

# Shenton Resources Limited

ACN 152 726 595

## OFFER INFORMATION STATEMENT

for

AN OFFER OF UP TO 3,125,000] SHARES AND 3,125,000 FREE ATTACHING  
OPTIONS TO BE OFFERED TO SHAREHOLDERS AND INVESTORS

AT A PRICE OF \$0.16 PER SHARE

THE OFFER OPENS ON 31 DECEMBER 2018 AND

CLOSES 5PM PERTH TIME

ON 15 FEBRUARY 2019

VALID ACCEPTANCES MUST BE RECEIVED BEFORE THAT TIME

This Statement is not a Prospectus. It has a lower level of disclosure requirements than a Prospectus. Investors should obtain professional investment advice before accepting the Offer. This Statement is important and should be read in its entirety. If, after reading this Statement, you have any questions about the Shares and Options being offered under this Statement or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Statement should be considered speculative.

Please read the instructions on the accompanying Application Form

## Section 1 – Corporate Directory

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### Directors

Jeremy David Shervington-Non-Executive  
Chairman

Bradley Gordon John Abbott-Non-  
Executive Director

Robert Alastair StJohn Beeck-Non-  
Executive Director

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### Company Secretary

Bradley Gordon John Abbott

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### Auditor

Greenwich & Co Audit Pty Ltd  
Level2  
35 Outram Street  
WEST PERTH WA 6005

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### Solicitor to the Offer

Jeremy Shervington  
Barrister & Solicitor  
52 Ord Street  
WEST PERTH WA 6005

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### Share Registry

Automic Pty Ltd  
Level 2,  
267 St Georges Terrace  
PERTH WA 6000

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### Registered Office

813 Wellington Street  
WEST PERTH WA 6005

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### Principal Place of Business

813 Wellington Street  
WESTPERTH WA 6005

Tel: (08) 9321 2642

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### Website

[www.shentonresources.com.au](http://www.shentonresources.com.au)

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## **Section 3 - Important Information**

### **This document is important and requires your early attention**

This Statement is not a Prospectus. It has a lower level of disclosure requirements than a Prospectus.

This document should be carefully read in its entirety. Before deciding to make an Application for Shares and Options you should consider whether Shares and Options are a suitable investment for you. Their values can fluctuate. If you are in doubt as to the course you should follow you should consult your stockbroker, solicitor, accountant or other professional advisers immediately. Please read carefully the instructions elsewhere in this Statement regarding applying for Shares and Options.

Certain words and terms used in this Statement have defined meanings which appear in the Glossary in Section 11

There are risks involved in an investment in Shares and Options. Please refer to Section 8 for a description of some of the risks affecting the Company, its Shares and Options.

### **Offer Information Statement**

For the offer to Shareholders and other Investors of New Shares and attaching free Options at an issue price of \$0.16 per Share payable in full on Application to raise a Minimum Subscription amount of \$150,000 before expenses on the terms and conditions contained in this Statement.

The Company will accept all valid Applications, subject to the qualifications in Sections 5.4 and 5.5.

This Statement is dated 21 December 2018.

A copy of this Statement was lodged with ASIC on 21 December 2018. No responsibility for the contents of this Statement is taken by ASIC or its officers. No Shares or Options will be issued on the basis of this Statement later than thirteen months after the date of this Statement.

Shares and Options will be offered pursuant to this Statement to Shareholders and other Investors.

Applicants can only apply for Shares and Options on the Application Form enclosed with and forming part of this Statement and otherwise on the terms and conditions referred to in this Statement.

No person is authorised to give any information or to make any representation regarding the Offer. Any information or representation in relation to the Offer which is not contained in this Statement may not be relied upon as having been authorised by the Company, its Directors or its advisers.

The New Shares and Options offered by this Statement are speculative in nature. This Statement does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such offer.

No document or information included in the Company's web site is incorporated by reference into this Statement.

## **FORWARD LOOKING STATEMENTS**

This Statement contains forward - looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends", "proposed" "potential" and other similar words that involve or suggest risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions and circumstances and on a number of assumptions regarding future events and actions that, as at the date of this Statement, are expected to take place.

Such forward - looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions, and other important factors, many of which are beyond the control of the Company and the Directors.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward - looking statements contained in this Statement will actually occur and Investors are cautioned not to place undue reliance on such forward - looking statements.

The Company has no intention to update or revise any forward - looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or other factors affect the information contained in this Statement, except as required by law.

These forward - looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Some of these risk factors are set out in Section 8.

## **EXPOSURE PERIOD**

This Statement will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Statement to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Statement and, in those circumstances, any Application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act Applications for Shares and Options under this Statement will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on Applications lodged prior to the expiry of the Exposure Period.

## Summary of Important Dates

Lodgement of Statement with ASIC	21 December 2018
Offer Opening Date	31 December 2018
Closing date for Applications	15 February 2019
Anticipated date for Certificates/holding statements for Securities to be despatched	22February 2019

This timetable is indicative only. The Directors reserve the right to vary the opening and closing dates of the Offer without prior notice, subject always to the Corporations Act.

## Section 4 - Letter from the Chairman



# **Shenton Resources Limited**

Dear Fellow Shareholders,

### **NEW CAPITAL RAISING**

As you are aware, the Company raised funds totalling \$258,084 from shareholders during December 2017 pursuant to an issue of Shares at \$0.16 per Share.

Since that time the Company has completed a further 1,200 metres of RC drilling on the Company's Mid West Potash Project. Instructions have been provided to an appropriately qualified independent party to establish what level of JORC Resource exists in respect of the Project to date. Further, a second stage of metallurgical test work has been carried out by SGS Laboratory Services with further promising results which, to date, demonstrate the recovery of economic levels of potassium from a range of drill samples.

The Board wishes to continue with further exploration to increase the resource size of the Project and to advance the metallurgical testwork programme to refine future pilot scale requirements and progress key process route design and operating consumable inputs.

The Board has also commissioned and procured an independent hydrogeological report to assist in locating and establishing appropriate sources of water for any proposed processing operation. In addition, the Board has commenced discussions with appropriate parties and authorities regarding port, rail, power, gas and logistical support that will be required in respect of the Project.

Your Directors have resolved to make an offer of Securities, primarily aimed at existing Shareholders seeking to raise funds to continue with the exploration and development of the Company's 100% owned Mid West Potash Project, located north of Moora in WA.

Importantly, part of the funds sought to be raised will be required to meet part of the upcoming expenditure commitments in respect of certain of the Tenements underpinning the Project.

Details of the Offer, the Project, the proposed use of funds raised and other relevant information are set out in this Offer Information Statement and you are encouraged to read all of its contents carefully.

In summary, the Company is offering each Investor the opportunity to subscribe for a minimum parcel of 6,250 New Shares at a price of \$0.16 per Share, i.e., a minimum investment of \$1,000.

Each Investor may subscribe for more than the minimum parcel, up to whatever level it

chooses, subject to the current proposed total maximum subscription level being \$500,000.

The Offer price of \$0.16 per Share is considered by the Board to be reasonable, given the undiluted, pre-money "market capitalisation" of \$1.965m that it attributes to the Company.

Furthermore, a significant advantage for the Company (and, therefore, its Shareholders) that arises from an Offer price of at least \$0.16, is that, under the current ASX policies and rules, it preserves the status quo whereby the Existing Shareholders who have previously subscribed for Shares at \$0.16 should continue to count towards the minimum "spread" requirement imposed by ASX on companies applying to be admitted to the ASX Official List.

Another associated advantage of the \$0.16 Offer price is that, under current ASX guidelines, the Existing Shares that were previously subscribed for at \$0.16 and New Shares acquired by those Existing Shareholders under the Offer, should be free from escrow restrictions. Further details are set out in Section 5.2.

As an incentive to Investors to participate in the Offer, for each Share subscribed, one Option will be issued to Applicants for nil consideration:

If any Existing Shareholder wants to participate in the Offer but does not wish to subscribe the \$1,000 minimum, it can procure other investors (including non-Shareholders) to participate and submit an Application with multiple Applicants, provided the Application is in respect of a total of at least 6,250 Shares (\$1,000).

Similarly, the Board will accept Applications where none of the Applicants therein are Shareholders, provided any such Application is for a minimum of 6,250 Shares (\$1,000)

The Offer is subject to a Minimum Subscription Condition requirement that at least \$150,000 is raised.

The Directors intend to participate in the Offer.

The Directors are currently owed a total of \$45,000 in respect of various interest free Loans they have made to the Company from time to time. The Directors intend to capitalise their Loans by converting the amounts owing into Shares at the Offer price of \$0.16 per Share. The amount so contributed will be counted for the purposes of calculating whether the Minimum Subscription Condition is met and will qualify for the Option issue described above.

In addition, the Directors will subscribe a total of no less than \$60,000 for Shares under the Offer.

The Directors note that they have received no directors' fees since the incorporation of the Company and do not intend to until the Company is adequately capitalised or is listed on the ASX. In recognition of this it is proposed, as noted in Section 7.2 that Shareholders will be asked at some point to consider approving an issue of performance rights to Directors.

The Board intends to continue to seek to raise fresh capital from external (non- Shareholder) investors in addition to the funds raised under the Offer. Such funds will, if obtained, be used to accelerate and expand the exploration and development of the Project. Such funding, will be sought from investors who, it is hoped, would add value beyond the dollar amounts they contribute. Examples include investors who provide significant "cornerstone" support which may assist in attracting further funding to strengthen the Company's balance sheet, investors



who might in the longer term become "offtake" parties in respect of any product the Company may turn out or provide other forms of financial or other support to the Company.

No assurance whatsoever can be provided that any such funding will be obtained or on what terms. However, it is possible that such funds might only be able to be attracted for any issue of Shares that might be involved at a price less than the Offer price of \$0.16. However, if that was to occur, a proportion of the Shares issued to any such investor(s) would, under current ASX rules and policies, be liable to be the subject of escrow restrictions. Further, the Board would endeavour to ensure that no free Options were issued attaching to any such Shares.

On behalf of the Board, I encourage you to consider supporting this Offer to assist the Company to meet its expenditure commitments and the other objectives set out more fully in Section 6.

Yours faithfully

J.D. Shervington.  
Chairman

## **Section 5 - Details of the Offer**

### **5.1 Background and Purpose of the Offer**

The Company wishes to increase its working capital with the funds raised by the Offer to be used, in particular, to fund the ongoing exploration and development of its Mid West Potash Project and to pay the costs of the Offer. Further information on the proposed use of funds is contained in Section 6.9.

### **5.2 Offer - Shares and Free Options**

Each Offeree is offered an opportunity to subscribe for New Shares on the basis that each Application, to be valid, must be for a minimum of 6,250 Shares at a minimum cost of \$1,000.

Thereafter, in addition to the minimum of 6,250 Shares, each Applicant may subscribe for additional New Shares in multiples of 100 Shares at a cost of \$16 for each 100 Shares.

Application monies must be paid in full at the time of lodging an Application.

Applicants who are issued Shares pursuant to the Offer will be granted a number of free Options on the basis of one Option for each Share subscribed.

The other terms on which Options will be granted and issued are set out in Section 5.10.

### **5.3 Issue Price**

Each New Share is offered at an issue price of \$0.16 payable in full upon Application. Options will be granted and issued for nil consideration.

### **5.4 Minimum Subscription**

It is a condition of the Offer that a minimum amount of \$150,000 (937,500 Shares) must be subscribed for under the Offer. No Securities will be issued pursuant to the Offer unless this occurs.

The Directors are owed a total of \$45,000 in respect of interest free Loans they have made to the Company. As noted in Section 5.12, it is proposed that these Loans, will be converted into Shares at the price of \$0.16 each and that Options will attach to the Shares issued on the basis outlined in Section 5.2. The \$45,000 will be counted in calculating whether the Minimum Subscription Condition is met.

### **5.5 Allocation**

The maximum amount that the Directors currently propose be raised under the Offer is \$500,000.

The Directors reserve and retain the right, at their discretion, to accept or reject any Applications as they see fit or to issue a lesser number of Shares, but not less than 6,250, (and corresponding attaching Options) than applied for by any Applicant.

### **5.6 Closing Date**

The Offer will close at 5pm Perth time on 15 February 2019 and must be accepted prior to that time to be valid. The Directors reserve the right to extend the Closing Date at their discretion.

### **5.7 Applications**

Instructions for acceptance of the Offer are set out in the Application Form.

## 5.8 Issue of Shares and Options

The Company will, subject to Sections 5.4 and 5.5, issue such number of Shares and attaching Options as are applied for by the Closing Date.

The Directors will proceed to issue New Shares and Options applied for under the Offer as soon as practicable after the Closing Date.

In accordance with the Corporations Act, all Application monies shall, before the allotment and issue of New Shares and attaching Options pursuant to this Statement, be held by the Company in trust in the Trust Account established solely for that purpose. Interest earned on the Application monies will be for the benefit of the Company and will be retained by the Company.

## 5.9 Terms of the New Shares

The New Shares to be issued pursuant to the Offer will be ordinary Fully Paid Shares ranking equally in all respects with the Existing Shares on issue as from the date of issue of the relevant Shares;

The rights and obligations attaching to the Fully Paid Shares are further described in Section 9.

