



Shenton --- **Resources Limited**

ABN 16 152 726 595

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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DIRECTORS REPORT

The directors present their report together with the financial report of Shenton Resources Limited for the six months ended 31 December 2017 and the auditor's review report thereon.

DIRECTORS

The following persons were directors of Shenton Resources Limited from the company's incorporation on 17 August 2011 *and up to the date of this report*.

Jeremy David Shervington (Non-Executive Chairman)
Bradley Gordon John Abbott (Executive Director)
Robert Alastair St John Beeck (Non-Executive Director)

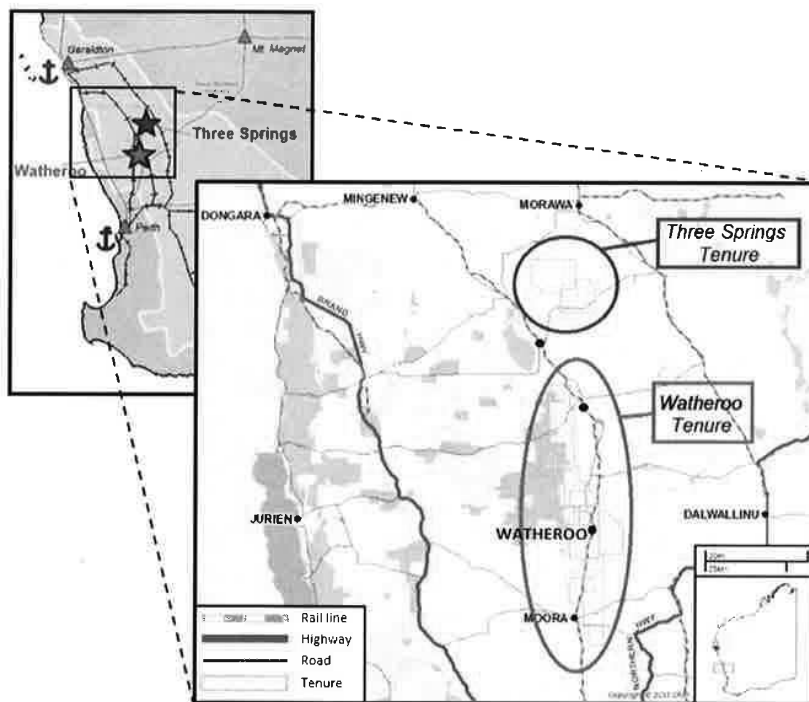
PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were the sourcing, assessment and evaluation of mineral exploration projects and applying for exploration tenements.

REVIEW OF OPERATIONS

Shenton Resource Limited ("Shenton") is the owner of a significant ground package covering a prospective hard rock Potash Project located in the heart of the West Australian mid-west grain belt region. The potash rich host rocks are considered to have exploration potential to support a large scale potash mining and manufacturing development, producing from 150,000 up to 250,000 tonnes per annum of Sulphate of Potash (SOP) for at least 20 years.

The Company has two Project areas with exploration Tenements covering a total area of approximately 1150 km². The main Watheroo Project area is located within two hours (220km) of Perth and is situated on freehold agricultural land with immediate access to major utilities, transport corridor, local workforce and regional services centre of Moora.



