Fitzroy River Corporation Limited

ABN 75 075 760 655

Annual Report - 30 June 2018

Fitzroy River Corporation Limited
Corporate directory
30 June 2018

Directors	Mr Malcolm McComas Ms Susan Thomas Mr Justin Clyne
Company secretary	Mr Justin Clyne
Registered office	Suite 6.02, Level 6 28 O'Connell Street Sydney NSW 2000
Principal place of business	Suite 6.02, Level 6 28 O'Connell Street Sydney NSW 2000
Share register	Boardroom Level 12, 225 George Street Sydney NSW, 2000
Auditor	Deloitte Touche Tohmatsu 225 George Street Sydney, NSW 2000
Stock exchange listing	Fitzroy River Corporation Limited shares are listed on the Australian Securities Exchange (ASX code: FZR)
Corporate Governance Statement	The board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Fitzroy River Corporation Ltd (the "company") has adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014. The company's Corporate Governance Statement for the financial year ending 30 June 2018 will be released to the ASX in conjunction with the company's full annual report in October 2018 and placed on the company's website at the same time.

Fitzroy River Corporation Limited
Directors' report
30 June 2018

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2018.

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

Mr Malcolm McComas
Ms Susan Thomas
Mr Justin Clyne

Principal activities
The principal activities of the company are as an oil and gas investment holding company with a focus on non-operational assets such as royalties, free carried interests and equity investments. The company's focus is on the 'Canning Superbasin' in Western Australia, Bass Strait through the company's investment in Royalco Resources Limited (ASX: RCO) and also the Gulf of Mexico through the company's investment in Byron Energy Limited (ASX: BYE).

The company holds royalty interests in several permits in the Canning Superbasin via 2 separate Royalty Deeds. The company's activities are generally passive in nature and its royalty income is dependent on the activities and quantum of oil sales by third parties and the receipt of dividends from its investments.

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

Review of operations
The profit for the company after providing for income tax amounted to $479,000 (30 June 2017: loss of $794,000).

Refer to the detailed review of operations which directly follows this directors' report.

Significant changes in the state of affairs
During the year the company bought back 2,312,435 fully paid ordinary shares at a cost of $511,228. The share buy back closed on 22 June 2018.

During the year, the company also purchased additional 14,285,714 shares in Byron Energy Limited for consideration totalling $1,000,000.

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

Matters subsequent to the end of the financial year
On 9 August 2018, the company announced a second share buy-back. As at the date of signing these accounts, no shares had been bought back.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation
The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Mr Malcolm McComas
Title:	BEc, LLB (Monash), SFFin, FAIDC
Qualifications:	Non-Executive Chairman
Experience and expertise:	Mr McComas has extensive experience as a company director and was a former investment banker for 25 years during which he held leadership roles with County NatWest (now Citigroup) and Grant Samuel.
Other current directorships:	Chairman of Pharmaxis Limited (ASX: PXS); Saunders International Limited (ASX: SND) and Royalco Resources Limited (ASX: RCO)
Former directorships (last 3 years):	Nil
Interests in shares:	297,984 ordinary shares
Interests in options:	Nil

Name:	Mrs Susan Thomas
Title:	Non-Executive Director
Qualifications:	B Comm, LLB (UNSW)
Experience and expertise:	Mrs Thomas has expertise in technology and law in the financial services industry. Mrs Thomas founded and was the Managing Director at FlexiPlan Australia, an investment administration platform sold to MLC and now operating under the MLC/ NAB banner as MasterKey Custom
Other current directorships:	Royalco Resources Limited (ASX: RCO),Temple and Webster Limited (ASX: TPW) and Alexium International Group Limited (ASX : AJX)
Former directorships (last 3 years):	Nil
Interests in shares:	18,145,178 ordinary shares
Interests in options:	Nil

Name:	Mr Justin Clyne
Title:	Non-Executive Director
Qualifications:	LLM (UNSW), ACIS, AGIA, MAICD
Experience and expertise:	Justin is a qualified Chartered Company Secretary and Member of the Australian Institute of Company Directors. Justin Clyne was admitted as a Solicitor of the Supreme Court of New South Wales and High Court of Australia in 1996 before gaining admission as a Barrister in 1998. He had 15 years of experience in the legal profession acting for a number of the country's largest corporations, initially in the areas of corporate and commercial law before dedicating himself full-time to the provision of corporate advisory and company secretarial services. Justin has been a director and/or secretary of a number of public listed and unlisted companies. He has significant experience and knowledge in international law, the Corporations Act, the ASX Listing Rules and corporate regulatory requirements generally.
Other current directorships:	Nil
Former directorships (last 3 years):	AusTex Oil Limited (ASX: AOK, OTCQX: ATXDY) resigned 20 April 2017
Special responsibilities:	Royalco Resources Limited (ASX: RCO) resigned 7 March 2017
Interests in shares:	Nil
Interests in options:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Mr Malcolm McComas	7	7
Mrs Susan Thomas	7	7
Mr Justin Clyne	7	7