## 5.10 Terms of Options

The terms and conditions on which the Options offered pursuant to this Statement will be granted and issued are as follows:

- (a) Each Option gives the Option holder the right to subscribe for one Fully Paid Share. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) The Options will expire at 5:00pm (Perth time) at the expiry of 5 years from the Closing Date (Expiry Date). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.22 (Exercise Price). (d)

The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion except where an Option holder holds less than 1,000 Options, in which case all those Options must be exercised in whole.

- (e) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:
  - a. a written notice (Exercise Notice) of exercise of Options specifying the number of Options being exercised; and
  - b. a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised (Exercise Sum).
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Sum in cleared funds.
- (g) Within 3 Business Days of receipt of the Exercise Notice accompanied by the Exercise Sum the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) All Shares issued upon the exercise of Options will upon issue rank pari passu in all respects with other Shares then on issue.
- (i) If the Company is admitted to the official list of ASX, these terms and conditions will, effective from the time immediately prior to such admission occurring, be deemed to be amended to the extent necessary in order to comply with any Listing Rules, policies or guidelines of ASX then applicable.

- (j) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (k) There are no participating rights or entitlements inherent in the Options and Option holders (qua Option holders) will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (l) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

### **5.11 Offerees in Jurisdictions outside Australia**

No action has been taken to permit the offer of New Shares and Options under this Statement in any jurisdiction other than Australia. The distribution of this Statement in any jurisdiction other than Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This Statement does not constitute an offer of New Shares or Options in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Offer.

### **5.12 Directors' Intentions**

As well as converting the \$45,000 in Loans they have previously advanced to the Company into Shares, the Directors intend to subscribe, in aggregate, at least a further \$60,000 under the offer. In addition, it is likely that some or all of the legal fees payable in respect of the Offer to a firm associated with Mr. Shervington will be subscribed to the Offer.

### **5.13 Minimum Expenditure Conditions .**

The Company will not meet the minimum expenditure conditions that apply in respect of the current respective expenditure years under the Mining Act in respect of the following Tenements – E70/4699, E70/4715 and E70/4724. The Company has lodged or is in the process of lodging applications seeking exemptions from these minimum expenditure requirements. If any such application is not successful in respect of a Tenement, such Tenement would be liable to be forfeited. The Company would expect that the outcome of these applications will be known by approximately one month after the lodgment of the exemption applications.

Please refer to Section 8 for a further description of the implications of the above exemption applications.

## **Section 6 – Shenton Background and Plans for Development**

### **6.1 Introduction and Summary**

- Shenton Resources continues to steadily progress exploration and metallurgical investigation of its hard-rock hosted Mid West Potash Project.
- Project is located two hours north from Perth and within 2km of major road/rail corridor and regional power grid. It is adjacent the major population and service centre of Moora.

- 610km<sup>2</sup> of granted Exploration Licences with prospective host rocks covering strike length of 65km over freehold agricultural land.
- Company successful in securing a co-funded Exploration Drilling grant of \$74,500 in 2018 from the West Australian Government for RC and diamond drilling programme at Watheroo.
- A near surface potassium rich zone outlined over 2km strike length by recently completed RC drilling programme with best drill intersection to date of 29m @ 8.74% K<sub>2</sub>O
- Potassium rich zone outlined at Watheroo anticipated to be amenable to conventional shallow open pit mining operation
- Targeting 250Ktpa of sulphate of potash (SOP) production for +20 years. Potassium extraction rates up to 89% before optimisation, from oxide and transition ores.

### **Corporate Management**

The Board currently comprises three Directors, namely:

Jeremy David Shervington B.Juris.LLB -Non Executive Chairman. Mr. Shervington operates a legal practice in Western Australia. He specialises in the laws regulating corporations and the securities industry in Australia. He has more than 35 years' experience as a lawyer gained since his admission as a Barrister & Solicitor of the Supreme Court of Western Australia. Mr. Shervington has more than 30 years' experience as a director of various ASX listed companies as well as unlisted and private companies. He has a relevant interest in 1,985,000 Existing Shares and 2,297,500 Existing Options.

Bradley Gordon John Abbott - Non Executive Director . Mr. Abbott is currently Managing Director of Abbott's Pty Ltd, a boutique accounting practice in West Perth that specialises in providing advice for small to medium businesses. Mr. Abbott has since 1980 served as a director and/or company secretary of several listed and unlisted public companies and numerous private companies. Mr. Abbott holds a Bachelor of Business degree from Curtin University and is a fellow of The Institute of Chartered Accountants and The Taxation Institute of Australia as well as being a registered Tax Agent and Company Auditor. Mr. Abbott has been involved in resource companies and gold prospecting syndicates in Australia and Asia for over 15 years including with capital raisings therein. Mr. Abbott has a relevant interest in 1,987,500 Existing Shares and 2,262,500 Existing Options.

Robert Alastair Beeck- Non Executive Director. Mr. Beeck has 30 years' experience in management of mining and mineral processing operations, feasibility studies, project development and executive management in Australia, related to nickel, diamonds, gold and iron ore. Mr. Beeck has consulted on large mine and infrastructure development projects. He is currently General Manager of a Western Australian iron ore exploration and development company and is an Associate Member of the AusiMM. He has completed a Masters of Business Administration degree at the University of Western Australia. Mr. Beeck has a relevant interest in 1,981,250 Existing Shares and 2,281,250 Existing Options.

### **Project Status**

The Company is the owner of a significant ground package covering prospective hard rock potash rich lithologies 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 up to 20 years.

The Mid West Potash Project comprises two areas with Exploration Tenements covering a total area of approximately 610 km<sup>2</sup>. The main Project area is located at Watheroo within two hours (220km) of Perth and is situated upon freehold agricultural land with immediate access to major utilities, transport corridor, local workforce and the regional services centre of Moora.

The Project tenements are at an early stage of exploration.

Geological mapping data shows that potash rich rocks outcrop, and can be inferred below shallow cover, within a large part of the Company's Tenement package with surface rock chip sampling grades of up to 10.9% K<sub>2</sub>O being returned from the Project's Watheroo area. Drilling to date has tested a 2.0km strike length of potash rich rocks at the Project's Watheroo area with drill intercepts of up to 29m at 8.7% K<sub>2</sub>O recorded.

It is envisaged that in any development of the Project the Company will utilise well proven and relatively low risk open cut mining methods, able to provide a consistently reliable feed source to the ore processing concentrator.

Initial metallurgical testwork has demonstrated attractive levels of potassium extraction from the potassium rich drill samples. Further programmes of laboratory testing continue to indicate that recovery of potassium can be achieved using standard metallurgical processes, described further in this Statement. The future production of SOP has been assumed using traditional and well understood manufacturing methods, however, future work will also assess the suitability of emerging new technologies for production. Basic raw material inputs including gas, sulphuric acid, salt and limestone are readily obtainable in the West Australian market place.

Any Project development will include 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. Potential development sites are located within several 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 to apply conventional methods for exploration drilling and resource evaluation. This will allow confident mine and production planning and importantly 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 continue metallurgical testing programmes. Preliminary work to identify critical content for inclusion in scoping studies will be continued during the next round of investigation activity.





General view of Watheroo Project area

## 6.2 Project Location

The Company's Tenements comprise seven exploration licenses covering a combined area of approximately 610 km<sup>2</sup> in the Watheroo area (530 km<sup>2</sup> and Three Springs (80km<sup>2</sup>). To date, exploration by the Company has been focused in the Watheroo area of the Project.



Shenton Potash projects areas location, other projects and regional infrastructure map

### 6.3 Mid West Potash Project – Watheroo Area

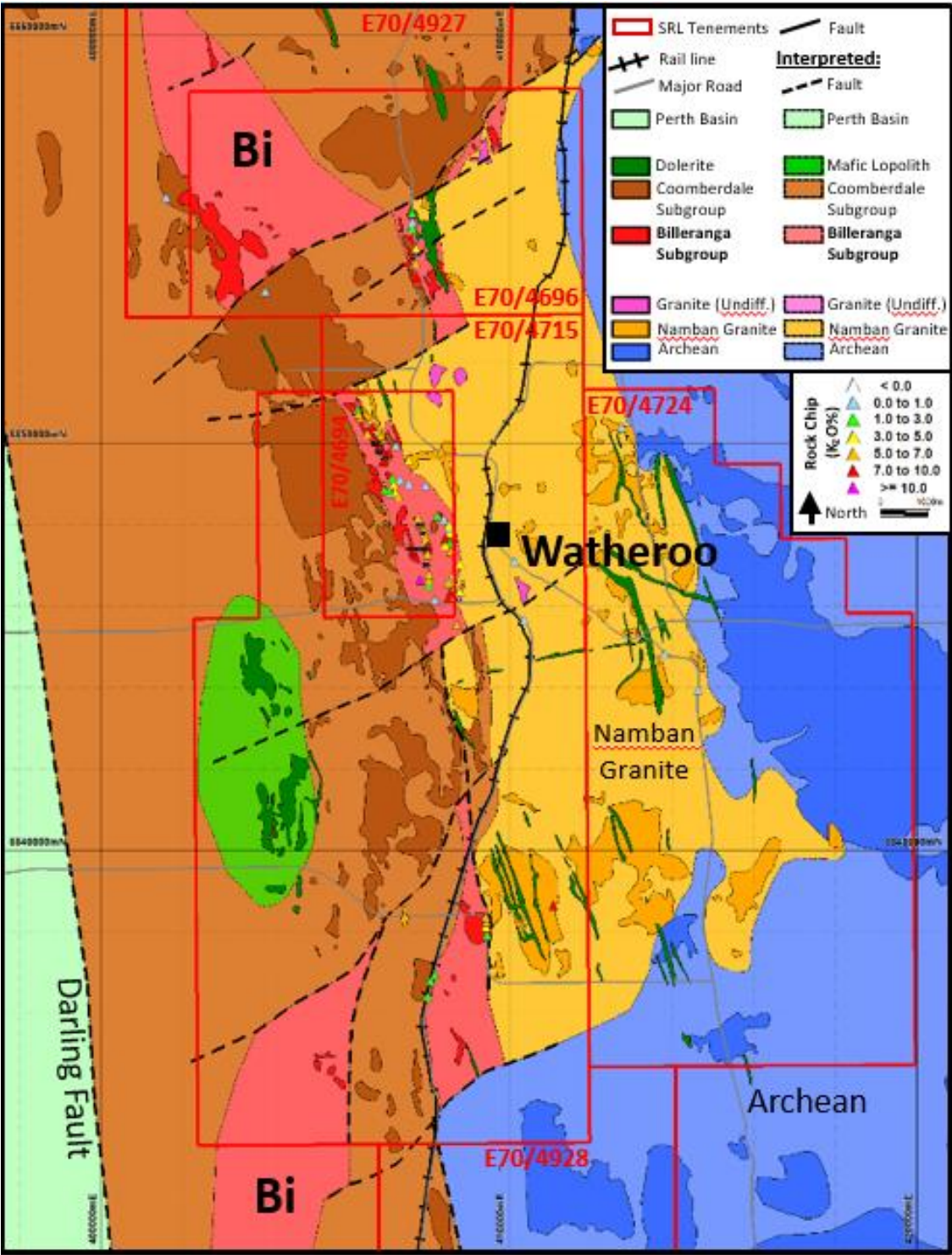
The Watheroo area of the Project is located 220km north of Perth and 30km north of the major regional town of Moora in the West Australian grainbelt. Access is provided by the Great Northern/Midlands highway. The Project area is well serviced by rail infrastructure, with the Perth-Moora-Geraldton rail line transecting it. The physiography of the area is dominated by gently undulating hills and flat sand and loam rich plains.

The Mid West Potash Project is situated within a strip of Middle Proterozoic Moora Group rocks between the Darling Fault and Archaean Yilgarn Craton.

Potash mineralization is 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. At Watheroo, these ultrapotassic horizons are confined to the



Dalaroo Siltstone member which was the focus of the co-funded RC drilling programme during the 2018 financial reporting period.



Watheroo Project area – simplified regional geology

The Company was notified on 5 December 2017, by the Department of Mines, Industry Regulation and Safety that its application was successful in securing a co-funded Exploration Drilling grant of \$74,500 for RC and diamond drilling programmes over its Watheroo Potash Project. Drilling funding grants are awarded to companies to encourage new minerals/deposit discoveries in underexplored Minerals Fields/regions of Western Australia.

