

Montem Resources Limited

ABN 87 623 236 831

Annual Report - 31 December 2018

Directors

Rob Yeates, Chairman, Non-executive Director
Peter Doyle, Managing Director
Rob Tindall, Non-executive Director
Susie Henderson, Non-executive Director
William Souter, Non-executive Director
Mark Lochtenberg, Non-executive Director

Company secretary

Melanie Leydin

Registered office

Level 4, 100 Albert Road
South Melbourne VIC 3205

Principal place of business

Level 4, 100 Albert Road
South Melbourne VIC 3205

Auditor

William Buck
Level 20, 181 William Street
Melbourne VIC 3000

Solicitors

Dentons Australia
567 Collins Street
Melbourne VIC 3000

McLennan Ross
600 McLennan Ross Building
12220 Stony Plain Road
Edmonton, AB, Canada T5N 3Y4

Bankers

National Australia Bank
800 Bourke Street
Docklands VIC 3008

Website

www.montem-resources.com

Montem Resources Limited
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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Montem Resources Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2018.

Directors

The following persons were directors of Montem Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Rob Yeates, Non-executive Director and Chairman (Appointed 16 February 2018)
 Peter Doyle, Managing Director and CEO
 Rob Tindall, Non-executive Director
 Susie Henderson, Non-executive Director (Appointed 6 April 2018)
 William Souter, Non-executive Director (Appointed 6 April 2018)
 Mark Lochtenberg, Non-executive Director (Appointed 1 March 2019)
 Melanie Leydin, Non-executive Director and Company Secretary (Resigned as Director 16 February 2018)

Summary

Montem Resources (Company) is a coal mine development company with metallurgical coal properties in Canada, known as the Chinook Properties.

Montem Resources' immediate objective is to re-establish mining at the Tent Mountain mine, whilst exploring and evaluating the development potential at other Chinook Properties.

The Chinook Properties are located in the Crowsnest Pass, south-western Alberta, Canada. The Chinook Properties contain 163Mt of coal resources (130Mt Indicated and 33Mt Inferred, JORC 2012). Four of the properties have been previously mined, and two of the properties are greenfield exploration areas. The previously mined properties have had extensive exploration, and as brownfield developments, are significantly more advanced than greenfield properties.

A brief description of each property is:

- **Tent Mountain** — An area that includes a previously operating open-cut mine, with 45Mt (37Mt Indicated; 8Mt Inferred) of coal resource;
- **Chinook South** — A previously mined area with 48Mt (38Mt Indicated; 10Mt Inferred) of coal resource;
- **Chinook North** — A previously mined area with 43Mt (31Mt Indicated; 12Mt Inferred) of coal resource;
- **Vicary-Racehorse** — A previously mined area with 27Mt (24Mt Indicated; 3Mt Inferred) of coal resource; and
- **Isola & Oldman** — Two greenfield exploration areas with minimal historical exploration and evidence of multiple coal seams present across the area.

Chinook Properties Resource Estimate (JORC 2012)

Project	Indicated (Mt)	Inferred (Mt)	Total Resources (Mt)
Tent Mountain	37	8	45
Chinook South	38	10	48
Chinook North	31	12	43
Vicary-Racehorse	24	3	27
Total	130	33	163

The objective for Montem Resources is to explore and develop multiple coking coal mines from our existing asset base, the Chinook Properties, accessing export markets through shared infrastructure in the Crowsnest Pass.

The Company is focussed on re-establishing mining at the Tent Mountain mine. The Company has also identified the potential for a large mining complex to be established on its other properties. This opportunity known as the Chinook Coking Coal Complex will be further defined in 2019.

Principal activities

During the financial year the principal continuing activities of the consolidated entity was the acquisition, exploration and development of coal tenements.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$5,018,796 (31 December 2017: \$1,843,955), consistent with the principal activities of the Company and its lack of revenue-generating activities.

Environment, Health and Safety

The Company's Board believes that all workplace injuries are avoidable. To that end, Montem Resources has adopted an overall environmental, health and safety policy. The detailed policies and procedures are being written with the assistance of third-party expertise in the development of such policies for coal mining in Alberta and British Columbia. It is planned that these guidelines be in place before the 2019 field season begins.

During the 2018 field program, the Company conducted its operations in compliance with the relevant Albertan regulations for occupational health and safety for coal mining.

Directors specifically address Health, Safety and Environment issues at each Board meeting and are pleased to advise there were no reported Lost Time Injuries or environmental incidents during the year.

Exploration and development activities require a variety of regulatory approvals as detailed in the applicable regulatory regime, including environment plans, safety procedures and the preparation of plans to manage the undertaking of the activities and the contractors engaged in undertaking such activities.

Coal projects in the Province of Alberta are regulated by the Alberta Energy Regulator (AER) under the Environmental Protection and Enhancement Act (EPEA) and the Coal Conservation Act (CCA). Alberta environmental legislation that applies to Montem Resources Group includes EPEA, CCA, Water Act and Public Lands Act. Greenfield operations will also fall under the Federal Canadian Environmental Assessment Act, 2012 (CEAA), these are relevant for all the Company properties excluding the Tent Mountain mine which retains an EPEA permit.

Exploration and Mine Development

The Company's main focus has been advancing the Tent Mountain mine re-start in Alberta. To re-start the mine we require completion of a Feasibility Study and applications to amend our existing mine and environmental permits. The mine plan and the application to amend our permits (and gain additional operating permits and licenses) are to be presented to the AER.

To facilitate the Feasibility study, in late 2018 the Company undertook the first active exploration work at the Tent Mountain mine in over 30 years. This exploration involved three drill rigs completing 1,868 metres in 18 drill holes, including open holes, coring, and the instillation of piezometers for groundwater monitoring. The exploration team took samples for geochemical and geotechnical analysis to assist mine planning. Full seam coal samples from four large diameter (6-inch) boreholes was analysed at Birtley laboratory in Calgary in early 2019. The coal quality results from these four working sections are consistent with the prior third-party opinion suggesting Tent Mountain appears capable of realizing a hard coking coal with medium volatile content. Results also confirm the product will exhibit low ash and low sulfur.

The 2018 exploration also added further detail to the structural interpretation of the Tent Mountain deposit, and these results are currently being analysed by our consulting geologist, Dahrouge Geological Consulting Ltd., a mineral exploration, consulting, and project management group based in Edmonton, Alberta, Canada. The additional information obtained from the 2018 drilling is being fed into the geological model, and updated resource statements will be produced in 2019.

Subsequent to the 2018 exploration, the Company has engaged mining and infrastructure consultants to complete a Reserve study as first step toward the Feasibility Study. Engineering consultants SRK Consulting (Canada) Inc., based in Vancouver, are undertaking the mining components of the Reserve study, and Sedgman Canada Ltd., are undertaking the coal handling and preparation components. Results from the Reserve study will guide additional exploration planned to be completed in mid-2019, with results from this exploration feeding the final Feasibility study which is planned for completion at the end of 2019.