Potash Project location and regional infrastructure map

DIRECTORS REPORT

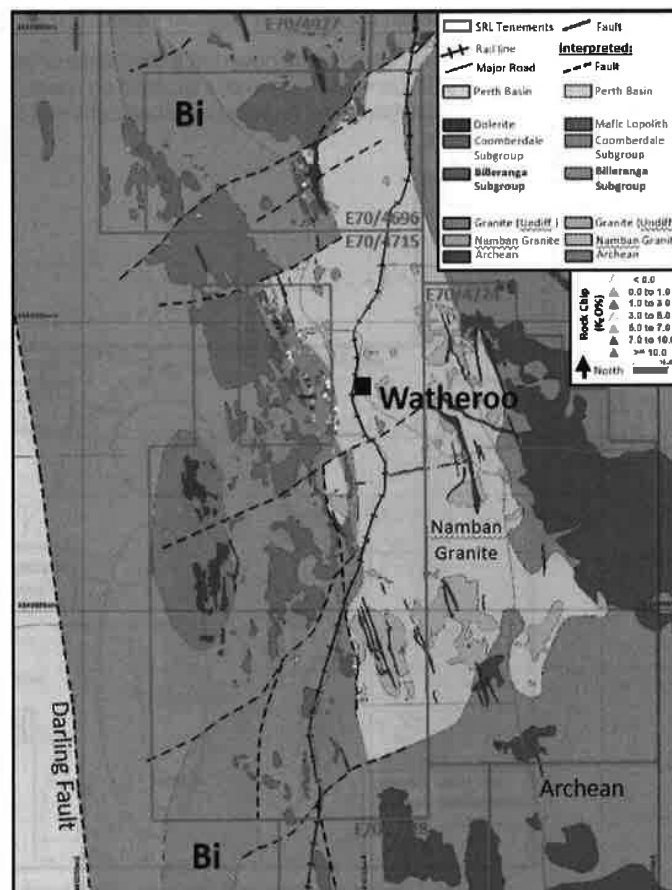
Potash Project Highlights

- Hard-rock hosted Potash Project located two hours north from Perth
- Drill and surface sample grades up to 10.9% K₂O
- 1,150km² of Exploration Licences with potash prospective host rocks covering strike length of 65km over freehold agricultural land
- Potential to utilise conventional low risk open pit mining methods
- Exploration potential for production of 150,000 up to 250,000 tonnes of K₂SO₄ (SOP) for +20 years
- Potassium extraction rates up to 89% achieved, before optimisation, from oxide and transition ores.
- Located within 2km of major road/rail corridor and regional power grid. Adjacent to major population and service centre
- Global SOP market sales currently approaching A\$900 per tonne.

The Watheroo & Three Springs projects are situated within a strip of Middle Proterozoic Moora Group rocks between the Darling Fault and Archaean Yilgarn Craton. Potash mineralization associated with homogeneous, potassium feldspar-rich tuff, tuffaceous volcanoclastic and sedimentary (lithic wacke/siltstone) lithologies of the Billeranga Subgroup (Bi), deposited during a failed Proterozoic Rift.

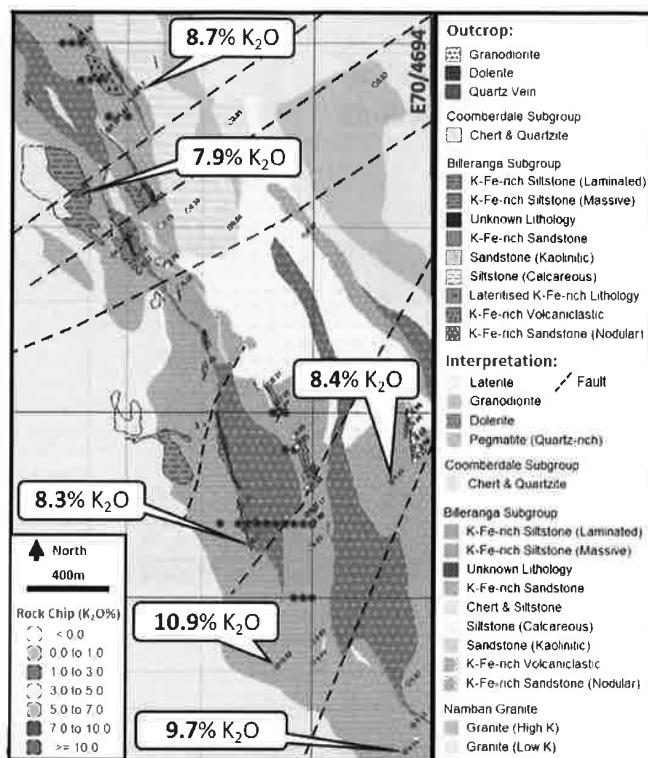
Watheroo Project

At Watheroo, these ultrapotassic horizons are confined to the Dalaroo Siltstone member – focus of rock chip sampling/AC drilling. Anomalism of 8-11% K₂O has been proven over semi-continuous strike length of over plus 4km. In addition, up to 12% K₂O has been returned from extensions of Billeranga Subgroup covered by Shenton's southern Watheroo tenure near Moora. There appears to be potential for ore bodies to continue up to tens of km.