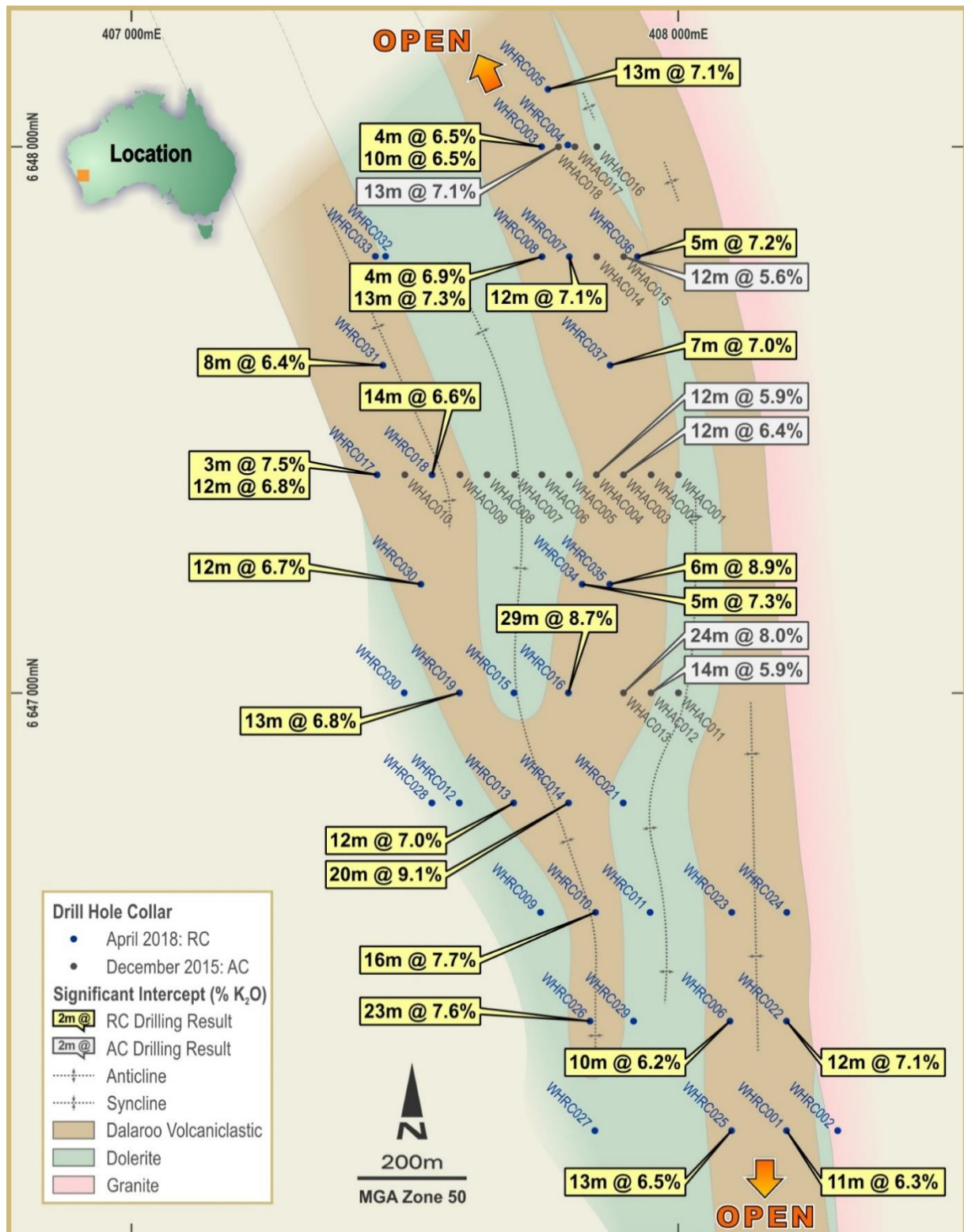
Shenton has utilised the funding by completing an RC drilling programme at Watheroo Central to follow up on the encouraging results of its previous aircore drilling programme. A total of 37 vertical RC holes ranging in depth from 9m to 78 m totalling 1,200m have been completed. RC drilling has been completed on line spacing of 200m with drill holes generally 50m apart.



RC drilling rig at Watheroo Central during April 2018



Significant drill intercepts of up to 29m @ 8.74% K<sub>2</sub>O from depth of 5m, 20m at 9.06% K<sub>2</sub>O from depth of 19m and 23m at 7.57% K<sub>2</sub>O from depth of 8m have been returned. Geological and grade interpretation has led to the delineation of a near surface potassium rich zone of over 2km strike length. Preliminary estimates of the tonnage of the potassium rich zone outlined shows that it has potential to support an open pit mining operation of 8 to 10 years life.



Watheroo Central drill defined 2km strike length potassium rich zone

Reconnaissance road side rock chip sampling of potassium prospective areas to the north and south of Watheroo continues with sampling returning up to 12.0% K<sub>2</sub>O.

The Company is continuing to secure further land access agreements at the Watheroo Area to undertake detailed geological mapping and systematic rock chip sampling within its tenure. This work is expected to lead to the delineation of further drill targets.

Planning of RAB drilling to test potash targets on road verges within the Shire of Moora on E70/4715 and E70/4724 and the Shire of Three Springs (E70/4699) was undertaken. In the absence of finalised land access agreements the Shire of Three Springs has granted approval for Shenton to undertake road side drilling.

#### 6.4 -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 outcropping, and can also be inferred below shallow cover, within the Tenement package from Namban in the south, to locations 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 drilling programs completed to date. 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% K<sub>2</sub>O located in a similar geological setting. Refer to Centrex Metals Limited ASX Announcement 8 March 2016.

#### 6.5 Metallurgical Testwork-

Shenton has received encouraging outcomes from metallurgical testwork on drill samples taken from the Watheroo area of the Project. Results have indicated economically feasible levels of potassium extraction from the potassium feldspar ores. Potassium (K) extraction rates approaching 90% have been reported from the present testwork programme.

Metallurgical testing plan has been designed with the assistance of a metallurgical consultant to evaluate potential for favourable levels of potassium extraction from composited drill samples collected from the most recent RC drilling programme. The material used for the testwork programme is selected to provide a representative coverage of the mineralisation following the strike of the potassium rich tuffaceous geological unit. The testwork programmes have been conducted at SGS Laboratories' Malaga test facilities under the supervision of its senior metallurgists.

Two composite samples were also analysed by XRD method to semi-quantitatively identify mineral composition. The table below is a summary of the XRD analysis.

Mineral	Approximate Chemical Formula	Composite 1 (%w/w)	Composite 2 (%w/w)
K-Feldspar	KAlSi <sub>3</sub> O <sub>8</sub>	20 to 50	10 to 20
Qu	SiO <sub>2</sub>	20 to 50	20 to 50
M	K(Mg,Fe) <sub>3</sub> (AlShOw)(OH,F) <sub>2</sub>	3 to 10	20 to 50
Hematite	Fe <sub>2</sub> O <sub>3</sub>	3 to 10	1 to 3

Chlorite	$(\text{Fe,Mg})_s\text{Al}(\text{SbAl})\text{O}_{10}(\text{OH},\text{O})_s$	3 to 10	20 to 50
Kaolinite	$\text{Al}_2\text{Si}_2\text{O}_5(\text{OH})_4$	1 to 3	Not detected
Rutile	$\text{TiO}_2$	1 to 3	1 to 3

A size-assay analysis has shown even distribution of potassium through all size fractions.

The extraction methods investigated in the testwork programme included acid digestion at ambient and elevated temperatures and elevated temperature roasting, followed by water leaching. Roasting tests were conducted in static and simulated rotary kiln environments using a prepared feedstock combined with salt. Salt concentration rates were varied with best results pointing toward a molten salt bath configuration. A simple application of hot water leaching, following the roasting process, has resulted in encouraging levels of leach dissolution of  $K_2O$ .

Testwork currently in progress will trial differing grind size, roast inputs, and roast duration with the objective of identifying further process parameters to be used in planned scoping studies and to inform effects of differing mineralization. Investigation of potassium sulphate production via reaction of the potassium product with sulfuric acid, or alternative sulphur sources, simulating a Mannheim conversion process has not been progressed at this point. The Mannheim process is a traditional method used for manufacturing of up to 70% of the world's  $K_2SO_4$  production. Current testwork will provide information relating to optimisation variables in the roasting process. Manufacturing of potassium sulphate (Mannheim conversion) is not being tested in the current programme.

Shenton is aware of recent developments in the use of ion exchange technology for production of SOP which offers potentially attractive energy savings. Evaluation of these techniques will be planned for investigation in future piloting phases.

## **6.7 Development Scenario and Financial Projections**

The Mid West Potash Project is located in the heart of the West Australian mid-north grain belt. The large service infrastructure and population centre of Moora is located within 30 kilometres of the potential Project development site. Road access to Perth is approximately 2 hours. The outline of the Watheroo potash mineralisation is situated within several kilometres of modern rail and road transport systems, regional high voltage power grids and communication networks.

It is envisaged that any future Shenton operation will utilise proven and low risk open cut mining methods, providing a consistently reliable feed source to the ore processing concentrator. An attractive benefit of the hard rock geology hosting Shenton's potash mineralisation is the ability to apply conventional methods to explore, evaluate and quantify the volume and grade of the mineral resource. This will permit confident mine planning and enable reliable delivery of annual production targets. Mine development will require the establishment of ore processing facilities, preferably in close proximity to the mining operation.

To assess potential project economics the Company has made assumptions for potassium recovery rates and the SOP production process route. Preliminary processing stages follow traditional SOP manufacturing steps as supported by Shenton testwork outcomes and includes concepts currently being investigated by others.

Future studies will include assessment of the potential for process steps to be carried out offsite utilizing existing manufacturing facilities available elsewhere. Included in future optimization studies will be the review of opportunity to produce interim grade products suitable to specific market sectors or which may be used as feedstock for other downstream processors. Export and domestic product distribution outlets can be accessed via immediately adjacent high quality road and rail transport infrastructure, leading to the Western Australian coastal ports of either Fremantle/Kwinana or Geraldton. Shenton has had discussions and received preliminary proposals from transport handling and stevedoring services related to product freight services for use in project financial modelling.

However, because of the speculative nature of mineral exploration and development and the fact that the Company is in early stages of exploration, there is significant uncertainty associated with forecasting future revenues and expenses of the Company. On this basis and after

consideration of ASIC Regulatory Guide 170, the Directors believe that reasonable financial forecasts for the Company cannot be prepared and, accordingly, have not included financial forecasts in this Statement.

Preliminary environmental and social impact reviews related to operations development will be commenced during future programmes of Project investigation. The Company has commissioned an independent consultant assessment of water resources suitable for use in the process plant. Shenton analysis of report findings indicates water resources of suitable volume and quality are likely to be located within economic distance of the project. Abstraction permitting and access licences will be pursued at later stages of Project feasibility.

## **6.8 Potash Mining and Manufacturing-Comparisons**

A significant proportion of the world's potash sources used in the manufacturing of muriate of potash (MOP) and sulphate of potash (SOP) is mined from depths of 1000m to 1500m located in Canada, North America and Europe. Mineralisation occurs as thick sections of ancient evaporitic salts (sylvinite, kainitite, carnallitite) present in large flat lying strata bound formations. The potash ore is brought to the surface via underground mining transport systems or by pumping insitu dissolved brine to surface. Considerable cost is attached to the mining of an underground mineral resource both in capital development and operating expenses.

MOP is the largest source of feedstock for the manufacturing of SOP. Hence, cost of raw material inputs for traditional SOP producers is driven largely by the market cost of MOP.

Shenton will, it is proposed, produce its own feedstock for the SOP manufacturing stage. Development of the Shenton flowsheet detailing the extraction and concentration stages has not been undertaken, pending further testwork definition. In contrast to an MOP manufacturing process, it is envisaged that Shenton SOP production would employ roasting, leaching, precipitation and thermal conversion stages.

Shenton's planned SOP manufacturing process is considered to involve greater certainty than the unproven performance reliability of brine based potash deposits.

## **6.9 Use of Funds**

It is proposed that the funds raised pursuant to the Offer will be used to pay the costs of the Offer (estimated \$10,724) and in further drilling on the Project areas, further metallurgical studies, Tenement rent and other Mines Department expenditure obligations and for working capital. Further details of the proposed expenditure are set out below.

Activity	Amount (Minimum \$150,000 Subscription)	Amount (maximum \$500,000 raised)
Drilling and assays	\$25,400	\$150,000
Metallurgical testwork	\$25,000	\$235,000
Rents and rates	\$44,600	\$44,600
Debt Capitalisation	\$45,000	\$45,000
Working Capital	\$10,000	\$25,400
<b>Total</b>	<b>\$150,000</b>	<b>\$500,000</b>

The first priority for the expenditure of any funds raised will be focussed on ensuring statutory exploration expenditure requirements are met with additional funds utilised in conducting further exploration and metallurgical and engineering development programmes.



## **Section 7 - Impact of Offer on the Company**

### **7.1 Principal effects**

The principal effects of the Offer will be to:

- raise a minimum of \$150,000 and a maximum of \$500,000 to meet the costs of the Offer and for the exploration and development expenditures on the Watheroo and Three Springs Projects as outlined in Section 6.9; and
- increase the number of Shares on issue by a minimum of 937,500 Shares and up to a maximum of 3,125,000 Shares pursuant to the Offer; and
- add to the capital structure of the Company up to a maximum of 3,125,000 Options pursuant to the Offer; and
- result in loans totalling \$45,000 owed by the Company to its Directors and being converted to 281,250 Shares and 281,250 attaching Options.

Section 7.2 sets out the effects of the Offer on the capital structure of the Company under the Minimum Subscription scenario as well as under the maximum.

Section 7.4 sets out a pro forma balance sheet of the Company assuming the Minimum Subscription is received under the Offer.

The total estimated costs of the Offer will be approximately \$10,724 (exclusive of any goods and services tax which may be payable on that amount) comprising the following:

ASIC fees	\$1,924
Legal costs	\$4,800
Printing, other expenses	\$4,000
<b>Total Cost Estimate</b>	<b>\$10,724</b>

## 7.2 Effect on Capital Structure

A table of a range of changes in the capital structure of Shenton as a consequence of the Offer depending on the level of Applications is set out below.