The Company has been undertaking environmental testing and monitoring since early-2018 to facilitate the various permit amendment applications the Company will submit to the AER. This environmental analysis includes surface water quality and groundwater monitoring, flora and fauna surveys, fisheries and aquatics surveys as well as cultural and archaeology studies. These surveys and studies, along with the significant environmental data collected by the mine operator form a key component in the Company's environmental assessment process which underpins the permit amendment process. The studies are on schedule to be completed in mid-2019, to facilitate the permit amendment application process at the end of 2019.

Other significant work took place at the project level. Montem completed four JORC 2012 resource declaration reports for Tent Mountain, Chinook South, prepared by Tamplin Resources, and Chinook North, and Vicary-Racehorse, prepared by Norwest Corporation (now Stantec). These were further verified in an independent geological report prepared by GEOS Mining. The resulting resource estimates were reported in the introduction above.

In addition, Montem resolved outstanding commercial issues with Westmoreland Coal Company in 2018 and completed the formal legal transfer of all surface land, coal resource leases and freehold coal titles transferred into Montem's name. That transfer became the basis of a Solicitor's Tenement Report from McLennan Ross LLP confirming Montem title over all the surface and coal rights described by the Company and containing the resource estimated in the GEOS report.

During the year ended December 31, 2018, the Company's expenses totaled \$5.02 million compared to \$1.84 million in the year ended December 31, 2017. The primary drivers of the increase were added costs as the Company progressed the 2018 exploration program, and continued environmental monitoring, as well as incurring costs related to the IPO and share-based compensation.

Financing activities

As reported in the 2017 Annual Report, the Company had been preparing to list on the Australian Securities Exchange (ASX) and make an Initial Public Offering (IPO) in order to raise \$15 to \$20 million to fund the development of the Canadian coal assets. Due to poor financial market conditions the planned IPO was withdrawn in favour of a private placement. The successful private placement occurred in November 2018, raising commitments of approximately \$9 million. During 2018, \$6.43 million cash was received as subscriptions for equity in the Company. The funds are being used to advance the exploration, feasibility and permitting work at the Tent Mountain Mine. Funds are also being used to complete preliminary economic analysis at the Chinook Project.

During 2018, the Company entered into loan agreements for a total of \$1.35 million of which \$0.46 was repaid within the year ended December 31, 2018. Subsequently, in January 2019 this loan was fully discharged.

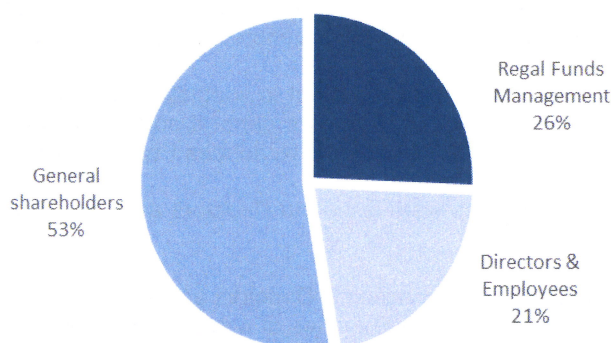
On February 26, 2019, the Company entered into a convertible loan arrangement with Regal Funds Management ("Regal") for \$1 million to provide immediate funds and allow time for shareholder approval for Regal to increase their shareholding above 20%. The loan was to be converted to equity, once shareholder approval was obtained for the lender (Regal Funds Management) to subscribe for \$2.45 million.

On April 5th, 2019 shareholder voted in favour of Regal Funds Management increasing their shareholding above 20%, and the loan agreement was discharged with the issuance of 9.8 million shares to Regal.

As at date of this report, the Company has no outstanding debt instruments.

Montem Resources

Shareholding by Group



Significant changes in the state of affairs

On 12 January 2018 1,086,667 options at \$0.63 were issued to advisers. These options vested immediately, and have an expiry date of 12 January 2023.

On 12 January 2018 Peter Doyle was issued with the following options:

- 233,463 options at \$0.63 with vesting date of 12 January 2018 and expiry of 12 January 2023
- 233,463 options at \$0.75 with vesting date of 1 January 2019 and expiry of 31 December 2023
- 233,463 options at \$1.00 with vesting date of 1 January 2020 and expiry of 31 December 2024

On 12 January 2018 Rob Tindall was issued with the following options:

- 155,642 options at \$0.63 with vesting date of 12 January 2018 and expiry of 12 January 2023
- 155,642 options at \$0.75 with vesting date of 1 January 2019 and expiry of 31 December 2023
- 155,642 options at \$1.00 with vesting date of 1 January 2019 and expiry of 31 December 2024

On 12 January 2018 Robert Bell was issued with the following options:

- 175,097 options at \$0.63 with vesting date of 12 January 2018 and expiry of 12 January 2023
- 175,097 options at \$0.75 with vesting date of 1 January 2019 and expiry of 31 December 2023
- 175,097 options at \$1.00 with vesting date of 1 January 2020 and expiry of 31 December 2024

On 12 January 2018 Shireen Ouellet was issued with the following options:

- 85,603 options at \$0.63 with vesting date of 12 January 2018 and expiry of 12 January 2023
- 85,603 options at \$0.75 with vesting date of 1 January 2019 and expiry of 31 December 2023
- 85,603 options at \$1.00 with vesting date of 1 January 2020 and expiry of 31 December 2024

On 31 January 2018 Robert Yeates was issued with the following options:

- 233,463 options at \$0.63 with vesting date of 1 February 2019 and expiry of 12 January 2023
- 233,463 options at \$0.75 with vesting date of 1 February 2020 and expiry of 12 January 2023
- 233,463 options at \$1.00 with vesting date of 1 February 2021 and expiry of 12 January 2023

On 2 April 2018 Montem Resources Group signed an agreement with Prairie Mines & Royalty ULC (PMRU), and Westmoreland Coal Company (Westmoreland), to repay C\$1,187,619 (A\$1,212,104) including a 5% management fee, in full settlement of costs paid on behalf of Montem Resources Group under the terms of an agreement to purchase certain Coal Valley Mine assets which did not proceed. This amount was paid in full during the year ended 31 December 2018.

On 6 April 2018 William Souter was issued with the following options:

- 58,366 options at \$0.63 with vesting date of 6 April 2018 and expiry of 12 January 2023
- 58,366 options at \$0.75 with vesting date of 1 January 2019 and expiry of 31 December 2023
- 58,365 options at \$1.00 with vesting date of 1 January 2020 and expiry of 31 December 2024

On 6 April 2018 Susie Henderson was issued with the following options:

- 58,366 options at \$0.63 with vesting date of 6 April 2018 and expiry of 12 January 2023
- 58,366 options at \$0.75 with vesting date of 1 January 2019 and expiry of 31 December 2023
- 58,365 options at \$1.00 with vesting date of 1 January 2020 and expiry of 31 December 2024

On 24 April 2018, the Company undertook a private placement to sophisticated investors, issuing 2,845,573 shares with an issue price of \$0.15 per share, raising funds of \$426,836 for general administration and working capital purposes.