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

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The principles of the company's executive strategy and supporting incentive programs and frameworks are to:
- align rewards to business outcomes that deliver value to shareholders;
- drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The remuneration structure that has been adopted by the company consists of a fixed remuneration being annual salary. During the year, no bonuses, options or incentives were paid.

The Board assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board.

On 3 March 2014 the board resolved to pay remuneration (fees) for non-executive directors of $15,000 per quarter (inclusive of superannuation and similar on-costs), and to give the chairman of directors additional remuneration under clause 7.5 of the constitution at a 50% premium to the normal level (i.e. an additional $7,500 per quarter). An aggregate limit of $300,000 in directors' fees for the purposes of clause 7.5 of the constitution was set by shareholders in 2006. This limit does not include fees for company secretarial services.

In addition, non-executive directors are expected to assist with the company's affairs from time to time on an as required basis, performing extra or special services on discrete matters, and under the overall supervision of the full board of directors. Their appointment letters and the company's constitution deals with this.

Consolidated entity performance and link to remuneration
The company does not have any employees. Board fees are a fixed annual amount and not linked to the performance of the company. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

Use of remuneration consultants
The company has not engaged remuneration consultants.

Voting and comments made at the company's 22 November 2017 Annual General Meeting ('AGM')
At the AGM held on 22 November 2017, a first strike was recorded against the Company's remuneration report for the year ended 30 June 2017. In response this the board resolved to reduce overall fees payable to directors and the company secretary by $90,000 per annum from 1 January 2018. This represents a 33% reduction in overall fees.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the company are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2018	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Malcolm McComas	75,000	-	-	-	-	-	75,000
Susan Thomas	50,000	-	-	-	-	-	50,000
Justin Clyne *	100,000	-	-	-	-	-	100,000
	225,000	-	-	-	-	-	225,000

* Fees paid during the year to Mr Justin Clyne include company secretarial fees of $60,000 (2017 : $ 60,000)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees $	Cash bonus fees $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Malcolm McComas	110,000	-	-	-	-	-	110,000
Susan Thomas	80,000	-	-	-	-	-	80,000
Justin Clyne *	140,000	-	-	-	-	-	140,000
	330,000	-	-	-	-	-	330,000

* Fees paid during the year to Mr Justin Clyne include company secretarial fees of $60,000 (2016 : $ 60,000)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2018	2017	2018	2017	2018	2017
Non-Executive Directors:						
Malcolm McComas	100%	100%	-	-	-	-
Susan Thomas	100%	100%	-	-	-	-
Justin Clyne	100%	100%	-	-	-	-

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Malcom McComas
Title:	Non-Executive Chairman
Term of agreement:	Re-election every 3 years with 1 month notice period
Details:	Base fee $60,000 (from 1 January 2018)
Name:	Mrs Susan Thomas
Title:	Non-Executive Director
Term of agreement:	Re-election every 3 years with 1 month notice period
Details:	Base fee $40,000 (from 1 January 2018)
Name:	Mr Justin Clyne
Title:	Non-Executive Director and Company Secretary
Term of agreement:	Re-election every 3 years with 3 month notice period
Details:	Base fee $80,000 (from 1 January 2018), which includes $40,000 for company secretary services.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2018.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Additional information
The earnings of the company for the five years to 30 June 2018 are summarised below:

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Profit/(loss) after income tax	479	(794)	(691)	(784)	(555)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2018	2017	2016	2015	2014
Share price at financial year end ($)	0.26	0.16	0.19	0.22	0.33
Basic earnings per share (cents per share)	0.54	(0.87)	(0.76)	(0.86)	(0.61)

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Malcolm McComas	297,984	-	-	-	297,984
Susan Thomas	18,145,178	-	-	-	18,145,178
	18,443,162	-	-	-	18,443,162

Loans to key management personnel and their related parties
There were no loans made during the year to any key management personnel.

This concludes the remuneration report, which has been audited.