### **Capital Structure Prior to the Offer**

Existing Shares 12,285,000

Existing Founder Options 6,000,000\*

Existing 2022 Options 1,644,583

### **Capital Structure after the Offer- Minimum Subscription**

Existing Shares 12,285,000

Shares issued under the Offer 937,500

### **Total Shares 13,222,500**

Existing Options 7,644,583\*

Options issued under the Offer ,937,500

**Total Options 8,582,083\***

### **Capital Structure after the Offer- Maximum Subscription**

Existing Shares 12,285,000

Shares issued under the Offer 3,125,000

### **Total Shares 15,410,000**

Existing Options 7,644,583\*

Options issued under the Offer 3,125,000

**Total Options 10,769,583**

### **Note:**

\* the Directors intend to put to Shareholders for consideration resolutions to approve of the grant and issue to Directors and consultants of an as yet undetermined number of options and performance rights on terms and conditions that are also yet to be determined

### 7.3 Financial Report

In accordance with section 715 of the Corporations Law a financial report is attached to this Statement as Appendix 1. This report is for the 12 month period ended 30 June 2018, has been prepared in accordance with accounting standards, and has been audited by Greenwich & Co Audit Pty Ltd.

### 7.4 Pro Forma Balance Sheet

Set out below is a pro forma balance sheet of the Company based on the audited financial statements as at 30 June 2018, and based on the Minimum Subscription being raised and the other assumptions set out below.

<b>ASSETS</b> <b>30/6/18</b>	<b>Pro Forma Unaudited</b>	<b>Audited</b>
	<b>\$</b>	<b>\$</b>
<b>Current Assets</b>		
Cash and cash equivalents	184,164	34,164
Trade and other receivables	21,008	21,008
<b>Total Current Assets</b>	<b>205,172</b>	<b>55,172</b>
<b>Non Current Assets</b>		
Mining properties	320,074	320,074
<b>Total Non Current Assets</b>	<b>320,074</b>	<b>320,074</b>
<b>TOTAL ASSETS</b>	<b>525,246</b>	<b>375,246</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	7,200	7,200
Borrowings	nil	nil
<b>Total Current Liabilities</b>	<b>7,200</b>	<b>7,200</b>
<b>TOTAL LIABILITIES</b>	<b>7,200</b>	<b>7,200</b>
<b>NET ASSETS</b>	<b>518,046</b>	<b>368,046</b>

**Equity**

Contributed equity	830,695	680,695
Accumulated (losses)	(312,649)	(312,649)
<b>TOTAL EQUITY</b>	<b>518,046</b>	<b>368,046</b>

**Notes:**

Since June 30 2018, the Company has borrowed a further \$45,000 . The impact of that cash and the corresponding debt has not been reflected in the above pro forma balance sheet. It is proposed that the \$45,000 of borrowings will also be converted into Shares at Completion at \$0.16 per Share;

As at the date of the Statement the Company's net cash is approximately \$8,951.

The costs of the Offer are not reflected in the above pro forma balance sheet.

## Section 8 - Risks

This document is not a Prospectus and does not contain the information that would be required to be included in a Prospectus.

The New Shares and Options offered by this Statement should be regarded as speculative due to the inherent risks associated with the Company's present activities in mineral exploration, and any future activities in the resource or other sectors that the Company may invest in. These risks may have a material effect on the future operations and performance of the Company and the value of its Shares and Options.

The Directors strongly recommend that potential investors examine the contents of this Statement in its entirety and consult licensed professional advisers before making an investment decision.

Mineral exploration is inherently risky. The majority of mineral exploration expenditure does not lead to discovery of economically viable results. Even if an apparently viable resource can be found there is no certainty that it will be able to be economically exploited.

There will be environmental and other Governmental approvals that will be required to be obtained. There is no certainty that these will be obtained.

Because the majority of the area of the land on which the Tenements are situated is " private land " for the purposes of the Mining Act , the consent of the relevant landowners will be required under the Mining Act .There is no certainty that these consents will be obtained. At this time the Company has certain such consents in respect of an area of approximately 6km<sup>2</sup>.

Metallurgical testing is at a very early stage and there is no certainty that any product that the Company may discover can be economically extracted and processed.

The Company is not admitted to any stock exchange and there is no market for trading in its Securities.

The value of the Company and its Securities will fluctuate due to the influence of many external factors over which it will have no control. ,

The following is a non - exhaustive list of other critical areas of risk associated with investing in Shares and Options of the Company.

- **Costs**

Exploration, development, production and operating costs may be greater than expected.

- **Approvals for mining**

The Company will from time to time require government or regulatory approvals for its projects. These are sometimes discretionary or largely beyond the control of the Company. Timing of the grant of such approvals is often uncertain.

- **Funding**

The successful realisation of the Company's plans will become dependent upon obtaining additional financing for the ongoing exploration and development of its Projects of an amount and within time sufficient to implement its plans. Such funding is not assured. The amounts required may, in the future, be substantial depending on the ongoing success of the Company's exploration and development programmes.

The Company's ability to raise further equity or debt and the terms of such transactions will vary according to a number of factors including:

- (a) the quality of the Projects;
- (b) stock market and other economic conditions in Australia and the World; and

(c) the price of commodities generally and the Company's target commodities in particular.

- **Environmental Costs**

Exploration, development and production may result in consequent environmental damage. Costs arising from environmental rehabilitation, risk management and penalties may be substantial.

- **Legal**

The introduction of new legislation or amendments to existing legislation by governments, and the decisions of courts and tribunals, can impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its securities.

- **Exchange Risk**

Any acquisition of plant and equipment and services in respect of the Mid West Potash Project undertaken may be required to be paid for in currencies other than A\$ . The funds raised by the Offer will be denominated in A\$. The commodity which the Company is currently focussed on producing will, to the extent that it is sold outside of Australia, be paid for in currencies other than the A\$, most likely in US\$. Currency exchange rate fluctuations, and in particular the price of the A\$ relative to the price of the US\$ and other currencies may impact adversely on the costs of acquiring plant and equipment and other assets and services and the return received by the Company for its products and the economics thereof.

- **Economic Factors**

Both domestic and world economic conditions may affect the performance of the Company.

Factors such as the level of industrial production, supply and demand, inflation and interest rates have an impact on commodity prices. Commodity prices are inherently volatile and typically are cyclical. There is no certainty that prevailing market prices that are obtainable for the products that the Company is exploring for will be economic at any future time.

- **Taxes**

In addition to income taxes of general application to companies, government royalties, direct and indirect taxes and other imposts can have a substantial effect upon the resources industry. Industry profitability can be affected by changes in government taxation policies or in the interpretation or application of those policies.

- **Operational**

Inclement weather, industrial disruptions, work stoppages, refurbishment and accidents at operations can result in production losses and delays in exploration activities and the delivery of product, which in turn may adversely affect profitability.

- **Exploration and Production**

Future long term results are directly related to the success of exploration efforts. There are inherent risks in exploration and production activities. There is no certainty that capital expended will result in discoveries, or that such discoveries may be economically recoverable.

- **Financial Default**

The financial failure or default by a participant in any contractual arrangements to which the Company is a party.

- **Management**

The Company will rely upon key people. Disruptions to the Company or delays in implementing strategies may occur if for any reason those people are not available.

- **Competition**

The Company intends to pursue the development of its Mid West Potash Potash Projects. There are numerous other potash exploration projects underway and at various stages of progress both within Australia and elsewhere. Depending on the success of those other projects there will be supply competition for any product that the Company may wish to sell which will impact on price, particularly where other producers have a different cost of production or are willing to reduce prices to gain market share.

- **Weather and Climate Change**

- Weather can by reason of its unpredictable nature cause disruption and delays to exploration and development of resource projects and changing weather patterns globally will affect demand for fertilisers and create uncertainties around crop, fruit and cereal production.

- **Alternative Products**

The introduction of alternative and competing products derived from natural or synthetic sources may result in altered demand for any potash product the Company might produce.

- **Environmental Permitting and Approvals**

Before development of mining and processing infrastructure the Company would be required to obtain various State and / or Commonwealth Government statutory environmental approvals including ground disturbance, water extraction , waste disposal, surface water drainage , which , if obtainable , may require extended periods of review in order to satisfy all stakeholder and statutory authorities' requirements.

- **Environmental Impact Surveys**

The Company has not undertaken an environmental impact assessment in the areas of possible mining activities and infrastructure development. It would be required to undertake comprehensive flora and fauna surveys which, dependent on outcomes, may require effective impact mitigation plans to be adopted. These may cause the Company to adopt sub-optimal mining plans and infrastructure locations.

- **European and Indigenous Heritage**

Before the development of any mining operation and infrastructure the Company would be required to complete statutory surveys over affected areas for European and Indigenous heritage and anthropological materials. Outcomes of such surveys may influence the optimal development of mining operations and infrastructure location.

- **Raw Material Supplies**

The Company would be required to purchase specific raw materials for use in any SOP manufacturing process it might undertake. The Company would be exposed to market forces in establishing supply arrangements for such input materials, which may have unplanned adverse impacts on projected economic outcomes.

- **Water Requirements**

The Project will require access to water supplies in relation to the mining and processing aspects. While preliminary studies indicate that suitable quality and volume of water may be accessible, there is no certainty that this will be the case.

- **Minimum Expenditure Exemption Applications**

As noted in Section 5.13 the Company has lodged or is in the process of lodging applications for exemption in respect of the following Tenements E70/4699, E70/4715, and E70/4724. If these applications are not successful the Company would be at risk of those Tenements being forfeited. This would have a potentially material impact on the Company's exploration and development plans and necessitate a reassessment of the viability of the Project and the possible need to acquire further tenements to supplement the then remaining Tenements. There is no certainty that any such supplemental Tenements could be acquired or, if there were able to be acquired, that they would contain appropriate mineralization.

- **Other inputs**

The Company will require electricity, gas, transport and other inputs. While preliminary estimates indicate that these should be obtainable at prices that are economic as regards the feasibility of the Project, no firm arrangements are in place yet to confirm such prices.



## **Section 9 - Other Information**

### **9.1 Rights Attaching to New Fully Paid Shares**

The New Fully Paid Shares will upon issue participate equally with all Existing Shares in the Company in all respects. The following is a general description of the rights attaching to the Shares and which will attach to the New Fully Paid Shares issued pursuant to this Statement:

- **Voting Rights**

At any meeting each member present in person or by proxy has one vote on a show of hands, and on a poll has one vote for each Share held.

- **Dividend Rights**

Dividends declared by the Company are divisible amongst members in proportion to the Shares held by them, subject to the rights attached to any Shares issued upon special terms.

- **Rights on Winding Up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the members in kind the whole or any part of the property of the Company and may for that purpose set such value as he considers fair upon any property to be so divided and may determine how the division is to be carried out as between the members or different classes of members.

- **Transfer of Shares**

Subject to the Corporations Act or any other applicable laws of Australia and the Constitution of the Company, the Shares are freely transferable.

- **Variation of Rights**

The rights attaching to Shares may only be varied by the consent in writing of three-fourths of the holders, or with the sanction of a special resolution at a general meeting.

### **9.2 Taxation**

There will be taxation implications that will arise from any Application for Shares and Options pursuant to the Offer. It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the New Shares. Taxation consequences will depend on the particular circumstances of each Applicant. Neither the Company nor any of its officers or advisers accept any liability or responsibility whatsoever in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in New Shares and Options.

## Section 10 - Consents

In accordance with Section 720 of the Corporations Law, each Director has consented in writing to the lodgement of this Statement.

Each person and entity referred to in this Section (other than in the case of Mr. Shervington in his capacity as a Director):

- (a) does not make, or purport to make, any statement in this Statement or on which a statement made in this Statement is based other than as specified in this Section;
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Statement other than a reference to its name and a statement included in this Statement with the consent of that party as specified in this Section; and
- (c) has not authorised or caused the issue of this Prospectus.

Greenwich & Co Audit Pty Ltd has consented in writing to the inclusion in this Statement of the references to it and to any statements by it or any statements said in this document to be based on a statement by it in the form and context in which they are included, namely to be named in this Statement as the Auditor for the Company and to the inclusion in this Statement of its audit report and its independence declaration dated 2 October 2018 in relation to the Company's financial report for the year ended June 30 2018 and to the other references to the audited 2018 financial statements of the Company contained in this Statement.

Greenwich & Co Audit Pty Ltd:

- (a) does not make, or purport to make, any statement in this Statement other than those referred to in this Section 10 ;and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Statement other than a reference to its name and a statement included in this Statement with the consent of Greenwich & Co Audit Pty Ltd as specified in this Section 10.

The statements in this Statement that relate to exploration potential, exploration results and geological facts and concepts are based on statements made to the Board by Mr. Harjinder Kehal, a consultant to the Company. Mr. Kehal is a qualified geologist and a member of the Australian Institute of Geoscientists. Mr. Kehal has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a "Competent Person" as defined in the 2012 edition of the JORC Code. Mr. Kehal has given his written consent to the inclusion of those statements and the references to him in this Statement in the form and context in which they appear.

Jeremy Shervington has consented in writing to the references to him as Solicitor to the Offer in this Statement in the form and context in which they appear.

Automic Pty Ltd acts as share registry for the Company and has consented to being named as such in this Statement. There is no statement made by it or attributed to it in this Statement.

Dated 21 December 2018

Executed by Bradley Gordon John Abbott, Director, for and behalf of Shenton Resources Limited.

## Section 11 - Definitions

In this Statement:

Application means an application for Shares and Options lodged on an Application Form and Applicant has a corresponding meaning.

Application Amount means the number of Shares applied for in a valid Application multiplied by \$0.16.

