Bluebird Merchant Ventures Limited

Annual Report and Financial Statements 2018

COMPANY INFORMATION

Directors	Jonathan Morley-Kirk	Non-Executive Chairman
	Aidan Bishop	Executive Director
	Colin Patterson	Executive Director
	Charles Barclay	Executive Director
	Clive Sinclair-Poulton	Non-Executive Director
Registered Office of the Company	Harney Westwood & Riegels Craigmuir Chambers PO Box 71, Road Town Tortola VG1110 British Virgin Islands	
Brokers to the Company	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP UK	Smaller Company Capital Limited 4 Lombard Street London ECV3 9HD UK
Auditor	BDO LLP 55 Baker Street London W1U 7EU UK	
Bankers to the Company	Barclays Plc 13 Library Place St Helier Jersey JE4 8NE	
Registrars	Computershare Investor Services (BVI) Limited Woodbourne Hall, Road Town Tortola British Virgin Islands	
Depositary	Computershare Investor Services PLC The Pavilions, Bridgwater Road Bristol BS13 8AE UK	

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CHAIRMAN'S REPORT

The year ended 30 June 2018 was a busy year for the Company. Both projects in South Korea have been pushed forward to the stage of the Joint Venture being formed for the Gubong Project on 01 September 2018 and being impending for the Kochang Project. The Management team have worked hard to stick to the tight timetable and tight budgets. I believe this reiterates the fact that re-opening old mines has distinct advantages over sinking new mines.

During the year the Company accessed loan and equity funding and issued 10,460,000 shares at a price of 2.5p per share to raise GBP 261,500. I welcome all new shareholders to the Company.

The Company relies heavily on the Management team to progress our projects in South Korea in conjunction with our JV partners, ASX listed Southern Gold Ltd.

Alas the political and economic environment in the Philippines towards mining has not improved to any great extent. Thus, the Company keeps it Batangas project under "care and maintenance".

Financial Statements are often complex for many shareholders and this year's one is more complex than most. Last year the Company acquired 40% interest in the Batangas project in the Philippines. The Board followed a specific accounting treatment. The Shareholders at the AGM in December 2017 did not approve the re-appointment of the auditors and I am pleased that our new auditors have worked constructively with Management to implement a revised accounting treatment in these financial statements. This has led to the 2017 comparative figures being re-stated – refer note 5 of the financial statements.

The main differences are:

	Re-stated 2017 (USD)	Original 2017 (USD)
• Investment in Associate	2,156,877	-
• Loan due to BMV	-	5,000,000
• Extraordinary gain on acquisition	-	2,945,200

Both the original 2017 and re-stated 2017 Financial Statements were audited without any qualifications in the auditors' opinion.

I would like to thank the Board for the time and effort they have given to your company. I fully expect that the workload of the Board will increase as the South Korean projects move into construction and production; something that each Director is extremely excited about.

Jonathan Morley-Kirk
Chairman
30 October 2018

CHIEF EXECUTIVE'S COMMENT

I am pleased that your company earned its 50% interest in the Gubong project on 01 September 2018 and I am confident that when we start the operations at Gubong it will initially generate acceptable profits and provide a stable platform from which the company can tackle the far larger and exciting project at depth. Our permit to develop application is currently being made and is expected to be granted in the next few months.

The driving criteria for the initial project is:

- Start small
- Quickly advance to cash-flow
- Minimise capital start-up
- Technologically as advanced as possible
- Highly efficient in terms of people and product
- Environmentally friendly
- Socially acceptable
- Provide a compelling way forward

The assessment of the mine is based on a plethora of assumptions and facts, these are:

- An accident occurred in 1967 in which the company lost the main vertical shaft which was servicing the bottom of the mine. The mine continued until 1971 and anecdotal evidence says it closed under financial stress. This makes sense considering they apparently did not recover the vertical shaft. Thus, the gold price was USD 40 at the time of closure. Limited Production data leads us to believe that the recovered grade was in the range of 5 to 8 g/t.
- We are aware that the mine was closed dramatically in a day. Anecdotal published information indicates that the grade at the bottom of the mine at the time of closure was 20g/t with the stacked vein system coalescing. Thus, we can infer that there exists a quantity of broken ore available for processing and also that the exposed mine resources were not depleted.
- This assumption has been borne out by our continually expanding data base from exploring the old mine and, in part, by comparison with the Kochang mine.
- Existing reports, both private and government, suggest that the mine has potential resource in excess of 2Mt which will yield 550,000 ounces. The evidence for such an estimate can be seen in the later diamond drill hole results. The fact that most of this resource is down dip of the old workings would, in itself, warrant a new drilling program and feasibility. However, it also provides good reason to reopen the whole mine and make profit the from the old working as a prequel to the main event.

There are five potential products that the Company has considered in developing this proposal:

- The Gubong broken ore that was left behind at closure, is very much in evidence. The grab sampling of this ore resulted in an average of 3.41g/t. Similarly, ballast for rails (shaft or haulage) also showed good values.

- Remnant ore remaining as part of an old support system (pillars) or because they were unpayable at the time the mine was operational were also examined and sampled, and returned ore grade channel values averaging 4.87g/t over 0.4m.
- The Company is confident, based on the channel sample results, that the previous limits of mining on each of the levels can be expanded.
- The initial samples taken at the tailings dam were very encouraging given that they were only a metre in depth. At the time of sampling , the dam area was not part of Southern Gold's holdings, but was subsequently added to the document submitted as part of the process to secure a "permit to develop". Once granted the Company proposes to carry out a complete drilling program to assess the viability of reworking the tails
- The Gubong Hill is liberally covered with rock from underground. Initially this was thought to be waste dumps from the myriad of small, possibly artisanal adits. However, the Company noted that many of the rocks appeared to be ore and sample results varied from 1.24g/t on an obvious waste dump to 10.5g/t near a surface incline shaft. The Company notes, however, that it has no rights with respect to this source of gold as it belongs to the landowner. As with the tailings dam, we propose to purchase the land prior to openly investigating the extent of this source and further notes that land ownership will have knock-on benefits to the future of the Joint Venture.

The Kochang project has moved much quicker than Gubong. In the past 12 months or so the Company, together with the assistance of the staff of Southern Gold Korea Ltd, have:

- dewatered the "Au Mine" workings;
- gained access through the concrete bulkhead at the adit entrance;
- cleared, supported and got through the breccia zone collapse;
- surveyed, grab sampled, channel sampled and mapped the workings where safe access was possible;
- compiled assays, survey and structural information into the Kochang 3D database; and
- modelled the veins mapped and linked them to previous surface mapping; and interpolated these veins upwards, downwards & laterally as well as between veins.

The above work has allowed us to undertake an initial assessment of part of the "Au Mine" and compile a Scoping Study. This information along with some historical information, previous exploration work on surface, and previous drilling has allowed us to propose four (4) potential products from the workings and orebody:

- Broken ore – systematic grab sampling throughout the open workings gave an average value of 2.36 g/t Au and 17.08 g/t Ag (cut-off > 0.5 g/t Au) – a selective grab sample test whereby ore was selected visually (next to previously randomly selected samples) increased the average value to 5.12 g/t Au;
- Insitu ore – channel sampling on parts of 245 Level and to a lesser extent on 265 Level have delineated potential ore in the insitu veins both in pillars and along drives – 3 distinct veins with good continuity along with some connecting and intermediate veins – average grade of channel sample lines >3 g/t Au was 5.94 g/t Au and 31.54 g/t Ag (covering 44% of mapped length);

- Ore extensions – surface mapping and vein structural information has allowed the exposed veins to be extrapolated/interpolated upwards, downwards and laterally and this offers upside potential to what has been exposed and sampled – this still needs to be verified by access to other workings (and sampled) and drilling from surface & underground – surface sampling indicates similar grades to that encountered underground – it is also anticipated the Ag grade will increase at or towards the "Ag Mine area;
- Waste rock – there is potential for the non-mineralised waste rock to be developed and sold as aggregate locally – this would reduce the need for surface disposal (assuming cannot be stored underground) and provide some income from material normally producing a cost but no income – this needs to be investigated but offers an additional product/revenue stream to at least offset costs – aggregate costs vary depending upon the rock properties but typically a GAP40 (general purpose aggregate passing 40mm) price would be USD 13.20/tonne, with sealing chip, concrete aggregates or asphalt products fetching better prices (USD 20-35/tonne).

I would like to acknowledge and thank our partners, Southern Gold Ltd, for the friendly and cooperative manner in which the farm-in period has been conducted. Furthermore, I extend my gratitude to the Management team for their professionalism and hard work over the past twelve months.

Colin Patterson
Chief Executive Officer
30 October 2018

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group for the year ended 30 June 2018.

The Company

Bluebird Merchant Ventures Limited, the parent company, is registered and domiciled in the British Virgin Islands.

Results and Dividends

The results of the Group for the year ended 30 June 2018 are set out in section 4 and show a loss before taxation of USD 1,735,984 (30 June 2017 showed a re-stated loss of USD 1,554,627).

The Directors do not recommend the payment of a dividend for the year ended 30 June 2018 (2017 Nil).

Future Developments

The Group's future developments are outlined in the Strategic Report section.

Principal Risks and Uncertainties

The principal business risks that have been identified are as below.

<u>South Korean Projects</u>

The Company entered into a JV for the Gubong Project to Southern Gold Ltd, our JV partner on 01 September 2018 and is currently finalising the Feasibility Report for the Kochang Project to submit to Southern Gold Ltd and secure the JV for that project.

The detailed reports look at the economics of re-opening these mines. These plans will be used as the basis for further planning, scoping and management of the projects. This will entail future funding requirements which will be dependent on future equity market conditions. Mining, by its nature, is impacted by many factors and subject to unforeseen circumstances.

The geopolitical risk within the Korean Peninsula may be considered a risk although the view within South Korea regarding this has continued to improve during the latter part of the year ended 30 June 2018.

Whilst the permitting process is fairly straight forward and the local government and relevant authorities have been supportive of the Gubong project there is no guarantee that such will continue should the mine be re-opened and production commence.

Batangas Project

In relation to the Philippines the on-going regulatory environment remains the key risk.

The Company has continued to place the Batangas Gold Project under *care and maintenance* due the uncertain regulatory environment and as such no significant expenditure is planned over the near term. Permitting remains the key risk and there can be no guarantees that the Batangas Gold Project will receive the necessary permissions in order to move into the production phase.