Shares under option
There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Deloitte Touche Tohmatsu
There are no officers of the company who are former partners of Deloitte Touche Tohmatsu.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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
Deloitte Touche Tohmatsu 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

Malcolm McComas
Non-Executive Chairman

24 September 2018

Fitzroy River Corporation Limited
Review of operations
30 June 2018

About the Company

Fitzroy holds royalty interests in several permits in the Canning Basin originally acquired via 2 separate Royalty Deeds, the Canning Basin Royalty Deed and the Lennard Shelf Royalty Deed. The map below shows the location of all the company's royalty interests with those acquired under the Canning Basin Royalty shown in light blue and with those shown in dark blue being the areas acquired under the Lennard Shelf Royalty.

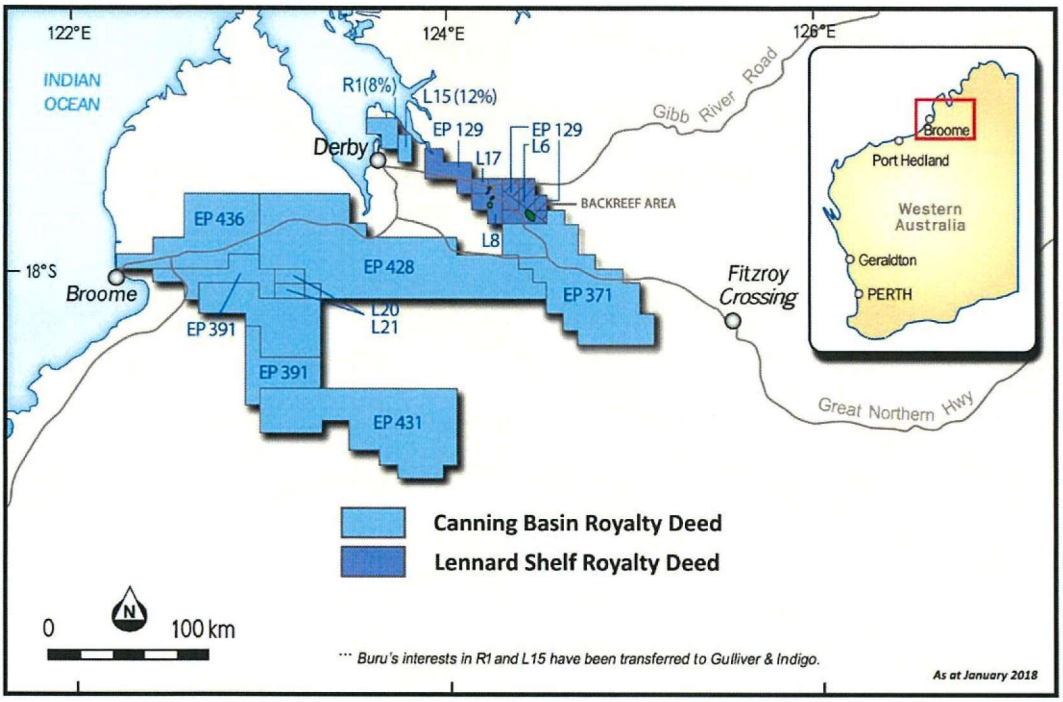

Figure 1: Map of Tenements over which Fitzroy has a royalty.

Fitzroy holds the following royalty interests under each of its Royalty Deeds.

EP or PL #	Date Issued	Expiry	Area (km2)	Registered Holder
EP 391	1 Feb. 2015	31 Jan. 2024[1]	2,274.7736 (26 blocks)	Buru Energy Limited
EP 371	31 July 2014	30 July 2023	3,663.2577 (45 blocks)	Diamond Resources (Canning) Pty Ltd (50%)/ Diamond Resources (Fitzroy) Pty Ltd (50%)
EP 428	31 July 2014	30 July 2023	6,431.9741 (79 blocks)	Buru Energy Limited
EP 431	31 July 2014	30 July 2023	4,211.4604 (52 blocks)	Buru Energy Limited
EP 436	31 July 2014	30 July 2023	2,404.1372 (30 blocks)	Buru Energy Limited
L20	2 July 2015	-	162.7085 (2 blocks)	Buru Energy Limited
L21	2 July 2015	-	162.6399 (2 blocks)	Buru Energy Limited
R 1[2]	11 Oct 2016	10 Oct 2021	245.1571 (3 blocks)	Gulliver Productions Pty Ltd
L 15	1 April 2010	31 March 2031	163.46 (2 blocks)	Gulliver Productions Pty Ltd