Application Form means the application form attached to this Statement.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited.

Board means the board of directors of Shenton.

Business Day has the same meaning as in the Listing Rules.

Closing Date means 15 February 2019.

Company or Shenton means Shenton Resources Limited ACN 152 726 595.

Completion means the finalisation of the Offer by the issue of Shares and Options thereunder.

Corporations Act means the Corporations Act

2001. Directors mean directors of the Company.

Existing Options means the Founder Options and the 2022 Options to subscribe for Shares exercisable at \$0.20 each, on issue at the date of this Statement.

Existing Shares means the 12,285,000 Shares on issue as at the date of this Statement.

Exposure Period means the period of seven days after lodgement of this Statement with ASIC, which may be extended by ASIC by not more than seven days pursuant to subsection 727(3) of the Corporations Act.

Founder Options means the 6,000,000 options to subscribe for Shares exercisable at \$0.20 each, on issue at the date of this Statement.

Fully Paid Share means a Share.

Investor means a person or entity offered Shares and Options pursuant to this Statement.

JORC Code means the 2012 edition of the document so named prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Listing Rules means the Official Listing Rules of ASX.

Loans means the loans totalling \$45,000 owed by the Company as at the date of this Statement and Loan has a corresponding meaning.

New Shares means Shares the subject of the Offer.

Offer and this Offer means the offer of New Shares with an issue price of A\$0.16 per Share and attaching free Options to be made to Offerees as described in this Statement.

Offeree means the same as Investor.

Option means an option to subscribe for a Share exercisable at \$0.22 on the terms and conditions set out in Section 5.10.

Project means the Company's Mid West Potash Project comprising the Tenements and the information, data and intellectual property held by the Company in respect of the Tenements.

Prospectus has the meaning ascribed to it in the Corporations

Act. Securities mean Shares and/ or Options.

Shareholders mean persons who hold Shares in the Company.

Shares means ordinary fully paid shares in the capital of the Company.

SOP means potassium sulphate (K<sub>2</sub>SO<sub>4</sub>).

Statement means this Offer Information Statement in relation to the Offer.

2022 Options means the 1,644,583 Options to subscribe for Shares exercisable \$0.20 each, expiring on 22 December 2022, on issue at the date of this Statement.

Tenements means the following exploration licences held by the Company:

Tenement Number	Project	Date Granted	Date Expiry	Status	Area	Annual Expenditure	Annual Rent	Estimated Annual Rates
					Blocks			
E70/4694	Watheroo	11/05/2015	10/05/2020	Live	6.00	\$ 30,000.00	\$ 1,320.00	\$ 637.00
E70/4696	Watheroo	04/06/2015	03/06/2020	Live	12.00	\$ 30,000.00	\$ 2,640.00	\$ 637.00
E70/4699	Three Springs	07/12/2015	06/12/2020	Live	28.00	\$ 45,500.00	\$ 6,160.00	\$ 2,065.00
E70/4715	Watheroo	01/12/2015	30/11/2020	Live	52.00	\$ 54,000.00	\$ 11,440.00	\$ 637.00
E70/4724	Watheroo	08/01/2016	07/01/2021	Live	20.00	\$ 29,500.00	\$ 4,400.00	\$ 637.00
E70/4927	Watheroo	25/07/2017	24/07/2022	Live	53.00	\$ 53,000.00	\$ 7,208.00	\$ 637.00
E70/4928	Watheroo	06/07/2017	05/07/2022	Live	41.00	\$ 41,000.00	\$ 5,576.00	\$ 637.00
						<b>\$ 283,000.00</b>	<b>\$ 38,744.00</b>	<b>\$ 5,887.00</b>

Trust Account means an account which the Company has open titled “Shenton Resources Limited-Share Issue Account” in which all Application monies will be deposited and held, pending the satisfaction of the Minimum Subscription Condition.

References to Sections are to Sections of this Statement.

References to A\$ and Australian dollars are references to the currency of Australia.

**SHENTON RESOURCES LTD**  
**ACN 152 726 595**

**APPLICATION FORM**

The Applicant applies for the number of fully paid ordinary shares in Shenton Resources Ltd set out below at an issue price of \$0.16 per Share and a one for one free attaching Option. The Applicant tenders the Application Amount as payment in full for the total number of Shares and Options applied for. This Application must be completed and returned via scan/email to [jds@fsps.com.au](mailto:jds@fsps.com.au) or by post to Abbotts Chartered Accountants, PO 414 West Perth, WA 6872 or by hand to 813 Wellington Street, West Perth WA 6005.

**PRINT CLEARLY IN CAPITAL LETTERS**

**Number of Shares/Options applying for:..... x \$0.16 per Share. Total Amount Payable**  
**\$.....**

**Applicant Details**

.....

**Applicant Contact Details:**

Number/Street Address.....

Suburb/Town and State.....

Post Code.....

**Contact Name:**.....

.

**Contact Phone Number:**.....

**Contact Email Address:**.....

**Optional – Applicant's Tax File Details**.....

**Payment Details**

**Please make payment to the Bank Account, using your Surname/Company name/Super fund details as a reference.**

Bank National Australia Bank

Name: Shenton Resources Limited- Share Account

BSB                086006

Account         878556912

Returning this Application Form with your cheque for the Application Monies (or otherwise transferring Application monies) will constitute your offer to subscribe for Shares and Options in the Company pursuant to and on the terms and conditions contained in the Offer Information Statement lodged by the Company with ASIC on the 21day of December 2018.

**NO SIGNATURE IS REQUIRED**

SHENTON RESOURCES LTD  
ACN 152 726 595

APPLICATION FORM

Declaration

I/We warrant and agree as follows:

- All details in the Application are true and correct.
- I/we am/are fully authorised and legally entitled and empowered to make this Application and subscribe for Shares/Options in accordance with this Application.
- Sole applicants on behalf of a company confirm that they are the sole director and sole secretary of the company.
- Company and trustee applicants are fully authorized by their constituent documents to make this application.
- I/we have made our own enquiries and assessments as to the assets and liabilities, financial position, profits and losses and prospects of the Company and the rights and liabilities attaching to its Shares and Options.
- This Application is governed by the Offer Information Statement lodged by the Company with ASIC on 21 December 2018.
- Except for any statutory liability which cannot be excluded, the Company and its directors and advisors disclaim all responsibility and will have no liability to me/us or any other person, for any loss or damage (including any indirect, special or consequential loss or damage, liability, cost or expense, and all opportunity cost of whatsoever kind) directly or indirectly arising out of, or in connection with the Offer or the issue of Shares/Options to me/us.



ABN: 16 152 726 595

## ANNUAL REPORT

YEAR ENDED 30 JUNE 2018

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## **CORPORATE DIRECTORY**

### **DIRECTORS**

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

### **COMPANY SECRETARY**

Bradley Gordon John Abbott

### **REGISTERED OFFICE**

813 Wellington Street WEST PERTH WA 6005

### **WEBSITE**

[www.Shentonresources.com.au](http://www.Shentonresources.com.au)

### **FOR SHAREHOLDER INFORMATION CONTACT**

### **AUTOMIC GROUP**

Level 2/267 St Georges Terrace PO Box 2226  
Perth WA 6000 Strawberry Hills NSW 2012

[Tel: 02 9698 5414](tel:0296985414)

[www.automic.com.au](http://www.automic.com.au)

### **FOR INFORMATION ON THE COMPANY CONTACT**

### **PRINCIPAL & REGISTERED OFFICE**

Bradley Gordon John Abbott  
813 Wellington Street  
WEST PERTH WA 6005

### **SOLICITORS**

Jeremy Shervington  
Barrister & Solicitor  
52 Ord Street  
WEST PERTH WA 6005

### **BANKERS**

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

### **AUDITORS**

Greenwich & Co Audit Pty Ltd  
Level 2 35 Outram St  
West Perth WA 6005

## REVIEW OF OPERATIONS

### Potash Project Highlights

- Shenton Resources continues to steadily progress exploration and metallurgical investigation of its hard-rock hosted potash project.
- Project is located two hours north from Perth and within 2km of major road/rail corridor and regional power grid. Adjacent to major population and service centre of Moora
- 1,020km<sup>2</sup> of granted Exploration Licences with prospective host rocks covering strike length of 65km over freehold agricultural land
- Company was successful in securing a co-funded Exploration Drilling grant of \$74,500 from 2018 Round 16 for an RC and diamond drilling programme at Watheroo.
- A near surface potassium rich zone outlined over 2km strike length by recently completed co-funded RC drilling programme with best drill intersection to date of 29m @ 8.74% K<sub>2</sub>O
- Potassium rich zone outlined at Watheroo amenable to conventional shallow open pit mining operation
- Targeting 250Ktpa of K<sub>2</sub>SO<sub>4</sub> (SOP) production for +20 years. Potassium extraction rates up to 89% before optimisation from oxide and transition ores.

Shenton Resources Limited ("Shenton or Company") is the owner of a significant ground package covering a highly prospective hard rock potash project located in the heart of the West Australian mid-north wheat belt region. The potash rich host rocks are considered to have potential to support a world scale potash mining and manufacturing development, producing up to 250,000 tonnes per annum of Sulphate of Potash (SOP) for at least 20 years.

The Company has two project (Watheroo & Three Springs) areas with total exploration tenements covering approximately 1,020 km<sup>2</sup>. The main project area is located within two hours (220km) of Perth and situated on freehold agricultural land with immediate access to major utilities, transport corridor, local workforce and regional services centre.

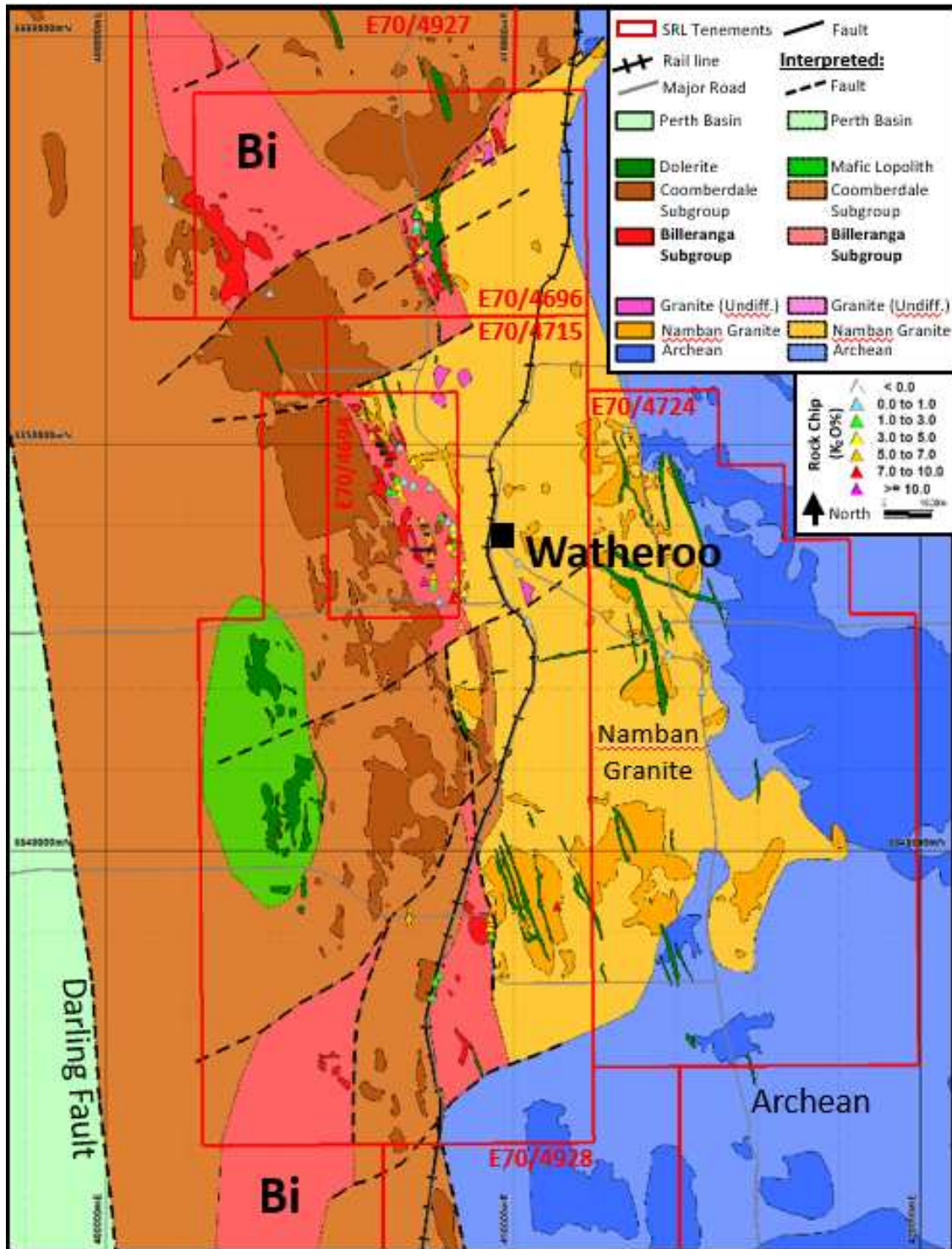


Shenton Potash projects location, other projects and regional infrastructure map

## REVIEW OF OPERATIONS

The Watheroo and Three Springs projects are situated within a strip of Middle Proterozoic Moora Group rocks between the Darling Fault and Archaean Yilgarn Craton.