Going Concern

At the year end the group had total liabilities of USD 1,786,103 and incurred losses of USD 1,735,984 in the year. As explained in note 2 to the audited financial statements the group has limited cash resources and has an immediate need for further funding. The Directors are taking all necessary steps to ensure that the required finance for both ongoing working capital and the next phases of the Group's projects will be available. The Directors are aware that these conditions indicate the existence of a material uncertainty over the Group as a going concern, and given they have raised equity and debt finance in the past successfully, have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Corporate Governance

The Company is registered in the British Virgin Islands. The Company is not required to comply with the provisions of the UK Corporate Governance Code. The Directors have responsibility for the overall corporate governance of the Company and recognise the need for appropriate standards of behaviour and accountability.

The Directors are committed to the principles underlying best practice in corporate governance and have regard to certain principles outlined in the UK Corporate Governance Code to the extent they considered appropriate for the Company given its size, early stage of operations and complexities.

Internal Control

The Directors acknowledge they are responsible for the Group's system of internal control and for reviewing the effectiveness of these systems. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of the Group failing to achieve its strategic objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has well established procedures which are considered adequate given the size of the business. The company is at an early stage in its development and directors and senior management are directly involved in approving all significant investment and expenditure decisions of the Company and its subsidiaries and associate.

Audit Committee

The Audit Committee, which comprises two Non- Executive Directors, Jonathan Morley-Kirk and Clive Sinclair-Poulton, is responsible for ensuring that the financial performance of the Group is properly monitored and reported upon and that any such reports are understood by the Board. The Committee meets at least twice each year.

Health, Safety and Environment Committee

The Company is committed to providing a safe, healthy and sustainable environment for all its employees, contractors, visitors and neighbours. The Company strives actively to identify and manage the potential direct and indirect effects of all its activities and reviews this at Board level through its HS&E Committee.

Events after the Reporting Period

On 06 August 2018 the Company subscribed for AUD 250,000 of ASX listed Southern Gold Limited shares at AUD 0.386 per share to meet the requirements of the Kochang Joint Venture agreement.

On 28 August 2018 the Company entered into a gap loan funding agreement with First Names (Singapore) Ltd for USD 500,000. The terms of the agreement include interest and other set-up fees that equate to USD 46,500 on the USD 400,000 that has been drawn down at the time of this report.

On 01 September 2018 the Company, having completed its farm-in requirements, entered into a formal Joint Venture with Southern Gold Ltd for the operation of the Gubong project in South Korea. This will result in the issuance of 8,000,000 Company shares to Momentum resources Ltd – timing to be agreed by the Board of Directors.

Company Directors

	Position	Appointed	Audit Committee	Remuneration Committee	Health & Safety Committee
J. Morley-Kirk	Non-Exec. Chairman	Mar-14	Chair	Member	Member
C. Sinclair-Poulton	Non-Exec. Director	Sep-15	Member	Chair	Chair
A. Bishop	Executive	Mar-14	-	-	-
C. Barclay	Executive	Mar-17	-	-	-
C. Patterson	Executive	Sep-15	-	-	-

Directors' Remuneration

The remuneration of the Executive Directors is fixed by the Remuneration Committee, which comprises two Non-Executive Directors and is chaired by Clive Sinclair-Poulton. The Remuneration Committee is responsible for reviewing and determining the Company policy on executive remuneration and the allocation of long term incentives to executives and employees. The remuneration of Non-Executive Directors is determined by the Board. In setting remuneration levels, the Company seeks to provide appropriate reward for the skill and time commitment required in order to retain the right caliber of Director at an appropriate cost to the Company.

The remuneration paid to, or receivable by, Directors in respect of 2018 and 2017 in relation to the period of their appointment as Director are:

	Receivable as Cash (USD)		**Receivable as Equity (USD)**	
	in the year to 30-Jun-18	**in the year to 30-Jun-17**	**in the year to 30-Jun-18**	**in the year to 30-Jun-17**
Executive Directors				
A. Bishop	-	112,500	150,000	37,500
C. Barclay (appointed Mar-17)	91,422	30,730	51,304	-
C. Patterson	-	33,332	120,794	69,995
Non-Executive Directors				
J. Morley-Kirk	-	10,819	35,413	20,838
C. Sinclair-Poulton	-	13,544	25,497	9,254
D. Fox-Davies (resigned Dec-16)	-	7,520	-	3,679
Total	**91,422**	**208,445**	**383,008**	**141,266**

The amounts noted as Receivable in Equity for both 2017 and 2018 has been approved by the Board, but the Directors have agreed for the issuance to be deferred to a later date yet to be specified. The amounts are held in Share Capital to be Issued in the audited financial statements as shown in note 22.

Share Capital

At 30 June 2018 the issued share capital of the Company stood at 215,173,938 – with 10,460,000 new shares having been issued during the year. The issuances are detailed in note 22 to the audited financial statements.

Employees

The Company has a policy of equal opportunities throughout the organisation, and is proud of its culture of diversity and tolerance. Employees benefit from regular communication both informally and formally with regard to Company issues.

Directors Indemnity Insurance

The Company has purchased insurance cover on behalf of the Directors indemnifying them against certain liabilities which may be incurred by them in relation to the Group.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations. The Directors have prepared the financial statements for each financial year which present fairly the state of affairs of the Group and the profit or loss of the Group for that year.

The Directors have chosen to use the International Financial Reporting Standards ("IFRS") as adopted by the European Union in preparing the Group's financial statements.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Group has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- 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 also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the stock Exchange.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements.

Financial information is published on the company's website. The maintenance and integrity of this website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the web-site.
Legislation in the British Virgin Islands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.

- The annual report includes a fair review of the development and performance of the business and the financial position of the group, together with a description of the principal risks and uncertainties that they face.

This Directors' Report was approved by the Board of Directors on 30 October 2018 and is signed on its behalf.

By Order of the Board

Jonathan Morley-Kirk
Chairman
30 October 2018

STRATEGIC REPORT

1. Business Model and Strategy

The Company is a project developer and is not an exploration company. The Company targets mining projects that can be brought into production within 24 to 30 months within Asia. Therefore, many opportunities are presented in the form of old underground gold mines which can be re-opened, a process with which the Company's management team has substantial experience.

Such projects offer significant advantages over exploration projects in that they:

- cut out the major exploration cost;
- the economics in terms of gold price at closure are known;
- past production in the form of tonnes and grade are known;
- to a large extent the existing development needs refurbishment which is far cheaper than new development; and
- the overall cost to reopen is far cheaper per ounce than new ounces at the same grade.

2. South Korea Gold Projects

South Korea is a modern, industrialised economy, a representative democracy and has substantial infrastructure advantages, in many respects superior to western jurisdictions. South Korea is an investment grade country with Moodys and Standard & Poors ratings of Aa2 and AA respectively.

Partnership with Southern Gold Limited

The partnership with Southern Gold Ltd has been strengthened successfully during the past year as the Gubong project progressed from the investigative stage through to the development of a Report on the Feasibility of reopening the mine. This report was close to completion by the end of this reporting period. In addition, the Company carried out its due diligence, from February 2018 to May 2018, on the Kochang mine and signed a second Joint Venture agreement for this project that was announced on 13 June 2018.

To the end of June 2018 the Company had incurred USD 1,376,126 in farm-in expenditure, inclusive of fair value costs. This initial farm-in expenditure has been expensed in line with the Group's accounting policy for exploration costs.

The Company will be the Operator of each Joint Venture once formed. Each project will operate under a separate Joint Venture company on the same terms.

The Gubong Project

The project is just over one hour's drive west of Daejeon, the second largest city in South Korea. Access to the site is by sealed roads to within 100 metres of the old mine. Other infrastructure such as power and telecommunications are also excellently placed.
<u>History</u>

Gubong was South Korea's second largest gold producer historically and the largest during 1930-1943, during the Japanese occupation. It still retains substantial remnant ore between mined blocks and excellent exploration potential. Mine data indicates good potential for mine re-commissioning and the possibility of relatively early cash flow.

There is a dearth of information considering the age of the mine and there is anecdotal evidence that the information relating to gold production is understated as there was little government control over the Japanese mining companies.

The Korean Resources Corporation (KORES) estimate of remaining resources at Gubong is 2.34M tonnes at 7.34g/t

There are no declared JORC resource estimates currently at Gubong.

The immediate Gubong project area hosts five historical underground mines with the largest being the Gubong mine which exploited high grade quartz veins hosted in gneissic granite and mined to a vertical depth of approximately 500 metres.

Historic underground sampling results of the deeper levels of Vein 6, the main vein exploited at Gubong, gives an arithmetic uncut average of 30.6 g/t gold from 146 values. Exploratory core drilling below the now abandoned mine workings from one of five holes returned 27.9 g/t gold and 25 g/t silver over 1.6 metres downhole from 845.2 metres. This demonstration of the persistence with depth of the most developed mineralised structure supports the prospectivity of the property for auriferous shoots with considerable depth continuity.

Interestingly, Vein 6 was found as a blind vein in the hanging wall during mine development work on the other veins. This suggests substantial gold resources may be found in parallel vein systems that do not outcrop in the area.

<u>Work at Gubong</u>

The early part of the year was dominated by works to enter the top levels of the old mine and by October 2017, the Company was able to enter the mine and begin sampling and initial survey works. The initial sampling encompassed remnant areas and grab samples of broken ore. The results were published on 9 January 2018. The Company was encouraged by these initial results however, the Gubong mine is very large and it wishes to gain entry into the main parts of the mine prior to a decision to mine being taken. The reported samples were sent to a laboratory in Manila in order to carry out the initial round of metallurgical test work.

In the latter part of 2017, the Company commissioned an Independent Review of the South Korean projects. This was initially published in January of 2018 and clearly supported management's opinion of the South Korean Project and is available on the Company's website.

February 2018 saw the commencement of work on one of the main inclined shafts uncovered in late 2017. Some 55 metres of the shaft were opened and equipped with a ladderway. Access to the first level was not possible as the water level in that part of the mine was higher than the main adit level. As water needed to be released the company, mindful of its environmental obligations, carried out test work on the water and designed a treatment process to ensure continual compliance with legal levels. This work on the plant was completed in late March 2018.

On 9 May 2018 the results of our first metallurgical test were announced and, whilst one set of tests could not be considered as definitive, they were exceptionally good in terms of both recovery and positive economics as the ore showed amenability to Vat Leaching as a process.

Further excellent metallurgical results were published on 21 June 2018 which reinforced our confidence of the potential to re-open the mine.

Expenditure on Gubong reached the required farm-in amount of USD 500,000, the team concentrated on the compilation of the report on feasibility as required by the agreement. The Company had requested, and received, an extension to the reporting period to complete by 31 July 2018. The report was close to completion and in draft form as at the end of June. The report has subsequently been completed and the Joint Venture formed.

The Kochang Project

During the last three months of 2017, the Company carried out Due Diligence on the Kochang mine and by February of 2018, entered into a farm-in agreement on the same terms as Gubong.