Watheroo Potash Project - geology dominated by Billeranga Subgroup K₂O rich volcanic tuffs. Namban granite is shown with the Company's Tenement package outline.

DIRECTORS REPORT



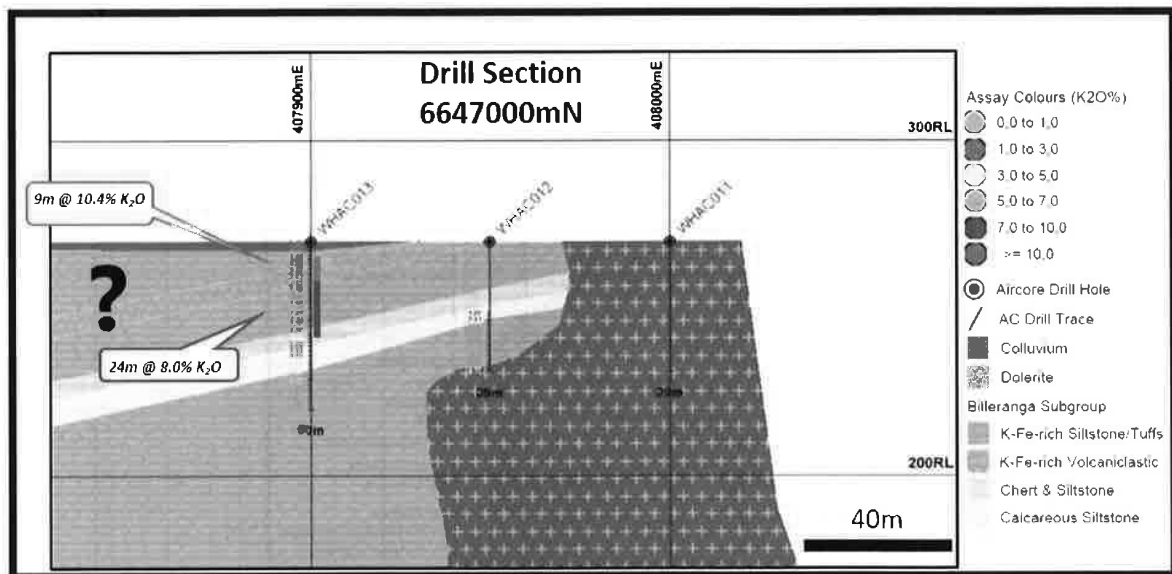
Watheroo Potash Project – geological mapping completed by the Company showing potash rich rock types highlighted in red with rock chip samples and drill hole locations within the central tenement EL70/4694.

A total of 26 vertical AC holes ranging in depth from 3 m to 53 m totalling 566 m have been completed. The depth of drilling was dictated by depth of weathering with holes drilled to blade refusal. Drill intercepts of up to 24m at 8.0% K₂O from 4m depth including 9m @ 10.9% K₂O.



Air core drilling – Watheroo Project area

DIRECTORS REPORT



Watheroo Potash Project – Aircore drill section with significant drill intercepts such as 24m at 8.0% K₂O with potash rich unit open to the west.

