829      | 33.00    | 34.00  | 1.00         | 0.31       |
| BDE026      | BDERC869      | 21.00    | 22.00  | 1.00         | 2.54       |
| BDE026      | BDERC870      | 22.00    | 23.00  | 1.00         | 0.39       |

### COPPERHEAD PROJECT

Copperhead is an undeveloped, large-scale porphyry copper target located close to the central Queensland coast and lies within a belt of porphyry copper deposits.

Five diamond drill holes have been drilled at Copperhead by previous explorers, with all five holes encountering visible chalcopyrite and pyrite throughout each hole. Two of these holes are 300m deep, indicating a potentially large mineralised target.

## Strategic report (continued)

Under its historical name of "Julivon Creek", Copperhead is included in the Global Mineral Resource Assessment by the United States Geological Society (USGS) in its "Porphyry Copper Assessment of Eastern Australia" Technical Paper dated 2014. Copper mineralisation remains open in all directions.

Auger sampling at Copperhead has delineated a 3km x 2km copper anomaly. This zone contains a 2,800m x 800m core, high-grade anomaly, which has a peak result of 0.22% Cu. Subsequent drilling was focussed at the western section of the auger anomaly.

Copperhead was discovered in January 1970, when Cyclone Ada caused severe flooding in the region and the heavy rains washed out dense undergrowth from the tributaries of the Andromache River.

Subsequent work showed that Julivon Creek (the stream draining Copperhead) had a large number of mineralised (chalcopyrite, pyrite, molybdenum) shears for at least half its length. In 1972, Carpentaria Exploration drilled 5 drill holes, with each hole intersecting visible copper minerals.

### MARENGO

The Marengo Goldfield was the subject of a gold rush during the late 1870's and the project hosts thirty-seven gold diggings. Limited modern exploration has been undertaken and Rockfire management considers the potential for discovery to be very high. Hand-picked production is recorded as averaging 2oz/t Au (60g/t Au).

No field work has been completed in the Marengo area since 1994 and the bulk of EPM 25715 is vastly under-explored. Potential exists to identify structurally-controlled, intrusion-related copper and gold deposits occurring at the margins of the diorites and granodiorites mapped within the tenement. The proximity of Marengo to a large, regional gravity "low" provides an outstanding target for high-grade vein and breccia-hosted gold/copper deposits originating from the interaction of this vast intrusive complex with the surrounding rocks.

Rockfire completed rock sampling and structural mapping at the One Mile Mountain and Homeward Bound Prospects which form part of the Marengo Gold Project. Sixty-nine (69) surface rock samples were collected, with the maximum assays being 59.4g/t Au, 17.7% Cu and 342g/t Ag. Twenty-eight percent of rocks returned assays above 1.0g/t Au, with an overall average grade of all rocks collected being 3.6g/t Au.

Mapping and sampling also discovered a new area known as Bee Creek. This new target hosts un-mapped and unexplored old mining shafts, with significant copper up to 17.7% and silver to 342g/t Ag.

A total of 20 line km of gradient array and 1.5 line km of dipole-dipole geophysics were completed by geophysical contractor Fender Geophysics with a focus on the One Mile Mountain and Homeward Bound Prospects within the Marengo Project.

The standout anomalies from the survey were at One Mile Mountain, where a significant anomalous zone of 400m x 200m was defined. Previous rockchip sampling at One Mile Mountain returned 30.4 g/t Au, 21 g/t Au and 7.5 g/t Au. Anomalous resistive responses were also recorded at the Homeward Bound Prospect.

Additionally, one line of dipole-dipole IP/resistivity was completed across the gradient array anomalies at One Mile Mountain, which confirmed the zones and highlighted an emerging chargeability high at around 80m depth.

Twelve reverse circulation drill holes were drilled at One Mile Mountain and Homeward Bound to test the buried geophysical targets. From this drilling, the best results included 1m @ 7.8 g/t Au (3 g/t Ag) from 11m vertical, 1m @ 1.9 g/t Au (1 g/t Ag) from 27m vertical, 1m @ 1.2 g/t Au (1 g/t Ag) from 18m vertical and 1m @ 1.6 g/t Au from 33m vertical.

At Homeward Bound, the drilling only tested beneath one of the old workings and intersected gold (+/- copper)-bearing veins at very shallow depths. The Marengo licence incorporates an entire goldfield and

## Strategic report (continued)

future work at Marengo will focus on the numerous historical workings, including more than 30 historical prospects within a 5 square km area.

The blind, chargeable geophysical anomaly at One Mile Mountain was proven not to host significant gold or copper. The induced polarisation geophysics modelled 1-2% sulphides, which is precisely what was intersected at depth. Unfortunately, these sulphides did not host copper or gold.

| Hole Number | Sample Number | From (m) | To (m) | Interval (m) | Au ppm | Ag ppm | Cu ppm |
|-------------|---------------|----------|--------|--------------|--------|--------|--------|
| BMA003      | BMAS0410      | 15       | 16     | 1            | <0.01  | 0.3    | 1290   |
| BMA004      | BMAS0460-3    | 13       | 17     | 4            | 2.10   | 0.9    | 205    |
|             | Including     | 13       | 14     | 1            | 7.82   | 3.1    | 450    |
| BMA006      | BMAS0622      | 21       | 22     | 1            | 1.20   | 1.3    | 862    |
| BMA006      | BMAS0630      | 29       | 30     | 1            | 0.35   | 1.5    | 1205   |
| BMA008      | BMAS0761      | 19       | 20     | 1            | 0.26   | 1.0    | 1935   |
| BMA008      | BMAS0779-82   | 37       | 42     | 4            | 0.43   | 0.3    | 250    |
|             | including     | 41       | 42     | 1            | 1.61   | .04    | 60     |
| BMA009      | BMAS0830      | 33       | 34     | 1            | 0.16   | 2.3    | 1650   |
| BMA009      | BMAS0867      | 70       | 71     | 1            | 0.01   | 1.5    | 934    |
| BMA010      | BMAS0928-32   | 31       | 36     | 5            | 0.50   | 0.5    | 292    |
|             | Including     | 33       | 34     | 1            | 1.90   | 1.1    | 414    |

*Table showing results above 0.1 g/t Au, 1000ppm Cu or 1.0 g/t Ag from 480 samples in the 2018 drilling at Marengo.*

### THE KOOKABURRA TENEMENT

The Kookaburra tenement borders the Group's Lighthouse Project and comprises five separate areas, including Kookaburra, Native Bee, the Brigalow Alluvial Goldfield immediately north of the Lower Lighthouse prospect and the western strike extension of the Double Event Prospect.

More than a dozen historical workings prospective for gold and copper occur inside the tenement including, Upper Lighthouse, Lower Lighthouse (northern lode), Spur, Cameron, Cornishman, Crowes, Native Bee, Kookaburra, Hill 308, Buckles North, the Brigalow alluvial goldfield, Bluff East, Brook, Coolan South, Coolan North Prospects, along with an additional 22 un-named, historical gold workings.

The **Kookaburra Prospect** has been drilled by previous explorers and robust, high-grade intercepts of gold have been encountered including 12m @ 2.72g/t Au and 3m @ 5.13 g/t Au close to surface.

At the **Native Bee Prospect**, outstanding past drilling results provides Rockfire with potential to delineate a large gold inventory, adding to the excellent potential offered by the nearby Plateau and Double Event Prospects (6 miles and 18 miles respectively), both within the adjacent "Lighthouse" licence. Drilling in 1990 returned intercepts of 8 m @ 2.18 g/t Au (including 3m @ 5.13 g/t Au) from 26m vertical depth and 16 m @ 2.14 g/t Au from 35m vertical depth.

The exploration potential at Native Bee is considered very high. The Group is targeting a medium- to large-scale, near surface gold resource. High-temperature fluid pathways have already been identified by Rockfire's technical team.

## Key Performance Indicators and Risk Management

### Key performance indicators

The Board monitors KPIs which it considers appropriate for a group at Rockfire's stage of development.

As a mineral exploration business, an important factor is a steadily improving market perception of the progress and value of the business leading to an improving share price, continued support from shareholders and therefore the ability to raise new equity capital at increasing prices, thus minimising dilution for those early investors who bore significant risk.

The KPIs for the Group are as follows:

#### Financial KPIs

*Shareholder return – the performance of the share price.*

The Company was admitted to AIM in March 2012 at a share price of £0.44 and issued further shares in February 2013 at £0.80, in June 2014 at £0.20, in December 2015 at £0.01, in May 2016 at £0.03, in October 2016 at £0.01 per share, October 2017 at £0.0115 per share, in August 2018 at £0.0135 per share and in January 2019 at £0.0085 per share. The share price at 21 May 2019 was £0.0075.

*Exploration expenditure – funding and development costs.*

The availability of sufficient cash to facilitate continued investment and funding of exploration programmes is essential. The Group monitors the availability of sufficient cash to fund exploration programmes. At 31 December 2018 the Group had cash and cash equivalents of £294,596 (2017: £1,257,194).

#### Non financial KPIs

*Environment management – the Group has environmental policies in place.*

The Group is aware of the potential impact that its operations may have on the environment. The Group ensures that, at a minimum, its subsidiaries comply with the local regulatory requirements and industry standard principles for environmental and social risk management. In Australia, the Group has statutory environmental permits granted by the Queensland Government.

Performance against these environmental policies is continuously monitored. The Directors consider that this has served to minimise any negative impact of current exploration activities on the environment.

*Operational – exploration success and the addition of quality exploration projects.*

Exploration activity during the year has focused heavily on the Lighthouse and Marengo tenements. The Directors are encouraged by the prospectivity of the Group's other exploration licences and work is expected to be done on each of the tenements throughout the year ahead. The Group, through its 100%-owned subsidiary has accumulated exploration ground in Queensland to increase its exposure to highly prospective ground in close proximity to the Lighthouse tenement and also to ensure a "buffer zone" to protect the Lighthouse tenement from rival exploration companies.

#### Risk management

The Directors consider that assessing and monitoring the inherent risks in the exploration business, as well as other financial risks, is crucial for the success of the Group. Risk assessment is essential in the Group's planning processes. The Board regularly reviews the performance of projects against plans and forecasts. Further detail on management of financial risk is set out in note 15.

## Key Performance Indicators and Risk Management (continued)

### Principal risks and uncertainties

The management of the business and the execution of the Board's strategy are subject to a number of risks:

- the success of mineral exploration projects is, by their nature, inherently uncertain, and the availability of new information can significantly change estimates of mineral resources;
- the risk of sovereign, social or political uncertainty in Australia;
- the viability of exploration projects is largely driven by commodity prices and commodity prices can be subject to volatile fluctuations;
- Liquidity, currency and interest rate variations represent risks associated with a group operating in several jurisdictions

The principal risks and the measures taken by the Group in order to mitigate these risks are set out in more detail below.

### Exploration and development risk

The Group's business operations are subject to risks and hazards inherent in the exploration industry. The exploration for and the development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, it is impossible to ensure that the Group's current exploration programmes will result in a profitable, commercial mining operation.

The Board aims to manage the development of the Group as a successful exploration business by ensuring that additional prospective licences are applied for and granted on a timely basis, or otherwise acquired. To help mitigate exploration risk, the Board also employs qualified and experienced personnel – all of whom have relevant operational experience in Australia and PNG.

### Political risk

There is a risk that assets will be lost through expropriation, unrest or war. Rockfire now operates in two jurisdictions with relatively stable political systems, established fiscal and mining codes and a well-established and proven mining industry.

Rockfire further minimizes risk by ensuring that the majority of cash funds are securely held within financial institutions of high standing.

Social and anti-mining disruption is increasing in most jurisdictions globally and there is increasing regulatory pressure for mining companies to engage and include communities and landowners. Rockfire actively communicates with and informs landowners and communities of its expectations and plans for field work and long-term objectives. In Australia, there are clear guidelines set by the Queensland Government for approaching landowner discussions and Rockfire adheres to these guidelines strictly in its efforts to minimize risk from social opposition to exploration and mining.