<u>General Information on Kochang</u>

The Kochang Mine began in 1928 but production records started in 1938 with the Nippon Mining Co which mined until 1942. Production restarted in 1961 and was fairly constant until 1975.

The workings extend over 1.2-1.5 km (2.5 km including the silver shaft area) from south west to north east and extend down dip to about 120 m below surface. The workings exploit 5-7 veins striking 050^{o} with a dip of 50-70NW. There seem to have been 4 shafts (North shaft, south shaft, main shaft and silver shaft). The gold and silver mines have been worked as separate mines in the past but recent work suggests that they are part of the same deposit and that resources may extend between them.

Following the last year of recorded production in 1975, exploratory level development was carried out in 1981 and 1990, presumably by KORES. Korean underground plans dated 1990 show the results of the sampling of quartz veins along portions of the gold mine at Kochang. In aggregate, a total of 104 underground samples are depicted with gold results ranging from 0.4 g/t up to 102.6 g/t for sample widths ranging from 0.03 metres to 0.6 metres in thickness. The length weighted average value of all the underground samples is 17.05 g/t gold over 0.2 metres.

Of further interest is a particularly well mineralised 120 metre length of Vein 3 at the southern end of the prospecting drive on 245RL which gave a length weighted average value of 57.27 g/t gold over a 0.29 metre width: indicating the presence of higher grade ore shoots at Kochang. Bonanza grades were reportedly mined from upper levels of the north shaft vein.

In 1984, four inclined core holes were drilled at Kochang but their coordinates are generally unknown. Each hole intersected narrow quartz veins. Two of the holes were sampled for assay over intersections of interest. One drill hole 84-2 was collared in a new deposit called the Sanpo Mine at 238 RL, azimuth of 225 and dip 70. Of the nine results reported, Hole 84-2 gave two intersections above 1 g/t gold in one hole. The intersections were 10.6 g/t gold and 12 g/t silver over 0.6 metres from 26.9 metres and 17.6 g/t gold and 4 g/t silver over 2.5 metres from 63.0 metres respectively. At 97.6 metres a 2.4m vein gave trace gold and 1,763 g/t silver.

This drill hole opens up a “new” parallel mineralised structure of up to 2.5m wide to be explored and the possibility of other as yet unknown structures related to the same hydrothermal fluid source and regional structures.

<u>Work at Kochang</u>

The Kochang project was included in the Competent Persons Report of 2017.

By the end of February 2018, the mine had been dewatered and the lowest level accessed. The workings were found to be in excellent condition considering they were well over 40 years old. One week later the level above was also accessed (06 March 2018) . A sampling and survey program was carried out in March and early April with encouraging results announced on 15 May 2018.

On 13 June 2018 the Company announced the signing of the Joint Venture Agreement with Southern Gold Ltd.

The mine records have been collated into a 3D Surpac mine model and checked by underground survey by the latest 3D laser technology. Extensive mapping and surface sampling has been carried out during mining and in recent years by Heesong Metals and Southern Gold and this work is currently being collated, plotted and checked.

Access has been gained to over 2,000m of tunnels and considerable quantities of broken ore have been observed to have been left behind and ready for transport to surface. Systematic mapping and sampling has been completed of 1330m of exposed veins in drives. Significant assays >3 g/t Au were returned by 589 samples (44%) with an average channel width, equivalent to vein width of 0.42m. The average for channel samples was 5.92 g/t Au and 31.54 g/t Ag.

3. Philippines Overview

The Philippine mining industry underwent significant upheaval when President Duterte appointed anti-mining activist, Gina Lopez as Secretary of the Department of the Environment and Natural Resources (DENR) in June 2016. Ms Lopez was replaced by Roy Cimatu in May 2017.

Batangas Gold Project

The Batangas Gold project remains under *care and maintenance* pending clarity of government policy. The Company does not expect any progress to this regard over the near-term.

The Company acquired the project from ASX Listed Red Mountain Mining Limited in November 2016 based on the highlights of a Pre-Feasibility Study (PFS) published by Red Mountain Mining Limited that declared a Maiden Ore Reserve of 128,000oz of gold (including silver credits) including 100,000oz of high-grade gold at 4.2g/t. The acquisition cost allocated to the project was USD 2,137,855.

Batangas Gold Project Mineral Resource JORC 2012

Deposit	Resource Classification	Tonnes	Au g/t	Au Oz	Ag g/t	Ag Oz
Kay Tanda West	Indicated	1,421,000	2.1	96,000	9.2	421,000
	Inferred	229,000	2.3	17,000	2.1	15,000
	Total	**1,650,000**	**2.1**	**113,000**	**11.3**	**436,000**
Kay Tanda Main	Indicated	1,161,000	1.9	70,000	1.4	50,000
	Inferred	2,775,000	2.0	180,000	1.2	109,000
	Total	**3,936,000**	**2.0**	**250,000**	**2.6**	**159,000**
Archangel MPSA	**Total**	**5,586,000**	**2.0**	**363,000**	**3.3**	**595,000**
South West Breccia	Indicated	214,000	6.4	44,000	1.8	12,600
	Inferred	7,000	2.3	1,000	1.9	400
	Total	**221,000**	**6.3**	**45,000**	**1.8**	**13,000**
Japanese Tunnel	Indicated	26,000	3.3	3,000	5.9	5,000
	Inferred	7,000	2.3	1,000	5.7	1,000
	Total	**33,000**	**3.0**	**4,000**	**5.7**	**6,000**
West Drift (> 2g/t)	Indicated	145,000	4.2	14,000	4.7	22,000
	Inferred	205,000	2.4	19,000	4.3	28,000
	Total	**350,000**	**3.0**	**33,000**	**4.4**	**50,000**
Lobo MPSA	**Total**	**604,000**	**4.2**	**82,000**	**3.6**	**69,000**
Batangas Gold Project	Indicated	2,968,000	2.4	227,000	5.4	511,000
	Inferred	3,222,000	2.1	218,000	1.5	154,000
	Total	**6,190,000**	**2.2**	**445,000**	**3.3**	**665,000**

Batangas Gold Project Ore Reserves JORC 2012

Deposit	**Ore Reserve Category**	**Tonnes**	**Au g/t**	**Au Oz**	**Ag g/t**	**Ag Oz**	**Au Eq g/t**	**Au Eq Oz**
Archangel MPSA	Probable	1,225,000	2.1	86,000	10.0	403,000	2.3	91,000
Lobo MPSA	Probable	186,000	6.2	37,000	2.2	13,000	6.2	37,000
Total Batangas Project	Probable	1,441,000	2.6	123,000	9.0	416,000	2.8	128,000

The full disclosure of the Pre-Feasibility Study was announced by Red Mountain and can be downloaded at:
http://redmm.com.au/wp-content/uploads/051_RMX-ASX-Announcement_Updated-PFS_21-June-2016.pdf

4. Funding

The Company has funded its projects by raising 10,460,000 new shares at 2.5p per share to raise gross proceeds of GBP 261,500 (refer note 22). The Company has also used a drawdown facility of USD 350,000 (refer note 22) and has had access to a loan note facility (refer note 18).

The Company has benefited from Directors and the Management team agreeing to not take cash as detailed in their contracts. They have agreed to be issued shares at a future date (note 22).

This Strategic Report was approved by the board of directors on 30 October 2018 and is signed on its behalf.

By Order of the Board

Jonathan Morley-Kirk
Chairman
30 October 2018

FINANCIAL STATEMENTS

4.1 Independent Auditor's Report to the Members of the Company

Opinion

We have audited the financial statements of Bluebird Merchant Ventures Limited (the "parent company") and its subsidiaries (the "'group") for the year ended 30 June 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated of statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable 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 of the state of the group's affairs as at 30 June 2018 and of the group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and 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.

Material uncertainty related to going concern

We draw attention to the disclosures made in note 2 to the financial statements concerning the group's ability to continue as a going concern which explain that the group's cash flow projections indicate further funding is currently required. However there can be no certainty that the required funds can be raised within the appropriate timeframe. This condition indicates the existence of a material uncertainty which may cast significant doubt as to the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above we considered going concern to be a Key Audit Matter.

We performed the following procedures in respect of this key audit matter:

- We critically assessed management's financial forecasts and the underlying key assumptions, including operating and capital expenditure. In doing so, we considered factors such as historical operating expenditure, commitments under the Joint Venture agreements, debt servicing obligations under the various lender agreements and reviewed the group's board minutes and market announcements for indications of additional cash requirements.

- We considered directors' judgement that they had a reasonable expectation of securing immediate funding through private share placing, extending or settling the loans in equity and securing additional financing to meet future working capital requirements. In doing so, we made specific inquiries of the Board and obtained written representations from the Board.

- Our assessment also included making enquiries of management of the future financing plans and options and evaluating the adequacy of the disclosure made in the financial statements in respect of going concern.

Emphasis of matter – achievement of mine permitting for the Batangas Gold Project

We draw attention to note 8 -Impairment review, there are currently uncertainties in respect of the mining regulatory environment in the Philippines which may adversely affect the achievement of the necessary mining permits for the development of the Batangas Gold Project. If the necessary permits are not achieved the project and the group's investment in its associate may become impaired. Our opinion is not modified in respect of this matter.

Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, 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 directing the 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 we do not provide a separate opinion on these matters.

Matters identified	How we addressed the matter
<u>Carrying value of the Batangas project and investment in associate</u>	
The group's investment in associate represents its most significant asset and amounts to US$2 million as at 30 June 2018. The recoverability of the investment is underpinned by the Batangas Gold Project. Directors determined that the current mining regulatory environment in Philippines is an indicator of impairment. Directors therefore performed an impairment assessment. As detailed in notes 3 and 8, the assessment of value in use of the carrying value of the Batangas Gold Project and in turn the investment in associate required significant judgement and estimates by Directors. The carrying value of the investment in associate represented a significant risk for our audit given the significant judgements and estimates in the impairment assessment and the current uncertainties in respect of the mining regulatory environment in the Philippines. There is also a risk that the disclosures in the financial statements are not adequate and appropriate.	We reviewed directors' assessment of indicators of impairment and evaluated their impairment assessment of the carrying value of the Batangas Gold Project and underlying carrying value of investment in associate. Our testing included comparison of the value in use of the Batangas Gold Project to the pre-feasibility study financial model, consideration of directors' intention and future plans in relation to the project and assessment of the current mining regulatory environment in Philippines. We specifically challenged Directors' assessment of the issues relating to the permitting for the Batangas Gold project. This included review of the mineral production sharing agreement, discussion with local and group management and review of the announcements and filings with the Department of Environmental and natural resources. Because of the current uncertainties relating to mine permitting in the Philippines we have included an Emphasis of matter in respect of this matter in our audit report. We evaluated the adequacy and appropriateness of the disclosures provided within the financial statements in notes 3 and 8.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the group financial statements as whole was set at USD 50,000. This was determined with reference to an average of 1% of total assets and 5% of losses before tax. We consider assets and the level of expenditure incurred in the year on the Joint Venture projects to be one of the principal considerations for stakeholders of the group in assessing the financial performance of group.