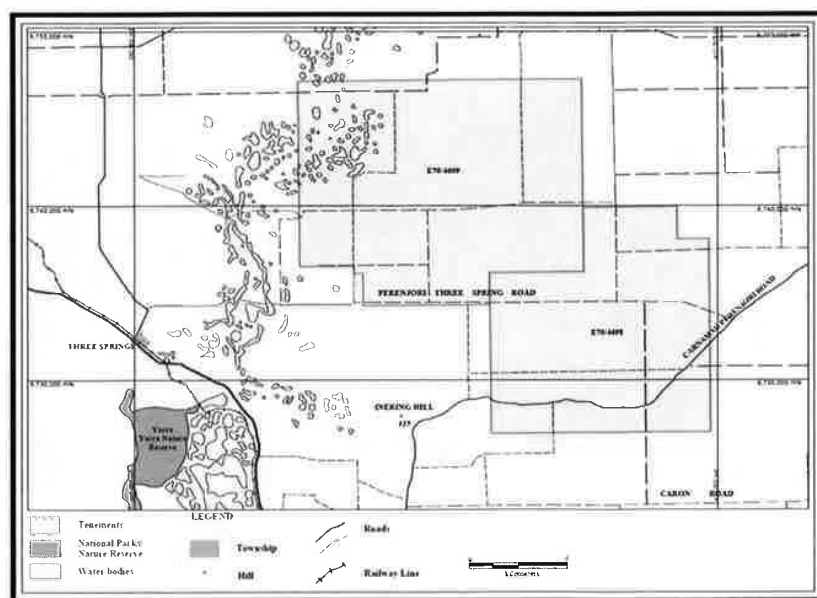
Exploration Potential

Geological mapping by the Geological Survey of Western Australia as part of the Moora 1:250 000 map sheet and field mapping completed by the Company shows Billeranga Subgroup volcanic tuffaceous rocks outcrop, and can be inferred below shallow cover, within the Company's Tenement package from Namban in the south to the north of the Watheroo township. The Company's exploration focus to date has been in the Watheroo area with detailed geological mapping completed immediately west of the Watheroo township. Geological mapping has outlined potassium rich tuffaceous rocks over a strike length of 5 km which have been the basis of a first pass AC drilling program which has returned significant drill intercepts such as 24m at 8.0% K₂O.

Shenton's future exploration programmes will be aimed at outlining a deposit of similar tonnes **and grade** as at Centrex Metals Limited Oxley Project of 155 million tonnes at a grade of 8.3% K₂O located in a similar geological setting. Refer to Centrex Metals ASX Announcement 8th March 2016.

Three Springs Project

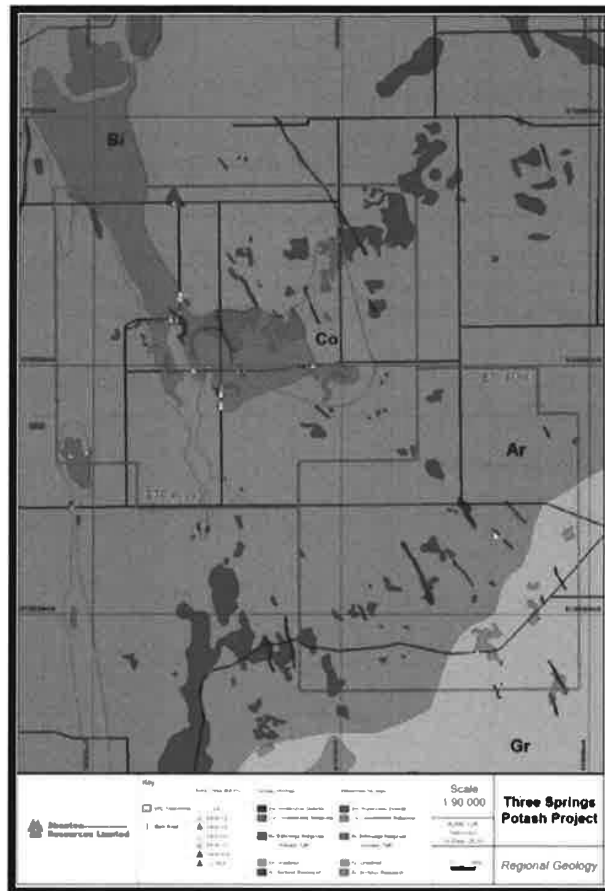
The Three Springs Potash Project is located 310km north of Perth and 10km east of the regional town of Three Springs in the West Australian grainbelt. Main access is provided by the sealed Great Northern/Midlands Highways. The Three Springs Project benefits from a 10km proximity to the Perth-Moora-Geraldton rail line.



Three Springs Potash Project Tenement package covering 290 km² location map

DIRECTORS REPORT

Rock chip sampling and roadside geological mapping across the Three Springs Potash Project shows ultrapotassic rocks outcropping, and can be further inferred below shallow cover, over a potential area of at least 13 km² within the Company's tenement package. A number of rock chip samples have returned K₂O grades above 7%, with best result of 8.2% K₂O.