Table 1: Schedule of Tenements under the Canning Basin Royalty Deed (as recorded by the WA Department of Mines, Industry Regulation and Safety was 20 September 2018

EP or PL #	Date Issued	Expiry	Area (km2)	Held by
EP 129[3]	18 March 2016	17 March 2023	652.9955 (8 blocks)	Buru Energy Limited
L 6	19 May 2006	18 May 2027	407.9 (5 blocks)	Buru Energy Limited
L 8	19 May 2006	18 May 2027	326.3084 (4 blocks)	Buru Energy Limited
L 17	10 April 2013	Indefinite as per the terms of the license dated 10 April 2013	81.6 (1 block)	Buru Energy Limited

Table 2: Schedule of Tenements under the Lennard Shelf Royalty Deed.

The main activities of the company's management are as follows:

- Review of existing investments and analysis of new investment opportunities;
- Royalty and dividend collection;
- Contract maintenance with Buru, Mitsubishi and others;
- Title maintenance (ensuring royalty dealings are and remain registered under Section 75 of the Petroleum and Geothermal Energy Resources Act against relevant permits);
- Monitoring activities across all royalty permits;
- Company routine operations & reporting as an ASX listed company.

[1] Termination dates for EP's 391, 371, 428, 431 and 436 following the termination of the State Agreement dated 7 November 2012. The termination dates as recorded by the WA Department of Mines, Industry Regulation and Safety are 31 January 2020 for EP 391 and 30 July 2019 for the other 4 EP's, which are expected to be updated shortly.

[3] Fitzroy is monitoring the activities on the 'Backreef Area' of EP 129 and L6, particularly those of Emperor Energy Ltd (ASX: EMP) (formerly Oil Basins Ltd). It is understood that Buru holds 100% of the Backreef Area on trust for Emperor Energy Ltd due to the completion of the drilling of the East Blina-1 well on 31 October 2012 in accordance with the 'Backreef Play Agreement' dated 30 October 2008. Fitzroy is currently in negotiations with Buru regarding the terms of a deed of covenant proposed to be entered into by the beneficial owners of the Backreef Area, to support Fitzroy's royalty interest. Until such time as a deed of covenant is executed, the contractual relationship governing the 3% royalty obligation (which is registered against EP 129 and L6) is between Fitzroy and Buru alone.

Deloitte.

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The Board of Directors
Fitzroy River Corporation Limited
Suite 6.02, Level 6
28 O'Connell Street
Sydney NSW 2000

24 September 2018

Dear Board Members

Fitzroy River Corporation Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Fitzroy River Corporation Limited.

As lead audit partner for the audit of the financial statements of Fitzroy River Corporation Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Weng W Ching
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited.

Fitzroy River Corporation Limited
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General information

The financial statements cover Fitzroy River Corporation Limited as an individual entity. The financial statements are presented in Australian dollars, which is Fitzroy River Corporation Limited's functional and presentation currency.

Fitzroy River Corporation Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 6.02, Level 6
28 O'Connell Street
Sydney NSW 2000

A description of the nature of the company'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 24 September 2018. The directors have the power to amend and reissue the financial statements.

Fitzroy River Corporation Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue	4	240	177
Other income		-	30
Expenses			
Professional and consultancy fees		(99)	(235)
Directors and company secretarial fees		(234)	(330)
Impairment loss on available for sale equity instruments		-	(78)
Loss on disposal of assets		-	(7)
Share of net loss from associate accounted for using the equity method	19	(233)	(165)
Impairment of investment in associate	19	(390)	-
Other expenses		(112)	(186)
Loss before income tax benefit		(828)	(794)
Income tax benefit	5	1,307	-
Profit/(loss) after income tax benefit for the year attributable to the owners of Fitzroy River Corporation Limited		479	(794)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Gain on the revaluation of available-for-sale financial assets, net of tax		3,634	-
Loss on the revaluation of available-for-sale financial assets, net of tax		-	(173)
Cumulative loss reclassified from investment reserve		-	(30)
Other comprehensive income / (loss) for the year, net of tax		3,634	(203)
Total comprehensive income / (loss) for the year attributable to the owners of Fitzroy River Corporation Limited		4,113	(997)
		Cents	**Cents**
Basic earnings / (loss) per share	22	0.54	(0.87)
Diluted earnings / (loss) per share	22	0.54	(0.87)

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

Fitzroy River Corporation Limited
Statement of financial position
As at 30 June 2018

