2019

ANNUAL REPORT

PRECISION | OPPORTUNITIES FUND

Financial Statements

PRECISION OPPORTUNITIES
FUND LTD ABN 11613479262
For the year ended 30 June 2019

Contents

1202 Hay Street, West Perth WA 6005
08 6319 1900
www.precisionfm.com.au

16 October 2019

Dear Investor,

PRECISION OPPORTUNITIES FUND LTD – CHAIRMAN'S LETTER

On behalf of the board of Precision Opportunities Fund Ltd ("**Fund**" or the **"Company"**), it is with pleasure that I present to you the Fund's Annual Report for the financial year ending 30 June 2019.

Significant results for the year are:

- The Fund recorded a pre-tax profit of $343,484 ($7,091,585 for 2018) and a net profit after tax of $243,131 ($4,855,860 for 2018).
- Total assets of the Company at 30 June 2019 are $31,979,900 ($32,502,436 for 2018). No additional equity was raised during the period.
- Net assets of the Company at 30 June 2019 are $30,447,159 ($30,204,027 for 2018), this figure includes deferred tax liabilities of $1,372,128 for 30 June 2019.
- The Company's net assets per share at 30 June 2019 is $0.2362 ($0.2342 for 2018)

For the financial year ending 30 June 2019, the Company achieved an increase in net assets per share of 0.8%. This increase is generated from a positive return on our investment portfolio and allows for the deduction of all fees and expenses, including tax, incurred in the period.

Whilst we recognise the level of return is less than last year, we draw some comfort from the fact we have been able to show a small increase for shareholders in our capital base over a period that saw a fall of 12.7% in the small resources index.

Our investment approach, which seeks to identify undervalued listed investments outside the ASX Top 100, remains valid and we continue to be confident that our investment objective to generate superior returns for investors will be met.

As I write to you, the Fund still has a relatively high cash position which has proven to be prudent in the wake of a volatile commodity price environment.

In recent times market sentiment has been driven by the continued obsession of Trump to fulfil his presidential campaign promise to protect US workers by igniting a tariff war with their major trade partners, most notably China and very recently, Europe. As such, sentiment towards commodities, other than gold as a safe haven, has been subdued and real demand has become uncertain as the threat of recessionary fears cloud the economic landscape. At the date of writing, it has been announced that the US has reached a partial deal with China on tariffs, the details of which are yet to be documented. This has provided a stimulus to the market.

Precision Opportunities Fund Ltd ACN 613 479 262 | Precision Funds Management Pty Ltd ACN 604 121 271 is a Corporate Authorised Representative of Chieftain Securities Pty Ltd AFSL 492850

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Whilst holding cash provides some comfort during these uncertain times, our return objectives will be better served from investment in suitable companies and the team is looking to establish more meaningful core well researched positions which we believe will have the ability to outperform over the medium term.

We continue to forge strong relationships with fellow investor groups and leverage off our combined attributes for a better investment outcome. The performance of the Fund since the balance date is testimony to this. Further, the participation in a wider network is leading to a greater range of opportunities to evaluate with the goal of achieving outperformance for our shareholders.

The Fund has on issue convertible and redeemable performance shares which were not capable of being redeemed for 3 years from August 2016, being the closing date of the original issue under the Fund's Information Memorandum. On the third anniversary of that date i.e. 10 August 2019, the Company had the right to either require the converting and redeemable shares on issue to be converted to ordinary shares or to elect to apply for listing on the Australian Securities Exchange, which would have required you to redeem your shares in the Fund. Your directors elected to do neither.

Given the Company is unlisted and in order to provide liquidity for shareholders we have successfully applied and been admitted to the register of entities under the Corporations (Low Volume Financial Markets) Instrument 2016/888. This allows a process of matching buyers and sellers which will be managed and coordinated by the company secretary of Precision Funds Management Pty Ltd. Please note, the power given to facilitate this matching is limited to $1,500,000 worth of shares in the Company in any 12 month period and so any trades will be attempted on a first come first served basis.

The Company's 122,434,413 options which were on issue were to expire on 10 August 2019. Of those options, 9,696,471 were exercised prior to their expiry at 20 cents per option, raising $1,940,000.00.

We thank you for your continued support and look forward to welcoming you to our Annual General Meeting scheduled for November 2019.