Detailed geological mapping and follow-up rock chip sampling is proposed to further constrain the extent of prospective Billeranga Subgroup units within the tenement package, in addition to delineating specific high-grade horizons ($\geq 8.0\%$ K₂O). The first stage will be the negotiation of freehold land access with landowners within the project area, which is anticipated to commence soon.

Development Path

Initial metallurgical testwork has demonstrated attractive levels of potassium extraction from the potassium rich drill samples. Highly encouraging laboratory testwork has indicated that recovery of potassium can be achieved using well practiced metallurgical processes, described further in this Statement. Production of K₂SO₄ has been assumed via traditional and well understood manufacturing methods, but future work will also assess the suitability of emerging new technologies for production.

It is envisaged that in any development of the Project the Company would utilise well proven and relatively low risk open cut mining methods, providing a consistently reliable feed source to the ore processing concentrator. Basic raw material inputs including gas, sulphuric acid and salt are readily obtainable in the West Australian market place.

Any Project development will require the establishment of an ore processing facility constructed in close proximity to the mining operations and adjacent regional high voltage power grids and communication networks. A potential development site is situated within 2 kilometres of high quality road and rail transport infrastructure, leading to the Western Australian coastal ports of Fremantle/Kwinana or Geraldton.

An attractive benefit of the hard rock geology hosting Shenton's potash mineralisation is the ability for the Company to apply conventional methods for exploration drilling and resource evaluation. This is expected to permit confident mine planning and assist with a consistent delivery of annual production.

The next phase of work to be undertaken by Shenton will entail further drilling to define the mineralisation strike length and depth and resume metallurgical testing programmes. Planning for scoping studies will be commenced during the next round of investigation activity.

DIRECTORS REPORT

FINANCIAL POSITION

For the six months ended 31 December 2017, the company recorded a loss of \$11,919 and had a negative working capital of \$12,044. The company had a negative cash balance of \$11,654.

Based on minimal expenditure expected over the next 6-month period, the directors are satisfied that the going concern basis of preparation is appropriate.

EVENTS SUBSEQUENT TO REPORTING DATE

On 2nd December 2017 Shenton Resources Limited released an offer to issue 1,875,000 shares along with attaching share options to shareholders and investors at a price of \$0.16 per share. This offer is primarily aimed at existing shareholders to seek to raise funds to continue with the exploration and development of the company's 100% owned Potash Project, located north of Moora in Western Australia. The closing date of the share offer was 22nd December 2017.


The share registry at 31st December 2017 had \$196,000 held in trust and on 12th January 2018, 1,225,000 ordinary shares along with 1,172,083 attaching share options were issued to shareholders and investors. As Shenton Resources Limited successfully raised \$196,000, it will be able to meet the upcoming expenditure commitments in respect of certain tenements underpinning the project.

Shenton Resources Limited will seek to raise the remaining \$104,000 to reach the total maximum subscription level being \$300,000 that was proposed during the Offer Information Statement.

AUDITOR'S INDEPENDENCE DECLARATION

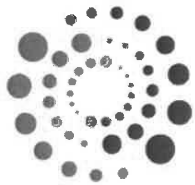
The auditor's independence declaration is set out on page 5 and forms part of the directors' report for the six months ended 31 December 2017.

This report is made with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'Jeremy Shervington', is written over a horizontal line. The signature is enclosed within a hand-drawn oval.

Jeremy Shervington – Chairman

15 February 2018



Greenwich & Co

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Auditor's Independence Declaration

To those charged with the governance of Shenton Resources Limited

As auditor for the review of Shenton Resources Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Andrew May
Audit Director

15 February 2018
Perth

**INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Revenue	2	4	604
Other expenses		(11,923)	(18,559)
Loss before income tax		(11,919)	(17,955)
Income tax expense		-	-
Loss after income tax for the year		(11,919)	(17,955)
Other comprehensive income		-	-
Total other comprehensive income for the year		-	-
Total comprehensive loss for the period attributable to members of the Company		(11,919)	(17,955)
Earnings (loss) per share			
Basic earnings (loss) per share (cents)		(0.11)	(0.17)
Diluted earnings (loss) per share (cents)		(0.11)	(0.17)