Whilst materiality for the financial statements as a whole was USD 50,000, the significant components of the group were audited to a lower materiality of USD 15,000.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at USD 35,000 which represents 70% of the above materiality level. The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements, the level of transactions in the year and management's attitude toward proposed adjustments.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of USD 2,500, which was set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the group and its environment, as well as assessing the risks of material misstatement in the financial statements at group level.

In approaching the audit, we considered how the group is organised and managed. We assessed there to be three significant components being Bluebird Merchant Ventures Limited and MRL Gold Inc and Egerton Gold Philippines Inc with operations in Philippines. The parent entity was subject to a full scope audit by the group auditor.

A full scope audit for group reporting purposes was performed by the BDO network firm in the Philippines on the significant components in the Philippines. Detailed group reporting instructions for the testing of the significant areas were sent to the component auditor and we reviewed their work and discussed their findings with the component audit partner. The group audit team also performed audit procedures over the significant risk areas and the consolidation. The remaining non-significant subsidiaries of the group were subject to analytical review procedures.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 auditor otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with our engagement letter dated 30 August 2018. Our audit work has been undertaken so that we might state to the parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Chartered Accountants
London, United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

4.2 Consolidated Income Statement

For the year ended 30 June 2018

	Note	30-Jun-18 (USD)	30-Jun-17 Re-stated (USD)
Administrative expenses		(786,631)	(802,649)
Farm-in costs		(865,355)	(510,791)
Share of profit/(loss) of associates	13	7,668	(2,256)
Operating loss		(1,644,318)	(1,315,696)
Exchange loss		(11,702)	(19,952)
Finance expense	11	(166,939)	(13,024)
Impairment of assets	14	-	(205,955)
Gain on sale of associate	13	91,109	-
Loss before taxation		(1,731,850)	(1,554,627)
Income tax expense	12	(4,134)	-
Loss for the year		**(1,735,984)**	**(1,554,627)**
Earnings per share:			
Basic and diluted loss per share (cents per share)	22	(0.0075)	(0.0078)

The accompanying accounting policies and notes form an integral part of these financial statements.

4.3 Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	30-Jun-18 (USD)	30-Jun-17 Re-stated (USD)
Loss for the year	**(1,735,984)**	**(1,554,627)**
Exchange difference on translating foreign operations *	64,239	(35,666)
Share of other comprehensive (loss)/income of associate	(119,132)	19,022
Total other comprehensive loss for the year	(54,893)	(16,644)
Total comprehensive loss for the year	**(1,790,877)**	**(1,571,271)**

*Items that may be reclassified to profit or loss

The accompanying accounting policies and notes form an integral part of these financial statements.

4.4 Consolidated Statement of Financial Position

For the year ended 30 June 2018

	Note	30-Jun-18 (USD)	30-Jun-17 Re-stated (USD)
Non-current assets			
Investment in associate	13	2,045,412	2,156,877
		2,045,412	2,156,877
Current assets			
Trade and other receivables	15	90,685	20,173
Cash and cash equivalents	16	41,082	94,986
		131,767	115,159
Current liabilities			
Trade and other payables	17	(763,102)	(843,831)
Other financial liabilities	18	(560,220)	(200,731)
Derivative financial liabilities	18	(438,677)	(97,656)
		(1,761,999)	(1,142,218)
Non-current liabilities			
Trade and other payables	17	(24,104)	(138,944)
Other financial liabilities	18	-	(92,932)
		(24,104)	(231,876)
Net Assets		**391,076**	**897,942**
Equity			
Issued share capital	22	3,606,596	3,289,581
Unissued share capital	22	1,174,909	207,913
Reserves		(71,537)	(16,644)
Retained earnings		(4,318,892)	(2,582,908)
Total Equity		**391,076**	**897,942**

The accompanying accounting policies and notes form an integral part of these financial statements.
These financial statements were approved and signed on behalf of the Board of Directors.

J Morley-Kirk
Chairman

C Patterson
Chief Executive Officer

4.5 Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Share Capital (USD)	Unissued Share Capital (USD)	Retained Earnings (USD)	Reserves (USD)	Total (USD)	Non-Controlling Interest (USD)	Total Equity (USD)
At 01-Jul-16	**2,948,717**	**-**	**(1,015,119)**	**45,439**	**1,979,037**	**(13,162)**	**1,965,875**
Loss for the year	-	-	(1,554,627)	-	(1,554,627)	-	(1,554,627)
Other comprehensive income for the year	-	-		(16,644)	(16,644)	-	(16,644)
Total comprehensive loss	-	-	(1,554,627)	(16,644)	(1,571,271)	-	(1,571,271)
Reclassification of warrants	-	-	-	(45,439)	(45,439)	-	(45,439)
Shares issued/ to be issued (net of expenses)	340,864	207,913	-	-	548,777	-	548,777
NCI	-	-	(13,162)	-	(13,162)	13,162	-
Total transactions with owners	340,864	207,913	(1,567,789)	(62,083)	(1,081,095)	13,162	(1,067,933)
At 30-Jun-17 (Re-stated)	**3,289,581**	**207,913**	**(2,582,908)**	**(16,644)**	**897,942**	**-**	**897,942**
Loss for the year	-	-	(1,735,984)	-	(1,735,984)	-	(1,735,984)
Other comprehensive loss for the year	-	-		(54,893)	(54,893)	-	(54,893)
Total comprehensive loss	-	-	(1,735,984)	(54,893)	(1,790,877)	-	(1,790,877)
Shares issued/ to be issued (net of expenses)	317,015	966,996	-	-	1,284,011	-	1,284,011
Total transactions with owners	317,015	966,996	(1,735,984)	(54,893)	(506,866)	-	(506,866)
At 30-Jun-18	**3,606,596**	**1,174,909**	**(4,318,892)**	**(71,537)**	**391,076**	**-**	**391,076**

The accompanying accounting policies and notes form an integral part of these financial statements.

4.6 Consolidated Cash Flow Statement

For the year ended 30 June 2018

	30-Jun-18 (USD)	30-Jun-17 (USD)
Cash flows from operating activities		
Cash receipts from customers	-	-
Cash paid to suppliers and employees	(1,077,775)	(364,358)
Net cash used in operating activities	**(1,077,775)**	**(364,358)**
Cash flows from investing activities		
Loans to associates and related parties	-	(136,111)
Cash received from sale of WTMR	25,471	-
Net cash used in investing activities	**25,471**	**(136,111)**
Cash flows from financing activities		
Cash received for shares	360,997	131,884
Cash received from First Names	350,000	-
Cash received for loan notes	287,403	204,652
Net cash from financing activities	**998,400**	**336,536**
Net decrease in cash	**(53,904)**	**(163,933)**
Cash and cash equivalents at the start of the year	94,986	258,919
Cash and cash equivalents at the end of the year	41,082	94,986

The accompanying accounting policies and notes form an integral part of these financial statements.

4.7 Notes to the Financial Statements

For the year ended 30 June 2018

1. Basis of Preparation and Adoption of International Financial Reporting Standards (IFRS)

Bluebird Merchant Ventures Ltd (the Company) is a limited company incorporated in the British Virgin Islands. The address of its registered office is at Harney Westwood & Riegels, Craigmuir Chambers, PO Box 71, Road Town, Tortola VG1110, British Virgin Islands.

The Group financial statements consolidate those of the Company and of its investments; the Group financial statements have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee interpretations as adopted by the European Union at 30 June 2018.

The consolidated financial statements are prepared on the historical cost basis or the fair value basis where the fair valuing of relevant assets and liabilities has been applied.

Certain amounts included in the consolidated financial statements involve the use of judgement and/or estimation. Judgements, estimations and sources of estimation uncertainty are discussed in note 3.

Accounting Standards in issue but not implemented for period commencing on 1 July 2017

New standards and interpretations currently in issue but not effective, based on EU mandatory effective dates, for accounting periods commencing on 1 July 2017 are:

IFRS9: Financial Instruments (effective 1 January 2018)
IFRS15: Revenue from Contracts with Customers (effective 1 January 2018)
IFRS16: Leases (effective 1 January 2019)

With the exception of IFRS 16, the impact of these standards and interpretations will be reflected in the interim and annual reports to be released in respect of 2019.

Amendments to IFRS 9 introduce a single, forward-looking 'expected loss' impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value through other comprehensive income category for financial assets that are debt instruments.
The amendments to IFRS 9 are effective for annual periods beginning on or after 1 January 2018 and are available for earlier adoption. The Group's evaluation of the effect of the adoption of IFRS 9 is ongoing but it is not currently expected that it will have a material effect on the Group's financial statements.

IFRS 15 provides a single model to determine how and when an entity should recognise revenue, as well as requiring entities to provide more informative, relevant disclosures in respect to its revenue recognition criteria. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The Group is not generating revenue currently therefore an accounting policy under IFRS 15 will be implemented when revenue is generated.

IFRS 16 eliminates the classification of leases as either operating leases or financing leases and, instead, introduces a single lessee accounting model. A lessee will be required to recognise assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) and will be required to present depreciation of leased assets separately from interest on lease liabilities in the consolidated statement of income. A lessor will continue to classify its leases as operating leases or financing leases, and to account for those two types of leases separately.

IFRS 16 is effective for fiscal periods beginning on or after 1 January 2019. The Group is in the process of evaluating the impact that IFRS 16, however given the Group currently has no significant lease agreements in place, the impact of IFRS 16 is expected to be limited.

2. Going Concern

At the year end the group had total liabilities of USD 1,786,103 and incurred losses of USD 1,735,984 in the year.

In common with many junior mining companies, the Company raises equity funds for its activities in discrete share placements. When necessary it also raises loan funding from related parties.

Management have prepared cash flow forecasts which indicate that there is an immediate need for funding for working capital and to pay certain creditors whilst other creditors, including loan funders will need to defer their repayment dates and agree part conversion to equity. The Company is in the final stages of planning a private share placing and has verbal acceptances for shares that will be sufficient for the Group to meet this immediate funding requirement. The Directors anticipate that the cash will be received before the calendar year end. In early 2019 further funding will be required to enable the Group to fund its share of the development costs of the Gubong joint venture and working capital requirements for the remainder of 2019.

The Directors believe they are taking all necessary steps to ensure that the required finance will be available and they have raised equity and debt finance successfully in the past. They have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis. However, while they are confident of being able to raise the new funds as they are required, there can be no certainty that they will be successful in raising the required funds within the appropriate timeframe.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's and the Company's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the Group and Company were unable to continue as a going concern.