	Note	2018 $'000	2017 $'000
Assets			
Current assets			
Cash and cash equivalents	6	2,330	4,268
Trade and other receivables	7	77	14
Other		18	12
Total current assets		2,425	4,294
Non-current assets			
Investments accounted for using the equity method	8	4,277	4,768
Available-for-sale financial assets	9	6,827	701
Total non-current assets		11,104	5,469
Total assets		13,529	9,763
Liabilities			
Current liabilities			
Trade and other payables		28	49
Total current liabilities		28	49
Non-current liabilities			
Deferred tax	11	185	-
Total non-current liabilities		185	-
Total liabilities		213	49
Net assets		13,316	9,714
Equity			
Issued capital	12	41,769	42,280
Reserves	13	3,480	(154)
Accumulated losses		(31,933)	(32,412)
Total equity		13,316	9,714

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

Fitzroy River Corporation Limited
Statement of changes in equity
For the year ended 30 June 2018

	Issued capital $'000	Available for sale investment reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2016	42,284	49	(31,618)	10,715
Loss after income tax expense for the year	-	-	(794)	(794)
Other comprehensive loss for the year, net of tax	-	(203)	-	(203)
Total comprehensive loss for the year	-	(203)	(794)	(997)
Transactions with owners in their capacity as owners:				
Share buy back	(4)	-	-	(4)
Balance at 30 June 2017	42,280	(154)	(32,412)	9,714

	Issued capital $'000	Available for sale investment reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	42,280	(154)	(32,412)	9,714
Profit after income tax benefit for the year	-	-	479	479
Other comprehensive income for the year, net of tax	-	3,634	-	3,634
Total comprehensive income for the year	-	3,634	479	4,113
Transactions with owners in their capacity as owners:				
Share buy back	(511)	-	-	(511)
Balance at 30 June 2018	41,769	3,480	(31,933)	13,316

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

Fitzroy River Corporation Limited
Statement of cash flows
For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(469)	(771)
Interest received		54	167
Dividends received		-	39
Royalties received		120	-
Net cash used in operating activities	21	(295)	(565)
Cash flows from investing activities			
Payments for investments		(1,132)	(4,685)
Proceeds from disposal of assets		-	4
Net cash used in investing activities		(1,132)	(4,681)
Cash flows from financing activities			
Payments for share buy-backs		(511)	(4)
Net cash used in financing activities		(511)	(4)
Net decrease in cash and cash equivalents		(1,938)	(5,250)
Cash and cash equivalents at the beginning of the financial year		4,268	9,518
Cash and cash equivalents at the end of the financial year	6	2,330	4,268

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

Note 1. 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 company 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.

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, except for, where applicable, the revaluation of available-for-sale financial assets.

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 company'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 2.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Royalty revenue

Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Dividend income

Dividends are recognised when the shareholders' right to receive the payment is established.

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

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 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any provision for impairment.

Associates
Associates are entities over which the company has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The company discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets
Investments and other financial assets, other than investments in associates, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Note 1. Significant accounting policies (continued)

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities recognised at fair value, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements, net of tax, are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets, other than those measured at fair value, is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in estimated future cash flows of the investment.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Consequently, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the profit or loss in the period. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Trade and other payables
These amounts represent liabilities for goods and services provided to the company 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.

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.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Fitzroy River Corporation Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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.

Note 1. Significant accounting policies (continued)

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.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 company for the annual reporting period ended 30 June 2018. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces 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 solely principal and interest. All other financial instrument assets are to be 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) in other comprehensive income ('OCI'). For financial liabilities, 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 will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under 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. The standard introduces additional new disclosures. The company will adopt this standard from 1 July 2018 but the impact of its adoption is not expected to be material.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be 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. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The company will adopt this standard from 1 July 2018 but the impact of its adoption is not expected to be material.

Note 1. Significant accounting policies (continued)

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 company will adopt this standard from 1 July 2019. The company is currently evaluating the impact of this standard.

Note 2. 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.

Impairment
The company assesses impairment at the end of each reporting year by evaluating conditions specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Deferred tax
Deferred tax balance previously not brought to account have been recognised during the current year, based on the directors' assessment that sufficient future taxable profits are probable arising from revaluation gains recognised in relation to the company's available for sale financial assets.

Investment in Royalco Resources Limited
During the year, the Company increased its shareholding in Royalco Resources Limited ("RCO"), from 46.79% to 47.76%.