Yours sincerely

Michael Blakiston

Chairman
Precision Opportunities Fund Ltd

PRECISION | OPPORTUNITIES FUND

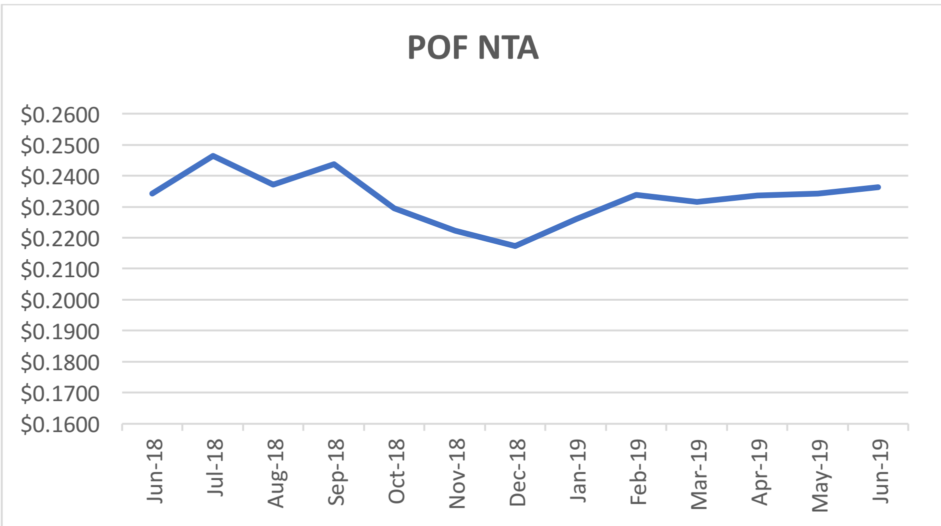
ABOUT PRECISION

- Precision Opportunities Fund Ltd ("POF") is an unlisted investment vehicle that identifies emerging opportunities and undervalued companies listed on the ASX and other recognised exchanges.
- POF was established in August 2016 and at time of writing (October 2019) currently has 138,676,452 shares on issue and has raised a total of $27,978,000 since inception.
- Precision Funds Management Pty Ltd ("PFM") has been engaged as the Investment Manager to generate and filter opportunities on behalf of POF and make all investment and divestment decisions.
- The investment focus of POF is predominantly in the small-mid market capital sectors which are companies typically capitalised outside the ASX100. The Investment Manager may invest from time to time in unlisted opportunities that have a clear path to market or exit. Through its exposure to the Investment Manager's network and skill-set, POF intends to provide its shareholders with access to opportunities not generally available to investors using traditional methods of equity investment.

INVESTMENT MANAGERS REPORT

PORTFOLIO PERFORMANCE

For the financial year ending June 30, 2019, POF achieved a net return of 0.8% during a period where we saw a difficult environment for commodity prices other than the safe haven of the gold market and this was largely confined to the heavy weight producer end of the market. This performance was highlighted by the Small Resources index declining by in excess of 12% over the financial year. However regardless of hiding behind any index we are driven by the end goal of outperformance in any market and look forward to providing returns that meet our shareholders expectations of which we as Directors all are.



Through this uncertainty we chose to maintain a high cash level as we seek to increase our core positions within the portfolio.

Well researched core positions within the portfolio have proven to provide outperformance and we will continue to be patient building these positions.

MARKET/ECONOMIC OUTLOOK

As interest rates globally continue to decline and the real threat of recession mounts the market focus switched to gold as a hedge which has seen the gold price push through US$1,500 per ounce. Combined with weakness in the Aussie dollar the Australian gold producers have had a significant positive re-rating. This has now flowed onto the smaller producers, emerging developers and finally the exploration end of the market.

However, the market still remains cautious and selective as we have seen some significant failures in the sector primarily due to accelerating too aggressively towards production. We have been fortunate to avoid any exposure to these companies and will continue to conduct the appropriate due diligence to avoid such companies. It's important to note the producers are all starting to see cost pressures as labour and services demand reaches fever pitch levels and as such, we endeavour to focus on cost conscious operations.

At the time of writing in the wake of further recent interest rate cuts in the US and Australia the outlook for the sector remains robust.

On the economic front markets remain focussed in heightening trade negotiations between the US and China. For Trump to deliver on his election promises and endear himself to US workers he has focussed on what he considers to be unfair trading practices with China firmly in his sights but ultimately looking to reduce the trade deficit with China.

China has responded to date with counter tariff blows but ultimately the longer this continues the more economic uncertainty it creates and hence the higher the risk of a global recession.

As this risk escalates and unemployment rises and the chances of re-election diminish you would expect a satisfactory resolution however in the meantime, we expect to see further market volatility (i.e. corrections) in the range of 5-10% on the US market. However, it should be noted the current low interest rate environment and US$ strength (foreign inflows) usually underpin strong share markets.

