



Shenton --- **Resources Limited**

ABN: 16 152 726 595

ANNUAL REPORT

YEAR ENDED 30 JUNE 2020

CONTENTS

Corporate Directory	2
Review of Operations	4
Directors' Report	10
Auditor's Independence Declaration	13
Statement of Profit or Loss and Other Comprehensive Income	14
Statement of Financial Position	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Notes to and forming part of the Financial Statements	18
Directors' Declaration	33
Independent Auditor's Report	36

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

FOR SHAREHOLDER INFORMATION CONTACT

AUTOMIC GROUP

Level 2/267 St Georges Terrace
Perth WA 6000

Tel: 02 9698 5414

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

Elderton Audit Pty Ltd
Level 2, 267 St Georges Terrace
Perth WA 6000

REVIEW OF OPERATIONS

Midwest Potash Project Highlights

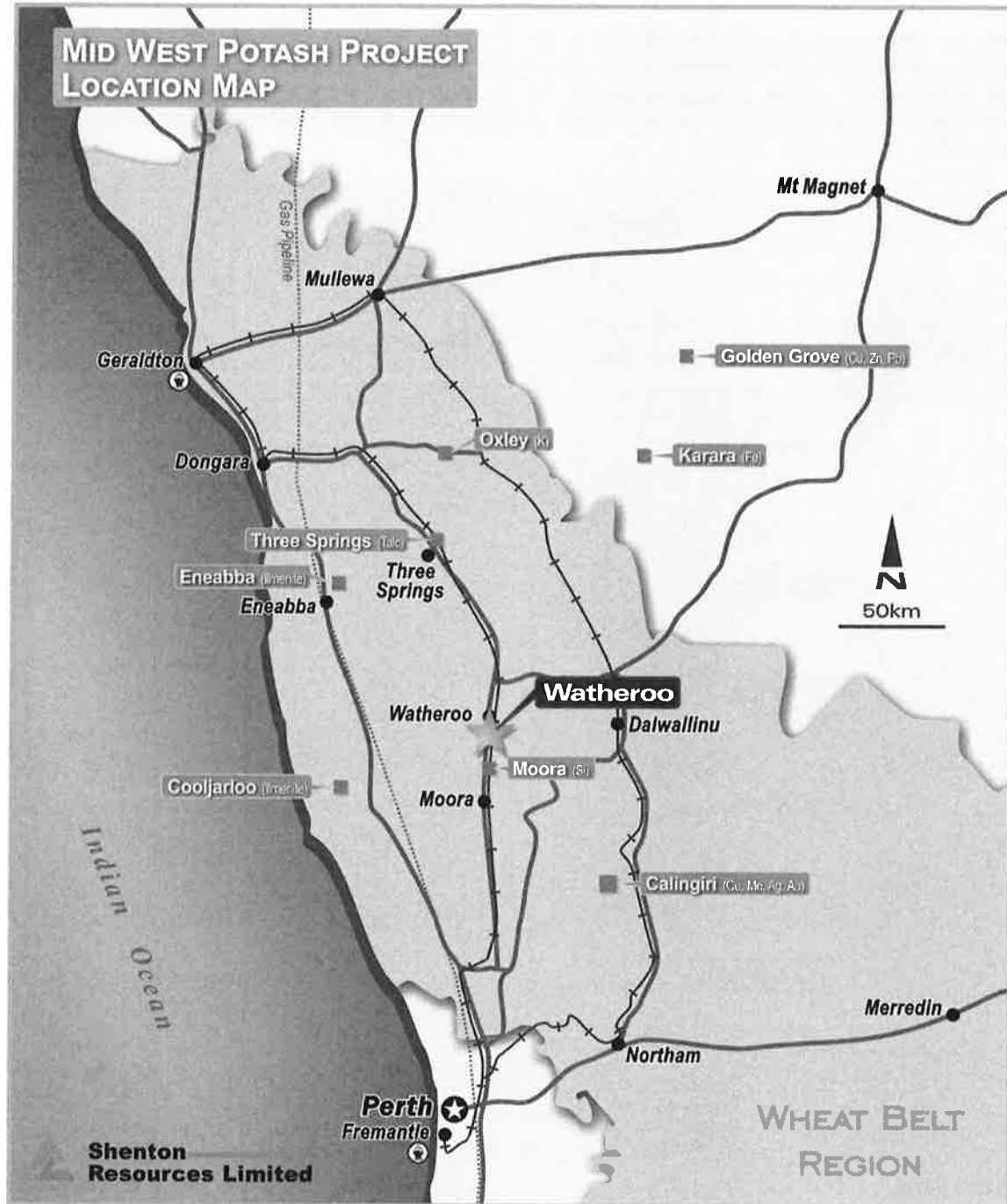
- Shenton Resources continues to steadily progress the development potential of its Mid-West Potash Project with the completion of a project concept scoping study by Wood Group Engineering, a leading metallurgical engineering group familiar with pyro and hydro metallurgical processes.
- Project is located 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.
- 17 km² of granted Exploration Licence with prospective host rocks covering strike length of 5 km over freehold agricultural land.
- A near surface potassium rich zone outlined over 2km strike length by two drilling programmes with best drill intersection to date of 29m @ 8.74% K₂O
- Potassium rich zone outlined at Watheroo anticipated to be amenable to conventional shallow open pit mining operation
- Targeting up to 150Ktpa of sulphate of potash (SOP) production for +20 years. Potassium extraction rates up to 87% before optimisation, from oxide and transition ores.