### Commodity risk

Commodities are subject to high levels of volatility in price and demand. The price of commodities depends on a whole range of factors, which are outside the control of the Group. There is the risk the price for minerals will fall to a point where it becomes uneconomic to extract them from the ground. This is an inherent risk of the mining industry, mitigation of which is currently outside of the Group's control whilst it is still in an exploration, rather than extraction, phase.

## Key Performance Indicators and Risk Management (continued)

### Liquidity risk

There is a risk of running out of working and investment capital. The Group relies for funding on the issue of share capital. The Group has no borrowing and maintains tight financial and budgetary control to keep its operations cost effective. Although there can be no absolute assurance that adequate funding will be available when required, the Directors are confident that they will secure additional funding when required to do so, as demonstrated by the fundraising in January 2019.

### Currency risk

Fluctuations in currency exchange rate can significantly impact cash flows. The Group maintains currency in Sterling, Australian Dollars and PNG Kina to finance its overseas operations. In 2018, the Group had exposure to Sterling, Euro, Australian Dollars and a minimal exposure to PNG Kina. The mix of currencies is such that the Directors believe the Group's exposure is minimal. The Directors do however regularly monitor currency exchange rates and make judgments as to whether to enter into hedging contracts accordingly. Currently no such hedging contracts are in place.

### Interest rate risk

The only significant interest-bearing asset within the Group is cash which is largely held in the United Kingdom. The Directors constantly review the interest rate to ensure optimum return on deposits for the Group.

Strategic report signed on behalf of the Board.

**David W Price**  
Chief Executive Officer



22 May 2019

## Directors' Report

### Principal activities

The principal activities of the Group are the exploration for gold and copper resources in Australia and PNG. The Group's strategy is to explore for and, where the Directors believe that it is commercially feasible, develop deposits of gold and/or copper. The Company strategy includes considering opportunities for project sale at a point when any of the Groups projects become appropriately advanced enough to consider such options.

On 16 October 2017, the Group acquired 100% of the voting rights of BGM Investments Pty Ltd, an Australian-based business, thereby obtaining control. The acquisition was made to expand the Group's geographical exposure to exploration activities.

The Group currently holds one exploration licence renewal application in PNG (which remains subject to Ministerial approval) and six exploration permit for minerals (EPM's) in Queensland, Australia. At the time of writing this Annual Report, Rockfire also has an Option to Acquire the Copper Dome exploration licence, which remains subject to due diligence.

### Financial overview

The loss for the year is in line with the Directors' expectations. With funding being raised in August 2018 and January 2019, the Directors are confident that they will be able to secure additional funding when required to do so. The Directors are also of the view that the investment sentiment in the resource sector is improving, to the extent that the exploration success the Company has achieved to date should enable it to raise sufficient additional exploration funding to continue its exploration programmes.

A detailed review of the Group's business, including its targets and strategies is given in the Chairman's Statement and the Review of Operations.

### Results and dividends

The results for the year are in line with Directors' expectations. The Directors do not recommend a dividend (2017: nil).

### Going concern

The Directors have prepared a cash flow forecast which supports the Directors' expectation that Rockfire Resources plc has adequate resources to continue in operational existence for a period of not less than 12 months from the date of signing these financial statements. This cash flow forecast assumes that the exploration programmes will only continue with additional equity funding secured by the Group. The Directors are confident that additional equity funding will be secured based on past experience, however in the event that no additional funding is received, the Group has the ability to reduce expenditure as required. As such, the financial statements have been prepared assuming the Group will continue as a going concern.

## Directors' Report (continued)

### Directors

The Directors in office during the year are listed below. The interests of the Directors in the shares of the Company at the relevant dates were as follows:

|                                                   | As at<br>31 December<br>2018<br>Ordinary<br>Shares | As at<br>31 December<br>2017<br>Ordinary<br>Shares | As at<br>31 December<br>2016<br>Ordinary<br>Shares | Options<br>held<br>31 December<br>2018<br>Options |
|---------------------------------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|---------------------------------------------------|
| Gordon Hart<br>(appointed 6 June 2018)            | –                                                  | –                                                  | –                                                  | –                                                 |
| David W Price                                     | 13,600,000                                         | 13,600,000                                         | –                                                  | 6,600,000                                         |
| Ian Staunton<br>(appointed 24 December 2018)      | –                                                  | –                                                  | –                                                  | –                                                 |
| John Haggman*<br>(resigned 20 February 2018)      | 4,725,000                                          | 14,000,000                                         | –                                                  | 4,000,000                                         |
| Michael Somerset-Leeke*<br>(resigned 6 June 2018) | 51,151,102                                         | 51,151,102                                         | 37,991,102                                         | –                                                 |
| Hugh McCullough*<br>(resigned 6 June 2018)        | 354,571                                            | 504,571                                            | 504,571                                            | 1,997,886                                         |
| Kieran Harrington*<br>(resigned 6 June 2018)      | 10                                                 | 8,392                                              | 328,392                                            | 1,997,886                                         |

\*As at 31 December 2018 or at the date of retirement, if earlier.

Patrick Elliot and Nicholas Walley were appointed to the board as non-executive directors on 1 March 2019 and 1 May 2019 respectively.

### Substantial shareholdings

As at 20 May 2019, being the latest practical date prior to publication of this document, the Company was aware of the following holdings of 3% or more of the issued share capital of the Company:

|                                                | Shares in<br>the company | % of the<br>Company's<br>issued share<br>capital |
|------------------------------------------------|--------------------------|--------------------------------------------------|
| Jim Nominees Limited (Jarvis)                  | 79,532,114               | 18.40                                            |
| Lynchwood Nominees Limited                     | 46,228,892               | 10.70                                            |
| Hargreaves Lansdown (Nominees) Limited (HLNOM) | 36,507,820               | 8.45                                             |
| Barclays Direct Investing Nominees Limited     | 25,421,730               | 5.88                                             |
| Hargreaves Lansdown (Nominees) Limited (15942) | 21,289,984               | 4.93                                             |
| Hargreaves Lansdown (Nominees) Limited (VRA)   | 18,669,402               | 4.32                                             |
| Pershing Nominees Limited                      | 16,384,621               | 3.79                                             |
| Vidacos Nominees Limited                       | 13,000,000               | 3.01                                             |

## Directors' Report (continued)

### Directors' remuneration

Executive and Non-executive Directors received remuneration in 2018. No benefits were paid to Directors in 2018 (2017: nil).

The Group made payments into the private pension scheme of the Chief Executive Officer and Chairman during 2018 in accordance with the Australian Superannuation Act 2005.

There were no share options issued in 2018.

Full details of Directors' emoluments are set out in note 17 of the financial statements.

### Environmental policy

The Group's projects are subject to the relevant Australian and PNG laws and regulations relating to environmental matters.

The Group's strategy is to explore for and, where the relevant studies indicate that it is economically viable to do so, to develop and mine mineral deposits. It is the Group's intention to conduct its exploration and investigation activities in a professional and responsible manner, for the benefit of the Company's shareholders, its employees and the national and local communities within which it operates.

The Group aims to, at all times, conduct its operations in an environmentally responsible manner and in accordance with relevant legislation. The Group aims to adopt best practice policies as recommended by the World Bank, the International Council on Mining & Metals ("ICMM") and others where the Group deems that local legislation to be inadequate in terms of environmental protection. The Group has in place a detailed field operations guidelines manual which covers in considerable detail the measures to be taken by field personnel to minimize any negative environmental impact of current exploration activities on the environment.

The Group also recognises the enormous potential of its activities for positive impact on the communities in which it operates and strives to optimise these positive impacts as far as is possible.

### Directors' indemnities

The Group has Directors and Officers Indemnity Insurance to cover its Directors and Officers against the costs of defending themselves in legal proceedings taken against them in that capacity and in respect of any damages resulting from those proceedings.

### Political contributions

No political donations have been made.

### Auditor

The auditor, Grant Thornton, has indicated its willingness to continue in office and a resolution proposing that they be re-appointed will be put to the forthcoming Annual General Meeting.

### Statement of disclosure to auditor

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Directors' Report (continued)

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Group's Annual Report will be published on the Group's website and in this regard the Directors accept responsibility for the maintenance and integrity of the website.

### Corporate Governance Statement

The Company has adopted the Quoted Company Alliance Corporate Governance Code 2018 (the 'QCA Code') in line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code.

The Board recognises the importance of good corporate governance and considers that a strong corporate governance foundation is essential in delivering shareholder value. The QCA Code has ten principles that companies should look to apply within their business. Rockfire seeks to adhere to these principles to the highest level possible.

Set out below is an explanation at a high level of how the Company currently complies with the principles of the QCA Code and, to the extent applicable, those areas where the Company's corporate governance structures and practices differ from the expectations set out in the QCA Code. Annual updates will be provided on the Company's compliance with the QCA Code.

## Directors' Report (continued)

*Establish a strategy and business model which promote long – term value for shareholders.*

Rockfire Resources is a resources exploration company with a board and management experienced in both corporate and technical know-how.

### **AIM**

To discover, develop and mine economic deposits of gold, copper and silver.

### **PURPOSE**

The purpose of the business is to create a successful, value-driven and growth-orientated business to maximise shareholder wealth.

### **BUSINESS MODEL**

The Company shall be run as a commercially-minded company, seeking to return an increase on investment capital to shareholders. Proven methods of raising capital through recognised means available to publicly-listed companies will be relied on to fund exploration efforts and administrative costs. Commercially-viable strategies will be considered to create value from the company assets, including development, mining, joint venture, farm-out or sale of each asset.

### **STRATEGY**

The means to achieve the strategy include;

- Focus the business of exploration on world-class mineralised domains
- Establish a strict criterion for selecting tenements/projects for acquisition
- Utilise industry-recognised methods of exploration in series or in parallel
- Develop a “results-driven” exploration approach to on-going exploration effort and expense
- Explore, define resources and develop/sell projects achieving success
- Implement a disciplined review process to monitor expenditure
- Consider commercial options for projects which no longer meet the criteria established by the Company

Embed effective risk management, considering both opportunities and threats, throughout the organisation.

To assist the risk management function of the Audit Committee, the Company has established a Risk Management Policy, which is available on the Company's website [https://www.rockfireresources.com/wp-content/uploads/2018/09/ROCK-Risk-Management-Policy\\_2018.pdf](https://www.rockfireresources.com/wp-content/uploads/2018/09/ROCK-Risk-Management-Policy_2018.pdf). The Risk Management Policy is reviewed annually and was reviewed in 2018. Management reports regularly to the Audit Committee and the Board on its management of material business risks.

### **INTERNAL CONTROL**

The Company has an established framework of internal control, the effectiveness of which is regularly reviewed by executive management, the Audit Committee and the Board to ensure an ongoing assessment of significant risks facing the Company and the Group.

The Board recognises that maintaining sound controls and discipline is critical to managing the downside risks to its business plan.

The Board is responsible for reviewing and approving overall Company strategy, approving profit & loss and capital budgets & plans, and for determining the financial structure of the Company including treasury, tax

## Directors' Report (continued)

and dividend policy. Relevant information is circulated to the Directors in advance of meetings. Monthly results and variances from plans and forecasts are reported to the Board.

The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Close management of day-to-day activities of the Group by the executive directors;
- An organisational structure with defined levels of responsibility, which promotes efficient and commercial decision-making while minimising risks;
- Annual budgeting process which is approved and periodically reviewed by the Board;
- Detailed monthly reporting of performance against budget; and
- Central control over key areas such as capital expenditure and banking facilities.

There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover financial performance, cash flows, capital expenditure and balance sheets. Monthly results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised considering actual performance.

Maintain the board as a well-functioning, balanced team led by the Chair.

Further details on the board can be found on page 5 of this document.

### **BOARD COMPOSITION**

The Board comprises the Executive Chairman, one Executive Director and three non-executive Directors.

The Board does comply with Principle 5 which requires a minimum of two independent Non-Executive directors. The Board requires very specific skill-sets and the current Board is comprised of members who provide the complimentary skills and experience to serve the company.

The independent board members include all of the Non-executive members. If any board member becomes the subject of a related party matter, receives financial compensation from the Company beyond Directors Fees, or is deemed to benefit from any Company related matter, then this member is no longer deemed to be independent. The Board is satisfied that it has a suitable balance between independence and knowledge of the Group and its operations to discharge its duties and responsibilities effectively. The Board receives regular updates from the management team through phone calls, face-to-face skype meetings and emails. All directors use their independent judgement and to challenge all matters, whether strategic or operational and to present ideas and concepts to the Board for consideration.