COMMODITIES OUTLOOK

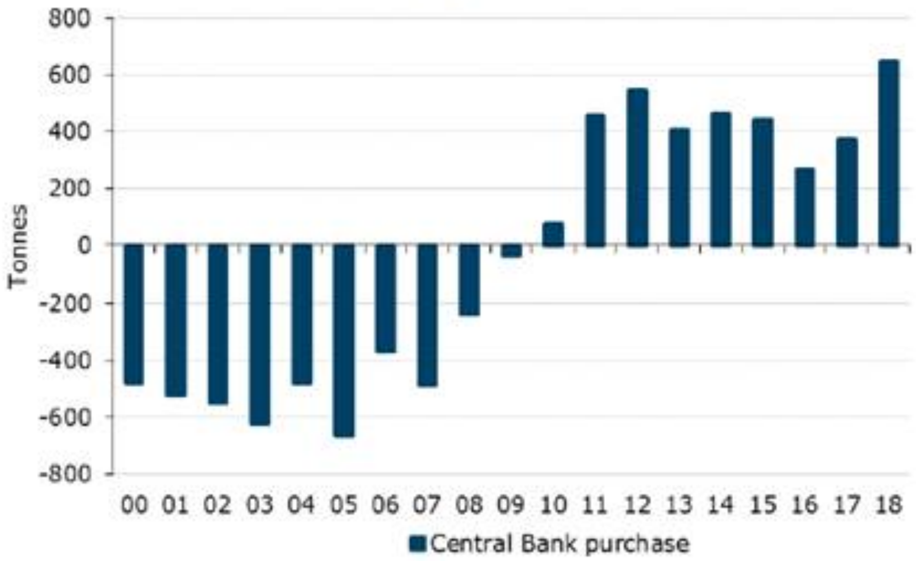
Commodities outside of gold have not enjoyed the same market conditions that drive their respective values…economic prosperity. We saw the metals associated with the Electric Vehicle revolution namely lithium, cobalt and graphite retreat sharply as demand expectations subsided and new production came on stream. Needless to say, this is still a sector that has a significant presence in the wake of emission targets being met globally, but particularly in China.

Traditional metals have proved to be the best way to pursue exposure to the EV market via copper zinc and nickel. The industry is evolving rapidly as is the associated battery and storage technology.

Gold:

The fundamentals for gold remain very strong – as rising economic uncertainty and falling interest rates have triggered increased investor interest. Central banks bought 650 tonnes of gold last year – the highest in 47 years and 75% higher than 2017. These factors will remain the key drivers for the gold market in the short-term, with a trade war deal unlikely before November next year (when the US elections take place) and interest rates head towards zero across the globe.

Figure 21. Central bank buying emerging as a major source of demand

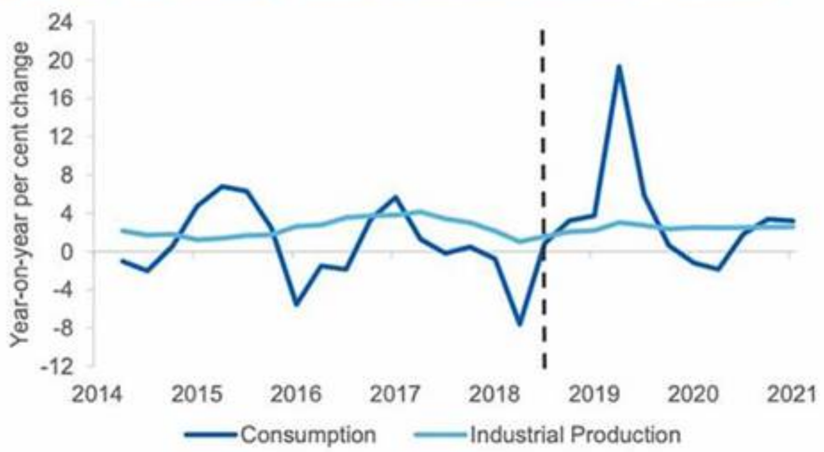


Source: WGC, ANZ Research

Copper:

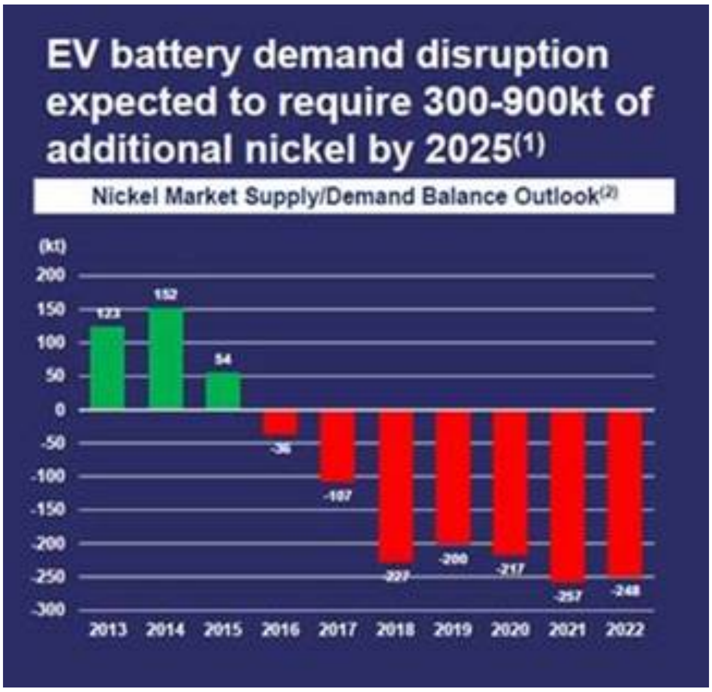
The International Copper Study Group (ICSG) estimates a 190kt copper deficit year-to-date in 2019, with mine supply falling -1% and demand flat. Supply and demand remain finely balanced at present, but in the