Potash mineralization is 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. At Watheroo, these ultrapotassic horizons are confined to the Dalaroo Siltstone member which were the focus of the co-funded RC drilling programme during the 2018 financial reporting period.



Watheroo Project – simplified regional geology

The Company was notified on 5 December 2017, by the Department of Mines, Industry Regulation and Safety that its application was successful in securing a co-funded Exploration Drilling grant of \$74,500 from 2018 Round 16 for an RC and diamond drilling programme over its exciting Watheroo Potash Project. Grants are awarded to companies to encourage new minerals/deposit discoveries in underexplored Minerals Fields/regions of Western Australia.



## REVIEW OF OPERATIONS

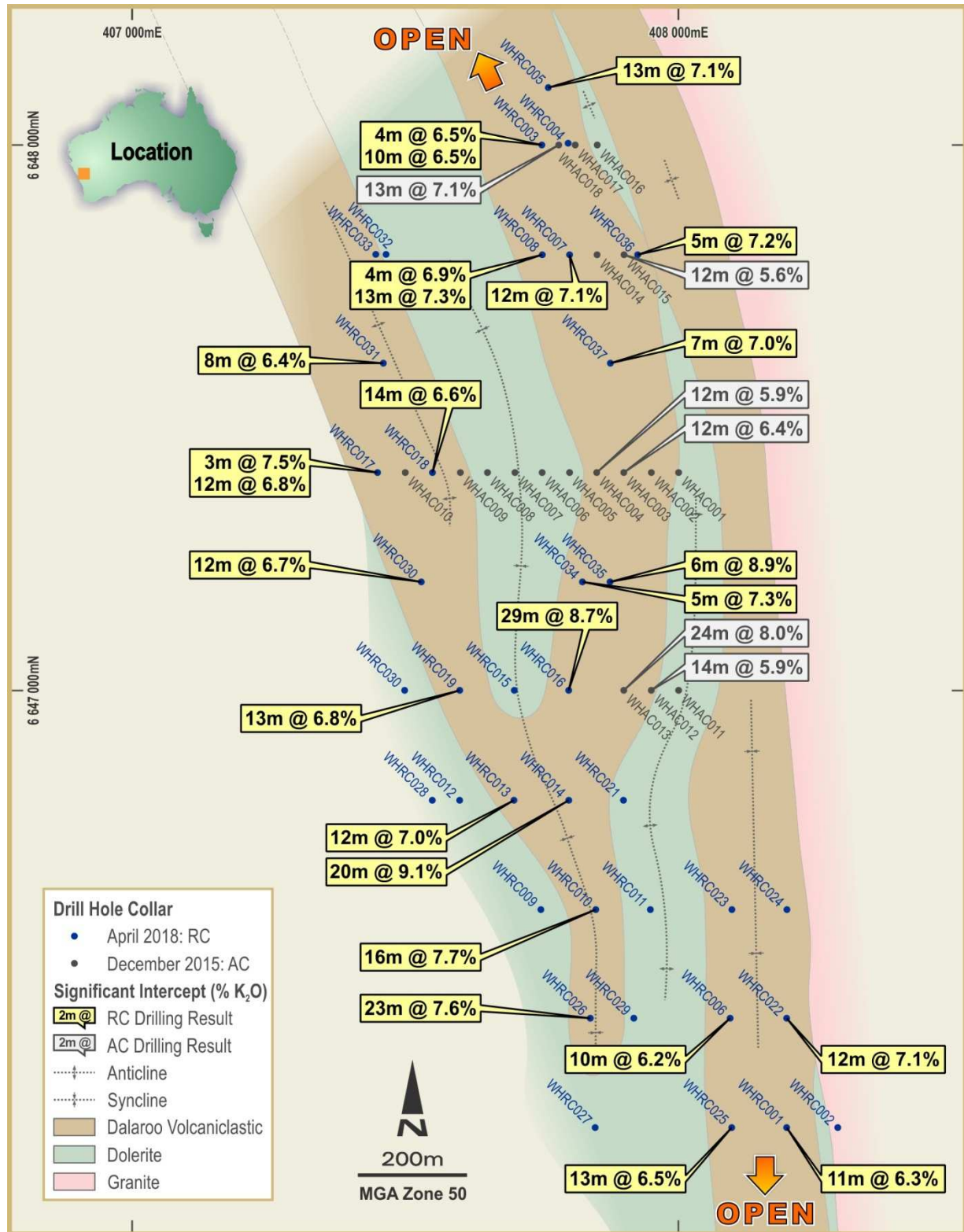
Shenton has taken advantage of the grant funding by completing an RC drilling programme at Watheroo Central to follow up on the encouraging results of its 2015 aircore drilling programme. A total of 37 vertical RC holes ranging in depth from 9m to 78 m totalling 1,199m have been completed. RC drilling has been completed on line spacing of 200m with drill holes generally 50m apart.



RC drilling rig at Watheroo Central during April 2018

## REVIEW OF OPERATIONS

Significant drill intercepts of up to 29m @ 8.74% K<sub>2</sub>O from 5m, 20m at 9.06% K<sub>2</sub>O from depth of 19m and 23m at 7.57% K<sub>2</sub>O from depth of 8m have been returned. Geological and grade interpretation has led to the delineation of a near surface potassium rich zone of over 2km strike length. Preliminary estimate of the tonnage of the potassium rich zone outlined shows that it has potential to support an open pit mining operation of 8 to 10 years life.



Watheroo Central drill defined 2km strike length potassium rich zone

## REVIEW OF OPERATIONS

The next phase of drilling to be undertaken by Shenton at Watheroo Central will entail a three hole diamond drilling programme as part of the co-funded drilling grant.

Reconnaissance road side rock chip sampling of potassium prospective areas to the north and south of Watheroo continues with sampling returning up to 12.0% K<sub>2</sub>O.

The Company is continuing to secure land access agreements at the Watheroo Project in order for it to undertake detailed geological mapping within its tenure and systematic rock chip sampling. This work is expected to lead to the delineation of further drill targets.

Planning of RAB drilling to test potash targets on road verges within the Shire of Moora on E70/4715 and E70/4724 and the Shire of Three Springs (E70/4699) was undertaken. In the absence of land access agreements with various landholders within the Shire of Three Springs, the shire has granted permission to Shenton to undertake road side drilling.

### Tenement Rationalisation

In order to conserve cash from the successful capital raising of \$196,000 as part of the Offer Information Statement during the December quarter 2017, Shenton has carried out an internal review of its tenement holdings and is in the process of relinquishing parts of a number of Exploration Licences at both Watheroo and Three Springs which are deemed to be less prospective for potash. Reconnaissance rock chip sampling completed over Exploration Licence 70/4698 has shown that the likelihood of discovering potassium rich zones was low and as a result was relinquished during June 2018.

### Development Path

Initial metallurgical test work has demonstrated attractive levels of potassium extraction from the potassium rich drill samples from the 2015 drill programme. Highly encouraging laboratory test work has demonstrated that recovery of potassium can be achieved using well practiced metallurgical processes.

Second phase of metallurgical testwork is expected to commence soon, with composite samples prepared from the RC drilling completed during April 2018 and transported to Perth.

Production of K<sub>2</sub>SO<sub>4</sub> has been assumed via traditional and well understood manufacturing methods, but future work will also assess the suitability of emerging new technologies for production.

Preliminary desktop studies and enquiries are underway to determine project development requirements comprising water, power (electricity and gas), transport (road and rail), shipping and raw material inputs sulphuric acid and salt

Shenton's potash 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. Site development 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.

Preliminary financial modelling for a 20-year project life indicates a robust potential project with operating costs of less than half of current SOP sales price, with project payback in 6 years. Forecast NPV's are attractive at an 8% discount rate, ranging \$575 – \$660M.

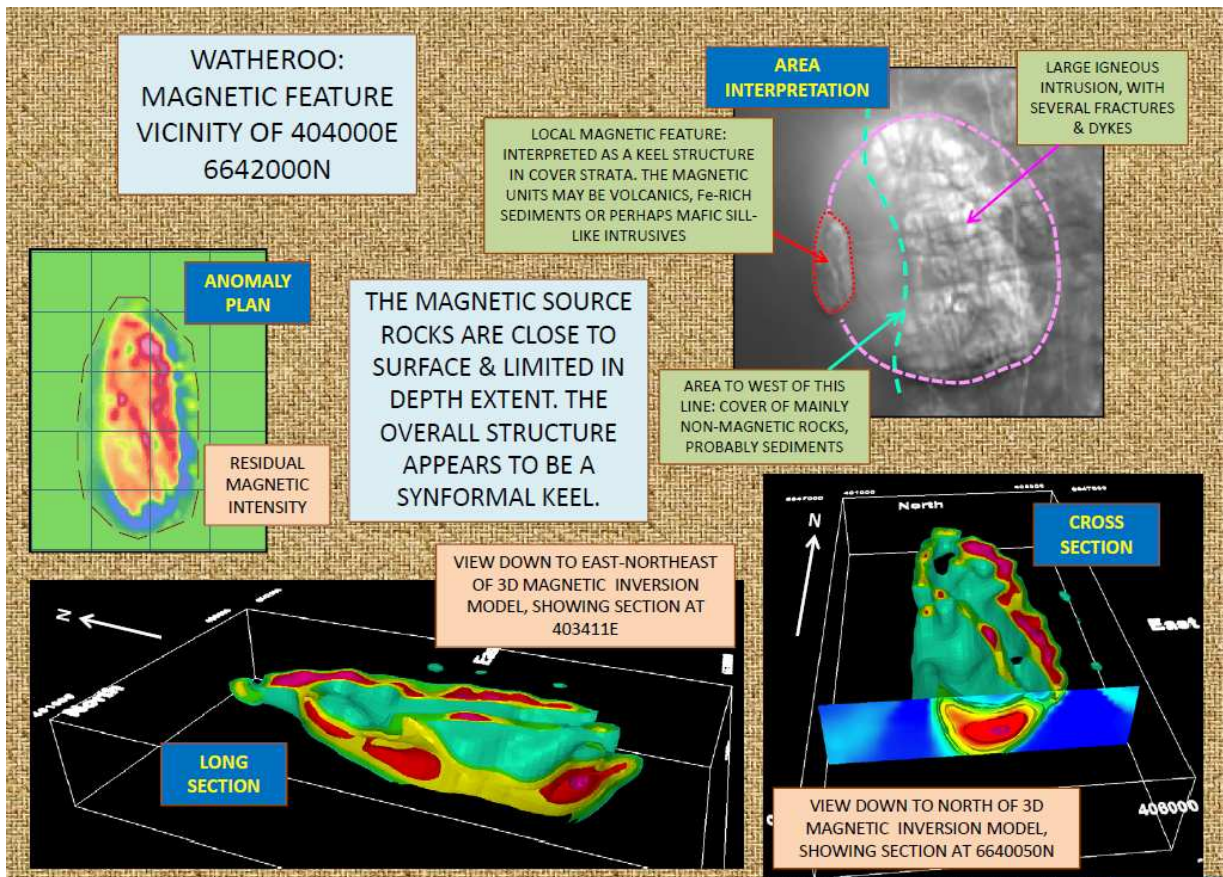
### Watheroo Project – Nickel potential

A first pass study to understand the potential for intrusive related nickel-copper mineralisation at the Watheroo project has been completed with work comprising 3D modelling of the public domain airborne magnetic data by Consultant Geophysicist John Coggon, reconnaissance stream sediment sampling, and petrological studies.

Further petrological studies are recommended to better characterise the nature/composition of the mafic and strongly magnetic intrusion prior to completing a programme of systematic soil geochemistry.



## REVIEW OF OPERATIONS



Watheroo Project – 3D modelling of a mafic magnetic lopolith intrusion



## **DIRECTORS' REPORT**

Your Directors present their report on the Company for the year ended 30 June 2018.

### **DIRECTORS**

The following persons were Directors of Shenton Resources Limited ("Shenton" or "the Company") during the whole of the year 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.

### **RESULTS FROM OPERATIONS**

During the year the Company recorded an operating loss of \$98,104 (2017: \$31,340).

### **DIVIDENDS**

No amounts have been paid or declared by way of dividend by the Company since the end of the previous financial year and the Directors do not recommend the payment of any dividend.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

No significant changes in the company's state of affairs occurred during the financial year.

### **REVIEW OF OPERATIONS**

A review of operations is covered elsewhere in this Annual Report.

### **EARNINGS PER SHARE**

Basic Loss per share for the financial period was (0.86) cents (2017 period 0.29 cents). Diluted Loss per share in respect of the year ended 30 June 2018 is the same as the Basic Loss per share.

### **FINANCIAL POSITION**

The Company's cash position as at 30 June 2018 was \$34,164 an increase from the 30 June 2017 cash balance which was \$15,147. The cash position is inadequate to fund committed exploration expenditure and the directors have agreed to provide additional funding when required.

### **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

No material matters have occurred subsequent to the end of the financial year.

### **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 Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

### **ENVIRONMENTAL ISSUES**

The Company carries out operations in Australia which are subject to environmental regulations under both Commonwealth and State legislation in relation to those exploration activities.

The Company's exploration manager is responsible for being aware of and monitoring compliance with regulations. During or since the financial period there have been no known significant breaches of these regulations.