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 Exploration Tenement covering a total area of approximately 17 km². 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.

REVIEW OF OPERATIONS



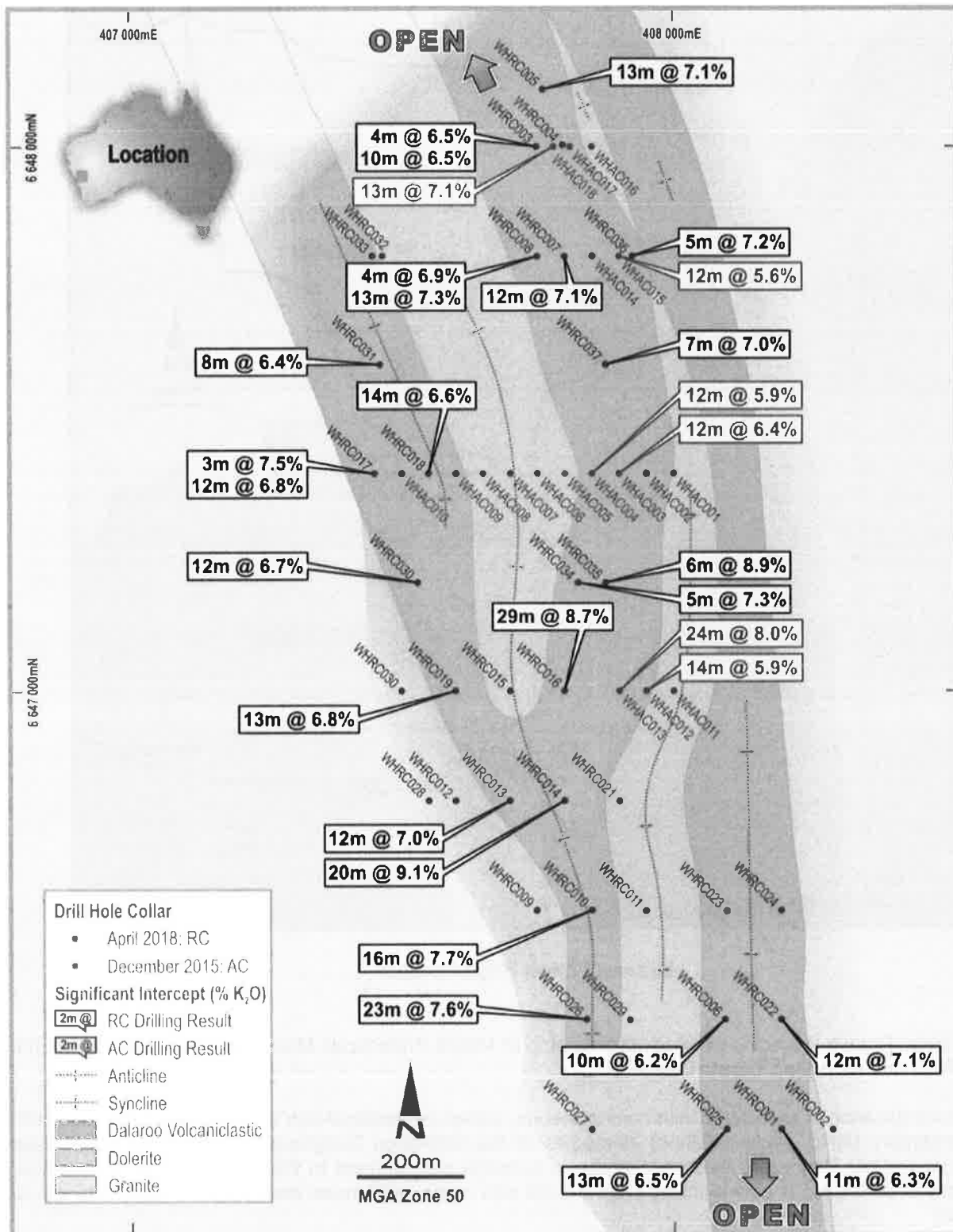
Midwest Potash Project location

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, deposited during a failed Proterozoic Rift. At Watheroo, these ultrapotassic horizons are confined to the Dalaroo Siltstone member which have been the focus of two drilling programmes with a total of 63 holes completed for a strike length of some 5km.

REVIEW OF OPERATIONS

Significant drill intercepts of up to 29m @ 8.74% K₂O from depth of 5m, 20m at 9.06% K₂O from depth of 19m and 23m at 7.57% K₂O 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 drill defined 2km strike length potassium rich zone

REVIEW OF OPERATIONS



RC drilling rig at Watheroo

The Company is continuing to secure additional land access agreements in the Watheroo area to undertake systematic rock chip sampling within its tenure and drilling of additional resources areas.

Project Concept Study

Shenton Resources commissioned a project concept scoping study to be completed by Wood Group Engineering, a leading metallurgical engineering group familiar with pyro and hydro metallurgical processes. The process circuit proposed for the Mid West Potash Project is novel and has not been used on a commercial scale to date. The majority of the unit operations selected for use within the proposed circuit are well proven technologies but continuous molten chloride salt roasting in this application and the treatment of the feldspar ore for potassium recovery at a commercial scale are unproven. The reactions involved are not perceived as having high technical risk, however, risk will lie with the flow behaviour and corrosion potential of a continuous molten salt slurry system as only batch systems are currently commercialized.

The process flowsheet was based on designs undertaken for other in-house studies and considered far from optimal due to the level of study undertaken and available funds, which precluded modelling the system with mass balancing software. Consequently, there is an opportunity to undertake further work to optimise the overall system heat and chemistry balance and rationalise the circuit design to improve both capital and operating costs.