On 3 May 2018, the Company undertook a private placement to sophisticated investors, issuing 3,433,333 shares with an issue price of \$0.15 per share, raising funds of \$515,000 for general administration and working capital purposes. This included 3,333,333 shares issued to Merrill Lynch (Australia) Nominees Pty Ltd (Regal Emerging Companies Fund II).

On 4 June 2018, 3 million performance shares were issued to Directors and senior executives for no consideration with a fair value of \$0.15 each

On 1 June 2018, 3 million performance rights were issued to Directors and senior executives with one vesting condition being when "Montem" successfully mines and sells 100,000 tonnes of coal from the Tent Mountain mine or any other Company project". On vesting each performance right automatically converts into one fully paid share in the Company with no exercise price payable. The performance rights expire after 5 years if the milestone is not met.

On 18 June 2018 the Company restructured its existing option package with a remuneration structure which includes performance shares, options (as above) and performance rights to ensure alignment with best practice performance measures, the market, and business strategy. As a result of this change, a total of 13,936,667 options were cancelled, which were previously valued at \$986,055. Following the cancellation of these options, 4,086,667 new options were granted with the same grant dates as the original options, as noted above, which were valued at \$923,240. These options were accounted for as a modification in accordance with accounting standards and a share-based payment expense of \$986,055 has been recognised in total.

On 24 July 2018, the Company entered into a short-term loan agreement with GTG Private Equity Pty Ltd (GTG) under which it agreed to borrow \$1,000,000 for working capital and to advance the Tent Mountain Project. The principal amount of the loan and the interest coupon is payable at the earlier of (a) initial public offering of Montem Resources on the ASX or (b) a change in control of the Company by way of a takeover, or (c) the date of which six months from the first drawdown date or (d) 31 January 2019. The interest coupon on the loan is a straight 20% fee. A capital raising fee of \$50,000 plus GST was payable to GTG. On 30 August 2018, Montem entered into an agreement with GTG to drawdown an additional \$200,000 on the same terms and conditions as originally entered into for the purposes of working capital.

On 4 October 2018, the Company issued 1,000,000 shares to Merrill Lynch (Australia) Nominees Pty Ltd (Regal Emerging Companies Fund II) at \$0.30 per Share raising funds of \$300,000 for general administration and working capital purposes.

In November 2018, the Company undertook a private placement offered to sophisticated investors and secured funding of approximately \$8.8 million with an issue price of \$0.25 per share of which \$5.2 million had been received and shares allotted by 31 December 2018. The \$8.8 million includes two tranches under a Subscription Agreement with Regal Funds Management Pty Ltd as trustee for Regal Emerging Companies Fund II as detailed below.

On or about 30 November 2018, the Company entered into the Subscription Agreement with Regal Funds Management Pty Ltd and its associates to subscribe for shares under two tranches with an issue price of \$0.25 per Share as follows:

- Tranche 1 – 8,000,000 Shares at a subscription price of \$0.25 with a completion date of 30 November 2018; and
- Tranche 2 – 9,800,000 Shares with a subscription price of \$0.25 with a completion date of 1 March 2019, which was subject to shareholder approval.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 26 February 2019 Regal Funds Management and the Company agreed to amend the Subscription Agreement, originally entered into on or about 30 November 2018, to:

- provide that \$1,000,000 from the Tranche 2 Subscription Amount will be extended immediately by way of a secured convertible loan (with the balance of the Tranche 2 Subscription Amount of \$1,450,000 to be applied to subscribe for 5,800,000 Shares at \$0.25 per Share on the terms of the Subscription Agreement); and
- extend the completion date of Tranche 2 to a date as soon as possible after receiving shareholder approval for Regal to increase their voting power to no more than 27.02% and in any event the date which is no later than 6 months after the date of the Subscription Agreement amendment,

On 1 March 2019, the Company appointed Mr Mark Lochtenberg to the Board as a Non-Executive Director.

On 19 March 2019 the Company issued 5.4 million fully paid ordinary shares to existing shareholders and sophisticated investors, raising \$1.4 million at \$0.25 (25 cents). The proceeds were additional subscription agreements under the November 2018 capital raising.

At a General Meeting held on 5 April 2019, shareholders approved the acquisition of a relevant interest in the Company's shares, up to a maximum voting power of 27.02% by Regal Funds Management Pty Ltd as trustee for Regal Emerging Companies Fund II ACN 106 576 821 and its associates (Tranche 2). Following shareholder approval, 9,800,000 shares were issued at \$0.25 per share following the receipt of \$1,450,000 and conversion of the convertible loan note.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Environmental regulation

Alberta Legislation

In Alberta, coal projects are regulated by the AER (Alberta Energy Regulator) under the Environmental Protection and Enhancement Act (EPEA) and the Coal Conservation Act (CCA). Coal mining is typically an activity that requires the preparation and submission of an EIA (Environmental Impact Assessment) report as per Schedule 1 of the Environmental Assessment (Mandatory and Exempted Activities) Regulation.

The following Albertan environmental legislation apply to the Montem Resources Group:

- Environmental Protection and Enhancement Act
- Coal Conservation Act
- Water Act
- Public Lands Act

Canadian Federal Legislation

The following Canadian federal environmental legislation applies to the Montem Resources Group:

- Canadian Environmental Assessment Act, 2012

Information on directors

Name:
Title:
Qualifications:
Experience and expertise:

Dr Robert Yeates
Non-executive Director and Chairman (Appointed 16 February 2018)
BE, MBA, PhD, FAICD, FAusIMM (CP(Man))

Dr Rob Yeates is a qualified mining engineer, with over 40 years of experience in engineering, operations and management of mines and mining projects, primarily in Australia and New Zealand. His principal fields of expertise include technical audit, project feasibility and development, mine and project evaluation, and operating experience in the open pit and underground mining of coal, coal haulage and transport, ship-loading, management review and operations optimisation. He has held executive-level management positions, including Managing Director and General Manager of Oakbridge Ltd, a major Australian coal company. He was previously CEO for the NCIG coal-loading terminal in Newcastle and is currently a non-executive director of ASX-listed Equus Mining Limited. Dr Yeates has extensive management experience, with a strong technical background in mining, mine-site operations and costs, coal mine development costs and schedules and coal-chain transport facilities.

Special responsibilities:

Nil

Name:
Title:
Qualifications:
Experience and expertise:

Peter Doyle
Managing Director and Chief Executive Officer
BSc (Geol), MBA

Mr Doyle has over 20 years coal mining experience in production, project development, marketing and corporate roles. Supplementing his operational experience, Peter has provided strategic consulting advice to coal, infrastructure, energy and steel industry participants globally. Mr Doyle has operated mines, and developed coal projects, and has been based in Canada since 2014.