Figure 12.4: World copper consumption and industrial production

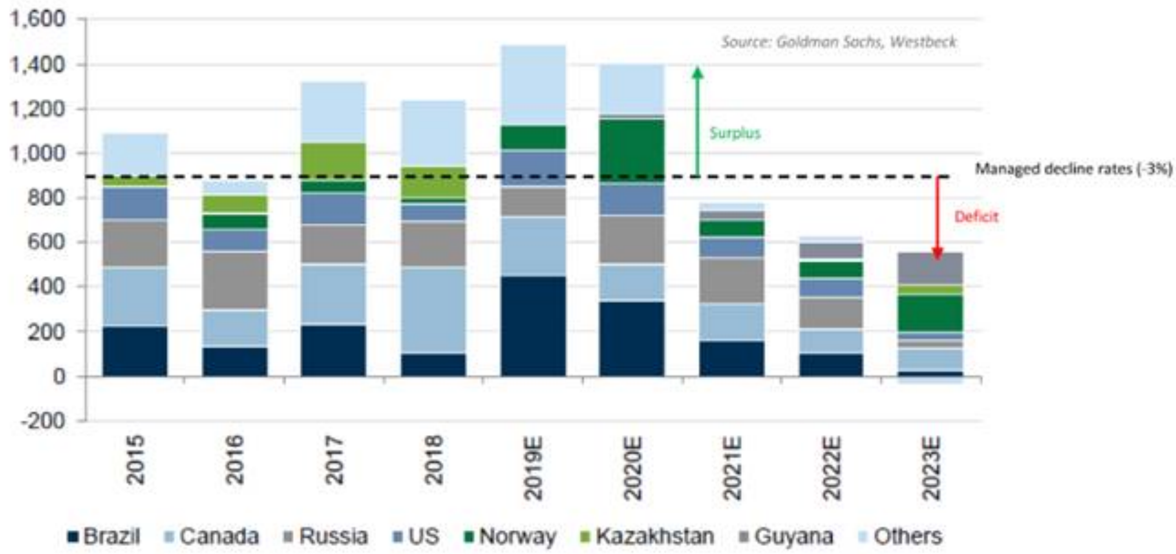


Source: World Bureau of Metal Statistics (2019); Bloomberg (2019) Netherland CPB; Department of Industry, Innovation and Science (2019) short-to-medium term, consumption will grow to outpace production out to 2021. The copper market appears relatively tight and spot prices reflect sentiment more so than fundamentals. We expect a significant rebound if trade progress is made between the US and Chinese.

Nickel:
Indonesia's decision to ban Nickel exports will remove 10% of global supply from the market as of January 2020. Stockpiles year-to-date are down ~53Kt from 200kt to 147kt. A combination of these factors have led to AUD Nickel price increasing $10,000/t to $26,000/t. Battery technologies are increasing Nickel content and decreasing other battery metals such as cobalt, which will see a strengthening deficit in terms of nickel inventories and an extension of the current "mini boom" over the next few years.



Oil:
Even assuming 1998-2001 recession-type demand in 2020, we still believe oil markets will remain tight, after record draws in Q3/Q4 in 2019. It is estimated that $1trillion of long-cycle investments have gone missing over the last 5 years. With a 6-year lag, that unprecedented collapse in investment will hit non-OPEC ex-US production in 2021-2025 (contracting by 500kbbl/day per annum) requiring US shale to bridge a huge gap. Even assuming a normalisation in the Middle East, the lack of new global supply in 2021-2025 will quickly chew through spare capacity and once again put OPEC in the driving seat in setting the oil price.



Uranium:

Uranium, in theory, is a solid investment – but that's something analysts have been saying in the eight years since Fukushima, the 33 years since Chernobyl and the 40 years since Three Mile Island. At its latest short-term price (and most is sold under long-term contract), uranium is less than half the estimated $US65/lb required to encourage the re-opening of mothballed mines and even less than the "incentive" price to develop new mines. However, for the first time in 8 years, the World Nuclear Association (WNA) report highlights a growth in demand in all three scenarios (low, reference, high). The upper and reference scenarios show that global nuclear power capacity will grow at a faster rate than any time since 1990.

STRATEGY

In the process of building strong core positions in the portfolio we continue to adopt the practices of:

- Independent technical analysis
- Benchmarking
- Regular company visits
- Management assessment
- Assessment of relevant project, country and political risks
- Commodity diversification
- Consensus valuation

We will continue to leverage off the vast network we have at our reach to explore new investment opportunities and the technical capabilities that exist within the network to evaluate them.

It is important to recognise that the broad base of our investment mandate enables us to invest at many stages of a traditional company life cycle including:

- Project level
- Seed capital
- Pre-IPO

- IPO
- Placements
- On market
- Private/unlisted

We are also not restricted to the resources sector, however, have largely focussed on this sector and the associated services industries that support it.

Finally, on behalf of the board of PFM we would like to sincerely thank our loyal shareholders for their continued support, it is greatly appreciated.