Infrastructure and utilities for the Project have been designed around the requirements of the process plant. Gas will be sourced from a 70 km long spur line connected into the Dampier to Bunbury Gas Pipeline and is used for heating in the roasting and SOP conversion circuits. Make-up process water are assumed to be sourced from mine dewatering and nearby aquifers. Whilst not part of the current study, it may be possible to source hypersaline brine for salt makeup for the plant, which will reduce operating costs. Sulphuric acid for SOP production will be brought in by road (source to be determined).

REVIEW OF OPERATIONS

Capital costs for the Project were developed using predominantly Wood in-house data from recent studies and projects. A capital cost estimate to an accuracy of -20 to +40% based on second half 2019 (H2 2019) was developed.

Further work planned by Shenton includes a review of the overall process design used in the Scoping Study using subject matter experts with the aim of improving the flowsheet and reducing capital costs. Particular emphasis is to be placed on a critical analysis of the assumptions used and what, if any, are the alternatives that need to be reviewed as part of a Prefeasibility Study (PFS). Key areas of review are the molten salt handling, indirect kiln design and operation, salt mixes and ratios used, the rotary cooler design and operation, brine chemistry, solar evaporation design and operation and SOP conversion alternatives.

Once the use of alternative calcium sources such as calcium chloride or sulphate has been proven up at batch scale, it is planning to undertake a mini-pilot plant test of the roasting circuit. The key outcomes would be the behaviour of the molten salt slurry within the indirect kiln, the indirect kiln configuration, the operation of the rotary cooler with molten salt slurry and to generate sufficient sample to undertake test work for solar evaporation and SOP production.

Resources/reserves and Exploration potential

With the delineation of a near surface potassium rich zone of 2.2 km strike length (Exploration Target) at the Watheroo Central prospect with an overall 5km potassium prospective trend a drill program of approximately 140 holes for 5,000m has been planned. Future diamond drilling is expected to identify critical controls of the formation and distribution of high grade (>8.0% K₂O) zones within the Billeranga Supergroup at Watheroo.

K₂O-anomalous rock chip samples have significantly expanded the known extent of the potash-mineralized stratigraphy within Shenton tenure. Further sampling work has continued to prove a unique style of "potassium" mineralisation within the Dalaroo Siltstone and or Watheroo tuffs of the Billeranga Supergroup.

DIRECTORS' REPORT

Your Directors present their report on the Company for the year ended 30 June 2020.