Special responsibilities:

Nil

Name:
Title:
Qualifications:
Experience and expertise:

Mr Robert Tindall
Non-executive Director
BA, M.Tax, DipFip, ADA

Mr. Tindall is the founder of Montem and the former CEO and Executive Chairman. He has over 25 years of resources and finance experience, having funded and developed numerous resource projects. Mr Tindall is the Co-Founder of Origins. Origins has a joint venture with Aspen Pharmaceuticals and sells the registered Alula Premium brand of infant formula in China. Mr Tindall was also previously CEO of Transatlantic Mining Corporation (TCO.TSXV), a gold/copper/gold producer in the USA. Under Mr. Tindall's management, Transatlantic went from an explorer to a successful gold producer. Rob is the principal of GTG Corporate, a boutique investments banking advisory business specialising in asset purchases and debt and equity funding structures. Rob has also had significant previous experiences in coal projects in the Bowen Basin, Australia.

Special responsibilities:

Nil

Name:
Title:
Qualifications:
Experience and expertise:

Ms Susie Henderson
Non-executive Director (Appointed 6 April 2018)
BBus (Acct), CPA, GAICD.

Ms Henderson is currently North American Leader (Infrastructure, Investment and Economics) for GHD Advisory, a global consulting firm. She is also currently a board member for Water Front Toronto and Women in Mining (Canada). Susie has over 20 years' global experience in the field and is highly respected for her strong strategic positioning skills and her work to champion developing companies. Susie is also known for her ability to connect parties and develop innovative structures/consortiums on investments in strategic infrastructure assets.

Special responsibilities:

Nil

Name: Mr Will Souter
Title: Non-executive Director (Appointed 6 April 2018)
Qualifications: BCom, LLB (Adel), IPAA, Admitted to the Supreme Court of NSW, GAICD
Experience and expertise: Mr Souter has extensive experience providing independent advice to oil and gas and mining companies in mergers, acquisitions, asset deals, joint ventures and debt and equity capital raisings. He was previously an Executive Director with RFC Ambrian Australia. Prior to joining RFC Ambrian in 2007, Mr Souter worked for over ten years with PricewaterhouseCoopers in London and Sydney, where he led corporate finance, insolvency, restructuring, performance improvement and buy and sell side due diligence engagements across a variety of industries.
Special responsibilities: Nil

Name: Mark Lochtenberg
Title: Non-executive Director (Appointed 1 March 2019)
Qualifications: LLB (Hons)
Experience and expertise: Mr Lochtenberg is the former co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities including the identification, due diligence, negotiation, acquisition and aggregation of the coal project portfolio that would become Xstrata coal.

Former Executive Chairman and founding Managing Director of Cockatoo Coal Limited and current Chairman of Equus Mining Limited and Independent Director of Nickel Mines Ltd.

Name: Melanie Leydin
Title: Non-executive Director (Resigned 16 February 2018)
Qualifications: B.Bus (Acc)(Corp Law). CA.
Experience and expertise: Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial profession and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of Leydin Freyer, specialising in outsourced company secretarial and financial duties.
Special responsibilities: Nil

Company secretary

Ms Melanie Leydin, CA

Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial profession and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of Leydin Freyer, specialising in outsourced company secretarial and financial duties.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 December 2018, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Rob Yeates	20	20
Peter Doyle	21	21
Rob Tindall	20	21
Susie Henderson	15	18
William Souter	16	18
Melanie Leydin	2	2

Held: represents the number of meetings held during the time the director held office.

Shares under option

Unissued ordinary shares of Montem Resources Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
12 January 2018	12 January 2023	\$0.6300	1,736,472
12 January 2018	31 December 2023	\$0.7500	649,806
12 January 2018	31 December 2024	\$1.0000	649,806
31 January 2018	12 January 2023	\$0.6300	233,463
31 January 2018	12 January 2023	\$0.7500	233,463
31 January 2018	12 January 2023	\$1.0000	233,463
6 April 2018	12 January 2023	\$0.6300	116,732
6 April 2018	12 January 2023	\$0.7500	116,732
6 April 2018	12 January 2023	\$1.0000	116,730
28 November 2018	1 May 2019	\$0.2500	4,000,000
			<u>8,086,667</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under performance rights

Unissued ordinary shares of Montem Resources Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
1 June 2018	1 June 2023	\$0.0000	3,000,000

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Montem Resources Limited issued on the exercise of options during the year ended 31 December 2018 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Montem Resources Limited issued on the exercise of performance rights during the year ended 31 December 2018 and up to the date of this report.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

William Buck Audit continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Dr Robert Yeates
Chairman

29 April 2019

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE MEMBERS OF MONTEM RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 31 December 2018 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

AL

J. C. Luckins
Director

Dated this 29th day of April, 2019

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Montem Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018



	Note	Consolidated 2018 \$	2017 \$
Revenue			
Interest revenue calculated using the effective interest method		2,164	-
Expenses			
Professional fees		(327,998)	(134,547)
Marketing and business development		(247,933)	(8,846)
Administration		(4,298,693)	(1,697,176)
Other		(37,189)	(3,386)
Financing costs		(109,147)	-
Loss before income tax expense		(5,018,796)	(1,843,955)
Income tax expense	5	-	-
Loss after income tax expense for the year attributable to the owners of Montem Resources Limited		(5,018,796)	(1,843,955)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss net of tax</i>			
Foreign currency translation		161,495	(47,945)
Other comprehensive income for the year, net of tax		161,495	(47,945)
Total comprehensive income for the year attributable to the owners of Montem Resources Limited		<u>(4,857,301)</u>	<u>(1,891,900)</u>
		Cents	Cents
Basic earnings per share	20	(7.2900)	(3.0458)
Diluted earnings per share	20	(7.2900)	(3.0458)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Montem Resources Limited
Statement of financial position
As at 31 December 2018



Note	Consolidated	
	2018	2017
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,601,349	418,991
Accounts receivable	83,650	805,094
Deposits and advances	182,628	156,826
Prepayments	47,493	-
Total current assets	1,915,120	1,380,911
Non-current assets		
Plant and equipment	52,830	37,540
Exploration and evaluation	5,717,861	3,060,214
Non-current deposits	185,411	-
Total non-current assets	5,956,102	3,097,754
Total assets	7,871,222	4,478,665
Liabilities		
Current liabilities		
Trade and other payables	739,051	1,702,221
Borrowings	987,814	-
Employee benefits	66,377	5,642
Total current liabilities	1,793,242	1,707,863
Total liabilities	1,793,242	1,707,863
Net assets	6,077,980	2,770,802
Equity		
Issued capital	14,560,004	8,438,006
Reserves	2,155,583	(3,809,583)
Accumulated losses	(10,637,607)	(1,857,621)
Total equity	6,077,980	2,770,802

The above statement of financial position should be read in conjunction with the accompanying notes