All directors are expected to devote the necessary time commitments required by their position and as a minimum, are expected to attend the four regular Board meetings held annually. All Directors have attended all board meetings. The Board meets outside of these meetings on an ad hoc basis as necessary. The current board is in daily contact with each other and both directors are informed of matters both corporate and technical. The CEO/MD, Mr. Price is authorised and responsible for the management of the organisation and its operations by way of delegated authority from the board, or as expressed in the organisation's constitution. This delegation of authority generally includes responsibility for:

## Directors' Report (continued)

Developing business plans, budgets and strategies for consideration by the Board and, to the extent approved by the board, implementing these plans, budgets and strategies;

Ensuring the organisation's operations and business are within the parameters set by the Board from time to time and that the Board is kept informed of material developments in the organisation's affairs, operations and business;

Where proposed transactions, commitments or arrangements exceed threshold parameters set by the board, referring the matter to the Board for its consideration and approval;

Identifying and managing operational and corporate risks for the organisation and, where those risks could have a material impact on the organisation, formulating strategies for managing and mitigating those risks, including for consideration and endorsement(as applicable) by the Board;

Managing the organisation's financial and other reporting mechanisms, and control and monitoring systems, to ensure that these mechanisms and systems capture all relevant material information on a timely basis, are functioning effectively and are founded on a sound basis of prudential risk management;

Ensuring that the Board is provided with sufficient accurate information on a timely basis in regard to the organisation, its operations, business and affairs, and in particular with respect to the organisation's corporate performance, financial condition, operations and prospects, so as to reasonably position the Board to fulfil its governance responsibilities.

The role of Mr Price as MD/CEO is a full time role. The role of Mr. Hart as Chairman is a full-time role involving up to 20 days of Mr. Hart's time/month. All other board members are part-time roles involving up to a maximum of 3 days/month of their time. There were fourteen Board meetings held throughout the year.

### 2018

|                  | Board<br>meet.<br>Eligible | Board<br>meet.<br>Attended | Rem.<br>Comm.<br>Eligible | Rem.<br>Comm.<br>Eligible | Audit<br>Comm.<br>Attended | Audit<br>Comm.<br>Attended |
|------------------|----------------------------|----------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
| M Somerset-Leeke | 5                          | 5                          | 1                         | 1                         | 1                          | 1                          |
| H McCullough     | 5                          | 4                          | 1                         | 1                         | 1                          | 1                          |
| K Harrington     | 5                          | 3                          |                           |                           |                            |                            |
| D Price          | 14                         | 14                         |                           |                           | 1                          | 1                          |
| G Hart           | 9                          | 9                          |                           |                           |                            |                            |

The Chairman, Mr Hart, is responsible for the leadership of the Board, ensuring it is effective, setting the agenda of the Board, conducting the Board meetings and conducting the shareholder meetings. The Chairman should facilitate the effective contribution of all Directors and promote constructive and respectful relations between Board members and management. The role of Mr Hart as Chairman is Executive and his time commitment varies on corporate needs of the Company

The Audit Committee is scheduled to meet at least twice a year but may meet more frequently regarding the Company's audit or ongoing risk management issues. The Remuneration Committee is scheduled to meet at least once a year. The Company will report annually on the number of Board and committee meetings held during the year and the attendance record of individual Directors. This information is disclosed in the Company's Annual Report and Accounts. Formal agendas, papers and reports are sent to the directors in a timely manner, prior to the Board meetings. The Chairman of the Audit Committee is Mr Ian Staunton. The remuneration committee is chaired by Mr. Nicholas Walley.

Membership of the Board, its activities, performance and composition are subject to periodic review.

## Directors' Report (continued)

### CONFLICTS OF INTEREST

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to, and, where appropriate, agreed with the rest of the Board.

Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities.

Biographical details of the directors can be found on page 5 of this document.

As part of its Commitment to its Corporate Governance, each director is required to undertake at least one training program annually to maintain or improve his/her skill level. Such training may include attendance at a conference, formal training or a short course.

### Suitability

The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board is satisfied that given its size and stage of development, between the Directors, it has an effective and appropriate balance of skills and experience across technical, commercial and financial disciplines.

As part of its Commitment to its Corporate Governance, each director is required to undertake at least one training program annually to maintain or improve his/her skill level. Such training may include attendance at a conference, formal training or a short course.

### APPOINTMENT, REMOVAL & RE-ELECTION

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. There is no separate nomination committee. The Board considers that the Company is not of sufficient size and level of activities to justify having a nomination committee. However, this will be kept under regular review.

The Company's articles of association require that one-third of the Directors must stand for re-election by shareholders annually in rotation and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

### INDEPENDENT ADVICE

Each Director can take independent professional advice in the furtherance of his duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

Mr Stephen Ronaldson has been appointed Company Secretary and works closely with the Chairman. Mr Larry Behan has been contracted as Chief Financial Officer. Druces (UK Legal), Harbinson and Co. (Australian Financial), and Terra Search (Australian Technical) are all Advisers to Rockfire. Both directors have access to these Advisers.

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

### APPRAISAL

The Board currently constitutes one Executive Director, the Executive Chairman and three Non-Executive Directors.

Following additional appointment(s) evaluation will take place as follows.

The Chairman will assess the individual contributions of each member of the Board to ensure that:

- their contribution is relevant and effective;

## Directors' Report (continued)

- they are committed; and
- where relevant, they have maintained their independence.

The evaluation of the Board shall be carried out annually and on a three-yearly cycle the evaluations may be facilitated by an independent evaluator. The internal reviews will generally include a questionnaire completed by each Board member. The Chairman will typically take leadership of this process and allow for feedback from other Board members about their performance. The Chairman will collate feedback in a report and facilitate discussion on its contents.

The Board review will entail, inter alia:

- Board's mission and goals;
- Board composition and effectiveness;
- Performance against strategic plan;
- Board's protocols and processes;
- Adherence to the code of conduct;
- Relationships with stakeholders; and
- Continuous professional learning of Board members.

The Remuneration Committee will compare the performance of the Board with the requirements of its charter, the Company vision and KPI's.

Succession planning is considered by the Board as a whole. The Board will annually review and make recommendations relating to talent management and succession planning for the Board and the CEO. As the company grows both organically and inorganically, the company will require additional skills to ensure Rockfire has an appropriate Board. The future composition of the Board will depend on the speed of growth and the trajectory that growth takes.

Promote a corporate culture that is based on ethical values and behaviours.

The Board has adopted a Code of Conduct which is available on the Website.

### CODE OF CONDUCT

It is the Board's view that the Company's corporate culture is consistent with its objectives, strategy and business model. A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives.

The Board has adopted a code of conduct which provides a framework for ethical decision-making and actions across the Group. The code of conduct reiterates the Group's commitment to integrity and fair dealing in its business affairs and its duty of care to all employees, contractors and stakeholders.

Each Board members adherence to the Group's code of conduct is assessed as part of the annual Board review & appraisal.

Employees are assessed on their performance and their adherence to The Code of Conduct through their annual performance review.

## Directors' Report (continued)

### **ANTI-CORRUPTION AND BRIBERY**

The Board has adopted an anti-corruption and bribery policy to further ensure honest and ethical conduct of employees. The Company has a zero-tolerance approach to bribery and corruption.

The Company Secretary is responsible for monitoring compliance with and maintaining the anti-corruption and bribery policy.

The Company also provides periodic training to employees to ensure they are aware of their responsibilities in relation to bribery and corruption.

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Company has adopted a Communications Policy which can be viewed on the Company's website at [https://www.rockfireresources.com/wp-content/uploads/2018/09/Rockfire-Resources-PLC-Shareholder-Communications-Policy\\_2018.pdf](https://www.rockfireresources.com/wp-content/uploads/2018/09/Rockfire-Resources-PLC-Shareholder-Communications-Policy_2018.pdf)

### **COMMUNICATION**

The Board attaches great importance to providing shareholders with clear and transparent information on the Company's activities, strategy and financial position.

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting ('AGM') and one-to-one meetings with large existing or potential new shareholders.

The Company announces significant developments which are disseminated via various outlets including, the London Stock Exchange's Regulatory News Service (RNS).

A contract for Investor Relations Manager was appointed in August 2018 and remains a key part of encouraging shareholder interaction and listening to feedback. A range of corporate information (including all Company announcements, presentations, historical annual reports and notices of general meetings for the last 5 years, as well as results of AGMs) is also available to shareholders, investors and the public on the Company's corporate website, [www.rockfireresources.com](http://www.rockfireresources.com).

The Board receives regular updates on the views of shareholders through briefings and reports from the Contractor of Investor Relations, the CEO and the Company's brokers. The Company communicates with investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

### **Annual General Meeting and recommendation**

The year ahead is looking particularly prosperous, with much of the administrative matters now complete and having access to so much highly-prospective ground. We welcome you to take the journey with us as we build Rockfire through exploration success and quality asset acquisition.

At a General Meeting of Rockfire on 18 February 2019, the Board received approval from shareholders for discretion to issue £150,000 of Rockfire shares for potential acquisitions and additional working capital if required. To date, the Board has issued only A\$50,000 (approximately £27,000) worth of Rockfire ordinary shares (on a 5 day VWAP pricing) to exercise the Option to acquire the Copper Dome Project as reported to the market on 23 May 2019. The balance of this discretionary issue amount was not used and lapses on 30 June 2019. Your Board wishes, through Resolutions 7 and 8, to replace and increase this authority to £250,000. The purpose of this is for potential high-impact acquisitions, as well as further working capital as required. Your Board remains committed to prudent use of this authority.

## Directors' Report (continued)

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and the Group as a whole and its unanimous recommendation is that shareholders support these proposals as the Directors intend to do in respect of their own holdings. Further details regarding the location and timing of the Company's forthcoming Annual General Meeting will be provided shortly.

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and the Group as a whole and its unanimous recommendation is that shareholders support these proposals as the Directors intend to do in respect of their own holdings. Further details regarding the location and timing of the Company's forthcoming Annual General Meeting will be provided shortly.

On behalf of the Board

**David W Price**  
*Chief Executive Officer*



22 May 2019

# Independent auditor's report

## to the members of Rockfire Resources plc

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Rockfire Resources plc (formerly Papua Mining plc) for the year ended 31 December 2018, which comprise the Consolidated statement of financial position, Company statement of financial position, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, Company statement of cash flows and the related notes, including the summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is UK law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view in accordance with IFRS as adopted by the European Union of the financial position of the group and company as at 31 December 2018 and of their financial performance and cash flows for the year then ended; and
- the financial statements have been properly prepared and in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs') and applicable law. Our responsibilities under those standards are further described in the 'responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in United Kingdom, namely the Financial Reporting Council's Ethical Standard concerning the integrity, objectivity and independence of the auditor. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and the directing of efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and therefore we do not provide a separate opinion on these matters.

# Independent auditor's report

## to the members of Rockfire Resources plc (continued)

### Overall audit strategy

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments as discussed in the key audit matters section. We also addressed the risk of management override of internal controls, including evaluating whether there was any evidence of potential bias that could result in a risk of material misstatement due to fraud.

### How we tailored the audit scope

We tailored the scope of our audit taking into account the areas where the risk of misstatement was considered material to the Group, taking into account the nature of the Group's business and the industry in which it operates.

In establishing the overall approach to our audit, we assessed the risk of material misstatement at a Group level, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the control environment in place at Rockfire Resources plc.

### Materiality and audit approach

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the Group as follows: 1.0% of total assets for the financial year ended 31 December 2018.

We agreed with the board of directors that we would report to them misstatements identified during our audit above 5% of materiality as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Significant risks identified

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are set out below as significant risks together with an explanation of how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole. This is not a complete list of all risks identified by our audit.

#### *Impairment of capitalised exploration costs*

The Group has significant exploration costs included within intangible assets amounting to £1,441,666 as at 31 December 2018, as disclosed in note 8. Management's assessment of the recoverable amount of the capitalised exploration costs require estimation and judgment around assumptions used, including reserves and resources and related production profiles, future operating and capital expenditure, commodity prices, discount rates and exchange rates. Changes to assumptions could lead to material changes in the estimated recoverable amount.