The directors assessed whether the company has existing rights that give it the current ability to direct the relevant activities of RCO and therefore exercises control over RCO or whether the Company has the ability to participate in the financial and operating policy decisions of RCO and therefore has significant influence over RCO. The directors considered the company's representation on the Board of Directors of RCO, the company's voting rights, the relative size and dispersion of the voting rights held by the other shareholders and the extent of the recent participation of those shareholders in general meetings. The Directors determined that the Company does not exercise control over RCO but has significant influence over RCO. Accordingly, in the current financial year, the investment in RCO has continued to be recognised as an investment in associate using the equity method from the date the company had significant influence over RCO.

The directors have also assessed if there any indicators of impairment on the carrying value of the company's investment in RCO. As a consequence of the directors' assessment and estimation of the recoverable amount of the investment based on the company's share of the fair value of RCO's net assets at balance date, an impairment of $389,872 has been recognised in relation to the company's investment in RCO.

Note 3. Operating segments

Identification of reportable operating segments
The company is organised into one operating segment: being the management of non-operational assets royalties, free carried interests and equity investments.

Note 4. Revenue

	2018 $'000	2017 $'000
Dividends	-	39
Interest	54	138
Royalty	186	-
Revenue	240	177

Note 5. Income tax benefit

	2018 $'000	2017 $'000
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(828)	(794)
Tax at the statutory tax rate of 30%	(248)	(238)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	-	23
Non-deductible share of loss of associate	-	50
Tax losses not recognised	-	165
Recognition of tax losses not previously brought to account	(1,059)	-
Income tax benefit	(1,307)	-

	2018 $'000	2017 $'000
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	-	2,335
Potential tax benefit @ 30%	-	701

Deferred tax balance previously not brought to account have been recognised during the current year, based on the directors' assessment that sufficient future taxable profits are probable arising from revaluation gains recognised in relation to the company's available for sale financial assets (Note 11 and 13).

Note 6. Current assets - cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank	2,330	4,268

Note 7. Current assets - trade and other receivables

	2018 $'000	2017 $'000
Trade receivables	66	-
GST receivable	11	14
	77	14

Note 8. Non-current assets - investments accounted for using the equity method

	2018 $'000	2017 $'000
Investment in associate	4,277	4,768

Refer to note 19 for further information on interests in associates.

Note 9. Non-current assets - available-for-sale financial assets

	2018 $'000	2017 $'000
Listed equity securities - at fair value	6,827	701

Note 10. Non-current assets - deferred tax

	2018 $'000	2017 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	837	-
Investment in associate	227	-
Accrual and payables	8	-
Black hole expenditure	70	-
Set off against deferred tax liability (Note 11)	(1,142)	-
Deferred tax asset	-	-

Note 11. Non-current liabilities - deferred tax

	2018 $'000	2017 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Equity securities at fair value	1,327	-
Set off against deferred tax asset (Note 10)	(1,142)	-
Deferred tax liability	185	-

Note 12. Equity - issued capital

	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Ordinary shares - fully paid	88,450,859	90,763,294	41,769	42,280

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.

Share buy-back
During the year the company bought back 2,312,435 fully paid ordinary shares at a cost of $511,228. (2016 : 25,000 fully paid ordinary shares at a cost of $3,875). The share buy back closed on 22 June 2018.

Capital risk management
The company'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 company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2017.

Note 13. Equity - reserves

	2018 $'000	2017 $'000
Available-for-sale reserve	3,480	(154)

Available-for-sale reserve
The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets which are recognised in other comprehensive income.

Note 13. Equity - reserves (continued)

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

	AFS Reserve $'000	Total $'000
Balance at 1 July 2016	49	49
Change in fair value	(173)	(173)
Cumulative loss reclassified to profit and loss	(30)	(30)
Balance at 30 June 2017	(154)	(154)
Change in fair value, net of tax	3,634	3,634
Balance at 30 June 2018	3,480	3,480

Note 14. Equity - dividends

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

Note 15. Financial instruments

Financial risk management objectives
The Board of Directors has overall responsibility for the establishment of the company's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the company is exposed are described below.

Market risk

Foreign currency risk
The company is not exposed to significant foreign currency risk.

Equity price risk
The company holds investments in listed entities, and as such these are subject to varying valuations based on its current market price. The carrying value of the asset in the balance sheet represents the closing price of the entity at balance date.

Interest rate risk
The company's income and operating cash flows are substantially independent of changes in market interest rates. The company's only interest rate risk arises from the return received on cash assets deposited. The company's policy is to frequently monitor its cash assets held and ensure that the most favourable level of return is achieved via depositing funds accordingly.