3. Judgements in Applying Accounting Policies and Sources of Estimation Uncertainty

Certain amounts included in the financial statements involve the use of judgement and/or estimation. These are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience. However, judgements and estimations regarding the future are a key source of uncertainty and actual results may differ from the amounts included in the financial statements. Information about judgements and estimation is contained in the accounting policies and/or other notes to the financial statements. The key areas are summarised below.

3.1 Mineral Resources and Ore Reserves

Quantification of Mineral Resources requires a judgement on the reasonable prospects for eventual economic extraction. Quantification of Ore Reserves requires a judgement on whether Mineral Resources are economically mineable. These judgements are based on assessment of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors involved. These factors are a source of uncertainty and changes could result in an increase or decrease in Mineral Resources and Ore Reserves.

Impairment review of Batangas gold project

The Board's consideration of whether the Batangas gold project is impaired is documented in note 8. Key aspects in their assessment are the achievability of estimates used in the 2016 prefeasibility study and the ability to obtain the necessary permits and licences from the Philippines government to proceed with development.

3.2 Acquisition

The acquisition of MRL Gold Inc and its interest in its associate, Egerton Gold Philippines Inc, requires an initial judgement to be made as to whether to account for this as an asset acquisition or a business combination. If an acquisition is determined to be a business combination then it falls within the scope of IFRS 3, if it does not then it is treated as an asset or group of assets.

The judgement involves whether the acquired entity meets the definition of a business. Key components of a business consist of inputs, processes and outputs. Inputs and processes are the essential elements that have to be present in order to be classified as a business. A business does not have to have outputs to qualify as a business. The acquisition has been accounted for as an asset acquisition as MRL Gold Inc is judged not to have the required inputs and processes to qualify as a business and that a market participant would not be capable of conducting and managing the entity as a business.

Estimates are involved in determining the respective attributable value of the assets and liabilities over which the cost of the acquisition is attributed (further details refer note 23).

3.3 Provisions and contingent liabilities

Judgements are made as to whether a past event has led to a liability that should be recognised in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgements and estimations. These judgements are based on a number of factors including the nature of the claim or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realised. Each of these factors is a source of estimation uncertainty.

3.4 Valuation of share options and warrants

Share options issued by the company are fair valued when granted and warrants, which are classified as financial liabilities are revalued at each reporting date. This requires the Group to determine an appropriate valuation methodology, which they have determined to be the Black-Scholes option pricing model. The use of this model requires the determination of a number of key assumptions which can have a significant effect on the valuation (refer note 18).

4. Accounting Policies

4.1 Consolidation and Goodwill

The Group financial statements consolidate the results of the Company and its subsidiary undertakings using the acquisition accounting method. On acquisition of a subsidiary, all of the subsidiary's identifiable assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition on that date. The results of subsidiary undertakings acquired are included from the date of acquisition. In the event of the sale of a subsidiary, the subsidiary results are consolidated up to the date of completion of the sale.

Subsidiaries are all those entities over which the parent has control. Control exists if the parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The costs of acquisition are recognised in the income statement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any Non-controlling interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement as a gain.

Transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated, unless the unrealised loss provides evidence of an impairment of the asset transferred.

4.2 Investment in Associates

Associate companies are companies in which the group has significant influence generally though holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

4.3 Segmental reporting

An operating segment is a component of the Group engaged in exploration or production activity that is regularly reviewed by the Chief Operating Decision Maker (CODM) for the purposes of allocating resources and assessing financial performance. The CODM is considered to be the Board of Directors. The Group's operating segments are determined as the British Virgin Islands, South Korea and the Philippines (refer note 6).

4.4 Foreign currency translation

- **Functional and presentational currency**

The functional currencies of the entities within the Group are the US dollar and Philippine peso (for NRL Gold Inc, Egerton Gold Philippines Inc and Bluebird Merchant Ventures Inc) as the currencies which most affects each company's revenue, costs and financing. The Group's presentation currency is the US dollar.

- **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations that do not have a US Dollar functional currency, are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising on the net investment in subsidiaries are recognised in other comprehensive income.

4.5 Financial assets

Financial assets are classified into the following specific categories which determine the basis of their carrying value in the statement of financial position and how changes in their fair value are accounted for: at fair value through profit and loss, available for sale, and loans and receivables. Financial assets are assigned to their different categories by management on initial recognition, depending on the purpose for which the investment was acquired.

Available for sale financial assets are included within non-current assets unless designated as held for sale in which case they are included within current assets. They are carried at fair value at inception and changes to the fair value are recognised in other comprehensive income; when sold, or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified through the income statement.

Trade and other receivables are measured on initial recognition at fair value and subsequently at amortised cost using the effective interest rates. They are reviewed for impairment on a regular basis.

4.6 Financial instruments

De-recognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken where there is objective evidence that a financial asset or a group of financial assets is impaired.

4.7 Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short term highly liquid investments and are measured at cost which is deemed to be fair value as they have short-term maturities.

4.8 Financial liabilities

Financial liabilities include loans and trade and other payables. In the statement of financial position these items are included within Non-current liabilities and Current liabilities. Financial liabilities are recognised when the Group becomes a party to the contractual agreements giving rise to the liability. Interest related charges are recognised as an expense in Finance costs in the income statement unless they meet the criteria of being attributable to the funding of construction of a qualifying asset, in which case the finance costs are capitalised.

Borrowings, including the loan notes, are initially recognised at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in profit or loss over the period of the borrowings using the effective interest rate method.

The notes carry a term of 6 months with the ability to extend for a further 6 months. The notes carry an 8% per annum coupon payable in the form of ordinary shares. In addition, they carry rights to warrants which will be issued upon maturity of the notes, with additional warrant rights accruing upon extension of the loans.

See separate accounting policies below in respect of accounting for warrants.

Trade and other payables and loans are recognised initially at their fair value and subsequently measured at amortised costs using the effective interest rate, less settlement payments.

4.9 Share capital and unissued share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity and have no par value. Costs directly associated with the issue of shares are charged to share capital.

Where management have chosen at the period end not to issue shares the amounts are separately recorded as unissued share capital.

4.10 Income taxes

Current income tax liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out operations and where it generates its profits. They are calculated according to the tax rates and tax laws applicable to the financial period and the country to which they relate. All changes to current tax assets and liabilities are recognised as a component of the tax charge in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable or accounting profit.

Deferred tax liabilities are provided for in full; deferred tax assets are recognised when there is sufficient probability of utilisation. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

4.11 Provisions, contingent liabilities and contingent assets

Other provisions are recognised when the present obligations arising from legal or constructive commitment, resulting from past events, will probably lead to an outflow of economic resources from the Group which can be estimated reliably. Provisions are measured at the present value of the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

4.12 Share based payments

The Group may operate equity settled share based compensation plans, which may be settled in cash under certain circumstances. All employee services received in exchange for the grant of any share based compensation are measured at their fair values. These are indirectly determined by reference to the share based award. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions. The Black-Scholes model is used to measure the fair value.

All share based compensation is ultimately recognised as an expense in profit and loss with a corresponding credit to retained earnings, net of deferred tax where applicable. Where share based compensation is to be cash settled, such as certain share based bonus awards, the corresponding credit is made to accruals or cash. The Company may have certain share option schemes that may be settled in cash at the absolute discretion of the Board.
If any equity settled share based awards are ultimately settled in cash, then the amount of payment equal to the fair value of the equity instruments that would otherwise have been issued is accounted for as a repurchase of an equity interest and is deducted from equity. Any excess over this amount is recognised as an expense.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to the expense recognised in prior periods is made if fewer share options are ultimately exercised than originally granted.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued, are allocated to share capital with any excess being recorded in share premium.

4.13 Exploration and evaluation costs and farm-in arrangements

Exploration and evaluation costs incurred prior to the achievement of feasibility status are expensed as incurred. These include prefeasibility farm-in costs.
Acquired exploration and evaluation costs and mineral rights are capitalised and are reviewed for impairment cost less any impairment provision.

4.14 Impairment of exploration and evaluation assets

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise such as:

- unexpected geological occurrences that render the resource uneconomic;
- title to the asset is compromised;
- variations in mineral prices that render the project uneconomic;
- substantive expenditure on further exploration and evaluation of mineral resources is neither budgeted nor planned; and
- the period for which the Group has the right to explore has expired and is not expected to be renewed.

4.15 Warrants

Warrants instruments are classified as derivative financial liability as the functional currency of the Company is USD and the exercise price is in GBP. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

4.16 Put option

The Company has issued a put option in relation to another entity's equity to be settled by its own equity. It is classified as a derivative financial liability at fair value through profit and loss.

4.17 Fair value measurement hierarchy

The Group classifies its financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within the financial liability is determined on the basis of the lowest level input that is significant to the fair value measurement.

5. Prior Year Adjustments

During the preparation of these financial statements management have reconsidered the accounting for certain transactions entered into in the prior year and have determined that the accounting requires restatement. These financial statements therefore reflect prior year adjustments for the following matters:

- The accounting for the acquisition of 100% of MRL Gold Inc in November 2016 included a Director's valuation of the Batangas Gold Project of $5m. The Batangas project is held by Egerton Gold Philippines Inc in which MRL has a 40% equity interest and the Group accounted for Egerton as an associate. Following further analysis of the transaction it has been determined that the substance of the acquisition was that of acquiring an asset, the Batangas Gold Project. In these circumstances IFRS does not permit the valuation of assets acquired in excess of the fair value of the consideration given. As a result of the review, certain assets and liabilities of MRL Gold Inc have been adjusted to reflect their fair values as at the acquisition date. The adjustment to the prior year is:

    - Derecognition of extraordinary gain of USD 2,945,200
    - Derecognition of loan due to Bluebird Merchant Ventures of USD 5,000,000
    - Restatement of investment made in the associate of USD 2,156,877
    - Derecognition of other assets and liabilities of MRL Gold Inc of USD 102,077

- In March 2017 the Company entered into an agreement with Momentum Resources Limited, a related party, to issue up to 80 million shares to acquire Momentum's joint venture participation rights in respect of the Gubong and Kochang gold projects. The share are issued in accordance with agreed milestones and the first two milestones for issue of 16 million shares had been achieved by 30 June 2017. However, only 8 million shares were issued, with 8 million remaining unissued due to constraints on share headroom. An adjustment has been made to reflect this obligation at the fair value of the shares to be issued. The adjustment to the prior year is:

    - Increase in issued equity of USD 208,980
    - Increase in unissued equity – to be issued at the next placing of USD 207,913
    - Increase in farm in costs of USD 416,893

- The Company has issued warrants in respect of equity fund raising and the fair value of the warrants was included in equity reserves. Because the functional currency of the Company is USD and the exercise price is in GBP the Company's warrants instruments should be classified as derivative financial liabilities. They are carried at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The adjustment to the prior year is:

    - Increase in warrant liability of USD 10,981
    - Increase in finance cost of USD 10,981

- In 2017 the Company agreed to issue warrants in respect of convertible loan notes. For the reasons explained above the warrant instruments should be classified as derivative financial liabilities and valued at fair value. The adjustment in the prior year is:
  - Increase in warrant liability of USD 5,964
  - Decrease in loan note liability of USD 3,921
  - Increase in finance cost of USD 2,043

- In June 2017 Colin Patterson subscribed, on behalf of the Company, for AUD 250,000 of ASX listed Southern Gold Limited shares at AUD 0.386 per share. These shares can be converted to shares in the Company to the value of AUD 250,000 at the next placing price of the Company shares upon notification by Colin Patterson. This represents a put option that the Company is required to fair value. The adjustment to the prior year is:
  - Increase in put option derivative liability of USD 35,272
  - Increase in farm in costs of USD 35,272

The net effect of the above adjustments at 30 June 2017 is to reduce net assets by USD 3,055,581 and decrease the basic earnings/(loss) per share from 0.0090 to (0.0078).