Tim Weir
Director
Precision Opportunities Fund Ltd

Tony Kenny
Director
Precision Opportunities Fund Ltd

Director's Report

PRECISION OPPORTUNITIES FUND LTD

For the year ended 30 June 2019

Your directors present their report on the company for the financial period ended 30 June 2019.

Directors
The names of the directors in office at any time during or since the end of the period are:
Anthony Christopher Kenny
Timothy Leonard Weir
William James Beament
Michael Gerrard Blakiston

Directors have been in office since registration date of the company, 5 July 2016, to the date of this report unless otherwise stated.

Review of Operations
The company recorded a net profit after tax for the financial period amounting to $243,131. (2018: $4,855,860)

Significant Changes in the State of Affairs
No significant changes in the company's state of affairs occurred during the financial period.

Principal Activities
The principal activities of the company during the financial period were to provide specialist investment services and management.

No significant change in the nature of these activities occurred during the period.

Likely Developments and Expected Results of Operations
Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

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

Information on Directors

Name:	Anthony Christopher Kenny
Title:	Executive – Director
Experience and expertise:	Tony is a finance industry executive with in excess of 20 years' experience in both a stockbroking and investment advisory capacity. Tony began his career with Porter Western in Perth in 1997 prior to its acquisition by Macquarie Bank. Tony has since co-founded a number of boutique corporate advisory and wealth management businesses in Perth and held executive and non-executive directorships roles across companies in related industries, most recently as an Executive Director of Euroz Securities post the acquisition by Euroz Ltd of Blackswan Equities. Tony is currently an executive director of Precision Funds Management Pty Ltd and Chieftain Securities Pty Ltd. Tony specialises in advising and assisting growth companies to achieve their outcomes, his executive

	management expertise covers capital markets and equity funding requirements, business strategy, restructuring and pathways to listing specifically in the small to mid-cap space
Name:	Timothy Leonard Weir
Title:	Executive – Director
Experience and expertise:	Tim has had in excess of 20 years' experience in the Finance industry holding senior roles in Investment Advisory, Management and Corporate Finance. Mr Weir holds a Bachelor of Business from Curtin University majoring in Economics and Finance. He was a founding director of Blackswan Equities which was subsequently acquired by Euroz Ltd in 2015. Prior to this he was a Director of Perth based Stockbroking firm Porter Western Ltd which was Acquired by Macquarie Bank in 2006. Tim is currently an executive director of Precision Funds Management Pty Ltd and Chieftain Securities Pty Ltd and has been involved in a wide range of Equity Capital Market and Advisory transactions.
Name:	William James Beament
Title:	Non-Executive Director
Experience and expertise:	Bill Beament is a mining engineer with more than 20 years' experience in the Resource sector. Bill is currently Managing Director and a founder of Northern Star Resources Ltd, one of Australia's largest listed gold producers with a market capitalisation of $3 billion and employing 1,700 staff and contractors. Previously he held several senior management positions, including General Manager of Operations for Barminco Ltd and General Manager of the Eloise Copper Mine in Queensland. Mr Beament is the current President of Western Australia School of Mines Graduate Association and was named 2016 CEO of the Year by the Financial Review and First Amongst Equals at the 2013 Business News 40under40 Awards.
Name:	Michael Gerrard Blakiston
Title:	Non-Executive Chairman
Experience and expertise:	Michael is a partner in Gilbert + Tobin practising in the corporate and resources sectors. Michael joined Gilbert + Tobin in July 2011, after the firm's integration with Blakiston & Crabb which he founded and led since 1985. Michael advises clients in the resources sector covering all aspects of exploration, development and operation. He has extensive experience across a range of commodities. Michael's overseas experience is extensive. An internationally renowned leader in resources law. Michael has been recognised in various legal publications. Michael is a non-executive director of BCI Minerals Ltd.

Director's Report

PRECISION OPPORTUNITIES FUND LTD
For the year ended 30 June 2019

Company Secretary
Irene Chin and Jessica Ridley have held the Joint Company Secretary role since incorporation.

Meetings of Directors
The number of meetings of the company's Board of Director ("the Board") held during the period ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Anthony Kenny	1	1
Timothy Weir	1	1
William Beament	1	1
Michael Blakiston	1	1

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

Dividends
No dividends were paid during the period.

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

Indemnity and Insurance of Auditor
The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial period, 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 for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the period.

Director's Report

PRECISION OPPORTUNITIES FUND LTD

For the year ended 30 June 2019

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 11.