The interim statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

**INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	31 Dec 2017 \$	30 June 2017 \$
Assets			
Cash and cash equivalents	3	-	15,147
Trade and other receivables	4	11,051	11,764
Total current assets		11,051	26,911
Mining properties	5	272,175	227,839
Total non-current assets		272,175	227,839
Total assets		283,226	254,750
Liabilities			
Trade and other payables	6	11,441	6,684
Bank Overdraft	3	11,654	-
Borrowings	7	70,000	40,000
Total current liabilities		93,095	46,684
Net assets		190,131	208,066
Equity			
Contributed equity	9	416,595	422,611
Accumulated losses		(226,464)	(214,545)
Total Equity		190,131	208,066

The interim statement of financial position is to be read in conjunction with the accompanying notes.

**INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

	Note	Ordinary Share Capital (Net of Costs)	Accumulated losses	Total
Balance at 1 July 2017		422,611	(214,545)	208,066
Comprehensive income				
Loss for the period		-	(11,919)	(11,919)
Total comprehensive income for the period			(11,919)	(11,919)
Transactions with owners in their capacity as owners				
Share issued expenses		(6,016)	-	(6,016)
Balance as at 31 December 2017		416,595	(226,464)	190,131
Balance at 1 July 2016		422,611	(183,205)	239,406
Comprehensive income				
Loss for the period		-	(17,955)	(17,955)
Total comprehensive income for the period		-	(17,955)	(17,955)
Balance as at 31 December 2016		422,611	(201,160)	221,451

The interim statement of changes in equity is to be read in conjunction with the accompanying notes.

**INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Cash flows from operating activities			
Cash paid to suppliers		(6,453)	(24,206)
Interest received		4	654
Net cash used in operating activities		(6,449)	(23,552)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(44,336)	(79,892)
Funds provided by Directors		30,000	40,000
Net cash used in investing activities		(14,336)	(39,892)
Cash flows from financing activities			
Share issued costs		(6,016)	-
Net (decrease)/increase in cash and cash equivalents		(26,801)	(63,444)
Cash and cash equivalents at the beginning of the period		15,147	101,737
Cash and cash equivalents at the end of the period		(11,654)	38,293

The interim statement of cash flows is to be read in conjunction with the accompanying notes.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

1. (a) Reporting entity

SHENTON RESOURCES LIMITED is a company domiciled and incorporated in Australia. The address of the Company's registered office is 813 Wellington Street, West Perth WA 6005. The interim financial report of the Company as at and for the six months ended 31 December 2017. The Company is primarily involved in sourcing, assessment and evaluation of mineral exploration projects and applying for exploration tenements.

(b) Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company and for the year ended 30 June 2017.

This interim financial report was approved by the Board of Directors on 15 February 2018.

(c) Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2017.

Certain comparative amounts have been reclassified to conform with the current period's presentation.

(d) Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

(e) Going concern

For the six months ended 31 December 2017, the company recorded a loss of \$11,919 and had a negative working capital of \$12,044. The company had negative cash assets of \$11,654.

Due to the company's recent share offer where it has successfully raised \$196,000 and based on minimal expenditure expected over the next 6-month period, the directors are satisfied that the going concern basis of preparation is appropriate.

2. Revenue

	31 December 2017	31 December 2016
	\$	\$
Interest	4	604
	<u>4</u>	<u>604</u>

3. Cash & Cash Equivalents / Bank Overdraft

	31 December 2017	30 June 2017
	\$	\$
Cheque account	(11,654)	15,147
	<u>(11,654)</u>	<u>15,147</u>

**CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

4. Trade and Other Receivables

	31 December 2017	30 June 2017
	\$	\$
GST Tax Refundable	1,051	1,764
Environmental Bond	10,000	10,000
	<u>11,051</u>	<u>11,764</u>

5. Mining Properties

	31 December 2017	30 June 2017
Cost	\$	\$
Balance at beginning of period	227,839	138,368
Exploration costs incurred in the period	44,336	89,471
Impairment of Mining Properties	-	-
Balance at end of period	<u>272,175</u>	<u>227,839</u>