6. Segmental Reporting

6.1 Income Statement

For the year ended 30 June 2018

	BVI (USD)	Philippines (USD)	South Korea (USD)	Total (USD)
Revenue	-	-	-	-
Administrative costs	(749,280)	(37,351)	-	(786,631)
Farm-in costs	-	-	(865,355)	(865,355)
Share of profit from associate	-	7,668	-	7,668
Finance expense	(166,939)	-	-	(166,939)
Other (expenses)/income	(11,702)	91,109	-	79,407
Income tax expense	-	(4,134)	-	(4,134)
(Loss)/profit for the year	**(927,921)**	**57,292**	**(865,355)**	**(1,735,984)**
Other comprehensive loss	-	(54,893)	-	(54,893)
Total comprehensive (loss)/income for the year	**(927,921)**	**2,399**	**(865,355)**	**(1,790,877)**

6.2 Statement of Financial Position

For the year ended 30 June 2018

	BVI (USD)	Philippines (USD)	South Korea (USD)	Total (USD)
Non-current assets	-	2,045,412	-	2,045,412
Trade and other receivables	90,685	-	-	90,685
Cash and cash equivalents	36,849	4,233	-	41,082
Total Assets	**127,534**	**2,049,645**	**-**	**2,177,179**
Current liabilities	(511,526)	(145,806)	(105,770)	(763,102)
Other financial liabilities	(560,220)	-	-	(560,220)
Fair value liabilities	(438,677)	-	-	(438,677)
Non-current Liabilities	-	(24,104)	-	(24,104)
Net (liabilities)/assets	**(1,382,889)**	**1,879,735**	**(105,770)**	**391,076**

6.3 Income Statement

For the year ended 30 June 2017 (Re-stated)

	BVI (USD)	Philippines (USD)	South Korea (USD)	Total (USD)
Revenue	-	-	-	-
Administrative costs	(802,649)	-	-	(802,649)
Farm-in costs	-	-	(510,791)	(510,791)
Share of loss from associate	-	(2,256)	-	(2,256)
Finance expense	(13,024)	-	-	(13,024)
Other expenses	(19,952)	(205,955)	-	(225,907)
Loss for the year	**(835,625)**	**(208,211)**	**(510,791)**	**(1,554,627)**
Other comprehensive loss	-	(16,644)	-	(16,644)
Total comprehensive loss for the year	**(835,625)**	**(224,855)**	**(510,791)**	**(1,571,271)**

6.4 Statement of Financial Position

For the year ended 30 June 2017 (Re-stated)

	BVI (USD)	Philippines (USD)	South Korea (USD)	Total (USD)
Non-current assets	-	2,156,877	-	2,156,877
Trade and other receivables	18,565	1,608	-	20,173
Cash and cash equivalents	93,514	1,472	-	94,986
Total Assets	**112,079**	**2,159,957**	**-**	**2,272,036**
Current liabilities	(715,292)	(101,280)	(27,259)	(843,831)
Other financial liabilities	(200,731)	-	-	(200,731)
Fair value liabilities	(97,656)	-	-	(97,656)
Non-current Liabilities	(92,932)	(138,944)	-	(231,876)
Net (liabilities)/assets	**(994,532)**	**1,919,733**	**(27,259)**	**897,942**

7. Loss for the Period Before Tax

	30 June 2018 (USD)	30 June 2017 (USD)
Loss for the Year has been arrived at after charging:		
Depreciation	-	1,423
Auditors remuneration	49,457	22,616
Directors remuneration	474,430	349,711
Staff costs	423,282	129,105

8. Impairment Review – Investment in Associate

The Group holds a 40% interest in its associate, Egerton Gold Philippines Inc, which holds the Batangas Gold Project. In accordance with IAS 36 Impairment of Assets, at each reporting date the Company assesses whether there are any indicators of impairment of non-current assets. When circumstances or events indicate that non-current assets may be impaired, these assets are reviewed in detail to determine whether their carrying value is higher than their recoverable value, and where this is the result, an impairment is recognised. Recoverable value is the higher of value in use (**VIU**) and fair value less costs to sell. VIU is estimated by calculating the present value of the future cash flows expected to be derived from the asset cash generating unit (**CGU**). Fair value less costs to sell is based on the most reliable information available, including market statistics and recent transactions. The Batangas Gold Project has been identified as CGU.

When calculating the VIU certain assumptions and estimates were made. Changes in these assumptions can have a significant effect on the recoverable amount and therefore the value of the impairment recognised. Should there be a change in the assumptions which indicated the impairment assessment; this could lead to a revision of the recorded impairment losses in future periods.

For the financial statements for the year ended 30 June 2018, the Directors of the Company undertook a further impairment review of the value of the Batangas Gold Project as outlined in the following table.

Area of Review	**Judgements**	**Sensitivity**
Permitting/Period of Right to Explore	The Group is maintaining existing permits, but the right to continue exploration has not been granted due to the regulatory environment in the Philippines.	The non-awarding of the principal permits will have an impact on the financial viability of the Batangas Gold Project.
Future exploration expenditure budgeted	For the near-term, the Group has allocated available future resources to the South Korea Gold Project.	The Batangas Gold project will require substantial new resources to move forward with continued exploration.
Exploration has not led to commercially viable quantities of mineral resources	Cash flow timings and production costs have been forecast for the Batangas Gold Project, but these have not been built into its valuation due to the need to complete the DFS and Declaration of Mining Feasibility (DMF).	An extension or shortening of the mine life would have resulted in a corresponding increase or decrease in impairment, the extent of which it was not possible to quantify until the DFS has been completed. However the Pre-feasibility study published in June 2016 did not indicate that the project was impaired.

In the last two years mine permitting for mining projects in the Philippines has been problematical due to a moratorium on the approval of applications of exploration permits. In July this year the Department of Environment and Natural Resources lifted this moratorium and the regulatory environment for mining in the Philippines is now improving, however, the Directors believe that it remains appropriate to wait before taking steps to progress permitting. The project remain financially sound and for the reasons set out in this note the Directors do not consider the investment to be impaired. However, they recognise that the mine permitting situation in the Philippines has increased the level of uncertainty over the progression of the project and that if permitting for development of the mine is not achieved the investment in associate may become impaired.

The impairment review carried out is based on the value in use derived from the prefeasibility study. The VIU was determined to be USD 5,000,000 by the Directors based on 40,000 ounces of gold noted within the mining plan, as noted in Red Mountain Mining Limited’s financial model, at a conservative profitability of USD 125 per ounce, which is based on the substantive experience of the Group's mining executives, which represents less than a tenth of the JORC reserve and resource estimates (as detailed in the Strategic Report section). The Directors consider the value in use to be still valid.

9. Remuneration of Key Management Personnel

In accordance with IAS 24 – Related Party transactions, key management personnel, including all Executive and Non-Executive Directors, are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

	For the Year ended 30 June 2018			For the Year ended 30 June 2017 (Re-stated)		
	Payable as Cash (USD)	Payable as Equity (USD)	Total (USD)	Payable as Cash (USD)	Payable as Equity (USD)	Total (USD)
Directors remuneration	91,422	383,008	474,430	208,445	141,266	349,711
Share based payments	-	-	-	-	-	-
Total Directors remuneration	**91,422**	**383,008**	**474,430**	**208,445**	**141,266**	**349,711**
Staff costs	245,023	178,259	423,282	89,905	39,200	129,105
Total remuneration	**336,445**	**561,267**	**897,712**	**298,350**	**180,466**	**478,816**

As noted within the Directors' Report, the Directors and Non-Directors have agreed to defer the issuance of the equity at this time.

10. Average Number of Employees

The average number of Employees during the period was made up as follows:

	30 June 2018 (USD)	30 June 2017 (USD)
Directors	5	5
Management and Administration	3	3
Mining, Processing and Exploration staff	4	4
	12	**12**

11. Finance Expense

	30 June 2018 (USD)	30 June 2017 (Re-stated) (USD)
Loan note interest	36,486	2,043
Amortisation of loan costs	22,497	-
Fair value movement	107,956	10,981
	166,939	**13,024**

12. Taxation

The Group contains entities with tax losses and deductible temporary differences for which no deferred tax asset is recognised. A deferred tax asset has not been recognised within some of the Group entities where the entities in which those losses and allowances have been generated either do not have forecast taxable in the near future, or the losses have restrictions whereby their utilisation is considered to be unlikely.

The Company is taxed at the standard rate of income tax for British Virgin Island companies which is 0%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

MRL Gold Inc has an income tax liability of USD 4,134 at 30 June 2018, which was derived from the derecognition of liabilities.

	30 June 2018 (USD)	30 June 2017 (USD)
Current tax charge	4,134	-
Total tax charge	4,134	-

The tax charge for the year can be reconciled to the loss per the income statement as follows:

	30 June 2018 (USD)	30 June 2017 (USD)
Loss before taxation	1,731,850	1,554,627
BVI Corporation tax at 0%	-	-
Different tax rates applied in overseas jurisdictions	4,134	-
Total tax charge	**4,134**	**-**

13. Investments

13.1 Investments – White Tiger Mineral Resources Inc

On 28 August 2017 the Company entered into an agreement to sell White Tiger Mineral Resources Inc (WTMR) to a group of several private individuals for a nominal sum of USD 107,790 to be paid under certain conditions. This decision was made by the Directors due to the uncertain policy and operating environment in the Philippines. The initial payment of USD 25,471 was received in September 2017, leaving a balance due to the Company of USD 82,319 at 30 June 2018. A net gain of USD 91,109 was recognised on the sale of White Tiger Mineral Resources Inc.