#### *Our response*

In order to address this risk, our audit procedures included testing of the following:

- Reviewed management's identification of indicators of impairment under IFRS 6;
- Assessed methodology used by management to estimate the recoverable value of each cash generating unit (CGU) to ensure consistency with IFRS 6; and

## Independent auditor's report to the members of Rockfire Resources plc (continued)

- Assessed reasonableness of each key assumption used in management's cash flow forecasts used to calculate recoverable values by evaluating the assumptions used by management as to its reasonableness and check the consistency with other estimates used in the consolidated financial statements.

### Other information

Other information comprises information included in the Annual Report, other than the financial statements and our auditor's report thereon, including the Chairman's Statement, Strategic Report and Directors' Report. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of the management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRS as adopted by the European Union, and for such internal control as directors determine necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group and Company'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 management either intends to liquidate the Group and Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

## Independent auditor's report to the members of Rockfire Resources plc (continued)

### **Responsibilities of the auditor for the audit of the financial statements**

The objectives of an auditor are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs 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 these financial statements.

As part of an audit in accordance with ISAs, the auditor exercises professional judgment and maintain professional scepticism throughout the audit. The auditor will also:

- Identify and assess the risks of material misstatement of the financial statements, 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 their opinion. The risk of 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 and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 and Company's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a matter that achieves a true and fair view.

The auditor shall communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

Where the auditor is reporting on the audit of a group, the auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. The auditor is responsible for the direction, supervision and performance of the audit, and the auditor remains solely responsible for the auditor's opinion.

The auditor also provides those charged with governance with a statement that they 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 their independence, and where applicable, related safeguards

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore

## Independent auditor's report to the members of Rockfire Resources plc (continued)

the key audit matters. These matters are described in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Report on other legal and regulatory requirements**

We were appointed by the Board of Directors on 2 May 2016 to audit the financial statements for the financial year ended 31 December 2015. This is the fourth year we have been engaged to audit the financial statements of the Group and the Company.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs UK. Our audit approach is a risk-based approach and is explained more fully in the 'responsibilities of the auditor for the audit of the financial statements' section of our report.

We have not provided non-audit services prohibited by the FRC's Ethical Standard and have remained independent of the entity in conducting the audit.

The audit opinion is consistent with the additional report to the audit committee.



**Cathal Kelly**  
(Senior Statutory Auditor)

For and on behalf of  
Grant Thornton  
Chartered Accountants &  
Statutory Auditor  
13-18 City Quay,  
Dublin 2

22 May 2019

# Consolidated statement of financial position

at 31 December 2018

|                                                           | Note | 2018<br>£        | 2017<br>£        |
|-----------------------------------------------------------|------|------------------|------------------|
| <b>Assets</b>                                             |      |                  |                  |
| <b>Non-current assets</b>                                 |      |                  |                  |
| Intangible assets                                         | 8    | 1,441,666        | 2,237,030        |
|                                                           |      | 1,441,666        | 2,237,030        |
| <b>Current assets</b>                                     |      |                  |                  |
| Cash and cash equivalents                                 | 11   | 294,596          | 1,257,194        |
| Trade and other receivables                               | 10   | 22,676           | –                |
|                                                           |      | 317,272          | 1,257,194        |
| <b>Total assets</b>                                       |      | <b>1,758,938</b> | <b>3,494,224</b> |
| <b>Equity and liabilities</b>                             |      |                  |                  |
| <b>Equity attributable to shareholders of the Company</b> |      |                  |                  |
| Share capital                                             | 12   | 6,369,011        | 6,339,011        |
| Share premium                                             |      | 13,458,124       | 13,114,312       |
| Other reserves                                            |      | 2,295,035        | 2,295,035        |
| Share based payment reserve                               |      | 1,074,289        | 1,074,289        |
| Foreign exchange reserve                                  |      | (20,296)         | –                |
| Share warrant reserve                                     |      | 35,215           | 29,676           |
| Retained deficit                                          |      | (21,638,709)     | (19,619,882)     |
| <b>Total equity</b>                                       |      | <b>1,572,669</b> | <b>3,232,441</b> |
| <b>Current liabilities</b>                                |      |                  |                  |
| Trade and other payables                                  | 14   | 186,269          | 261,783          |
| <b>Total equity and liabilities</b>                       |      | <b>1,758,938</b> | <b>3,494,224</b> |

The financial statements were approved and authorised for issue by the Board of Directors on 22 May 2019 and signed on its behalf by:

**David W Price**  
Chief Executive Officer



The notes on pages 39 to 62 form part of these financial statements.

## Company statement of financial position

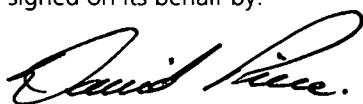
at 31 December 2018

|                                            | Note | 2018<br>£    | 2017<br>£    |
|--------------------------------------------|------|--------------|--------------|
| <b>Assets</b>                              |      |              |              |
| <b>Non-current assets</b>                  |      |              |              |
| Intangible assets                          | 8    | –            | 376,258      |
| Investments                                | 9    | 648,000      | 648,000      |
|                                            |      | 648,000      | 1,024,258    |
| <b>Current assets</b>                      |      |              |              |
| Cash and cash equivalents                  | 11   | 281,801      | 1,128,510    |
| Trade and other receivables                | 10   | 1,136,439    | 1,284,918    |
|                                            |      | 1,418,240    | 2,413,428    |
| <b>Total assets</b>                        |      | 2,066,240    | 3,437,686    |
| <b>Equity and liabilities</b>              |      |              |              |
| <b>Equity attributable to shareholders</b> | 12   |              |              |
| Share capital                              |      | 6,369,011    | 6,339,011    |
| Share premium                              |      | 13,458,124   | 13,114,312   |
| Other reserves                             |      | 1,801,872    | 1,801,872    |
| Share based payment reserve                |      | 1,074,289    | 1,074,289    |
| Foreign exchange reserve                   |      | –            | –            |
| Share warrants reserve                     |      | 35,215       | 29,676       |
| Retained deficit                           |      | (20,827,957) | (19,043,270) |
| <b>Total equity</b>                        |      | 1,910,554    | 3,315,890    |
| <b>Current liabilities</b>                 |      |              |              |
| Trade and other payables                   | 14   | 155,686      | 121,796      |
| <b>Total equity and liabilities</b>        |      | 2,066,240    | 3,437,686    |

The Company has elected to take exemption under section 408 of the Companies Act 2006 to not present the Company statement of comprehensive income. The loss for the Company is shown in the Company statement of changes in equity.

The financial statements on pages 27 to 38 were approved and authorised for issue by the Board of Directors on 22 May 2019 and signed on its behalf by:

David W Price  
Chief Executive Officer



The notes on pages 39 to 62 form part of these financial statements.

## Consolidated statement of comprehensive income

for the year ended 31 December 2018

|                                                                                   | Note | 2018<br>£   | 2017<br>£ |
|-----------------------------------------------------------------------------------|------|-------------|-----------|
| Impairment                                                                        |      | (1,437,449) | –         |
| Administrative expenses                                                           |      | (581,378)   | (380,388) |
| <b>Operating loss</b>                                                             | 5    | (2,018,827) | (380,388) |
| <b>Loss before taxation</b>                                                       |      | (2,018,827) | (380,388) |
| Tax expense                                                                       | 6    | –           | –         |
| <b>Loss for the year attributable to the owners of the company</b>                |      | (2,018,827) | (380,388) |
| <i>Items that may be reclassified subsequently to profit or loss:</i>             |      |             |           |
| Other comprehensive (loss)/gain – foreign exchange translation movement           |      | (20,296)    | (245,363) |
| <b>Total comprehensive income attributable to the shareholders of the Company</b> |      | (2,039,123) | (625,751) |
| <b>Loss per share attributable to shareholders</b>                                |      |             |           |
| Basic                                                                             | 7    | (0.01)      | (0.01)    |
| Diluted                                                                           | 7    | (0.01)      | (0.01)    |

The notes on pages 39 to 62 form part of these financial statements.

## Consolidated statement of changes in equity for the year ended 31 December 2018

|                                       | Share<br>Capital<br>£ | Share<br>Premium<br>£ | Other<br>Reserves<br>£ | Share-<br>based<br>Payment<br>Reserve<br>£ | Share<br>Warrants<br>Reserve<br>£ | Foreign<br>Exchange<br>Reserve<br>£ | Retained<br>Deficit<br>£ | Total<br>Equity<br>£ |
|---------------------------------------|-----------------------|-----------------------|------------------------|--------------------------------------------|-----------------------------------|-------------------------------------|--------------------------|----------------------|
| At 1 January 2017                     | 5,624,153             | 10,432,630            | 2,083,178              | 957,198                                    | –                                 | 775,610                             | (18,111,708)             | 1,761,061            |
| <b>Comprehensive income</b>           |                       |                       |                        |                                            |                                   |                                     |                          |                      |
| Loss for the financial year           | –                     | –                     | –                      | –                                          | –                                 | –                                   | (380,388)                | (380,388)            |
| Foreign exchange translation movement | –                     | –                     | –                      | –                                          | –                                 | (245,363)                           | –                        | (245,363)            |
| <b>Total comprehensive income</b>     | –                     | –                     | –                      | –                                          | –                                 | (245,363)                           | (380,388)                | (625,751)            |
| <b>Transactions with owners</b>       |                       |                       |                        |                                            |                                   |                                     |                          |                      |
| Share issued during the year          | 191,348               | 2,009,153             | –                      | –                                          | –                                 | –                                   | –                        | 2,200,501            |
| Share Issuance cost                   | –                     | (148,756)             | –                      | –                                          | –                                 | –                                   | –                        | (148,756)            |
| Share warrants issued during the year | –                     | –                     | –                      | –                                          | 16,994                            | –                                   | –                        | 16,994               |
| Share-based expense                   | –                     | –                     | –                      | 28,392                                     | –                                 | –                                   | –                        | 28,392               |
| <b>Total transactions with owners</b> | 191,348               | 1,860,397             | –                      | 28,392                                     | 16,994                            | –                                   | –                        | 2,097,131            |
| Change in functional currency*        | 523,510               | 821,285               | 211,857                | 88,699                                     | 12,682                            | (530,247)                           | (1,127,786)              | –                    |
| <b>As at 31 December 2017</b>         | 6,339,011             | 13,114,312            | 2,295,035              | 1,074,289                                  | 29,676                            | –                                   | (19,619,882)             | 3,232,441            |
| <b>Comprehensive income</b>           |                       |                       |                        |                                            |                                   |                                     |                          |                      |
| Loss for the financial year           | –                     | –                     | –                      | –                                          | –                                 | –                                   | (2,018,827)              | (2,018,827)          |
| Foreign exchange translation movement | –                     | –                     | –                      | –                                          | –                                 | (20,296)                            | –                        | (20,296)             |
| <b>Total comprehensive income</b>     | –                     | –                     | –                      | –                                          | –                                 | (20,296)                            | (2,018,827)              | (2,039,123)          |
| <b>Transactions with owners</b>       |                       |                       |                        |                                            |                                   |                                     |                          |                      |
| Share issued during the year          | 30,000                | 369,461               | –                      | –                                          | –                                 | –                                   | –                        | 399,461              |
| Share issuance cost                   | –                     | (25,649)              | –                      | –                                          | –                                 | –                                   | –                        | (25,649)             |
| Share warrants issued during the year | –                     | –                     | –                      | –                                          | 5,539                             | –                                   | –                        | 5,539                |
| Share-based expense                   | –                     | –                     | –                      | –                                          | –                                 | –                                   | –                        | –                    |
| <b>Total transactions with owners</b> | 30,000                | 343,812               | –                      | –                                          | 5,539                             | –                                   | –                        | 379,351              |
| <b>At 31 December 2018</b>            | 6,369,011             | 13,458,124            | 2,295,035              | 1,074,289                                  | 35,215                            | (20,296)                            | (21,638,709)             | 1,572,669            |

\* For the year ended 31 December 2017 the Company changed its functional currency from U.S. Dollar to Great Britain Pounds (GBP) and adopted the GBP as its reporting currency. The change in functional currency has been applied prospectively and the change in reporting currency has been applied retrospectively. Gains and losses from these translations are recognised in other comprehensive income and included in "Foreign exchange reserve". Please refer to the "foreign currency transactions" accounting policy note for further detail.