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

Director_______________________________

Dated this 21st day of October 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF PRECISION OPPORTUNITIES FUND LTD

As lead auditor of Precision Opportunities Fund Ltd for the period ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 21 October 2019

Statement of Profit or Loss and Other Comprehensive Income

PRECISION OPPORTUNITIES FUND LTD

For the year ended 30 June 2019

	NOTES	2019	2018
Income			
Revenue			
Gain on financial assets held at fair value through profit or loss		320,112	3,180,418
Revaluation of financial assets held at fair value through profit or loss		(4,344)	4,573,759
Other Income			
Other Revenue		530,386	414,601
Total Income		**846,154**	**8,168,778**
Total Income		**846,154**	**8,168,778**
Expenses			
Depreciation		(2,632)	(877)
Interest expenses		(1,665)	(711)
Administration Expenses		(488,642)	(1,027,094)
Other Expenses		(9,731)	(48,511)
Total Expenses		**(502,670)**	**(1,077,194)**
Profit/(Loss) before Income Tax		**343,484**	**7,091,585**
Income Tax Expense			
Income Tax Expense		(100,353)	(2,235,725)
Total Income Tax Expense		**(100,353)**	**(2,235,725)**
Net Profit / (Loss) After Tax		**243,131**	**4,855,860**
Total Comprehensive Income for the year		**-**	**-**

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

Statement of Financial Position

PRECISION OPPORTUNITIES FUND LTD
As at 30 June 2019

	NOTE	2019	2018
Assets			
Current Assets			
Cash and Cash Equivalents	3	11,601,831	11,431,899
Trade and other receivables	4	310,773	322,954
Financial assets held at fair value through profit or loss	5	17,897,254	19,744,951
Total Current Assets		**29,809,858**	**31,499,804**
Non-Current Assets			
Intangibles	6	-	2,632
Trade and other receivables	4	-	1,000,000
Deferred tax assets	8	1,303	-
Financial assets held at fair value through profit or loss	5	2,168,739	-
Total Non-Current Assets		**2,170,042**	**1,002,632**
Total Assets		**31,979,900**	**32,502,436**
Liabilities			
Current Liabilities			
Current tax liabilities	7	101,656	863,597
Trade and Other Payables		58,958	62,684
Total Current Liabilities		**160,613**	**926,281**
Non-Current Liabilities			
Deferred tax liabilities	8	1,372,128	1,372,128
Total Non-Current Liabilities		**1,372,128**	**1,372,128**
Total Liabilities		**1,532,741**	**2,298,409**
Net Assets		**30,447,159**	**30,204,028**
Equity			
Ordinary Class Shares		4	4
Preference Shares		26,038,000	26,038,000
Retained Earnings/(Accumulated Losses)		4,409,155	4,166,023
Total Equity		**30,447,159**	**30,204,027**

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

Statement of Changes in Equity

PRECISION OPPORTUNITIES FUND LTD
For the year ended 30 June 2019

	ISSUED CAPITAL	RESERVES	RETAINED EARNINGS (ACCUMULATED LOSSES)	NON-CONTROLLING INTEREST	TOTAL
	$	$	$	$	$
BALANCE AS AT 1 JULY 2017	24,713,004	-	(689,836)	-	24,023,168
Profit/Loss for the year	-	-	4,855,860	-	4,855,860
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	4,855,860	-	4,855,860
Ordinary Shares issued during the year	-	-	-	-	-
Preference Shares issued during the year	1,325,000	-	-	-	1,325,000
Dividends Paid or Provided	-	-	-	-	-
BALANCE AS AT 30 JUNE 2018	**26,038,004**	**-**	**4,166,023**	**-**	**30,204,027**
BALANCE AS AT 1 JULY 2018	26,038,004	-	4,166,023	-	30,204,027
Profit/Loss for the year	-	-	243,131	-	243,131
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	243,131	-	243,131
Ordinary Shares issued during the year	-	-	-	-	-
Preference Shares issued during the year	-	-	-	-	-
Dividends Paid or Provided	-	-	-	-	-
BALANCE AS AT 30 JUNE 2019	**26,038,004**	**-**	**4,409,155**	**-**	**30,447,159**

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

Statement of Cash Flows

PRECISION OPPORTUNITIES FUND LTD
For the year ended 30 June 2019

	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customer	56,167	126,040
Payments to suppliers and employees	(451,854)	(1,031,542)
Dividend Received	63,680	71,913
Interest Received	374,830	216,648
Income Tax (Paid) Refunded	(827,888)	-
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	(785,065)	(616,941)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of investments	25,175,770	26,492,864
Purchase of Investments	(24,220,773)	(31,761,031)
NET CASH USED IN INVESTING ACTIVITIES	954,997	(5,268,167)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	1,325,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	1,325,000
NET (INCREASE) IN CASH HELD	169,932	(4,560,108)
Cash and Cash Equivalents at beginning of the financial year	11,431,899	15,992,007
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR 2018	11,601,831	11,431,899

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

Notes to the Financial Statements

PRECISION OPPORTUNITIES FUND LTD
For the year ended 30 June 2019

1. Basis of preparation

The Company is non-reporting since there are unlikely to be any users who would rely on the general purpose financial statements.

The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

2. Summary of significant accounting policies

a. Revenue and other income

All revenue is stated net of the amount of goods and services tax (GST).

AASB 15: Revenue from Contracts with Customers

AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The company's main source of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As consequences, the directors do not expect the company to be required to use the statements.

Interest revenue

Interest income is recognised on an accruals basis.