## **DIRECTORS' REPORT**

### **INFORMATION ON DIRECTORS AND COMPANY SECRETARIES**

#### **J D Shervington B.Juris, LLB. – Non Executive Chairman**

Mr Shervington operates a legal practice in Western Australia. He specialises in the laws regulating companies and the securities industry in Australia. Mr Shervington has more than 30 years' experience as a lawyer, gained since his admission as a Barrister and Solicitor of the Supreme Court of Western Australia. Mr Shervington has since 1983 served as a director of various ASX listed companies as well as a number of unlisted public and private companies. Mr Shervington has a relevant interest in 1,935,000 fully paid ordinary shares and 2,297,500 options to acquire fully paid ordinary shares.

#### **B G J Abbott – Executive Director/ Company Secretary**

Mr Abbott is currently Managing Director of Abbott's Pty Ltd a boutique accounting practice in West Perth that specializes in providing advice for small to medium businesses. Mr Abbott has since 1980 served as a director and/or secretary of several listed and unlisted public companies and numerous private companies.

Mr Abbott holds a Bachelor of Business degree from Curtin University and is a fellow of The Institute of Chartered Accountants and The Taxation Institute of Australia as well as a registered Tax Agent and Company Auditor.

Mr Abbott has been involved in resource companies and gold prospecting syndicates in Australia and Asia for over 15 years including capital raisings therein.

Mr Abbott has a relevant interest in 1,987,500 fully paid ordinary shares and 2,262,500 options to acquire fully paid ordinary shares.

#### **R A S Beeck – Non-Executive Director**

Mr Beeck has 30 years' experience in management of mining and mineral processing operations, feasibility studies, project development and executive management in Australia, related to nickel, diamonds, gold and iron ore. Mr Beeck has consulted on large mine and infrastructure development projects. He is presently General Manager of a West Australian iron ore exploration and development company and is an Associate Member of the AusIMM. He has completed a Master of Business Administration degree from the University of Western Australia.

Mr Beeck has a relevant interest in 1,925,000 fully paid ordinary shares and 2,250,000 options to acquire fully paid ordinary shares.

### **REMUNERATION OF DIRECTORS**

The Directors have resolved not to award themselves any form of remuneration until such time that the company lists on the Australian Stock Exchange.

### **AUDIT COMMITTEE**

The Company chose to form a separately constituted Audit Committee comprising of Jeremy Shervington and Robert Beeck to review and consider the financial statements and all matters normally considered by an audit committee.

### **MEETINGS OF DIRECTORS**

During the financial year ended 30 June 2018 there were 5 meetings of Directors and 4 circulating resolutions passed all of which were attended by all the Directors and the circulating resolutions were signed by all Directors.

### **CORPORATE STRUCTURE**

Shenton Resources is a limited company incorporated and domiciled in Australia.

## **DIRECTORS' REPORT**

### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company has entered into agreements indemnifying, to the extent permitted by law, all the Directors and officers of the Company against all losses or liabilities incurred by each Director and officer in their capacity as Directors and officers of the Company. During the year an amount of \$4,400 (2017: \$2,925) was incurred in insurance premiums for this purpose.

### **OPTIONS**

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 is admitted to the official list of ASX.

As a result of the capital raising offer in December 2017 there was 810,000 options (exercisable at \$0.20 each) held by the Directors associated entities which are exercisable on or before a period of 6 years from the closing date of 22th December 2017.

### **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.

### **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 in this annual report.

**Signed in accordance with a resolution of the Directors**



Jeremy Shervington

Chairman

2 October 2018

### **Auditor's Independence Declaration**

To those charged with governance of Shenton Resources Limited

As auditor for the audit of Shenton Resources Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

*Greenwich & Co Pty Ltd*

**Greenwich & Co Audit Pty Ltd**

*Nicholas Hollens*

**Nicholas Hollens**  
Managing Director

Perth

2 October 2018

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## For the year ended 30 June 2018

	Notes	2018 (\$)	2017 (\$)
<b>Revenue:</b>			
Other revenue	3	34	665
<b>Expenses:</b>			
Travel Exploration expenses		(1,731)	(1,876)
Impairment of Mining Properties	10	(69,460)	-
Other expenses	3	(26,947)	(30,129)
<b>(Loss) before income tax expense</b>		<b>(98,104)</b>	<b>(31,340)</b>
Income tax expense	4	-	-
<b>(Loss) from continuing operations</b>		<b>(98,104)</b>	<b>(31,340)</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>(98,104)</b>	<b>(31,340)</b>
<b>Total comprehensive income for year attributable to members of the Company</b>		<b>(98,104)</b>	<b>(31,340)</b>
Basic (loss) per share (cents per share)	7	(0.86)	(0.29)
Diluted (loss) per share (cents per share)	7	(0.86)	(0.29)

*The accompanying notes form part of these financial statements.*

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2018**

	Notes	2018 (\$)	2017 (\$)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	34,164	15,147
Trade and other receivables	9	21,008	11,764
<b>Total Current Assets</b>		<u>55,172</u>	<u>26,911</u>
<b>Non-Current Assets</b>			
Mining Properties	10	320,074	227,839
<b>Total Non-Current Assets</b>		<u>320,074</u>	<u>227,839</u>
<b>TOTAL ASSETS</b>		<u>375,246</u>	<u>254,750</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	7,200	6,684
Borrowings	12	-	40,000
<b>Total Current Liabilities</b>		<u>7,200</u>	<u>46,684</u>
<b>TOTAL LIABILITIES</b>		<u>7,200</u>	<u>46,684</u>
<b>NET ASSETS</b>		<u>368,046</u>	<u>208,066</u>
<b>Equity</b>			
Contributed equity	13	680,695	422,611
Accumulated (losses)		(312,649)	(214,545)
<b>TOTAL EQUITY</b>		<u>368,046</u>	<u>208,066</u>

*The accompanying notes form part of these financial statements.*

# STATEMENT OF CHANGES IN EQUITY

## For the year ended 30 June 2018

	Ordinary Share Capital (Net of Costs) (\$)	Accumulated Losses (\$)	Total (\$)
<b>Balance at 1.7.2016</b>	422,611	(183,205)	239,406
<b>Total Comprehensive Income</b>			
Operating (loss) for the year	-	(31,340)	(31,340)
<b>Total Comprehensive Income</b>	-	(31,340)	(31,340)
<b>Balance at 30.6.2017</b>	<b>422,611</b>	<b>(214,545)</b>	<b>208,066</b>
<b>Balance at 1.7.2017</b>	422,611	(214,545)	208,066
<b>Total Comprehensive Income</b>			
Operating (loss) for the year	-	(98,104)	(98,104)
<b>Total Comprehensive Income</b>	-	(98,104)	(98,104)
<b>Transactions with owners in their capacity as owners</b>			
Issue of share capital	271,600	-	271,600
Share issue expenses	(13,516)	-	(13,516)
<b>Balance at 30.6.2018</b>	<b>680,695</b>	<b>(312,649)</b>	<b>368,046</b>

*The accompanying notes form part of these financial statements.*



# STATEMENT OF CASH FLOW

## For the year ended 30 June 2018

	Notes	2018 (\$)	2017 (\$)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash payments to suppliers and contractors		(37,408)	(37,867)
Interest received		36	748
<b>Net cash (used in) operating activities</b>	14	<u>(37,372)</u>	<u>(37,119)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation		(161,695)	(89,471)
Proceeds / (Repayments) from borrowings		-	40,000
<b>Net cash (used in) investing activities</b>		<u>(161,695)</u>	<u>(49,471)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from new issues of shares		231,600	-
Share issue expenses		(13,516)	-
<b>Net cash provided by financing activities</b>		<u>218,084</u>	<u>-</u>
Net Increase/Decrease in cash held		19,017	(86,590)
Cash and cash equivalents at the beginning of the financial year		15,147	101,737
<b>Cash and cash equivalents at the end of the financial year</b>	8	<u><u>34,164</u></u>	<u><u>15,147</u></u>

*The accompanying notes form part of these financial statements.*

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2018

This financial report includes the financial statements and notes of the Company.

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements were authorised for issue on the date of the director's report.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

#### *Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### *Going Concern is dependent on raising future capital*

The Directors have prepared the financial statements of the Company on a going concern basis. In arriving at this position, the Directors have considered the following pertinent matters:

- (a) For the year ended 30 June 2018, the Company incurred an operating loss of \$98,104 (2017: \$31,340). The Company has recorded net asset of \$368,046 as at 30 June 2018 (2017: net asset of \$208,066).
- (b) Cash and cash equivalents on hand at the date of this report is approximately \$39,278.
- (c) Based upon the Company's ability to modify expenditure outlays if required, the Directors consider there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation to be appropriate for the preparation of the Company's 2018 financial report.

However, the Directors recognise that the ability of the Company to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability of the Company to secure additional funding through either the issue of further shares and or options, convertible notes, entering into negotiations with third parties regarding the sale and or farm out of assets of the Company, the continual financial support of the Directors, or a combination thereof.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

In the Directors' opinion, the Company is able to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

#### Accounting Policies

##### (a) Revenue

Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the financial asset. All revenue is stated net of the amount of goods and services tax (GST).

##### (b) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by non-casual employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. There is no liability for long service leave entitlements.

##### (a) Mining Properties

Exploration and evaluation costs incurred are capitalised in respect of each identifiable area of interest where the rights to tenure are current. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

#### *Impairment*

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

#### **(d) Acquisition of Assets**

The cost method is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of assets given up at the date of acquisition plus costs incidental to the acquisition.

Costs relating to the acquisition of new areas of interest are classified as either exploration and evaluation expenditure or mine properties based on the stage of development reached at the date of acquisition.

#### **(e) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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

#### **(f) Income Tax**

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the Statement of Profit or Loss and Other Comprehensive Income is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities and assets are therefore measured at the amounts expected to be paid to or recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses, if any in fact are brought to account.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### **(g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### **(h) Impairment of Assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

#### (i) Earnings per Share

- (i) *Basic Earnings per Share* – Basic earnings per share is determined by dividing the loss from continuing operations after related income tax expense by the weighted average number of ordinary shares outstanding during the financial period.
- (ii) *Diluted Earnings per Share* – Diluted EPS is calculated as net loss attributable to members, adjusted for:
  - costs of servicing equity (other than dividends);
  - the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
  - other discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

#### (j) Property, plant and equipment

Each class of plant, equipment and motor vehicles is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant, equipment and motor vehicles are measured on the cost basis.

The carrying amounts of plant, equipment and motor vehicles are reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

##### Depreciation

The depreciable amount of all plant, equipment and motor vehicles are depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for the class of plant, equipment and motor vehicle depreciable assets range between 20% and 100%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### (k) Financial Instruments

##### Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit and loss, in which case transaction costs are expensed to profit and loss immediately.

##### Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

the amount at which the financial asset or financial liability is measured at initial recognition;

less principal repayments;

plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit and loss.

The Company does not designate any interests in joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

#### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains and losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit and loss.

Available-for-sale financial assets are included in current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as non-current assets.

#### *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

#### **Fair Value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### **Impairment**

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

#### **Financial Guarantees**

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

#### **De-recognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### **(l) Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### **(m) Leases**

Lease payments for operating leases (where substantially all the risks and benefits remain with the lessor) are charged as an expense in the periods in which they are incurred.

Lease incentives under operating leases, if any, are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### **(n) Contributed Equity**

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

**(o) Share-based Payments and Value Attribution to Equity Remuneration/Benefits**

Share-based compensation benefits provided to Directors are approved in general meeting by members. Share-based benefits provided to non-Directors are approved by the Board of Directors and form part of that employee's remuneration package.

The International Financial Reporting Standards specifies that a valuation technique must be applied in determining the fair value of employees' or Directors' stock options as at their grant date. No particular model is specified.

In respect of share options granted, the (theoretical) fair value is recognised over the vesting period as an employee benefit expense with a corresponding increase in equity. The theoretical fair value of the options is calculated at the date of grant taking into account the terms and conditions upon which the options were granted, the effects of non-transferability, exercise restrictions and behavioural considerations. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

**(p) Comparative Figures**

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

**(q) Segment Reporting**

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of Directors.

**(r) Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgements incorporated into the financial report 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 from within the Company.

*Key Estimates - Taxation*

Balances disclosed in the financial statements and the notes thereto related to taxation are based on best estimates by Directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income tax legislation and the Directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current tax position represents the Directors' best estimate pending an assessment being received from the Australian Taxation Office.

*Key Judgment – Environmental Issues*

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation and the Directors understanding thereof. At the current stage of the Company's development and its current environmental impact, the Directors believe such treatment is reasonable and appropriate.

*Key Estimates - Impairment*

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Calculations performed in assessing recoverable amounts incorporate a number of key estimates.

**(s) New Accounting Standards**

A number of new and amended Australian Accounting Standards became applicable for the first time for report periods beginning on or after the 1<sup>st</sup> July 2017. These standards did not materially impact on these Financial Statements.

## NOTE 2 OPERATING SEGMENTS

### Segment Information

#### Identification of reportable segments

The Company has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company's principal activity is mineral exploration.

#### Revenue and assets by geographical region

The Company's revenue is received from sources and assets are located wholly within Australia.