The notes on pages 39 to 62 form part of these financial statements.

## Company statement of changes in equity for the year ended 31 December 2018

|                                       | Share<br>Capital<br>£ | Share<br>Premium<br>£ | Other<br>Reserves<br>£ | Share-<br>based<br>Payment<br>Reserve<br>£ | Share<br>Warrants<br>Reserve<br>£ | Foreign<br>Exchange<br>Reserve<br>£ | Retained<br>Deficit<br>£ | Total<br>Equity<br>£ |
|---------------------------------------|-----------------------|-----------------------|------------------------|--------------------------------------------|-----------------------------------|-------------------------------------|--------------------------|----------------------|
| At 1 January 2017                     | 5,624,153             | 10,432,630            | 1,636,602              | 957,198                                    | –                                 | 759,933                             | (17,656,279)             | 1,754,237            |
| <b>Comprehensive income</b>           | –                     | –                     | –                      | –                                          | –                                 | –                                   | –                        | –                    |
| Loss for the financial year           | –                     | –                     | –                      | –                                          | –                                 | –                                   | (288,438)                | (288,438)            |
| Foreign exchange translation movement | –                     | –                     | –                      | –                                          | –                                 | (247,040)                           | –                        | (247,040)            |
| <b>Total comprehensive income</b>     | –                     | –                     | –                      | –                                          | –                                 | (247,040)                           | (288,438)                | (535,478)            |
| <b>Transactions with owners</b>       |                       |                       |                        |                                            |                                   |                                     |                          |                      |
| Share issued during the year          | 191,348               | 2,009,153             | –                      | –                                          | –                                 | –                                   | –                        | 2,200,501            |
| Share issuance cost                   | –                     | (148,756)             | –                      | –                                          | –                                 | –                                   | –                        | (148,756)            |
| Share warrants issued during the year | –                     | –                     | –                      | –                                          | 16,994                            | –                                   | –                        | 16,994               |
| Share-based expense                   | –                     | –                     | –                      | 28,392                                     | –                                 | –                                   | –                        | 28,392               |
| <b>Total transactions with owners</b> | 191,348               | 1,860,397             | –                      | 28,392                                     | 16,994                            | –                                   | –                        | 2,097,131            |
| Change in functional currency*        | 523,510               | 821,285               | 165,270                | 88,699                                     | 12,682                            | (512,893)                           | (1,098,553)              | –                    |
| <b>As at 31 December 2017</b>         | 6,339,011             | 13,114,312            | 1,801,872              | 1,074,289                                  | 29,676                            | –                                   | (19,043,270)             | 3,315,890            |
| <b>Comprehensive income</b>           |                       |                       |                        |                                            |                                   |                                     |                          |                      |
| Loss for the financial year           | –                     | –                     | –                      | –                                          | –                                 | –                                   | (1,784,687)              | (1,784,687)          |
| <b>Total comprehensive income</b>     | –                     | –                     | –                      | –                                          | –                                 | –                                   | (1,784,687)              | (1,784,687)          |
| <b>Transactions with owners</b>       |                       |                       |                        |                                            |                                   |                                     |                          |                      |
| Share issued during the year          | 30,000                | 369,461               | –                      | –                                          | –                                 | –                                   | –                        | 399,461              |
| Share issuance cost                   | –                     | (25,649)              | –                      | –                                          | –                                 | –                                   | –                        | (25,649)             |
| Share warrants issued during the year | –                     | –                     | –                      | –                                          | 5,539                             | –                                   | –                        | 5,539                |
| Share-based expense                   | –                     | –                     | –                      | –                                          | –                                 | –                                   | –                        | –                    |
| <b>Total transactions with owners</b> | 30,000                | 343,812               | –                      | –                                          | 5,539                             | –                                   | –                        | 379,351              |
| <b>At 31 December 2018</b>            | 6,369,011             | 13,458,124            | 1,801,872              | 1,074,289                                  | 35,215                            | –                                   | (20,827,957)             | 1,910,554            |

\* For the year ended 31 December 2017 the Company changed its functional currency from U.S. Dollar to Great Britain Pounds (GBP) and adopted the GBP as its reporting currency. The change in functional currency has been applied prospectively and the change in reporting currency has been applied retrospectively. Gains and losses from these translations are recognised in other comprehensive income and included in "Foreign exchange reserve". Please refer to the "foreign currency transactions" accounting policy note for further detail.

The notes on pages 39 to 62 form part of these financial statements.

## Consolidated statement of cash flows

for the year ended 31 December 2018

|                                                                                           | 2018<br>£        | 2017<br>£        |
|-------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Cash flow from operating activities</b>                                                |                  |                  |
| <b>Total comprehensive expense for the year before tax</b>                                | (2,018,827)      | (380,388)        |
| Adjustments to reconcile net loss before taxation to cash flow from operating activities: |                  |                  |
| Impairment of intangible assets                                                           | 1,437,449        | –                |
| Share based payments                                                                      | –                | 28,392           |
| Foreign exchange translation                                                              | (20,296)         | (35,613)         |
| Movement in operating assets/liabilities                                                  |                  |                  |
| – Other receivables                                                                       | (22,676)         | –                |
| – Other liabilities                                                                       | (75,514)         | 80,007           |
| <b>Net cash flow from operating activities</b>                                            | <b>(699,864)</b> | <b>(307,602)</b> |
| <b>Cash flow from investing activities</b>                                                |                  |                  |
| Exploration expenditure                                                                   | (642,085)        | (214,496)        |
| Acquisition of BGM Investments Pty Ltd                                                    | –                | (49,900)         |
| <b>Net cash generated from investing activities</b>                                       | <b>(642,085)</b> | <b>(264,396)</b> |
| <b>Cash flow from financing activities</b>                                                |                  |                  |
| Proceeds from issuance of ordinary shares and warrants                                    | 405,000          | 1,602,501        |
| Share issue costs                                                                         | (25,649)         | (148,756)        |
| <b>Net cash generated from financing activities</b>                                       | <b>379,351</b>   | <b>1,453,745</b> |
| <b>Net increase in cash and cash equivalents</b>                                          | <b>(962,598)</b> | <b>881,747</b>   |
| Cash and cash equivalents at the beginning of year                                        | 1,257,194        | 375,447          |
| <b>Cash and cash equivalents at the end of the year</b>                                   | <b>294,596</b>   | <b>1,257,194</b> |

The notes on pages 39 to 62 form part of these financial statements.

## Company statement of cash flows

for the year ended 31 December 2018

|                                                                                           | 2018<br>£          | 2017<br>£        |
|-------------------------------------------------------------------------------------------|--------------------|------------------|
| <b>Cash flow from operating activities</b>                                                |                    |                  |
| <b>Total comprehensive expense for the year before tax</b>                                | (1,784,687)        | (288,438)        |
| Adjustments to reconcile net loss before taxation to cash flow from operating activities: |                    |                  |
| Impairment of intangible assets                                                           | 376,258            | –                |
| Share based payments                                                                      | –                  | 28,392           |
| Foreign exchange translation                                                              | –                  | (193,713)        |
| Net (increase)/decrease in operating assets                                               |                    |                  |
| – Other receivables                                                                       | 148,479            | (171,937)        |
| – Other liabilities                                                                       | 33,890             | (11,976)         |
| <b>Net cash flow from operating activities</b>                                            | <b>(1,226,060)</b> | <b>(637,672)</b> |
| <b>Cash flow from investing activities</b>                                                |                    |                  |
| Advances to subsidiaries                                                                  | –                  | (6,186)          |
| Acquisition of BGM Investments Pty Ltd                                                    | –                  | (50,000)         |
| <b>Net cash used in investing activities</b>                                              | <b>–</b>           | <b>(56,186)</b>  |
| <b>Cash flow from financing activities</b>                                                |                    |                  |
| Proceeds from issuance of ordinary shares                                                 | 405,000            | 1,602,501        |
| Share issue costs                                                                         | (25,649)           | (148,756)        |
| <b>Net cash generated from financing activities</b>                                       | <b>379,351</b>     | <b>1,453,745</b> |
| <b>Net decrease in cash and cash equivalents</b>                                          | <b>(846,709)</b>   | <b>759,887</b>   |
| Cash and cash equivalents at the beginning of year                                        | 1,128,510          | 368,623          |
| <b>Cash and cash equivalents at the end of the year</b>                                   | <b>281,801</b>     | <b>1,128,510</b> |

The notes on pages 39 to 62 form part of these financial statements.

# Notes to the financial statements

## 1 Reporting entity

Rockfire Resources plc is a public limited company, quoted on AIM, and is incorporated and domiciled in England and Wales. The Company's registered office is Salisbury House, London Wall, London EC2M 5PS.

On 18 June 2018, in the Annual General Meeting, a resolution was passed to approve the change in the Company's name, from Papua Mining plc to Rockfire Resources plc.

The Group's main activity is the exploration for gold and copper resources in Australia and PNG.

## 2 Adoption of new and revised standards

The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

### *New standards adopted as at 1 January 2018*

#### *IFRS 15 'Revenue from Contracts with Customers'*

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard has not been applied since the Group does not have revenues during the year and is not expecting to generate revenues in the next 12 months.

#### *IFRS 9 'Financial Instruments'*

IFRS 9 replaces IAS 39 '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 the impairment of financial assets. The new standard does not have an impact on the Group's financial assets and financial liabilities. The Group's financial assets are cash at bank and other receivables, which are held at amortised cost. The Group's financial liabilities are trade and other payables, which are held at amortised cost.

### *Standards, amendments and interpretations to existing Standards that are not yet effective and have not been adopted early by the Group*

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

#### *IFRS 16 'Leases'*

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months. IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Group have decided not to early adopt. The Group does not anticipate that there will be a material impact on the adoption of these standards and interpretations on its financial statements.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies

#### **a) Basis of preparation**

These consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively IFRSs) as adopted for use in the European Union.

The financial statements are prepared on the historical cost basis except for the measurement of certain financial instruments at fair value as described below. The principal accounting policies adopted are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies

#### **b) Basis of consolidation**

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Intra-group balances and any unrealised gains or losses or income or expenses arising from intra-group transactions are eliminated in preparing the Group financial statements.

#### **c) Going concern**

The Directors have prepared a cash flow forecast which supports the Directors' expectation that Rockfire Resources plc has adequate resources to continue in operational existence for a period of not less than 12 months from the date of signing these financial statements. This cash flow forecast assumes that the exploration programmes will only continue with additional equity funding secured by the Group. The Directors are confident that additional equity funding will be secured based on past experience, however in the event that no additional funding is received, the Group has the ability to reduce expenditure as required. As such, the financial statements have been prepared assuming the Group will continue as a going concern.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

#### d) *Business combinations*

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair value.

#### e) *Current versus non-current classification*

The Group presents assets and liabilities in the 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 the 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 the 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.

#### f) *Intangible assets – exploration and evaluation costs*

Exploration and evaluation expenditure costs comprise costs associated with the acquisition of mineral rights and mineral exploration and are capitalised as intangible assets pending the feasibility of the project. They also include certain administrative costs that are allocated to the extent that those costs can be related directly to operational activities.

If an exploration project is deemed successful based on feasibility studies, the related expenditures are transferred to development and production assets and amortised over the estimated useful life of the ore reserves on a unit of production basis. Where a project is abandoned or considered to be no longer economically viable, the related costs are written off to profit or loss.

To date the Group has not progressed to the development and production stage in any areas of operation.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

#### **g) Impairment of non-financial assets**

The Group assesses at each reporting 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset 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. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

#### **h) 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 for transaction 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 is 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 substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

**Other receivables:** These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

**Cash and cash equivalents:** These include cash in hand, deposits held at call with banks and bank overdrafts.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

#### *Classification and subsequent measurement of financial liabilities*

On initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss (FVTPL), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

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 expense or finance income.