Dividend revenue

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

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Net gain/loss on sale of fair value through profit or loss assets

The gain or loss on disposal of fair value through profit or loss (FVTPL) assets is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Consolidated Statement of Profit or Loss and Consolidated Statement of Other Comprehensive Income in the year of disposal.

Other

Other income is recognised on an accruals basis when the Company is entitled to it.

b. Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet.

c. Cash and cash equivalent

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

d. 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 current when:

- it is expected to be realised or intended to be sold or consumed in normal operating cycle;
- it is held primarily for the purpose of trading; it is expected to be realised within twelve 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 twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting

period. All other liabilities are classified as non-current.

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

e. 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.

f. Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

g. Issued capital and convertible redeemable preference shares

Ordinary shares and convertible redeemable preference shares are classified as equity.

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

h. Income tax

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

Current income tax is only calculated on realised gains.

Unrealised gains are not recognised as trading stock, and are furthermore not taxed until realised gains are made.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Precision Opportunities Fund Ltd at 30% (2018:30%) and the reported tax expense in profit or loss are as follows at Note 7.

i. Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

j. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

k. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates

Impairment- general

The Company assesses impairment at the end of each reporting period by evaluating the conditions and events 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.

Fair value of financial assets

Fair value reflects 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.

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active or the instrument is unlisted, then fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

Key judgments

Income Tax

The company 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 company recognises liabilities for anticipated tax audit issues based on the company'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 tax provision in the period in which such determination is made.

l. Adoption of AASB 9: Financial Instruments (and applicable amendments) ("AASB 9")

AASB 9: Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard was applicable from 1 January 2018.

The company has adopted AASB 9 for reporting periods commencing 1 July 2018. AASB 9 replaces the classification and measurement model in AASB 139 Financial Instruments: Recognition and Measurement with a new model that classifies financial instruments based on the business model within which the financial instruments are managed, and whether the contractual cash flows under the instrument solely represent the payment of principal and interest.

Under the new standard, financial instruments are classified as:

- Amortised cost if the objective of the business model is to hold the financial instruments to collect contractual cash flows and those cash flows represent solely payments of principal and interest (SPPI);
- Fair value through other comprehensive income if the objective of the business model is to hold the financial instruments to collect contractual cashflows from SPPI and to sell; or
- All other financial instruments must be recognized at fair value through profit or loss. An entity can, at initial recognition, also irrevocably designate a financial instrument as measured at fair value through profit or loss if it

eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading,

AASB 9 has been applied retrospectively by the registered company and did not result in a change to the classification or measurement of financial instruments. Further, there has been no change required to the accounting measurement of debt instruments held by the company. The de-recognition rules have not been changed from previous requirements and the registered company does not apply hedge accounting.

Financial Instruments Classification

The company classifies its investments based on its business model for managing those investments and their contractual cash flow characteristics, the company’s portfolio of financial assets and financial liabilities is managed and performance is evaluated on a fair value basis in accordance with the company’s documented investment strategy. The company’s policy is for the Responsible Entity to evaluate the information about its investments on a fair value basis together with other related financial information.

Recognition

The company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in the fair value of financial assets or financial liabilities from this date. Investments are derecognised when the contractual right to receive cash flows from the investments have expired or have been transferred, and the company has transferred substantially all of the risks and rewards of ownership.

Measurement

At initial recognition, the company measures financial assets and financial liabilities at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured fair value. Gains and losses arising from changes in the fair value of the ‘financial assets or financial liabilities at fair value through profit or loss’ categories are presented in the statement of comprehensive income within “Net gain/(loss) on financial investments through profit or loss” in the period in which they arise.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

The key features of AASB 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonable certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

AASB 16 contains disclosure requirements for lessees.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

	2019	2018
3. Cash & Cash Equivalents		
Cash at bank	11,601,827	11,431,895
Cash On Hand	4	4
Total Cash & Cash Equivalents	**11,601,831**	**11,431,899**

	2019	2018
4. Trade and other receivables		
Current		
GST Account	10,773	22,954
Convertible Notes (CA)	300,000	300,000
Total Current	**310,773**	**322,954**
Non Current		
Convertible Notes (NCA)	-	1,000,000
Total Non Current	**-**	**1,000,000**
Total Trade and other receivables	**310,773**	**1,322,954**

5. Financial Assets held at fair value through profit or loss

	2019	2018
Designated at fair value through profit or loss		
Equity Securities	20,065,992	19,744,951
Comprising:		
Current	**17,897,254**	**-**
Non-Current	**2,168,739**	**-**
Total Designated at fair value through profit or loss	**20,065,992**	**19,744,951**
Comprising:		
Australian Equity Securities	17,576,110	19,326,236
International Equity Securities	361,979	418,715
Unlisted Equity Securities	2,127,903	-
Total Financial Assets held at fair value through profit or loss	**20,065,992**	**19,744,951**

Unlisted Equities Securities fair values

The fair values of financial assets and financial liabilities approximate their carrying amounts in the condensed statement of financial position.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 fair value measurement are those instruments valued based on quoted prices (unadjusted) in active markets for Identical assets or liabilities.

Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those instruments valued based on techniques using significant unobservable inputs. This category includes all instruments for which the valuation techniques includes inputs not based on observable data and unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2019	Level 1	Level 2	Level 3	Total
Financial assets classified as fair value through profit and loss	$17,938,089	$947,903	$1,180,000	$20,065,992

Fair value measurements are those instruments valued based on techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Industry Sector	Basis of valuation	Date of transaction	Fair value as at 30 June 2018 $	Fair value as at 30 June 2019 $
HiSeis Pty Ltd	Energy	Directors have taken the approach to value at cost based on available company data and in the absence of any capital raisings	April 2018	1,030,000	1,030,000
Kalbar Resources Ltd	Energy	Directors have taken the approach to value at last capital raising price of $1.50 – refer to Share Price Update file enclosed.	October 2018	650,000	849,999
Latitude 66 Cobalt Limited	Energy	Price of POF'S entry price	December 2017	150,000	150,000
First Cobalt Corp	Energy	Price of direct registration statement	June 2019	106,467	77,500
First Cobalt Ord	Energy	Price from TMX Matrix	June 2019	181,250	20,405
Total				**2,117,717**	**2,127,903**

	2019	2018
6. Intangibles		
Other Intangible Assets		
Website Design at Cost	-	4,387
Accumulated Depreciation	-	(1,755)
Total Other Intangible Assets	**-**	**2,632**
Total Intangibles	**-**	**2,632**

	2019	2018
7. Income tax expense		
Profit / (loss) before tax	343,484	7,091,585
Tax expense comprises:		
Current Tax Expense:	101,656	863,597
Deferred tax expense/ (income) – Revaluation of FVTPL assets:	(1,303)	1,372,128
Total Income tax expense	**100,353**	**2,235,725**

	2019	2018
8. Deferred tax assets and liabilities		
(Deferred tax assets)	(1,303)	-
Deferred tax liabilities	1,372,128	1,372,128
Total Deferred tax assets and liabilities	**1,370,825**	**1,372,128**

A deferred tax liability of $1,370,825 (2018: 1,372,128) associated with revaluation of FVTPL investment. All deferred tax liabilities have been recognised in the statement of financial position.

	2019	2018
9. Issued Capital		
a. 4 (2018:4) Fully Paid Ordinary Shares	4	4

The Company has authorised share capital amounting to ordinary shares of no par value.
ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.
At the shareholders' meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. 128,979,981 convertible redeemable preference shares

The Company has authorised share capital amounting to 127,993,080 convertible redeemable preference shares of $0.20 per value.

Convertible redeemable preference shares participate in dividends	26,038,000	26,038,000

At the shareholders' meeting, each convertible redeemable preference share is entitled to one vote when a poll is called, otherwise each shareholder has vote on a show of hands.

At the beginning of the reporting period:	128,979,981	123,438,933
Shares issued during the period		
28 February 2018	-	4,494,147
30 June 2018	-	1,046,901
At the end of reporting period	128,979,981	128,979,981

10.Contingencies

There are no contingent liabilities or contingent assets as at 30 June 2019 (30 June 2018: Nil)

11.Subsequent Events

Since the end of the reporting period, the following events have occurred:

a) Applications for the exercise of 9,696,471 options expiring 10 August 2019 at an issue price of $0.20 per share have been Received, raising approximately $1,940,000 from the balance date of the reporting period up to the date of this report;

These events will be recorded and disclosed in the next reporting. The financial effect of the above transactions has not been brought to account in the current reporting period.

There has been no other material after balance date events.

12. Cash Flow Information	2019	2018
Reconciliation of Cash Flow from Operations with Profit after income tax		
	243,131	4,855,860
Adjustment for non-cash components in profit:		
Depreciation	2,632	877
Net Gain/Loss on disposal of investment	(276,038)	(7,754,177)
Changes in Assets and Liabilities		
Decrease in trade and other receivables	12,181	(7,721)
Decrease in trade and other payables	(765,668)	916,092
Deferred tax liabilities / (assets)	(1,303)	1,372,128
Net Cash decreases in Cash Held	(785,065)	(616,941)

Director(s) Declaration

PRECISION OPPORTUNITIES FUND LTD
For the year ended 30 June 2019

The director(s) have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note2 to the financial statements.

The director(s) of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards as described in Note 2 to the financial statements and the Corporations Regulation 2001; and

   (b) give a true and fair view of the company's financial position as at 30 June 2019 of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.

2. In the director(s)' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Director(s) and is signed for and on behalf of the directors by:

Director: ___________________________________

Anthony Kenny

Signature date: 21st October 2019

Director: ___________________________________

Timothy Leonard Weir

Signature date: 21st October 2019

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Precision Opportunities Fund Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Precision Opportunities Fund Ltd (the Company), which comprises the statement of financial position as at 30 June 2019, 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 report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Precision Opportunities Fund Ltd, 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 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards to the extent described in Note 1, 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.

Emphasis of matter - Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' report for the year ended 30 June 2019, but does not include the financial report and the 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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 21 October 2019