13.2 Investments in Associates – Egerton Gold Philippines, Inc

Summarised financial information in respect of the Group's associate interest in Egerton Gold Philippines, Inc is set out below. The summarised information represents amounts shown in Egerton Gold Philippines, Inc's financial statements, as adjusted for differences in accounting policies. Amounts have been translated in accordance with the Group's accounting policy on foreign currency translation.

Investments – EGPI	**30 June 2018 (USD)**	**30 June 2017 (Re-stated) (USD)**
Opening balance	2,156,877	-
Acquisition	-	2,137,855
Share of profit/(loss)	7,668	-
Share of other comprehensive profit/(loss)	(119,133)	19,022
Closing balance	**2,045,412**	**2,156,877**

Retained earnings for the year ended 30 June 2018 were a profit of USD 19,170. USD 7,668 has been included in the Group's results in relation to the Group's 40% ownership of the company.

Retained earnings for the year ended 30 June 2017, a loss of USD 249,707, have not been included in the Group's results as they relate to the period before acquisition by the Company. The 30 June 2017 Statement of Financial Position is as filed with the Philippines Securities and Exchange Commission during 2018. The deterioration in value of the Deferred Exploration Assets relates solely to the appreciation, by more than 5%, of the US Dollar against the Philippine Peso during the year.

A summary of the Balance Sheet of Egerton Gold Philippines Inc before consolidation adjustments is shown below:

	30 June 2018 (USD)	30 June 2017 (Restated) (USD)
Non-current assets		
Deferred exploration costs	18,025,517	19,079,337
	18,025,517	19,079,337
Current assets		
Cash	-	1,072
Receivables	-	107,871
	-	108,943
Current liabilities		
Trade and other payables	(18,340,785)	(19,541,536)
Non-current liabilities		
Trade and other payables	(44,851)	(48,208)
Net Assets	**(360,119)**	**(401,464)**
Equity		
Issued Capital	117,169	124,019
Retained Earnings	(477,288)	(525,483)
Total Equity	**(360,119)**	**(401,464)**

14. Impairment of Assets

	30 June 2018 (USD)	30 June 2017 Re-stated (USD)
Impairment of assets – WTMR	-	205,955

At 30 June 2016 White Tiger Mineral Resources Inc made a secured loan to CRRR Mineral Trading, a sole proprietorship under which Richard B. Garbo trades, of USD 205,955. This was fully provided for in the accounts of White Tiger Mineral Resources Inc in the period to 30 June 2017.

15. Trade and Other Receivables

	30 June 2018 (USD)	30 June 2017 Re-stated (USD)
Trade and other receivables	85,349	18,289
Prepayments	5,336	1,884
	90,685	**20,173**

16. Cash and Cash Equivalents

	30 June 2018 (USD)	30 June 2017 (USD)
Cash at bank	41,082	94,986

17. Trade and Other Payables

17.1 Current Liabilities

	30 June 2018 (USD)	30 June 2017 Re-stated (USD)
Trade and other payables	680,780	251,417
Accruals	82,322	34,698
Due to be paid as equity	-	557,716
	763,102	**843,831**

17.2 Non-current Liabilities

	30 June 2018 (USD)	30 June 2017 Re-stated (USD)
Trade and other payables	24,104	138,944
	24,104	**138,944**

18. Other Financial Liabilities

18.1 Current Financial Liabilities

	30 June 2018 (USD)	30 June 2017 Re-stated (USD)
Loan notes issued to related parties	237,417	90,386
Loan notes issued to non-related parties	229,871	110,345
Pre-IPO loan notes	92,932	-
	560,220	**200,731**

18.2 Non-current Financial Liabilities

	30 June 2018 (USD)	30 June 2017 (USD)
Pre-IPO loan notes	-	92,932

18.3 Derivative Financial Liabilities

	30 June 2018 (USD)	30 June 2017 (USD)
Derivative financial liabilities – warrants	363,864	62,384
Derivative financial liabilities – put option	74,813	35,272
	438,677	**97,656**

18.4 Loan Notes

On or around 28 April 2017 the Group entered into Loan Notes with various parties worth USD 500,000 with each individual Loan Note being for USD 50,000.

At 30 June 2018, Loan Note drawdowns by related parties had been made in the amounts of USD 100,000 from Mr Colin Patterson, USD 50,000 from Mr Aidan Bishop, USD 50,000 from Mr Charles Barclay and USD 50,000 from Momentum Resources Limited, a company in which Messrs Barclay and Patterson have a minority shareholding.

The convertible loan notes carry an 8% coupon payable in the form or ordinary shares.

Mr Aidan Bishop and a non-related party advanced USD 92,932 to the Group in its start-up phase. The funds advanced to the Group are unsecured and interest free and have been agreed to be converted to equity at the same price as that of a future placing.

18.5 Share Warrants – Issued

Warrants issued and warrants to be issued denominated in Sterling are classified as derivative financial liabilities carried at fair value through profit and loss.

There were 6,460,000 warrants issued during the financial year at an exercise price of 4.00p.

	30 June 2018		30 June 2017	
	Number	Weighted Average Exercise Award	Number	Weighted Average Exercise Award
Outstanding at the beginning of the period	5,912,707	5.75p	5,912,707	5.75p
Granted during the period	6,460,000	4.00p	-	-
Outstanding at the period end	**5,912,707**	**5.75p**	**5,912,707**	**5.75p**
	6,460,000	**4.00p**	-	-
Exercisable at the period end	5,912,707	5.75p	5,912,707	5.75p
	6,460,000	4.00p	-	-

The following warrants were issued in connection with the Company's capital raising activities in 2016:

Number	Exercise price	Expiry date
5,757,924	5.75p	no expiry date
154,783	5.75p	11 April 2019

At 30 June 2018, these warrants were fair valued at USD 71,479, using a Black-Scholes model, based on the following parameters – risk free rate 2.25%, volatility 73% for 3 year expiry and 50% for 1 year expiry.

The following warrants were issued in connection with the Company's capital raising activities in 2018:

Number	Exercise price	Expiry date
4,000,000	4.00p	18 June 2019
2,060,000	4.00p	20 June 2019
400,000	4.00p	18 September 2019

At 30 June 2018, these warrants were fair valued at USD 25,858, using a Black-Scholes model, based on the following parameters – risk free rate 2.25%, volatility 50% for 1 year expiry.

18.6 Share Warrants – Unissued

The Company has agreed to issue warrants as part of the Loan Notes entered into in April 2017 and the First Name funding facility entered into in November 2017 (refer to note 22).

At 30 June 2018, the number of warrants to be issued is:

Number	Exercise price	Expiry period
2,450,000	2.00p	12 months from issuance
2,450,000	2.50p	12 months from issuance
2,325,000	3.00p	12 months from issuance
2,200,000	3.50p	18 months from issuance
9,263,504	4.03p	36 months from issuance

18.7 Share Warrants – Fair Value

The fair value of the warrants is derived from the Black-Scholes model on the parameters noted and is represented by the following table:

	No. warrants	30 June 2018 (USD)	30 June 2017 (USD)
Issued in April 2016	5,912,707	93,441	56,420
Issued in year ended 30 June 2018	6,460,000	25,858	-
Derivative financial liabilities – issued	**12,372,707**	**119,299**	**56,420**
Loan notes – April 2017	9,425,000	97,759	5,964
First Name funding facility – November 2017	9,263,504	146,806	-
Derivative financial liabilities – unissued	**18,688,504**	**244,565**	**5,964**
Derivative financial liabilities – warrants	**31,061,211**	**363,864**	**62,384**

The warrants were fair valued using a Black Scholes model, based on the following parameters – risk free rate 2.25% (2017: 2.25%), volatility of 73% for 3 years and 50% for 1 year.

18.8 Put Option

In June 2017, Colin Patterson subscribed, on behalf of the Company, for AUD 250,000 of ASX listed Southern Gold Limited shares at AUD 0.386 per share. These shares can be put to the company in exchange for shares in the Company to the value of AUD 250,000 at the next placing price of Company shares on notification by Colin Patterson to the Company. The put option was originally recognised at a fair value of USD 35,272. Subsequently the option was revalued at 30 June 2018 resulting in an increase in fair value to USD 74,813, with USD 39,541 being recognised in income statement.

18.9 Reconciliation of Liabilities arising from Financing Activities

For the year ended 30 June 2018

	Non-current Other financial Liabilities (USD)	Current Other financial Liabilities (USD)	Derivative Financial Liabilities (USD)	Total (USD)
At 01 July 2017	**92,932**	**200,731**	**97,656**	**391,319**
Cash Flows	-	244,060	233,065	477,125
Non-cash flows:				
Amortisation of warrant costs	-	22,497	-	22,497
Reclassification from non-current to current liabilities	(92,932)	92,932	-	-
Fair Value Changes	-	-	107,956	107,956
At 30 June 2018	**-**	**560,220**	**438,677**	**998,897**

19. <u>Financial Instruments</u>

19.1 Financial Assets measured at Amortised Cost

	30 June 2018 (USD)	30 June 2017 Re-stated (USD)
Trade and other receivables	85,349	18,289
Cash and cash equivalents	41,082	94,986
	126,431	**113,275**

19.2 Financial Liabilities measured at Amortised Cost

	30 June 2018 (USD)	30 June 2017 Re-stated (USD)
Trade and other payables – current	763,102	843,831
Trade and other payables – non-current	24,104	138,944
Other financial liabilities	560,220	200,731
	1,347,426	**1,183,506**

19.3 Derivative Financial Liabilities measured at Fair Value

	30 June 2018 (USD)	30 June 2017 Re-stated (USD)
Derivative financial liabilities – warrants	363,864	62,384
Derivative financial liabilities – put option	74,813	35,272
	438,677	**97,656**

19.4 Fair Values

The fair values of the Group's cash, trade and other receivables and trade and other payables are considered equal to their book value.

Other financial liabilities are initially measured at fair value and subsequently at amortised cost. The fair values of the Group's other financial liabilities are considered equal to the book values as the effect of discounting on these financial instruments is not considered to be material.

The put option is classified as a Level 1 financial instrument as the value of the option at the period end is determined by reference to the quoted share price of Southern Gold and a fixed monetary amount.

The warrants are classified as Level 3 financial instrument as certain inputs to the Black-Scholes valuation model are not based on observable market data.

19.5 Liquidity Risk

The Group monitors constantly the cash outflows from day to day business and monitors long term liabilities to ensure that liquidity is maintained. As disclosed in the going concern statement in note 2, the Group is actively addressing the requirement to manage the funds it is able to generate as well as to raise new financing to fund corporate and development activities. This is an area which receives considerable focus from the Board and management on a daily basis.