The Group classifies its financial liabilities as:

**Trade and other payables:** These are initially recognised at fair-value and then carried at amortised cost. They arise principally from the receipt of goods and services.

#### *Offsetting 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, or to realise the asset and settle the liability simultaneously.

#### *Impairment of financial assets*

The Group assesses at each end of reporting period whether a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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 contracted parties or a group of contracted parties 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 where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets at amortized cost*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in the group of financial assets with similar credit risk and characteristics, and that group of financial assets is collectively assessed for impairment. Those similar credit risk characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). All impairment losses are recorded only through the use of an allowance account. The amount of loss is recognised in the consolidated statement of comprehensive income.

#### *Fair value measurement*

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

#### **i) Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

#### **j) Current and deferred tax**

The tax expense represents the sum of the current tax expense and deferred tax expense.

Tax payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or if from the initial liabilities in a transaction that affect either the taxable profit or the accounting profit.

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

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit and or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

#### k) Pensions

Pension costs charged in the financial statements represent the contributions payable by the Group during the year into defined contribution pension schemes.

#### l) Foreign currency transactions

##### *Functional and reporting currency*

Functional currency – Prior to 31 December 2017, the Group's functional currency was the United States Dollar (USD). The functional currency was revisited by the Group in late 2017 as a result of a significant increase in the level of GBP transactions in the fourth quarter. Upon detailed analysis of all facts and circumstances it was determined based on relevant cash flows and the economic environment that the functional currency had changed from USD to GBP.

Reporting currency – In addition, beginning 1 January 2017 the Group also changed its reporting currency from USD to GBP to provide greater clarity to users of the financial statements. The change in reporting currency was applied retrospectively effective beginning 1 January 2016. Financial statements for all periods presented have been recast into GBP. All monetary assets and liabilities denominated in foreign currencies are translated into GBP using exchange rates in effect as of the reporting date. The GBP translated amounts of nonmonetary assets and liabilities as at 31 December 2016 became the historical accounting basis for those assets and liabilities as of 31 December 2016. Revenue and expense transactions are translated at the approximate exchange rate in effect at the time of the transaction. All resulting exchange differences are recognised within foreign exchange reserve, a separate component of shareholders' equity.

In applying the change in reporting currency, the Group applied the current rate method for presenting the comparative period presented. Under this method all assets and liabilities of the Group's operations were translated from their USD functional currency into GBP using the exchange rates in effect at the reporting date and Shareholders' equity was translated at historical rates. Opening shareholders' equity at 1 January 2016 was translated at the rate on that date and any movements in shareholders' equity during the year from 1 January 2016 to 31 December 2016 were translated using the appropriate historical rate at the date of the respective transaction. All other revenues, expenses and cash flows were translated at the average rates during the reporting periods presented. The resulting translation adjustments are reported in comprehensive income as a separate component of shareholders' equity.

##### *Transactions and balances*

Transactions in currencies other than the functional currency of the Group are recorded at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated to the respective functional currency of the Group at the rates prevailing on the relevant reporting date.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

#### *Foreign operations*

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the GBP are translated into GBP upon consolidation. The functional currencies of the entities in the Group has remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into GBP at the closing rate at the reporting date. Income and expenses have been translated into GBP at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign exchange reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

The principal exchange rates used to the GBP in the preparation of the 2018 financial statements are:

|                          | Annual average |      | Year end |      |
|--------------------------|----------------|------|----------|------|
|                          | 2018           | 2017 | 2018     | 2017 |
| <b>US\$</b>              | 0.75           | 0.77 | 0.78     | 0.74 |
| <b>PNG Kina</b>          | 0.23           | 0.24 | 0.24     | 0.23 |
| <b>Australian Dollar</b> | 0.56           | 0.59 | 0.55     | 0.58 |
| <b>Euro</b>              | 0.89           | 0.87 | 0.90     | 0.89 |

#### **m) Investments (Company)**

Investments held as non-current assets comprise investments in subsidiary undertakings and are stated at cost less any provision for any impairment.

#### **n) Equity and reserves**

Equity and reserves comprises the following:

- "Share capital" is the nominal value of equity shares.
- "Share premium" represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs
- "Share-based payment reserve" represents a reserve arising on the grant of share options to certain Directors and key employees.
- "Other reserves" represents a reserve arising from a group reorganisation in 2011.
- "Retained deficit" comprises cumulative profit and loss to date.

#### **o) Share-based payments**

The Group issues equity-settled share-based payments to certain Directors and key employees. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the option at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

#### *p) Critical accounting estimates and judgements*

The Group makes estimates and assumptions concerning the future. The resulting estimates will by definition, seldom equal the actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Certain amounts included in the financial statements involve the use of judgement and/or estimation. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, but actual results may differ from the amounts included in the financial statements. The Board has considered the critical accounting estimates and assumptions used in the financial statements and concluded that the areas of judgement that have the most significant effect on the amounts recognised in the financial statements are as set out below.

#### **Recoverability of deferred exploration costs**

All costs associated with gold and copper exploration are capitalised on a project basis, pending a decision on the economic feasibility of the project. The capitalisation of such costs gives rise to an intangible asset in the consolidated statement of financial position. Exploration costs are capitalised where it is considered likely that the amount will be recovered by future exploitation, sale or alternatively where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This requires management to make estimates and assumptions as to the future events and circumstances, especially in relation to whether an economically viable extraction operation can be established. Such estimates are subject to change and following initial capitalisation, should it become apparent that recovery of the expenditure is unlikely, the relevant capitalised amount will be impaired and written off to the consolidated statement of comprehensive income.

#### **Impairment of goodwill and non-financial assets**

Determining whether goodwill and non-financial assets are impaired requires an estimation of the value in use of the cash generating units to which the assets have been allocated. The value in use calculation requires the Directors to estimate the future cash flows to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual cash flows are less than expected, a material impairment may arise.

#### **Provision for impairment of financial assets**

Determining whether the carrying value of financial assets has been impaired requires an estimation of the value in use of the investment in subsidiaries and joint venture vehicles. The value in use calculation requires the directors to estimate the future cash flows expected to arrive from these vehicles and a suitable discount rate in order to calculate present value.

#### **Allowances for impairment of trade receivables**

The Group estimates the allowance for doubtful trade receivables based on assessment of specific accounts where the Group has objective evidence comprising default in payment terms or significant financial difficulty that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship.

#### **Deferred tax assets**

Deferred tax is recognised based on differences between the carrying value of assets and liabilities and the tax value of assets and liabilities. Deferred tax assets are only recognised to the extent that the Group estimates that future taxable profits will be available to offset them.

## Notes to the financial statements (continued)

### 3 Basis of preparation and significant accounting policies (continued)

#### Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

### 4 Segmental reporting

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the exploration activities. The Group's reportable segment under IFRS 8 Operating Segments is as follows:

Exploration: Being the exploration activities of gold and copper resources in PNG and Australia. The chief operating decision maker is the Chief Executive Officer.

Information regarding the Group's reportable segment is presented below.

The following is an analysis of the Group's results by reportable segment:

|                             | Exploration<br>£ | 2018<br>Holding &<br>dormant<br>£ | Consolidated<br>£ |
|-----------------------------|------------------|-----------------------------------|-------------------|
| Admin fees                  | 107,972          | 98,528                            | 206,500           |
| Bank fees                   | 901              | 244                               | 1,145             |
| Travel                      | 66,173           | 923                               | 67,096            |
| Legal                       | 312              | 13,152                            | 13,463            |
| <b>Loss before taxation</b> | <b>1,368,258</b> | <b>650,569</b>                    | <b>2,018,827</b>  |
|                             | Exploration<br>£ | 2017<br>Holding &<br>dormant<br>£ | Consolidated<br>£ |
| Admin fees                  | 68,789           | 68,281                            | 137,070           |
| Bank fees                   | 9,583            | 214                               | 9,797             |
| Travel                      | 12,805           | –                                 | 12,805            |
| Legal                       | 687              | 12,115                            | 12,802            |
| <b>Loss before taxation</b> | <b>91,868</b>    | <b>288,521</b>                    | <b>380,389</b>    |

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment losses represent the losses incurred by each segment without allocation of central administration costs and Directors' salaries, other operating income, interest costs, interest income and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

## Notes to the financial statements (continued)

### 4 Segmental reporting (continued)

Other segment information:

|                                                      | Additions to<br>non-current assets |         |
|------------------------------------------------------|------------------------------------|---------|
|                                                      | 2018                               | 2017    |
|                                                      | £                                  | £       |
| Exploration assets arising from business combination | –                                  | 45,444  |
| Exploration additions                                | 642,085                            | 214,496 |

In addition to the above, impairment losses of £1,437,449 (2017: NIL) were recognised in respect of intangibles. These impairment losses were attributable exploration costs.

The Group operates in two principal geographical areas: Australia and PNG. The Group's information about its non-current assets\* by geographical location are detailed below:

|                    | Exploration<br>£ | 2018<br>Holding &<br>dormant<br>£ | Consolidated<br>£ |
|--------------------|------------------|-----------------------------------|-------------------|
| Non-current assets | 1,441,666        | –                                 | 1,441,666         |

|                    | Exploration<br>£ | 2017<br>Holding &<br>dormant<br>£ | Consolidated<br>£ |
|--------------------|------------------|-----------------------------------|-------------------|
| Non-current assets | 1,258,317        | 978,714                           | 2,237,031         |

\* Non-current assets excluding goodwill, financial instruments and investment in jointly controlled entities.

The management information provided to the chief operating decision maker does not include an analysis by reportable segment of assets and liabilities and accordingly no analysis by reportable segment of total assets or total liabilities is disclosed.

### 5 Operating loss

|                                                                                       | 2018<br>£ | 2017<br>£ |
|---------------------------------------------------------------------------------------|-----------|-----------|
| Operating loss is stated after charging:                                              |           |           |
| Fees payable to the Group's auditor for the audit of the Group's financial statements | 38,613    | 29,941    |
| Fees payable to the Group's auditor for taxation services                             | 1,140     | 2,995     |
| Share-based payment expense                                                           | –         | 28,392    |
| Foreign exchange losses/(gains)                                                       | 49,367    | (58,376)  |
| Impairment of intangible assets                                                       | 1,437,449 | –         |

## Notes to the financial statements (continued)

### 6 Taxation

#### Group

|                                                                              | 2018<br>£   | 2017<br>£ |
|------------------------------------------------------------------------------|-------------|-----------|
| <b>Domestic current year tax</b>                                             |             |           |
| U.K. corporation tax – current year                                          | –           | –         |
| <b>Deferred tax</b>                                                          |             |           |
| Origination and reversal of temporary differences                            | –           | –         |
| <b>Income tax expense</b>                                                    | –           | –         |
| <b>Factors affecting tax charge for the year</b>                             |             |           |
| Loss on ordinary activities before taxation                                  | (2,018,827) | (380,388) |
| Loss on ordinary activities at the UK standard rate of 19%<br>(2017: 19.25%) | (383,577)   | (73,225)  |
| Effects of:                                                                  |             |           |
| Carried forward losses (UK)                                                  | 339,090     | 56,601    |
| Non-deductible expenses                                                      | 44,487      | 16,624    |
| Current tax charge                                                           | –           | –         |

The Group has UK tax losses of approximately £3,614,594 (2017: £3,275,504) available to carry forward against future trading profits, subject to agreement by HMRC. No provision has been made for a potential deferred tax asset of approximately £722,919 (2017: £630,535) arising from UK tax losses. The Group has not recognised a deferred tax asset on any losses carried forward due to the uncertainty of future profits.

### 7 Loss per share

#### Group

|                                                              | 2018<br>£   | 2017<br>£ |
|--------------------------------------------------------------|-------------|-----------|
| Loss for the purpose of basic and diluted earnings per share | (2,018,827) | (380,388) |

#### Numbers

|                                                                                                    |             |             |
|----------------------------------------------------------------------------------------------------|-------------|-------------|
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | 238,894,862 | 243,448,670 |
| Loss per share – basic                                                                             | (0.01)      | (0.01)      |
| Loss per share – diluted                                                                           | (0.01)      | (0.01)      |

Loss per share has been calculated by dividing the loss for the year by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share has been calculated by dividing the loss for the year by the weighted average number of ordinary shares in issue during the year adjusted to assume conversion of all dilutive potential options/warrants. In accordance with the provisions of IAS33, shares under option were not regarded as dilutive in calculating diluted earnings per share.