Montem Resources Limited
Statement of changes in equity
For the year ended 31 December 2018



Consolidated	Issued capital \$	Foreign currency translation reserve \$	Common control reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2017	1,078,532	(448)	-	-	(13,666)	1,064,418
Loss after income tax expense for the year	-	-	-	-	(1,843,955)	(1,843,955)
Other comprehensive income for the year, net of tax	-	(47,945)	-	-	-	(47,945)
Total comprehensive income for the year	-	(47,945)	-	-	(1,843,955)	(1,891,900)
Reversal	(1,078,532)	-	-	-	-	(1,078,532)
Contributions of equity, net of transaction costs (note 10)	8,438,006	-	-	-	-	8,438,006
Common control reserve	-	-	(3,761,190)	-	-	(3,761,190)
Balance at 31 December 2017	<u>8,438,006</u>	<u>(48,393)</u>	<u>(3,761,190)</u>	<u>-</u>	<u>(1,857,621)</u>	<u>2,770,802</u>

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Common control reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2018	8,438,006	(48,393)	(3,761,190)	-	(1,857,621)	2,770,802
Loss after income tax expense for the year	-	-	-	-	(5,018,796)	(5,018,796)
Other comprehensive income for the year, net of tax	-	161,495	-	-	-	161,495
Total comprehensive income for the year	-	161,495	-	-	(5,018,796)	(4,857,301)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 10)	5,792,446	-	-	-	-	5,792,446
Share-based payments (note 21)	329,552	-	-	1,666,771	-	1,996,323
Share-based payments - capitalised to exploration and evaluation assets	-	-	-	375,710	-	375,710
Transfer common control reserve to accumulated losses	-	-	3,761,190	-	(3,761,190)	-
Balance at 31 December 2018	<u>14,560,004</u>	<u>113,102</u>	<u>-</u>	<u>2,042,481</u>	<u>(10,637,607)</u>	<u>6,077,980</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Montem Resources Limited
Statement of cash flows
For the year ended 31 December 2018



Note	Consolidated	
	2018	2017
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(4,055,479)	(855,791)
Interest and other finance costs paid	(12,584)	-
Net cash used in operating activities	19 (4,068,063)	(855,791)
Cash flows from investing activities		
Payments for property, plant and equipment	(52,183)	(40,926)
Payments for exploration and evaluation	7 (2,062,015)	(820,199)
Payments for security deposits	(41,857)	(156,826)
Net cash used in investing activities	(2,156,055)	(1,017,951)
Cash flows from financing activities		
Proceeds from issue of shares	10 6,430,197	2,277,240
Proceeds from borrowings	1,350,000	-
Repayment of borrowings	(458,750)	-
Net cash from financing activities	7,321,447	2,277,240
Net increase in cash and cash equivalents	1,097,329	403,498
Cash and cash equivalents at the beginning of the financial year	418,991	15,493
Effects of exchange rate changes on cash and cash equivalents	85,029	-
Cash and cash equivalents at the end of the financial year	<u>1,601,349</u>	<u>418,991</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Montem Resources Limited as a consolidated entity consisting of Montem Resources Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Montem Resources Limited's functional and presentation currency.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 April 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

In applying AASB 9, the consolidated entity has elected to use the cumulative effect method, with any adjustment required being recognised on 1 January 2018 in retained earnings.

On applying this standard, there were no material adjustments required or impacting on the financial statements.

Note 2. Significant accounting policies (continued)

The revised accounting policy is as follows:

Financial assets are measured at amortised cost if held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. Debt investments are measured at fair value through other comprehensive income if held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the consolidated entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Allowances for impairment are recognised using an 'expected credit loss' ('ECL') model. In assessing ECL the consolidated entity considers both quantitative and qualitative information, including historical experience and forward-looking information. Forward-looking information considered includes the future prospects of the industries in which the consolidated entity's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the consolidated entity's operations. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For trade receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is used.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

In applying AASB 15, the consolidated entity has elected to use the modified retrospective approach, with any adjustment required being recognised on 1 January 2018 in retained earnings.

As the consolidated entity is not currently generating revenue and does not have any contracts with customers, the adoption of AASB 15 has had no material impact on the financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Montem Resources Limited ('Company' or 'parent entity') as at 31 December 2018 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

The Company and its subsidiaries commenced reporting as a consolidated entity from 1 January 2018, whereas previously it reported on a combined basis. All comparative amounts in these financial statements reflect reporting on a combined basis.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Montem Resources Limited's presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 2. Significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 2. Significant accounting policies (continued)

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 2. Significant accounting policies (continued)

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Operating segments

The sole segment of the consolidated entity is coal mining in Canada.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the consolidated entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Issued options and performance rights have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted earnings per share as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The options and performance rights are non-dilutive as the consolidated entity has generated a loss for the year.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impacts arising from the first time adoption of the Standard for the year ending 31 December 2019 include:

- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet;
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;
- EBITDA in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses; and
- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made. Significant judgement is required by management when assessing each of area of interest and therefore management's judgement carries the risk of been misstated.

Note 4. Expenses

	Consolidated	
	2018	2017
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	3,421	3,386
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	93,449	18,022
Employee benefits expense excluding superannuation	2,486,946	980,294
<i>Write off of assets</i>		
Plant and equipment	33,767	-

Note 5. Income tax expense

	Consolidated	
	2018	2017
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	4,880,094	1,857,621
Potential tax benefit @ 27.5%	1,342,026	510,846

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 6. Current assets - accounts receivable

	Consolidated	
	2018	2017
	\$	\$
Share issue proceeds receivable	-	768,199
Interest receivable	2,133	-
BAS receivable	81,517	36,895
	<u>83,650</u>	<u>805,094</u>

Note 7. Non-current assets - exploration and evaluation

	Consolidated	
	2018	2017
	\$	\$
Exploration and evaluation Chinook - at cost	1,039,930	3,060,213
Exploration and evaluation Obed Conveyor - at cost	-	1
Exploration and evaluation Tent Mountain - at cost	4,677,931	-
	<u>5,717,861</u>	<u>3,060,214</u>

Note 7. Non-current assets - exploration and evaluation (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Chinook \$	Obed Conveyor \$	Tent Mountain \$	Total \$
Balance at 1 January 2017	1,054,777	-	-	1,054,777
Expenditure during the year	2,010,173	1	-	2,010,174
Exchange differences	(4,737)	-	-	(4,737)
Balance at 31 December 2017	3,060,213	1	-	3,060,214
Expenditure during the year	-	-	2,568,172	2,568,172
Transfer to plant & equipment	-	(1)	-	(1)
Exchange differences	19,315	-	70,161	89,476
Reallocation from Chinook to Tent Mountain	(2,039,598)	-	2,039,598	-
Balance at 31 December 2018	<u>1,039,930</u>	<u>-</u>	<u>4,677,931</u>	<u>5,717,861</u>

Note 8. Current liabilities - trade and other payables

	Consolidated	
	2018	2017
	\$	\$
Trade payables	657,412	402,701
PMRU break fee payable	-	1,212,104
Payroll taxes payable	-	68,250
Accrued expenses	81,639	20,035
BAS payable	-	(869)
	<u>739,051</u>	<u>1,702,221</u>

Refer to note 12 for further information on financial instruments.