Based on the current market interest rate scenario, directors consider that a movement of 100 basis points could reasonably be expected within the next 12 months.

	Basis points increase			Basis points decrease		
2018	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Cash and cash equivalents	100	23	23	100	(23)	(23)

Note 15. Financial instruments (continued)

2017	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Cash and cash equivalents	100	43	43	100	(43)	(43)

Credit risk
The company is not exposed to significant credit risk.

Liquidity risk
Liquidity risk is the risk that the company might be unable to meet its obligations. The company manages its liquidity needs by maintaining adequate cash through the monitoring of future cash flow forecasts of all its operations, which reflect management's expectations if the settlement of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the company'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.

2018	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	28	-	-	-	28
Total non-derivatives		28	-	-	-	28

2017	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	49	-	-	-	49
Total non-derivatives		49	-	-	-	49

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

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 16. Key management personnel disclosures

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

	2018 $	2017 $
Short-term employee benefits	225,000	330,000

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	2018 $	2017 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	38,500	43,000

Note 18. Related party transactions

Associates
Interests in associates are set out in note 19.

Key management personnel
Disclosures relating to key management personnel are set out in note 16 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

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

Note 19. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the company are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Royalco Resource Limited	Australia	47.76%	46.79%

The company has 47.76% (2017: 46.79%) equity interest in Royalco Resources Limited. The company does not have existing rights that give it the current ability to direct the relevant activities of the associate and therefore the company does not exercise control over the associate. However, as the company has significant influence over the associate, the investment in associate is accounted for using the equity method in the current year.

Note 19. Interests in associates (continued)

The summarised financial information of Royalco Resource Limited is outlined below

	2018 $'000	2017 $'000
Summarised statement of financial position		
Current assets	2,452	2,741
Non-current assets	6,309	6,753
Total assets	8,761	9,494
Current liabilities	79	411
Non-current liabilities	20	-
Total liabilities	99	411
Net assets	8,662	9,083
Summarised statement of profit or loss and other comprehensive income		
Revenue	804	670
Expenses	(1,225)	(1,493)
Loss before income tax	(421)	(823)
Other comprehensive income	-	-
Total comprehensive loss	(421)	(823)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Royalco Resources Limited recognised in the financial statements:

	2018 $'000	2017 $'000
Net assets of the associate	8,662	9,083
Proportion of company's interest in the associate	47.76%	46.79%
Intangibles assets	495	518
Impairment	(390)	-
Carrying value of the company's interest in the associate	4,227	4,768

Summarised aggregate financial information of the company's share in associate:

	2018 $'000	2017 $'000
Loss from continuing operations	(233)	(165)
Other comprehensive income	-	-
Share of net loss from associate accounted for using equity method	(233)	(165)

Note 20. Events after the reporting period

On 9 August 2018, the company announced a second share buy-back. As at the date of signing these accounts, no shares had been bought back.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 21. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	2018 $'000	2017 $'000
Profit/(loss) after income tax benefit for the year	479	(794)
Adjustments for:		
Impairment of investments	-	78
Net fair value loss on available-for-sale financial assets	-	8
Other income	-	(30)
Recognition of deferred tax balances	(1,059)	-
Impairment of investment in associate	390	-
Share of loss - associate	233	165
Change in operating assets and liabilities:		
Increase in trade and other receivables	(77)	-
Decrease/(increase) in other operating assets	(6)	27
Decrease in trade and other payables	(7)	(19)
Decrease in deferred tax liabilities	(248)	-
Net cash used in operating activities	(295)	(565)

Note 22. Earnings per share

	2018 $'000	2017 $'000
Profit/(loss) after income tax attributable to the owners of Fitzroy River Corporation Limited	479	(794)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	89,483,458	90,763,294
Weighted average number of ordinary shares used in calculating diluted earnings per share	89,483,458	90,763,294
	Cents	**Cents**
Basic earnings / (loss) per share	0.54	(0.87)
Diluted earnings / (loss) per share	0.54	(0.87)

Fitzroy River Corporation Limited

Directors' declaration
30 June 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 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

Malcolm McComas
Non-Executive Chairman

24 September 2018

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Independent Auditor's Report to the Members of Fitzroy River Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Fitzroy River Corporation Limited (the "Company") which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; 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 Company 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.