## Notes to the financial statements (continued)

### 8 Intangible assets

| Group                                   | Exploration costs<br>£ | Goodwill<br>£     | Total<br>£        |
|-----------------------------------------|------------------------|-------------------|-------------------|
| <b>Cost</b>                             |                        |                   |                   |
| At 1 January 2017                       | 15,904,738             | –                 | 15,904,738        |
| Additions                               | 214,496                | 602,456           | 816,952           |
| Additions through business combinations | 45,444                 | –                 | 45,444            |
| Foreign currency translation            | (1,430,001)            | –                 | (1,430,001)       |
| At 1 January 2018                       | 14,734,677             | 602,456           | 15,337,133        |
| Additions                               | 642,085                | –                 | 642,085           |
| Disposals                               | (14,537,552)           | –                 | (14,437,552)      |
| Reclassification (Note 19)              | 602,456                | (602,456)         | –                 |
| At 31 December 2018                     | 1,441,666              | –                 | 1,441,666         |
| <b>Impairment</b>                       |                        |                   |                   |
| At 1 January 2017                       | (14,385,351)           | –                 | (14,385,351)      |
| Foreign currency translation            | 1,285,248              | –                 | 1,285,248         |
| At 1 January 2018                       | (13,100,103)           | –                 | (13,100,103)      |
| Impairment charge                       | (1,437,449)            | –                 | (1,437,449)       |
| Disposals                               | 14,537,552             | –                 | 14,537,552        |
| At 31 December 2018                     | –                      | –                 | –                 |
| Net book value at 31 December 2018      | 1,441,666              | –                 | 1,441,666         |
| Net book value at 31 December 2017      | 1,634,574              | 602,456           | 2,237,030         |
| <b>Company</b>                          |                        | <b>2018<br/>£</b> | <b>2017<br/>£</b> |
| <b>Exploration costs</b>                |                        |                   |                   |
| <b>Cost</b>                             |                        |                   |                   |
| At beginning of year                    |                        | 1,362,579         | 1,489,494         |
| Additions                               |                        | –                 | 6,397             |
| Disposals                               |                        | (1,362,579)       | –                 |
| Foreign currency translation            |                        | –                 | (133,312)         |
| At the end of year                      |                        | –                 | 1,362,579         |
| <b>Impairment</b>                       |                        |                   |                   |
| At beginning of year                    |                        | (986,321)         | (1,083,089)       |
| Impairment charge                       |                        | (376,258)         | –                 |
| Disposals                               |                        | 1,362,579         | –                 |
| Foreign currency translation            |                        | –                 | 96,768            |
| At the end of year                      |                        | –                 | (986,321)         |
| <b>Net book value</b>                   |                        | –                 | 376,258           |

## Notes to the financial statements (continued)

### 8 Intangible assets (continued)

The Directors have reviewed all exploration costs for indications of impairment. They impair exploration costs where the exploration project is no longer considered economically viable or where the carrying amount exceeds the recoverable amount. An assets recoverable amount is the higher of the assets fair value less costs to sell and its value in use. The impairment charge of £1,437,449 (2017: £NIL) in respect of Group intangible assets and £376,258 (2017: £NIL) in respect of Company intangible assets, is included in the consolidated statement of comprehensive income.

In assessing potential impairment charges, the Directors consider economic factors and the mining industry as a whole and the effect of market value of metal prices.

### 9 Investments

| Company                                              | 2018<br>£ | 2017<br>£ |
|------------------------------------------------------|-----------|-----------|
| At beginning of year                                 | 648,000   | –         |
| Additions (note 19)                                  | –         | 648,000   |
| Investment in BGM Investments Pty Ltd at end of year | 648,000   | 648,000   |

An impairment charge of £NIL (2017: £NIL) was recognised by the Company in respect of the carrying value of investments during the year 2018.

The Group's principal subsidiary undertakings at 31 December 2018, all of which are included in the consolidation, were as follows:

| Name of Company                | Proportion held | Class of shareholding | Nature of business | Country of incorporation |
|--------------------------------|-----------------|-----------------------|--------------------|--------------------------|
| <b>Subsidiary undertakings</b> |                 |                       |                    |                          |
| Papua Mining Limited           | 100%            | Ordinary              | Exploration        | British Virgin Islands   |
| Aries Mining Limited           | 100%            | Ordinary              | Exploration        | PNG                      |
| Sagittarius Mining Limited     | 100%            | Ordinary              | Exploration        | PNG                      |
| BGM Investments Pty Ltd        | 100%            | Ordinary              | Exploration        | Australia                |

### 10 Trade and other receivables

| Group                              | 2018<br>£ | 2017<br>£ |
|------------------------------------|-----------|-----------|
| Other receivables                  | 22,676    | –         |
| <b>Company</b>                     |           |           |
|                                    | 2018<br>£ | 2017<br>£ |
| Amounts owed by Group undertakings | 1,134,039 | 1,284,918 |
| Other receivables                  | 2,400     | –         |
|                                    | 1,136,439 | 1,284,918 |

There are no fixed terms of repayment of amounts owed by Group undertakings, which are technically repayable on demand. As it is not intended for the amounts due to be repaid within one year these receivables have been classified in the financial statements as non-current assets. An impairment charge of £1,134,039 (2017: £NIL) in respect of the amounts owed by Company undertakings, is included within administration expenses in the Company statement of comprehensive income. The Directors consider the carrying value of trade and other receivables to equal their fair value.

## Notes to the financial statements (continued)

### 11 Cash and cash equivalents

| <b>Group</b>   | <b>2018<br/>£</b> | <b>2017<br/>£</b> |
|----------------|-------------------|-------------------|
| Cash at bank   | 294,596           | 1,257,194         |
| <b>Company</b> | <b>2018<br/>£</b> | <b>2017<br/>£</b> |
| Cash at bank   | 281,801           | 1,128,510         |

Cash and cash equivalents comprise cash.

The Directors consider the carrying value of cash and cash equivalents to equal fair value.

### 12 Equity

| <b>Group and Company</b>       | <b>2018<br/>Number</b> | <b>2017<br/>Number</b> |
|--------------------------------|------------------------|------------------------|
| <b>Issued share capital</b>    |                        |                        |
| Ordinary shares of £0.001 each | 373,342,293            | 343,342,293            |
| Deferred shares of £0.099 each | 51,215,534             | 51,215,534             |
|                                | <b>2018<br/>£</b>      | <b>2017<br/>£</b>      |
| <b>Issued share capital</b>    |                        |                        |
| Fully paid*                    | 5,438,245              | 5,408,245              |

Fully paid ordinary shares carry one vote per share and carry the right to dividends. There are no shares held by the entity or its subsidiaries or associates.

30,000,000 ordinary shares of £0.001 each were issued at a price of £0.0135 per share on 23 August 2018. 133,913,044 ordinary shares of £0.001 each were issued at a price of £0.0115 per share on 13 October 2017. 1,087,000 ordinary shares of £0.001 each were issued at a price of £0.0115 per share on 13 October 2017 in lieu of fees incurred in connection with the placing and 4,347,826 ordinary shares of £0.001 each were issued at a price of £0.0115 per share on 13 October 2017 in lieu of fees incurred in connection with the placing.

\* The GBP (£) value of fully paid issue share capital is before taking account the effect of the change of functional currency in 2017.

## Notes to the financial statements (continued)

### 12 Equity (continued)

The following table summarises the movements in warrants outstanding for the financial year ended 31 December 2018:

|                                 | 2018              | Weighted average exercise price (£) |
|---------------------------------|-------------------|-------------------------------------|
|                                 | Number of options |                                     |
| Outstanding at 1 January 2018   | 140,063,479       | 0.02                                |
| Granted during the year         | 10,000,000        | 0.02                                |
| Outstanding at 31 December 2018 | 150,063,479       | 0.02                                |
| Exercisable at 31 December 2018 | 150,063,479       | 0.02                                |

Following the issue of share warrants, the following table lists the inputs used in calculating warrants reserve.

The inputs into the Black Scholes model are as follows:

|                     | 2018      | 2017      |
|---------------------|-----------|-----------|
| Share price         | 1.35p     | 1.15p     |
| Exercise price      | 2.3p      | 2.3p      |
| Expected volatility | 44%       | 31%       |
| Expected life       | 1-2 years | 1-2 years |
| Discount rate       | 0.7%      | 0.9%      |

In addition to the issuance of shares in August 2018, 10,000,000 warrants to subscribe for every 3 ordinary shares of £0.001 each were granted at a price of £0.023 each. Also, one warrant for every 20 new ordinary shares placed (1,500,000 Warrants) was issued to First Equity as a result of the Placement in August 2018.

In addition to the issuance of shares in October 2017, 133,913,044 warrants to subscribe for ordinary shares of £0.001 each were granted at a price of £0.023.

In addition to the issuance of shares in lieu of fees incurred in connection with the placing of shares in October 2017, 6,150,435 warrants to subscribe for ordinary shares of £0.001 each were granted at a price of £0.023.

The Group recognised a share warrant expense which was deducted from share premium of £5,539 (2017: £29,676).

#### Share premium

The share premium account represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

#### Share-based payment reserve

Represents the reserve account which is used for the corresponding entry to the share-based payment charge through profit and loss (note 13).

#### Share warrant reserve

Represents the reserve account which is used for the corresponding entry to the share warrants issued during the year.

## Notes to the financial statements (continued)

### 12 Equity (continued)

#### Foreign currency translation reserve

Represents the reserve account which is used for the translation of the functional currency to GBP.

#### Other reserves

Represents the reserve arising from a share for share exchange as part of a group reorganisation in 2011.

#### Capital management

The Group's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to ensure sufficient resources are available to meet day to day operating requirements. The Group defines capital as 'equity' and 'cash' as shown in the consolidated statement of financial position. As at 31 December 2018 the Group held equity and cash balances of £1,576,352 and £294,596 (2017: £3,232,441 and £1,257,194), respectively.

The Board of Directors takes full responsibility for managing the Group's capital and does so through board meetings, review of financial information, and regular communication with officers and senior management.

The Group's investment policy is to invest its cash in deposits with high credit worthy financial institutions with short term maturity. The Group expects its current capital resources will be sufficient to carry out its operating plans over the foreseeable future.

### 13 Share-based payments

Details of share options granted are as follows:

|                                 | 2018<br>Number<br>of options | 2018<br>Weighted<br>average<br>exercise<br>price (£) | 2017<br>Number<br>of options | 2017<br>Weighted<br>average<br>exercise<br>price (£) |
|---------------------------------|------------------------------|------------------------------------------------------|------------------------------|------------------------------------------------------|
| Outstanding at 1 January 2018   | 15,620,421                   | 0.02                                                 | 6,620,421                    | 0.02                                                 |
| Granted during the year         | –                            | 0.02                                                 | 9,000,000                    | 0.02                                                 |
| Outstanding at 31 December 2018 | 15,620,421                   | 0.02                                                 | 15,620,421                   | 0.02                                                 |
| Exercisable at 31 December 2018 | 15,620,421                   | 0.02                                                 | 15,620,421                   | 0.02                                                 |

No shares options were exercised in the period.

On 21 December 2015, share options were granted over 6,620,421 ordinary shares to certain employees. These share options are exercisable at £0.02125 (\$0.023) and the vesting periods are, 2,206,807 immediately on raising future fundraising, one year (2,206,807 shares) and two years (2,206,807) from the grant date. The options lapse on the tenth anniversary of the grant date.

On 16 October 2017, 9,000,000 share options were granted to David Price and John Haggman. These share options are exercisable at £0.023 and the vesting periods are 3,000,000 immediately upon acquisition of BGM, one year (3,000,000 shares) and two years (3,000,000) from the grant date. The options lapse on the third anniversary of the date of grant.

## Notes to the financial statements (continued)

### 13 Share-based payments (continued)

The following tables list inputs to the models used for two plans for the years ended 31 December 2018 and 2016.