The PMRU break fee payable outstanding at 31 December 2017 was repaid in full in cash during year ended 31 December 2018.

Note 9. Current liabilities - borrowings

Total secured liabilities

The total secured current liabilities are as follows:

	Consolidated	
	2018	2017
	\$	\$
Borrowings - current	<u>987,814</u>	<u>-</u>

Assets pledged as security

The loan outstanding at 31 December 2018, which was made to the Company by a non-related party, was secured by a general security agreement over all of the Company's present and future assets. The interest rate applicable to the loan was 20% per annum. The loan, including accrued interest, was repaid in full on 25 January 2019.

Note 10. Equity - issued capital

	2018 Shares	Consolidated 2017 Shares	2018 \$	2017 \$
Ordinary shares - fully paid	<u>92,306,458</u>	<u>60,541,458</u>	<u>14,560,004</u>	<u>8,438,006</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2017	25,000,000		1,078,532
Reversal	22 December 2017	(25,000,000)	\$0.0431	(1,078,532)
Share issue	22 December 2017	47,108,132	\$0.1500	7,066,220
Share issue	22 December 2017	13,433,326	\$0.1500	2,014,999
Share issue transaction costs	22 December 2017	-	\$0.0000	(643,213)
Balance	31 December 2017	60,541,458		8,438,006
Share issue	24 April 2018	2,845,573	\$0.1500	426,836
Share issue	3 May 2018	3,433,333	\$0.1500	515,000
Conversion to equity	3 May 2018	34,333	\$0.1500	5,150
Conversion to equity	4 May 2018	142,280	\$0.1500	21,342
Conversion to equity	7 May 2018	66,667	\$0.1500	10,000
Share issue	9 May 2018	866,666	\$0.1500	130,000
Share issue	15 May 2018	300,001	\$0.1500	45,000
Conversion to equity	29 May 2018	311,147	\$0.1500	46,672
Performance shares issue	4 June 2018	3,000,000	\$0.1500	450,000
Share issue	04 October 2018	1,000,000	\$0.3000	300,000
Share issue	22 November 2018	1,000,000	\$0.2500	250,000
Private placement	December 2018	10,465,000	\$0.2500	2,616,250
Conversion to equity	20 December 2018	300,000	\$0.2500	75,000
Share issue	20 December 2018	8,000,000	\$0.2500	2,000,000
Share issue transaction costs		-	\$0.0000	(769,252)
		<u>31,765,000</u>		<u>6,121,998</u>
Balance	31 December 2018	<u>92,306,458</u>		<u>14,560,004</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 10. Equity - issued capital (continued)

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 11. Equity - reserves

	Consolidated	
	2018	2017
	\$	\$
Foreign currency translation reserve	113,102	(48,393)
Share-based payments reserve	2,042,481	-
Common control reserve	-	(3,761,190)
	<u>2,155,583</u>	<u>(3,809,583)</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency translation reserve \$	Common control reserve \$	Share based payments reserve \$	Total \$
Balance at 1 January 2017	(448)	-	-	(448)
Foreign currency translation	(47,945)	-	-	(47,945)
Reserve arising on acquisition of controlled entity	-	(3,761,190)	-	(3,761,190)
Balance at 31 December 2017	(48,393)	(3,761,190)	-	(3,809,583)
Foreign currency translation	161,495	-	-	161,495
Share based payments - option issues	-	-	1,665,720	1,665,720
Share based payments - performance rights issues	-	-	376,761	376,761
Transfer common control reserve to accumulated losses	-	3,761,190	-	3,761,190
Balance at 31 December 2018	<u>113,102</u>	<u>-</u>	<u>2,042,481</u>	<u>2,155,583</u>

Note 12. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Note 12. Financial instruments (continued)

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rate		Reporting date exchange rate	
	2018	2017	2018	2017
Australian dollars				
Canadian dollars	0.9477	0.9948	0.9616	0.9798

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2018	2017	2018	2017
	\$	\$	\$	\$
Consolidated				
Canadian dollars - Cash at bank	59,645	388,562	-	-
Canadian dollars - receivables	-	192,846	-	-
Canadian dollars - trade & other payables	-	-	520,051	1,591,270
	<u>59,645</u>	<u>581,408</u>	<u>520,051</u>	<u>1,591,270</u>

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity has limited interest rate risk, which arises from short term borrowings outstanding at the end of the reporting period. The borrowings expose the consolidated entity to fair value interest rate risk, however this is not considered to be material. The borrowings were repaid in full after the end of the reporting period.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

Note 12. Financial instruments (continued)

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2018	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	(675,412)	-	-	-	(675,412)
<i>Interest-bearing - fixed rate</i>						
Other loans	20.00%	(987,814)	-	-	-	(987,814)
Total non-derivatives		(1,663,226)	-	-	-	(1,663,226)

Consolidated - 2017	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	(1,635,715)	-	-	-	(1,635,715)
Total non-derivatives		(1,635,715)	-	-	-	(1,635,715)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

Consolidated	2018		2017	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Assets				
Cash at bank	1,643,206	1,643,206	419,866	419,866
Other receivables	81,517	81,517	803,325	803,325
Deposits	161,927	161,927	-	-
	<u>1,886,650</u>	<u>1,886,650</u>	<u>1,223,191</u>	<u>1,223,191</u>
Liabilities				
Trade payables	675,412	675,412	416,701	416,701
Borrowings - short term loan	987,814	987,814	-	-
PMRU break fee payable	-	-	1,218,139	1,218,139
Bank overdraft	-	-	875	875
	<u>1,663,226</u>	<u>1,663,226</u>	<u>1,635,715</u>	<u>1,635,715</u>

Note 13. Key management personnel disclosures

Directors

The following persons were directors of Montem Resources Limited during the financial year:

Rob Yeates	Non-executive Director and Chairman (Appointed 16 February 2018)
Peter Doyle	Managing Director and CEO
Rob Tindall	Non-executive Director
Susie Henderson	Non-executive Director (Appointed 6 April 2018)
William Souter	Non-executive Director (Appointed 6 April 2018)
Melanie Leydin	Non-executive Director (Resigned as Director 16 February 2018)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Robert Bell	Chief Commercial Officer
Alan Ahlgren	Chief Financial Officer

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2018 \$	2017 \$
Short-term employee benefits	1,004,824	231,399
Share-based payments	1,513,617	709,159
	<u>2,518,441</u>	<u>940,558</u>

Note 14. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit, the auditor of the Company:

	Consolidated 2018 \$	2017 \$
<i>Audit services - William Buck Audit</i>		
Audit or review of the financial statements	33,000	14,000
<i>Other services - William Buck Audit</i>		
Preparation of the tax return	3,500	-
Investigating accountants report	10,000	-
Other	500	-
	<u>14,000</u>	<u>-</u>
	<u>47,000</u>	<u>14,000</u>

Note 15. Commitments

	Consolidated	
	2018	2017
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	45,950	-
One to five years	127,584	-
	<u>173,534</u>	<u>-</u>

Operating lease commitments includes contracted amounts for offices and plant and equipment under non-cancellable operating leases expiring within 5 months to 3 years.