#### Major customers

Due to the nature of its current operations, the Company does not provide products and services.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

NOTE 3	REVENUE AND EXPENDITURE	2018 (\$)	2017 (\$)
	<b>REVENUE</b>		
	<b>Other Income</b>		
	Interest Income	34	665
		<u>34</u>	<u>665</u>
	<b>EXPENDITURE</b>		
	<b>Other Expenses</b>		
	Filing and ASX Fees	2,339	2,533
	Audit & Bookkeeping Fees	17,246	21,141
	Insurance	5,965	4,792
	Corporate and management	1,397	3,539
		<u>26,947</u>	<u>32,005</u>

NOTE 4	INCOME TAX EXPENSE	2018 (\$)	2017 (\$)
	The components of tax expense comprise:		
	Current tax	-	-
	Deferred tax asset/liability	-	-
		<u>-</u>	<u>-</u>
	The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:		
	Loss from continuing operations before income tax	<u>(98,104)</u>	<u>(31,340)</u>
	Prima facie tax benefit attributable to loss from continuing operations before income tax at 27.5%	(26,979)	(8,619)
	Tax effect of Non-allowable items		
	<ul style="list-style-type: none"> <li>Other accruals</li> <li>Mining Properties Impairments</li> </ul>	- 19,102	- -
	Tax effect of allowable items		
	<ul style="list-style-type: none"> <li>Decline in value deduction</li> <li>Capital raising costs deduction</li> <li>Deferred tax benefit on tax losses not brought to account</li> <li>Income tax attributable to operating loss</li> </ul>	(44,466) (211) 52,554 -	(24,604) (1,559) 34,782 -

#### Unrecognised temporary differences

Net deferred tax assets (calculated at 27.5%) have not been recognised in respect of the following items:

Accruals	1,650	1,650
Unrecognised deferred tax assets relating to the above temporary differences	<u>1,650</u>	<u>1,650</u>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

#### Unrecognised deferred tax assets

The Company has accumulated tax losses of \$682,381 (2017: \$490,275).

The potential deferred tax asset of these losses \$187,655 (2017: \$134,826) will only be recognised if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be released;
- (ii) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

#### NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION

Information on related party and entity transactions is disclosed in Note 17.

#### Options held by Key Management Personnel

The number of options over fully paid ordinary shares in the Company held **during the financial year** by key management personnel and/or their statutorily related entities are set out below:

##### 30 June 2018:

Name	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested & exercisable at the end of the year
Mr Shervington	2,000,000	297,500	-	-	2,297,500	2,297,500
Mr Abbott	2,000,000	262,500	-	-	2,262,500	2,262,500
Mr Beeck	2,000,000	250,000	-	-	2,250,000	2,250,000

##### 30 June 2017:

Name	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested & exercisable at the end of the year
Mr Shervington	2,000,000	-	-	-	2,000,000	2,000,000
Mr Abbott	2,000,000	-	-	-	2,000,000	2,000,000
Mr Beeck	2,000,000	-	-	-	2,000,000	2,000,000

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

#### Shares held by Key Management Personnel

The number of shares in the company held **during the financial year** by key management personnel and/or their related entities are set out below:

#### 30 June 2018:

Name	Balance at the start of the year	Share movements	Balance at the end of the year
Mr Shervington Ordinary shares	1,637,500	297,500	1,935,000
Mr Abbott Ordinary shares	1,725,000	262,500	1,987,500
Mr Beeck Ordinary shares	1,675,000	250,000	1,925,000

#### 30 June 2017:

Name	Balance at the start of the year	Share movements	Balance at the end of the year
Mr Shervington Ordinary shares	1,637,500	-	1,637,500
Mr Abbott Ordinary shares	1,725,000	-	1,725,000
Mr Beeck Ordinary shares	1,675,000	-	1,675,000

#### NOTE 6 AUDITORS REMUNERATION

	2018 (\$)	2017 (\$)
Amounts received or due and receivable by the auditors of the Company for:		
Auditing and reviewing the financial report	6,000	6,000
	<u>6,000</u>	<u>6,000</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

**NOTE 7 EARNINGS PER SHARE**

	2018 (\$)	2017 (\$)
The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share		
Loss for the year	(98,104)	(31,340)
Earnings used in calculating basic and diluted earnings per share	<u>(98,104)</u>	<u>(31,340)</u>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<u>12,285,000</u>	<u>10,587,500</u>

The Company had 7,644,583 options over fully paid ordinary shares on issue at balance date. Options and contributing shares are considered to be potential ordinary shares. However, they are not considered to be dilutive in this year and accordingly have not been included in the determination of diluted earnings per share.

**NOTE 8 CASH AND CASH EQUIVALENTS**

	2018 (\$)	2017 (\$)
Cash at bank	<u>34,164</u>	<u>15,147</u>
	<u>34,164</u>	<u>15,147</u>

**NOTE 9 TRADE AND OTHER RECEIVABLES**

	2018 (\$)	2017 (\$)
GST and tax refundable	11,008	1,764
Environmental Bond	<u>10,000</u>	<u>10,000</u>
	<u>21,008</u>	<u>11,764</u>

**NOTE 10 MINING PROPERTIES**

	2018 (\$)	2017 (\$)
Opening Balance	227,839	138,368
Exploration & Expenditure Capitalised	161,695	89,471
Impairment of Mining Properties	<u>(69,460)</u>	<u>-</u>
Closing Balance of Mining Properties	<u>320,074</u>	<u>227,839</u>

**NOTE 11 TRADE AND OTHER PAYABLES**

	2018 (\$)	2017 (\$)
Trade creditors and accruals	<u>7,200</u>	<u>6,684</u>
	<u>7,200</u>	<u>6,684</u>

**NOTE 12 BORROWINGS**

	2018 (\$)	2017 (\$)
Bradley Abbott	-	10,000
Christopher Higham	-	10,000
Jeremy Shervington	-	10,000
Robert Beeck	<u>-</u>	<u>10,000</u>
	<u>-</u>	<u>40,000</u>

The outstanding loan amounts was converted to new issued shares and share options as part of the December 2017 capital raising.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

**NOTE 13 EQUITY**

	2018		2017	
	No.	\$	No.	\$
<b>Contributed Equity – Ordinary Shares</b>				
At the beginning of year	10,587,500	415,111	10,587,500	415,111
Share Issued (Dec 17)	1,697,500	258,084	-	-
Share Cancellation	-	-	-	-
Closing balance:	12,285,000	673,195	10,587,500	415,111

**Options**

The Company had the following options over un-issued fully paid ordinary shares at the end of the period:

Options exercisable at \$0.20 per option.	6,000,000	7,500	6,000,000	7,500
Options exercisable at \$0.20 per option (22th Dec 17 expires in 5 Year).	1,644,583	-	-	-
Closing balance:	7,644,583	680,695	6,000,000	422,611

**Terms and condition of contributed equity***Ordinary Fully Paid Shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held, regardless of the amount paid up thereon.

On a show of hands, every holder of fully paid ordinary shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll, each member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each fully paid ordinary share.

**NOTE 14 CASH FLOW INFORMATION**

	2018 (\$)	2017 (\$)
Reconciliation of operating loss after income tax with funds used in operating activities		
Operating (loss) after income tax	(28,644)	(31,340)
Changes in operating assets and liabilities:		
Increase in trade and other receivables relating to operating activities	(9,244)	2,107
Increase in trade and other payables relating to operating activities	516	(7,886)
<b>Cash flow from operations</b>	<b>(37,372)</b>	<b>(37,119)</b>

**NOTE 15 TENEMENT EXPENDITURES AND LEASING COMMITMENTS**

The company has a leasing commitment requirement to spend money on each of their eight mining tenements, Shenton Resources Limited has already chosen to partially surrender tenement blocks to reduce the overall expenditure, over the next 12 months Shenton Resources Limited is required to spend approximately \$334,000 on their mining tenements. The company can choose not to spend this money and therefore further mining tenements will be subsequently forfeited or they can be surrendered.

**NOTE 16 EVENTS SUBSEQUENT TO REPORTING DATE**

Shenton Resources has been approved for the EIS Co-Funder Exploration Drilling Grant and will be reimbursed half of the drilling expenses that it has incurred during the drilling program. Shenton has received \$16,800 from the EIS Co-Funder Exploration Drilling Grant and in subsequent months Shenton Resources expects to receive the remaining \$57,650 when it has completed the diamond drilling programme and submitted the necessary reports to the Department of Mines.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

#### NOTE 17 RELATED ENTITY AND RELATED ENTITY TRANSACTIONS

Transactions with Directors, director-related parties and related entities other than those disclosed elsewhere are as follows:

Accounting fees paid to Abbotts Pty Ltd is \$11,593. All accounting fee invoices that were issued to Shenton Resources Limited related to work performed by employees of Abbotts Pty Ltd.

Although Bradley Abbott is a Director of the Company and also a Director of Abbotts Pty Ltd, there was no chargeable time included in the invoices issued for work he conducted relating to Shenton Resources Limited during the year.

Capital raising costs for professional services in connection with preparing and finalising the Offer Information Statement including all associated legal advice was \$6,600. Jeremy Shervington received \$1,000 in cash and remaining amount was issued as shares in lieu of payment.

#### NOTE 18 CONTINGENT LIABILITIES

##### Native Title

The Company is not in a position to assess the likely effect of any native title claim impacting the Company.

#### NOTE 19 FINANCIAL INSTRUMENTS DISCLOSURE

##### (a) Financial Risk Management Policies

The Company's financial instruments consist of deposits with banks, receivables, available-for-sale financial assets and payables.

Risk management policies are approved and reviewed by the board. The use of hedging derivative instruments is not contemplated at this stage of the Company's development.

##### Specific Financial Risk Exposure and Management

The main risks the Company is exposed to through its financial instruments, are interest rate and liquidity risks.

##### *Interest Rate Risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

##### *Liquidity Risk*

The Company manages liquidity risk by monitoring forecast cash flows, cash reserves, liquid investments, receivables and payables.

##### *Capital Risk*

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raising as required.

The working capital position of the Company at 30 June 2018 and 30 June 2017 was as follows:

	2018 (\$)	2017 (\$)
Cash and cash equivalents	34,164	15,147
Trade and other receivables	21,008	11,764
Trade and other payables	(7,200)	(6,684)
<b>Working capital position</b>	<b>47,972</b>	<b>20,227</b>

##### *Credit Risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

There is no material amounts of collateral held as security at balance date.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

The credit risk for counterparties included in trade and other receivables at balance date is detailed below.

	2018 (\$)	2017 (\$)
<b>Trade and other receivables</b>		
GST and tax refundable	11,008	1,764
Environmental Bond	10,000	10,000
	<u>21,008</u>	<u>11,764</u>

#### (b) Financial Instruments

The Company holds no derivative instruments, forward exchange contracts and interest rate swaps.

#### Financial Instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments.

2018	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents		-	34,164	34,164
Other receivables		-	20,498	20,498
Total Financial Assets	0%	-	54,662	54,662
Financial Liabilities				
Trade and other payables		-	7,200	7,200
Net Financial Assets		-	47,462	47,462

	2018 (\$)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	7,200
	<u>7,200</u>

2017	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents		-	15,147	15,147
Trade and other receivables		-	11,764	11,764
Total Financial Assets	1.8%	-	26,911	26,911
Financial Liabilities				
Trade and other payables		-	6,684	6,684
Net Financial Assets		-	20,227	20,227

	2017 (\$)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	6,684
	<u>6,684</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2018

#### (c) Net Fair Values

##### *Fair value estimation*

The fair values of financial assets and liabilities are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms' length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted bid prices

The carrying values of financial assets and liabilities as presented in the statement of financial position approximate their fair value.

#### Sensitivity Analysis – Interest rate risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

As at balance date, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2018 (\$)	2017 (\$)
Change in loss – increase/(decrease):		
- Increase in interest rate by 2%	-	-
- Decrease in interest rate by 2%	-	-
Change in equity – increase/(decrease):		
- Increase in interest rate by 2%	-	-
- Decrease in interest rate by 2%	-	-



## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Act 2001; and
  - (b) give a true and fair view of the financial position of the Company as at 30 June 2018 and performance of the Company for the year ended on that date;
2. the Directors have declared pursuant to section 295(4) of the Corporations Act 2001 that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and the notes for the financial year comply with Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' 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.
4. the Directors have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.



**Mr Bradley Abbott**  
**EXECUTIVE DIRECTOR**  
**PERTH**  
2 October 2018

## Independent Audit Report to the members of Shenton Resources Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Shenton Resources 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 ended, and notes to the financial statements, including a summary of significant accounting policies, 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 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 as 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 – Inherent uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 1 of the financial statements which outlines that the ability of the company to continue as a going concern is dependent on the ability of the company to secure additional funding through either the issue of further shares and/or options, convertible notes, entering into negotiations with third parties regarding the sale and/or farm out of assets of the company, the continual financial support of the directors, or a combination thereof.

As a result, there is a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Our opinion is not qualified in respect of this matter.

#### Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the financial statements, (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 accordingly 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Directors 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

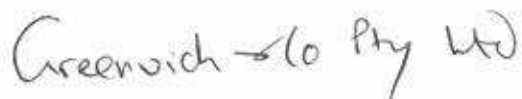
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

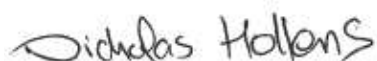
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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.

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**Greenwich & Co Audit Pty Ltd**

A handwritten signature in black ink that reads "Nicholas Hollens". The script is cursive and fluid.

**Nicholas Hollens**  
Managing Director

2 October 2018