#### 21 December 2015 grant date:

The inputs into the Black Scholes model are as follows:

|                     |           |
|---------------------|-----------|
| Share price         | 1.88p     |
| Exercise price      | 2.12p     |
| Expected volatility | 32%       |
| Expected life       | 1-2 years |
| Discount rate       | 1.87%     |

#### 16 October 2017 grant date (Share options):

The inputs into the Black Scholes model are as follows:

|                     |           |
|---------------------|-----------|
| Share price         | 1.15p     |
| Exercise price      | 2.3p      |
| Expected volatility | 42%       |
| Expected life       | 1-3 years |
| Discount rate       | 0.9%      |

Expected volatility was determined by reference to the historical volatility of the share price of the Company. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of £Nil (2017: £28,392) relating to equity-settled share based payment transactions in the year.

### 14 Trade and other payables

#### Group

|                | 2018<br>£ | 2017<br>£ |
|----------------|-----------|-----------|
| Trade payables | –         | 1,455     |
| Other payables | 94,145    | 73,354    |
| Accruals       | 92,124    | 186,974   |
|                | 186,269   | 261,783   |

#### Company

|                | 2018<br>£ | 2017<br>£ |
|----------------|-----------|-----------|
| Trade payables | –         | 1,455     |
| Other payables | 69,508    | 69,303    |
| Accruals       | 86,178    | 51,038    |
|                | 155,686   | 121,796   |

The Directors consider the carrying value of trade and other payables to equal their fair value.

## Notes to the financial statements (continued)

### 15 Financial instruments

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in note 3.

The Group does not have any derivative products or any long term borrowings. The Group is not exposed to interest-bearing indebtedness. The exploration activities of the Group were financed by proceeds of issue of shares.

#### Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

|                              | 2018<br>£ | 2017<br>£ |
|------------------------------|-----------|-----------|
| <i>Financial Assets</i>      |           |           |
| Cash and cash equivalents    | 294,596   | 1,257,104 |
| <i>Financial Liabilities</i> |           |           |
| Trade payables               | –         | 1,455     |
| Other payables               | 155,686   | 120,204   |
|                              | 155,686   | 121,659   |

The Directors consider that the fair value of the above financial instruments is equal to the carrying values.

#### General objectives, policies and processes

The Directors have overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, has delegated authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Directors consider that the risk components detailed below apply to the Group and is managed at Group level.

#### Credit risk

Credit risk refers to the risk that the Group's financial assets will be impaired by the default of a third party. The RR plc Group is exposed to this risk primarily on its cash and cash equivalents as set out in note 11.

Credit risk is managed by ensuring that surplus funds are deposited only with well-established financial institutions of high quality credit standing.

## Notes to the financial statements (continued)

### 15 Financial instruments (continued)

#### *Foreign currency risk*

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Group operates primarily in Australia and Papua New Guinea. Transactions are substantially denominated in PNG Kina, Australian \$, Sterling and US Dollars. As such the Group is exposed to transaction foreign exchange risk. The mix of currencies and terms of trade with its suppliers are such that the Directors believe that the Group's exposure is minimal and consequently they have not, to date, specifically sought to hedge that exposure. Most of the Group's funds are in Sterling with only sufficient funds held overseas to meet local costs. Funds are periodically transferred overseas to meet local costs when required.

#### *Commodity price risk*

Commodity price risk is the risk that the Group's future earnings will be adversely impacted by changes in the market prices of commodities. The Group is exposed to commodity price risk as its future revenues may be determined by reference to market prices of copper and gold.

#### *Liquidity risk*

Liquidity risk relates to the ability of the Group to meet future obligations and financial liabilities. To date the Group has relied upon shareholder funding of its activities. Future exploration and development activities may be dependent upon the Group's ability to obtain further financing through equity financing or other means. Although the Group has been successful in the past in obtaining equity finance there can be no assurance that the Group will be able to obtain adequate financing in the future or that the terms of the financing will be favourable.

The financial statements have been prepared on a going concern basis and note 3(c) provides further information in this regard.

### **Sensitivity analysis**

#### *Foreign currency sensitivity analysis*

Currency risks are defined by IFRS 7 as the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates.

The following table details the transactional impact of changes in foreign exchange rates on financial assets and liabilities at the Balance Sheet date, illustrating the (decrease)/increase in Group operating result caused by a 10% strengthening of US\$, PNG Kina and the Euro compared to the yearend spot rate. The analysis assumes that all other variables, in particular other foreign currency exchange rates, remain constant. The Group operates in four different currencies, and those with a material impact are noted here:

|                   | Year ended<br>31 December<br>2018<br>£ | Year ended<br>31 December<br>2017<br>£ |
|-------------------|----------------------------------------|----------------------------------------|
| US\$              | –                                      | –                                      |
| PNG Kina          | 941                                    | –                                      |
| Euro              | –                                      | 200                                    |
| Australian Dollar | 495                                    | –                                      |

## Notes to the financial statements (continued)

### 16 Staff costs

#### Number of employees

The average monthly number of employees (excluding Directors) of the Group during the year was:

|                | 2018 | 2017 |
|----------------|------|------|
| Administration | –    | –    |
| Technical      | 1    | –    |
|                | 1    | –    |

#### Employment costs (excluding directors)

|                                     | 2018<br>£ | 2017<br>£ |
|-------------------------------------|-----------|-----------|
| Wages and salaries                  | 87,048    | –         |
| Social security costs               | –         | –         |
| Employee share based payment charge | –         | –         |
|                                     | 87,048    | –         |

### 17 Directors emoluments

Aggregate emoluments, including benefits in kind, by director are as follows:

#### 2018

| Directors        | Directors' fees<br>£ | Salary<br>£ | Pension contributions<br>£ | Sub total<br>£ | Medical insurance<br>£ | Social security costs<br>£ | Total<br>£ |
|------------------|----------------------|-------------|----------------------------|----------------|------------------------|----------------------------|------------|
| H McCullough     | –                    | 12,000      | –                          | 12,000         | –                      | 828                        | 12,828     |
| K Harrington     | –                    | 13,873      | –                          | 13,873         | –                      | 828                        | 14,701     |
| D Price          | –                    | 149,772     | 14,246                     | 164,018        | –                      | –                          | 164,018    |
| G Hart           | –                    | 48,306      | 4,589                      | 52,895         | –                      | –                          | 52,895     |
| I Staunton       | –                    | –           | –                          | –              | –                      | –                          | –          |
| M Somerset-Leeke | –                    | –           | –                          | –              | –                      | –                          | –          |
| J Haggman        | –                    | –           | –                          | –              | –                      | –                          | –          |
|                  | –                    | 223,951     | 18,835                     | 242,786        | –                      | 1,656                      | 244,442    |

#### 2017

| Directors        | Directors' fees<br>£ | Salary<br>£ | Pension contributions<br>£ | Sub total<br>£ | Medical insurance<br>£ | Social security costs<br>£ | Total<br>£ |
|------------------|----------------------|-------------|----------------------------|----------------|------------------------|----------------------------|------------|
| H McCullough     | –                    | 34,906      | –                          | 34,906         | –                      | 208                        | 35,114     |
| K Harrington     | 1,858                | 4,000       | –                          | 5,858          | –                      | 54                         | 5,912      |
| D Price          | –                    | 12,500      | –                          | 12,500         | –                      | –                          | 12,500     |
| P Johnson        | –                    | 4,000       | –                          | 4,000          | –                      | 54                         | 4,054      |
| M Somerset-Leeke | –                    | –           | –                          | –              | –                      | –                          | –          |
| J Haggman        | –                    | –           | –                          | –              | –                      | –                          | –          |
|                  | 1,858                | 55,406      | –                          | 57,264         | –                      | 316                        | 57,580     |

## Notes to the financial statements (continued)

### 17 Directors emoluments (continued)

Share options held by the directors as follows:

|                   | 2018<br>Number of<br>options | 2017<br>Number of<br>options |
|-------------------|------------------------------|------------------------------|
| Michael Jolliffe  | 626,763                      | 626,763                      |
| David W Price     | 6,600,000                    | 6,600,000                    |
| John Haggman      | 4,000,000                    | 4,000,000                    |
| Hugh McCullough   | 1,997,886                    | 1,997,886                    |
| Kieran Harrington | 1,997,886                    | 1,997,886                    |

The key management personnel of the Group are considered to be entirely represented by the Directors.

No Director has yet benefitted from any increase in value of share capital since issuance of the options.

No Director exercised share options in the year (prior year: none).

### 18 Related party transactions

As well as remuneration of Directors (note 17), the following transactions fall within the scope of IAS 24 Related Party Disclosures.

- (1) Hybreasal Limited, a company connected to the director Kieran Harrington, charged fees of £1,873 (2017: £1,858) to the company during the year. These fees are included within the remuneration stated in note 18.

At 31 December 2018 there were £NIL (2017: £1,858) amounts payable to the above related parties.

### 19 Goodwill

On 16 October 2017, the Group acquired 100% of the voting rights of BGM Investments Pty Ltd, an Australian-based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the exploration activities in Australia.

| Goodwill                  | 2018<br>£ | 2017<br>£ |
|---------------------------|-----------|-----------|
| At beginning of year      | 602,456   | –         |
| Additions                 | –         | 602,456   |
| Reclassification (Note 8) | (602,456) | –         |
| At end of year            | –         | 602,456   |

During the measurement period relating to the BGM Investments Pty Ltd acquisition, the Group reclassified amounts previously allocated to Goodwill to Exploration costs, more accurately reflecting the inherent value in the licences acquired on acquisition.

## Notes to the financial statements (continued)

### 19 Goodwill (continued)

The details of how Goodwill arose in 2017 is set out below. This Goodwill was subsequently reclassified to Exploration costs.

| Fair value of consideration transferred |  | £              |  |
|-----------------------------------------|--|----------------|--|
| Settled in shares                       |  | 598,000        |  |
| Settled in cash                         |  | 50,000         |  |
| <b>Total</b>                            |  | <b>648,000</b> |  |

|                                               | Book value<br>£ | Fair value<br>adjustments<br>£ | Fair value<br>£ |
|-----------------------------------------------|-----------------|--------------------------------|-----------------|
| Intangibles                                   | 45,444          | –                              | 45,444          |
| Cash at bank                                  | 100             | –                              | 100             |
| Total assets                                  | 45,544          | –                              | 45,544          |
| Creditors due within one year                 | (48,004)        | 48,004                         | –               |
| <b>Identifiable net assets</b>                | <b>(2,460)</b>  | <b>48,004</b>                  | <b>45,544</b>   |
| <b>Capitalised exploration costs acquired</b> |                 |                                | <b>602,456</b>  |
| Consideration settled in cash                 |                 |                                | 50,000          |
| Cash at bank acquired                         |                 |                                | (100)           |
| <b>Net cash outflow on acquisition</b>        |                 |                                | <b>49,900</b>   |

#### Consideration transferred

The acquisition of BGM was settled in cash amounting to £50,000 and the issue of own Papua shares of 52,000,000 at £0.115 or 598,000.

#### Identifiable net assets

The fair value of intangibles acquired as part of the business combination amounted to £45,444.

In addition, on acquisition date, creditors due within one year of BGM was settled by payment of the consideration amount. The fair value of these creditors due within one year at date of acquisition that was settled amounted to £48,004.

#### BGM's contribution to the Group results

BGM incurred a loss of £38,714 for the 3-month period from 16 October 2017 to the reporting date, primarily due to administrative costs.

### 20 Post Balance Sheet Events

58,823,500 ordinary shares of £0.001 each were issued at a price of £0.0085 per share on 31 January 2019. In addition, 58,823,500 warrants to subscribe for ordinary shares of £0.001 each were granted at a price of £0.0015 each.

## Notes to the financial statements (continued)

### **21 Control**

The company is quoted on AIM and there is no individual controlling party. The Directors' Report provides details of those shareholders with an individual holding exceeding 3% of issued share capital.

### **22 Approval of financial statements**

The board of directors approved these financial statements on 22 May 2019.

**Registered office**

Salisbury House, London Wall  
London EC2M 5PS

**[www.rockfireresources.com](http://www.rockfireresources.com)**