Note 16. Related party transactions

Parent entity

Montem Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 17.

Key management personnel

Disclosures relating to key management personnel are set out in note 13.

Transactions with related parties

During the current reporting period, being the year ended 31 December 2018, the consolidated entity engaged the services of the following related-parties on normal commercial terms and conditions no more favourable than those available to other parties, with all amounts being settled in cash, unless otherwise stated:

- Robert Tindall provided consulting services to the Company for which he received fees of \$240,000.
- Robert Tindall made a loan of \$150,000 to the Company which was repaid in full during the reporting period. Interest paid on the loan was \$5,535.
- R W Bell Resource Advisory Service, an entity controlled by Robert Bell, provided consulting services to Montem Resources Alberta Operations Ltd for which he received fees of \$131,898.

During the previous reporting period, being the year ended 31 December 2017, the Company engaged the services of the following related-parties on normal commercial terms and conditions no more favourable than those available to other parties:

- Robert Tindall provided consulting and management services to Montem Resources Corp amounting to \$412,082 consisting of cash \$138,657 and shares \$273,425.
- GTG Corporate Pty Ltd, an entity controlled by Robert Tindall, provided consulting and corporate advisory services to Montem Resources Corp amounting to \$750,888 consisting of cash \$243,531 and shares \$507,357.
- Carolyn Tindall, a family member of Robert Tindall provided administrative services to Montem Resources Corp amounting to \$176,607 consisting of cash \$59,425 and shares \$117,182.
- Doyle Resources Consulting Pty Ltd, an entity controlled by Peter Doyle, provided consulting and management services to Montem Resources Corp amounting to \$528,476 consisting of cash \$92,742 and shares \$435,734.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2018	2017
	\$	\$
Current payables:		
Trade payables to key management personnel	32,699	-

Note 16. Related party transactions (continued)

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 17. Interests in subsidiaries

The Montem Resources Group includes the following entities:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
Montem Resources Limited	Melbourne, Victoria, Australia	-	-
Montem Resources Corp.	Vancouver, British Columbia, Canada	100.00%	-
Montem Resources Alberta Operations Ltd	Edmonton, Alberta, Canada	100.00%	-

Note 18. Events after the reporting period

On 25 January 2019, the short term borrowings, with a balance of \$987,814 as at 31 December 2018, and included in current liabilities in the consolidated entity's statement of financial position as at that date, was repaid in full by the Company.

On 26 February 2019 Regal Funds Management and the Company agreed to amend the Subscription Agreement, originally entered into on or about 30 November 2018, to:

- provide that \$1,000,000 from the Tranche 2 Subscription Amount will be extended immediately by way of a secured convertible loan (with the balance of the Tranche 2 Subscription Amount of \$1,450,000 to be applied to subscribe for 5,800,000 Shares at \$0.25 per Share on the terms of the Subscription Agreement); and
- extend the completion date of Tranche 2 to a date as soon as possible after receiving shareholder approval for Regal to increase their voting power to no more than 27.02% and in any event the date which is no later than 6 months after the date of the Subscription Agreement amendment.

The material terms of the Convertible Loan Agreement are that, upon receipt of Shareholder approval for Regal Funds Management to increase their voting power, the \$1,000,000 principle will be immediately converted into 4,000,000 Shares at the conversion price of \$0.25 per Share (without interest). If Shareholder approval is not obtained by 31 July 2019 then the loan will be repaid together with interest at the rate of 15%pa. The convertible loan is secured by a general security agreement granted by the Company and a guarantee and indemnity granted by the Company's subsidiary Montem Resources Alberta Operations Ltd on standard market terms.

On 1 March 2019, the Company appointed Mr Mark Lochtenberg to the Board as a Non-Executive Director.

On 19 March 2019 the Company issued 5.4 million fully paid ordinary shares to existing shareholders and sophisticated investors, raising \$1.4 million at \$0.25 (25 cents). The proceeds were additional subscription agreements under the November 2018 capital raising.

At a General Meeting held on 5 April 2019, shareholders approved the acquisition of a relevant interest in the Company's shares, up to a maximum voting power of 27.02% by Regal Funds Management Pty Ltd as trustee for Regal Emerging Companies Fund II ACN 106 576 821 and its associates (Tranche 2). Following shareholder approval, 9,800,000 shares were issued at \$0.25 per share following the receipt of \$1,450,000 and conversion of the convertible loan note.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 19. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2018	2017
	\$	\$
Loss after income tax expense for the year	(5,018,796)	(1,843,955)
Adjustments for:		
Depreciation and amortisation	3,421	3,386
Write off of property, plant and equipment	33,767	-
Foreign exchange differences	-	(47,945)
Share based payments	1,996,323	-
Increase in accrued loan interest	96,564	-
Change in operating assets and liabilities:		
Increase in prepayments	(47,493)	-
Increase in accounts receivable	(43,753)	(37,554)
Increase in deposits	(184,791)	-
Increase/(decrease) in trade and other payables	(964,040)	1,064,635
Increase in employee benefits	60,735	5,642
Net cash used in operating activities	<u>(4,068,063)</u>	<u>(855,791)</u>

Note 20. Earnings per share

	Consolidated	
	2018	2017
	\$	\$
Loss after income tax attributable to the owners of Montem Resources Limited	<u>(5,018,796)</u>	<u>(1,843,955)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	68,845,407	60,541,458
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>68,845,407</u>	<u>60,541,458</u>
	Cents	Cents
Basic earnings per share	(7.2900)	(3.0458)
Diluted earnings per share	(7.2900)	(3.0458)

Note 21. Share-based payments

(a) Equity issues to settle supplier liabilities

From time to time the Company may settle liabilities payable to external suppliers by way of an issue of ordinary shares in the Company, or by the issue of options over ordinary shares in the Company.

(i) Issues of shares to settle supplier liabilities

On 7 May 2018, the Company issued 66,667 ordinary shares at an issue price of \$0.15 (15 cents) per share to suppliers as settlement of liabilities for legal expenses.

(ii) Issues of options to settle supplier liabilities

On 12 January 2018, the Company issued 1,086,667 options over ordinary shares to suppliers as settlement of liabilities for legal expenses. The options, which vested immediately, have an exercise price of 62.5 cents and an expiry date of 12 January 2023.