Key Audit Matters

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

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairment of investment in associate As disclosed in Notes 2 and 8, the Company's investment in associate comprise of the Company's equity interest in Royalco Resource Limited ('Royalco') totalling $4,277,000 as at 30 June 2018. Based on the directors' assessment of the recoverable amount of the Company's investment in associate, an impairment charge of $390,000 was recognised in profit or loss. Significant judgement is required to determine if there are any indicators of impairment and the estimation of the recoverable amount of the Company's investment in associate.	Our procedures included, but were not limited to: • Obtaining an understanding of the processes implemented by the directors to determine if there are any impairment indicators in relation to the Company's investment in Royalco; • Assessing the directors' consideration of the net assets of Royalco at balance date in conjunction with their Australian Stock Exchange announcements in respect of the offers received in respect of sale process of its Weeks Royalty; • Evaluating the directors' determination of the recoverable amount of investment in Royalco and recalculating the impairment charge for the year; and • Assessing the appropriateness of the disclosures included in Notes 2 and 8 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company 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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Deloitte.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 16 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Fitzroy River Corporation Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Weng W Ching
Partner
Chartered Accountants
Sydney, 24 September 2018

Fitzroy River Corporation Limited
Shareholder information
30 June 2018

The shareholder information set out below was applicable as at 28 August 2018.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Total number of shares held	Number of holders of ordinary shares
1 to 1,000	55,318	170
1,001 to 5,000	635,011	226
5,001 to 10,000	1,367,772	166
10,001 to 100,000	8,253,597	237
100,001 and over	78,139,161	84
	88,450,859	883

There were 323 holders of less than a marketable parcel of ordinary shares, comprising a total of 358,974 shares (0.405% of shares on issue), being a parcel of less than 3,334 shares based on a closing price of $0.15 on 28 August, 2018.

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
PERSHING AUSTRALIA NOMINEES PTY LTD (BLUE OCEAN EQUITIES A/C)	18,145,178	20.51
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT DRP)	10,103,512	11.42
ONE MANAGED INVT FUNDS LTD (1 A/C)	8,740,954	9.88
J P MORGAN NOMINEES AUSTRALIA LIMITED	8,467,100	9.57
BNP PARIBAS NOMS PTY LTD (DRP)	3,815,238	4.31
JH NOMINEES AUSTRALIA PTY LTD (HARRY FAMILY SUPER FUND A/C)	3,185,386	3.60
ROCKET SCIENCE PTY LTD (THE TROJAN CAPITAL FUND A/C)	2,400,000	2.71
NORFOLK ENCHANTS PTY LTD (TROJAN RETIREMENT FUND A/C)	2,200,000	2.49
MRS CAROLE CHRISTINE ROWAN	1,375,000	1.55
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,124,193	1.27
MR RUSSELL JOHN BATH & MRS DIANNE MARGARET BATH (BATH SUPER FUND A/C)	750,000	0.85
MR KENNETH BRUCE WILLIMOTT	608,200	0.69
MR ROBERT LANGDON HANWRIGHT & MRS MARGARET JEAN HANWRIGHT	575,000	0.65
MRS SUZANNE FERRIER (FERRIER FAMILY A/C)	522,200	0.59
CUSTODIAL SERVICES LIMITED (BENEFICIARIES HOLDING A/C)	500,000	0.57
CHECK-KIAN LOW	500,000	0.57
MRS ROMA MARION CHURCH & MR RONALD JACK CHURCH	496,828	0.56
MR LEONARD MOORE	481,250	0.54
MONEX BOOM SECURITIES (HK) LTD (CLIENTS ACCOUNT)	437,600	0.49
CLASSIFIED COM PTY LTD	400,000	0.45
	64,827,639	73.27

Unquoted equity securities
There are no unquoted equity securities.

Fitzroy River Corporation Limited
Shareholder information
30 June 2018

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Flexiplan Management Pty Ltd (Susan Thomas PSF A/C) - dated 08.03.16 released 09.03.16:	18,045,178	20.40
Australasia Resources Limited - dated 16.10.13 released 17.10.13	10,050,000	11.36
Mercantile Investment Company Limited - dated 22.02.16 released 23.02.16	8,740,954	9.88
Rocket Science Pty Ltd atf The Trojan Capital Fund - dated 23.01.15 released 27.01.15	7,123,000	8.05
Noontide Investments Ltd - dated and released 27.09.16	6,538,782	7.39

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
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.

There is a buyback of the Company's shares currently active as announced to the ASX on 9 August, 2018. As at 21 September, 2018, the company has not bought back any shares.

There are no shares subject to ASX or voluntary escrow.

There are no other classes of equity securities.