6. Trade and Other payables

	31 December 2017	30 June 2017
	\$	\$
Trade creditors	5,441	684
Accrued charges	6,000	6,000
	<u>11,441</u>	<u>6,684</u>

7. Borrowings

Entities Associated with	31 December 2017	30 June 2017
	\$	\$
Bradley Abbott – Director	20,000	10,000
Christopher Higham – Shareholder	20,000	10,000
Robert Beeck – Director	20,000	10,000
Jeremy Shervington – Director	10,000	10,000
	<u>70,000</u>	<u>40,000</u>

8. Segment reporting

The Company engages in business activities within one segment, being the exploration and evaluation of mineral projects in Australia. The Company maintains an administrative office in Perth, Western Australia to support its activities.

**CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

9. Issued capital

Movement in ordinary shares

	Ordinary shares		\$	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
On issue at beginning of period	10,587,500	10,587,500	415,111	415,111
Share issue costs			(6,016)	
On issue at end of period	10,587,500	10,587,500	409,095	415,111

Options

Options exercisable at \$0.20 per option	6,000,000	6,000,000	7,500	7,500
Closing Balance	6,000,000	6,000,000	416,595	422,611

As at the date of this report, there are 6 million options (exercisable at \$0.20 each) held by the directors which are exercisable on or before a period of 5 years from the date that the company completes its first significant funding which means a capital raising of more than \$500,000.

10. Events subsequent to reporting date

On 2nd December 2017 Shenton Resources Limited released an offer to issue 1,875,000 shares along with attaching share options to shareholders and investors at a price of \$0.16 per share. This offer is primarily aimed at existing shareholders to seek to raise funds to continue with the exploration and development of the company's 100% owned Potash Project, located north of Moora in Western Australia. The closing date of the share offer was 22nd December 2017.

The share registry at 31st December 2017 had \$196,000 held in trust and on the 12th January 2018, 1,225,000 ordinary shares along with 1,172,083 attaching share options were issued to shareholders and investors. As Shenton Resources Limited has successfully raised \$196,000 it will be able to meet the upcoming expenditure commitments in respect of certain tenements underpinning the project.

Shenton Resources Limited will seek to raise the remaining \$104,000 to reach the total maximum subscription level being \$300,000 that was proposed during the Offer Information Statement.

11. Tenement Expenditures and Leasing Commitments


The company has a leasing commitment requirement to spend money on each of their mining tenements. Shenton Resources Limited is required over the next 12 months to spend approximately \$416,000 on the mining tenements. The company can choose not to spend this money and therefore the mining tenements will be subsequently forfeited or they can be surrendered.

DIRECTORS DECLARATION

In the opinion of the directors of Shenton Resources Limited ("the Company"):

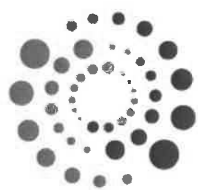
1. the financial statements and notes as set out on pages 10 to 16, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance, for the interim period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Bradley Abbott – Director

15 February 2018



Greenwich & Co

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Independent Auditor's Review Report

To the members of Shenton Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Shenton Resources Limited, which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Shenton Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Shenton Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Shenton Resources Limited's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*

Greenwich & Co Audit Pty Ltd
Greenwich & Co Audit Pty Ltd



Andrew May
Audit Director

15 February 2018
Perth

CORPORATE INFORMATION

DIRECTORS

Jeremy David Shervington (Non-Executive Chairman)
Bradley Gordon John Abbott (Executive Director)
Robert Alastair St John Beeck (Non-Executive Director)

SOLICITORS

Jeremy Shervington
Barrister & Solicitor
52 Ord Street
West Perth WA 6005

COMPANY SECRETARY

Bradley Gordon John Abbott

BANKERS

National Australia Bank
Capital Office
Ground Floor, 100 St George Terrace
Perth WA 6000

REGISTERED OFFICE

813 Wellington Street
West Perth WA 6005

AUDITORS

Greenwich & Co Audit Pty Ltd
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WEBSITE

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FOR SHAREHOLDER INFORMATION CONTACT

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FOR INFORMATION ON THE COMPANY CONTACT

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