Note 21. Share-based payments (continued)

On 26 November 2018, the Company issued 2,000,000 options over ordinary shares to suppliers as settlement of liabilities. The options, which vested immediately, have an exercise price of 25 cents and an expiry date of 31 March 2019.

On 28 November 2018, the Company issued 4,000,000 options over ordinary shares to suppliers as settlement of liabilities. The options, which vested immediately, have an exercise price of 25 cents and an expiry date of 1 May 2019.

(b) Share issues to employees

From time to time the Company may issue of ordinary shares in the Company to directors or employees of the Company as remuneration in recognition of past performance or other services provided to the consolidated entity.

On 4 June 2018, the Company issued 3,000,000 ordinary shares at an issue price of \$0.15 (15 cents) per share to directors and employees as remuneration in recognition of past performance or other services provided to the consolidated entity.

(c) Employee incentive plan - options and performance rights

The Company has established an employee incentive plan, whereby the Company may, at the discretion of the Plan Committee, grant options over ordinary shares in the Company or performance rights over ordinary shares in the Company to eligible employees and any director of the Company.

During the year ended 31 December 2018, the Company issued 3,000,000 options to directors and employees as remuneration. These options, which were issued in three batches on 12 January 2018 (1,949,417 options), 31 January 2018 (700,389 options) and 6 April 2018 (350,194 options). These options. Each batch of options comprised three tranches, with various service-based vesting dates and various expiry dates. Exercise prices for these options range from 63 cents to \$1.00.

On 1 June 2018, the Company issued 3,000,000 performance rights to directors and employees. Each performance right will vest and convert to a fully paid ordinary share in the Company, at no cost to the recipient, when the vesting condition is met. The vesting condition is when the Company successfully mines and sells 100,000 tonnes of coal from the Tent Mountain mine or any other Company project. The performance rights will expire on 1 June 2023.

(d) Details of options and performance rights

Set out below are details of options granted as share-based payments:
2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
12/01/2018	12/01/2023	\$0.2000	-	3,336,667	-	(3,336,667)	-
12/01/2018	31/12/2023	\$0.2000	-	3,100,000	-	(3,100,000)	-
12/01/2018	31/12/2024	\$0.2000	-	3,000,000	-	(3,000,000)	-
31/01/2018	12/01/2023	\$0.2000	-	3,000,000	-	(3,000,000)	-
06/04/2018	12/01/2023	\$0.2000	-	500,000	-	(500,000)	-
06/04/2018	31/12/2023	\$0.2000	-	500,000	-	(500,000)	-
06/04/2018	31/12/2024	\$0.2000	-	500,000	-	(500,000)	-
12/01/2018	12/01/2023	\$0.6300	-	1,086,667	-	-	1,086,667
12/01/2018	12/01/2023	\$0.6300	-	649,805	-	-	649,805
12/01/2018	31/12/2023	\$0.7500	-	649,806	-	-	649,806
12/01/2018	31/12/2024	\$1.0000	-	649,806	-	-	649,806
31/01/2018	12/01/2023	\$0.6300	-	233,463	-	-	233,463
31/01/2018	12/01/2023	\$0.7500	-	233,463	-	-	233,463
31/01/2018	12/01/2023	\$1.0000	-	233,463	-	-	233,463
06/04/2018	12/01/2023	\$0.6300	-	116,732	-	-	116,732
06/04/2018	31/12/2023	\$0.7500	-	116,732	-	-	116,732
06/04/2018	31/12/2024	\$1.0000	-	116,730	-	-	116,730
26/11/2018	31/03/2019	\$0.2500	-	2,000,000	-	-	2,000,000
28/11/2018	01/05/2019	\$0.2500	-	4,000,000	-	-	4,000,000
			-	24,023,334	-	(13,936,667)	10,086,667
Weighted average exercise price			\$0.0000	\$0.3060	\$0.0000	\$0.2000	\$0.4525

Note 21. Share-based payments (continued)

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2018 Number	2017 Number
12/01/2018	12/01/2023	1,086,667	-
12/01/2018	12/01/2023	649,805	-
06/04/2018	12/01/2023	116,732	-
26/11/2018	31/03/2019	2,000,000	-
28/11/2018	01/05/2019	4,000,000	-
		<u>7,853,204</u>	<u>-</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.04 years (2017: N/A).

Set out below are summaries of performance rights granted as share-based payments:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/06/2018	01/06/2023	\$0.0000	-	3,000,000	-	-	3,000,000
			-	3,000,000	-	-	3,000,000

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 4.42 years (2017: N/A).

For the options granted during the current financial year, the Black-Scholes valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
12/01/2018	12/01/2023	\$0.1500	\$0.6300	100.00%	-	2.30%	\$0.361
12/01/2018	31/12/2023	\$0.1500	\$0.7500	100.00%	-	2.30%	\$0.374
12/01/2018	31/12/2024	\$0.1500	\$1.0000	100.00%	-	2.61%	\$0.381
31/01/2018	12/01/2023	\$0.1500	\$0.6300	100.00%	-	2.24%	\$0.360
31/01/2018	12/01/2023	\$0.1500	\$0.7500	100.00%	-	2.24%	\$0.347
31/01/2018	12/01/2023	\$0.1500	\$1.0000	100.00%	-	2.24%	\$0.326
06/04/2018	12/01/2023	\$0.1500	\$0.6300	100.00%	-	2.27%	\$0.355
06/04/2018	31/12/2023	\$0.1500	\$0.7500	100.00%	-	2.27%	\$0.368
06/04/2018	31/12/2024	\$0.1500	\$1.0000	100.00%	-	2.27%	\$0.375
26/11/2018	31/03/2019	\$0.2500	\$0.2500	100.00%	-	2.00%	\$0.060
28/11/2018	01/05/2019	\$0.2500	\$0.2500	100.00%	-	2.00%	\$0.060

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Estimated share price upon vesting	Probability of achieving vesting condition	Fair value at grant date
01/06/2018	01/06/2023	\$0.5000	100.00%	\$0.500

Note 21. Share-based payments (continued)

(e) Share-based payments expense - equity-settled

	Consolidated	
	2018	2017
Total expense recognised for the period arising from share-based payment transactions		
Share issues to suppliers - settlement of legal fees liability	10,000	-
Options issues to suppliers - settlement of fund raising fee and other liabilities	766,579	-
Share issues to employees - performance shares	319,552	-
Employee incentive plan - options and performance rights expense recognised during vesting period	900,192	-
	<hr/>	<hr/>
Total share-based payments expense	1,996,323	-
	<hr/>	<hr/>

Montem Resources Limited
Directors' declaration
31 December 2018



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'R. Yeates'.

Dr Robert Yeates
Chairman

29 April 2019

Montem Resources Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

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

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Responsibilities of the Directors for the Financial Report

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

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


Auditor's Responsibilities for the Audit of the Financial Report

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


A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our independent auditor's report.



William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



J. C. Luckins
Director

Melbourne, 29 April 2019