19.6 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. In order to minimise this risk, the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored.

Credit risk on cash and cash equivalents is considered to be acceptable as the counterparties are either substantial banks with high credit ratings or with whom the Group has offsetting debt arrangements.

Trade and other receivables have been recorded at cost and are in accordance with contractual arrangements.

19.7 Foreign currency risk

The Group's cash at bank balance consisted of the following currency holdings:

	30 June 2018 (USD)	30 June 2017 (USD)
Sterling	796	2,545
US Dollars	36,053	90,969
Philippine Pesos	4,233	1,472
	41,082	**94,986**

The Group is exposed to transaction foreign exchange risk due to transactions not being matched in the same currency. This is managed, where possible and material, by the Group retaining monies received in base currencies in order to pay for expected liabilities in that base currency. The Group currently has no currency hedging in place.

The Group's exposure to financial assets and financial liabilities is as shown in the following tables:

- **Financial Assets**

	30 June 2018 (USD)	30 June 2017 (USD)
US Dollars	121,402	107,650
Sterling	796	2,545
Philippine Pesos	4,233	3,080
	126,431	**113,275**

- **Financial Liabilities – Current**

	30 June 2018 (USD)	30 June 2017 (USD)
Sterling	134,025	34,921
US Dollars	1,043,491	815,429
Philippine Pesos	145,806	101,280
	1,323,322	**951,630**

- **Financial Liabilities – Non-current**

	30 June 2018 (USD)	30 June 2017 (USD)
Sterling	-	92,932
Philippine Pesos	24,104	138,944
	24,104	**231,876**

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Philippines Peso and Sterling, but these are not significant as most of the transactions are in USD. However, the Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

19.8 Interest rate risk

At the balance sheet date the Company does not have any long-term variable rate borrowings.

20. Capital Management

The Group's capital management objectives are to ensure that the Group's ability to continue as a going concern, and to provide an adequate return to shareholders.

The Group manages the capital structure through a process of constant review and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares, adjust dividends paid to shareholders, return capital to shareholders, or seek additional debt finance.

The nature of the Group's equity reserves is:

- Reserves – cumulative gains and losses on translating the net assets of overseas operations to the presentation currency, including warrants reserve which has been reclassified to liabilities;
- Unissued share capital – this reflects the value of equity that management has agreed to issue for settlement of remuneration and funding provided;
- Retained surplus / accumulated losses – comprise the Group's cumulative accounting profits and losses since inception.

21. Share Based Payments

21.1 Issued Shares

	30 June 2018 Number	30 June 2017 Number
Non-related parties	-	710,527
Momentum Resources Ltd		8,000,000
	-	**8,710,527**

The 710,527 shares issued in 2017 were issued in settlement of services rendered to the Company, at a value of USD 12,798, to two non-related parties. The 8,000,000 shares issued in March 2017 to Momentum Resources Ltd in settlement of the March 2017 agreement between the companies at a value of USD 208,980 with the fair value share price being 2.075p.

21.2 Unissued Shares

	30 June 2018 Number	30 June 2017 Number
Momentum Resources Ltd	8,000,000	8,000,000

The 8,000,000 shares agreed, but unissued, in June 2017 to Momentum Resources Ltd in settlement of the March 2017 agreement between the companies at a value of USD 207,913 with the fair value share price being 2.0p.

During the year to 30 June 2018 Nil shares were issued in settlement of services rendered to the Company.

22. Share Capital

22.1 Issued Share Capital

	30 June 2018		30 June 2017	
	Number	USD	Number	USD
Opening Balance	204,713,938	3,289,581	195,605,589	2,948,717
Issued During the Year (Net)	10,460,000	317,015	1,108,349	131,884
Shares issued to Momentum Resources	-	-	8,000,000	208,980
Closing Balance	**215,173,938**	**3,606,596**	**204,713,938**	**3,289,581**

The shares have no par value.

22.2 Unissued Share Capital

	30 June 2018		30 June 2017	
	Number	**USD**	**Number**	**USD**
To be Issued – Salary Sacrifice	22,924,389	738,056	-	-
To be issued – Others	831,055	24,679		
To be Issued – First Names Loan Note	9,263,504	204,261	-	-
To be issued – Momentum Resources	8,000,000	207,913	8,000,000	207,913
	41,018,948	**1,174,909**	**8,000,000**	**207,913**

Unissued share capital related to salary sacrifice represents payments not made by Directors and Non-Directors in order to manage the Company's Cash position. The issuance of the shares have been approved by the Board and all Parties have agreed to defer the issuance to a later date.

On 30 November 2017 the group entered into a funding agreement with First Names Singapore Pte Ltd, a non-related party, for a facility of USD 350,000. This facility has been fully drawn down and the number of shares and warrants to be issued under the agreement has been confirmed by the Parties in accordance with the agreement. As such, the facility has been reflected in unissued share capital rather than financial liabilities and the cost of the warrants to be issued of USD 145,000 has been recognised against the USD 350,000.

Refer note 25 for details regarding issued and unissued share capital to Momentum Resources Ltd. The 16 million shares have been valued based on the share price at the date the conditions were met.

22.3 Earnings Per Share

	30 June 2018 (USD)	30 June 2017 (USD)
Basic and diluted loss per share	(0.0075)	(0.0078)
Loss used to calculate basic and diluted loss per share	(1,735,984)	(1,554,627)
Weighted average number of shares used in calculating basic and diluted and loss per share	231,228,811	198,156,719

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding and shares to be issued during the year.

In 2017 and 2018, the potential ordinary shares were anti-dilutive as the Group was in a loss making position and therefore the conversion of potential ordinary shares would serve to decrease the loss per share from continuing operations. Where potential ordinary share are anti-dilutive a diluted earnings per share is not calculated and is deemed to be equal to the basic earnings per share.

The warrants noted in note 18 could potentially dilute EPS in the future.

22.4 Substantial Shareholders

At 30 June 2018 the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares.

	Number	%
Fiske Nominees Limited	102,599,446	47.68%
Roy Nominees Limited	14,000,000	6.51%
Interactive Investor Services Nominees Limited	9,921,968	4.61%
ING Bank N.V.	8,627,500	4.01%
Momentum Resources Limited	8,000,000	3.72%
Pershing Nominees Limited	7,992,000	3.71%
Hargreaves Lansdown (Nominees) Limited	7,641,818	3.55%

23. Acquisition of MRL Gold Inc and its Associate

In November 2016 the group acquired MRL Gold Inc and its 40% owned associate Egerton Gold Philippines Inc, which owns the Batangas gold project. The acquisition has been accounted for as an asset acquisition and the assets and liabilities have been consolidated within the Group financial statements from November 2016, being the effective date of the acquisition. The 40% interest in Egerton Gold Philippines Inc has been included at cost of acquisition.

The following table sets out the book values of the identifiable assets and liabilities acquired at their fair value to the group in respect of the acquisition :

	(USD)
Consideration paid by the Company:	
Transfer of previously held RMSS shares	1,857,734
Issuance of 1.25m shares to RMX	45,686
	1,903,420
Assets and liabilities of MRL Gold Inc acquired by the Company:	
Cash	(1,459)
Debtors and prepayments	(1,594)
Payables and other liabilities	237,488
Investment in associate	**2,137,855**

The sale and purchase agreement further provides for a 1% Net Smelter Return Royalty, in respect to any product recovered on the Batangas Gold project, to be paid to Red Mountain Mining Limited from the first commercial sale of product from the Batangas Gold Project. The Directors have determined that no accrual of liabilities related to this Royalty can reasonably be estimated at this time as the Company does not have the right to commence production and, due to the political environment in the Philippines, does not envisage securing such in the near term.

24. Related Party Transactions

24.1 Amounts Loaned to Related Parties

	30 June 2018 (USD)	30 June 2017 (USD)
Due from Related Parties	-	48,564

24.2 Amounts Due to Related Parties

	30 June 2018 (USD)	30 June 2017 (USD)
Aidan Bishop (Pre-IPO Loan Notes)	31,715	31,715
Messrs Patterson, Bishop & Barclay (Loan Notes)	200,000	50,404
Parties Associated with Messrs Barclay & Patterson (Loan Notes)	50,000	42,878
Aidan Bishop	164,348	-
Colin Patterson	56,419	-
Charles Barclay	156,755	-
Jonathan Morley-Kirk	2,784	-
	662,021	**124,997**

24.3 Directors Fees

	30 June 2018		30 June 2017	
	Payable as Cash (USD)	Payable as Equity (USD)	Payable as Cash (USD)	Payable as Equity (USD)
Directors remuneration	91,442	383,008	208,445	141,266
Share based payments	-	-	-	-
	91,442	**383,008**	**208,445**	**141,266**

25. Contingent Liabilities

In March 2017 the Company entered into an agreement with Momentum Resources Limited, a related party, to issue up to 80 million shares to acquire Momentum's joint venture participation rights in respect of the Gubong and Kochang gold projects. The share are issued in accordance with agreed milestones up to first gold production and the first two milestones for issue of 16 million shares had been achieved by 30 June 2017. However, only 8 million shares were issued with 8 million remaining unissued due to constraints on share headroom.

26. Capital Commitments

At 30 June 2018 the Group had entered into no contractual commitments for the acquisition of property, plant and equipment.

27. Events After the Reporting Date

On 06 August 2018 the Company subscribed for AUD 250,000 of ASX listed Southern Gold Limited shares at AUD 0.386 per share to meet the requirements of the Kochang Joint Venture agreement.

On 28 August 2018 the Company entered into a gap loan funding agreement with First Names (Singapore) Ltd for USD 500,000. The terms of the agreement include interest and other set-up fees that equate to US$46,500 on the USD 400,000 has been drawn down at the time of this report.

On 01 September 2018 the Company, having completed its farm-in requirements, entered into a formal Joint Venture with Southern Gold Ltd for the operation of the Gubong project in South Korea.

At the time of this report, the Company has incurred all of the required USD 250,000 farm-in expenditure on the Kochang project. This will result in the issuance of 8,000,000 Company shares to Momentum resources Ltd – timing to be agreed by the Board of Directors.

28. Shares in Group Undertakings

During the period the subsidiaries and associate of the Company, including those indirectly held by the Company, are shown in the following table.

			Percentage of Ordinary Share Capital Held	
Name of Entity	**Nature of Business**	**Country of Registration**	**2018**	**2017**
Bluebird Merchant Ventures Inc	Non-trading	Philippines	99%	99%
White Tiger Mineral Resources Inc	Commodity Trading	Philippines	-	40%
MRL Gold Inc	Batangas Gold Project	Philippines	100%	100%
Egerton Gold Philippines Inc	Batangas Gold Project	Philippines	40%	40%