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 was to steadily progress exploration and metallurgical investigation of its hard rock potash project.

RESULTS FROM OPERATIONS

During the year the Company recorded an operating loss of \$157,897 (2019: \$35,635).

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 (1.16) cents (2019 period 0.26 cents). Diluted Loss per share in respect of the year ended 30 June 2020 is the same as the Basic Loss per share.

FINANCIAL POSITION

The Company's cash position as at 30 June 2020 was \$18,446 a decrease from the 30 June 2019 cash balance which was \$117,563. The cash position is adequate 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 2,153,750 fully paid ordinary shares and 2,516,250 options to acquire fully paid ordinary shares.

B G J Abbott – Executive Director/ Company Secretary

Mr Abbott is a 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 2,224,375 fully paid ordinary shares and 2,509,375 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 2,143,750 fully paid ordinary shares and 2,468,750 options to acquire fully paid ordinary shares.

REMUNERATION OF DIRECTORS

The board has resolved to defer compensating directors and senior management with cash payments until the company is financially stable but proposes to put to shareholders for consideration equity based compensation arrangements in due course.

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 2020 there were 4 meetings of Directors all of which were attended by all the 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 \$5,314 (2019: \$4,822) was incurred in insurance premiums for this purpose.

OPTIONS

As at the date of this report,

- 6 million options (exercisable at \$0.20 each) held by the Directors associated entities 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.
- 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 date of issue closing date of 22th December 2017.
- As a result of the capital raising offer in December 2018 there was 684,375 options (exercisable at \$0.22 each) held by the Directors associated entities which are exercisable on or before a period of 5 years from the date of issue closing date of 15th February 2019.

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

Bradley Abbott
Director
22 December 2020

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 2020, 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.



Elderton Audit Pty Ltd



Nicholas Hollens
Managing Director

Perth
22 December 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 (\$)	2019 (\$)
Revenue:			
Other revenue	3	276	203
Expenses:			
Travel Exploration expenses		-	(2,315)
Impairment of Mining Properties	10	(135,569)	-
Other expenses	3	(22,604)	(33,523)
Loss before income tax expense		(157,897)	(35,635)
Income tax expense	4	-	-
Loss from continuing operations		(157,897)	(35,635)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(157,897)	(35,635)
Total comprehensive loss for year attributable to members of the Company		(157,897)	(35,635)
Basic (loss) per share (cents per share)	7	(1.16)	(0.26)
Diluted (loss) per share (cents per share)	7	(1.16)	(0.26)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	2020 (\$)	2019 (\$)
ASSETS			
Current Assets			
Cash and cash equivalents	8	18,446	117,563
Trade and other receivables	9	11,337	12,876
Total Current Assets		<u>29,783</u>	<u>130,439</u>
Non-Current Assets			
Mining Properties	10	368,173	417,543
Total Non-Current Assets		<u>368,173</u>	<u>417,543</u>
TOTAL ASSETS		<u>397,956</u>	<u>547,982</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	11	13,967	6,097
Total Current Liabilities		<u>13,967</u>	<u>6,097</u>
TOTAL LIABILITIES		<u>13,967</u>	<u>6,097</u>
NET ASSETS		<u>383,989</u>	<u>541,885</u>
Equity			
Contributed equity – Ordinary Shares	12	882,671	882,669
Contributed equity – Options	12	7,500	7,500
Accumulated (losses)		(506,182)	(348,284)
TOTAL EQUITY		<u>383,989</u>	<u>541,885</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Ordinary Share Capital (Net of Costs) (\$)	Accumulated Losses (\$)	Total (\$)
Balance at 1.7.2018	680,695	(312,649)	368,046
Total Comprehensive Income			
Operating (loss) for the year	-	(35,635)	(35,635)
Total Comprehensive Income	-	(35,635)	(35,635)
Transactions with owners in their capacity as owners			
Issue of share capital	211,400	-	211,400
Share issue expenses	(1,926)	-	(1,926)
Balance at 30.6.2019	890,169	(348,284)	541,885
Balance at 1.7.2019	890,169	(348,284)	541,885
Total Comprehensive Income			
Operating (loss) for the year	-	(157,897)	(157,897)
Total Comprehensive Income	-	(157,897)	(157,897)
Transactions with owners in their capacity as owners			
Issue of share capital	-	-	-
Share issue expenses	-	-	-
Balance at 30.6.2020	890,169	(506,181)	383,988

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOW
For the year ended 30 June 2020

	Notes	2020 (\$)	2019 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and contractors		(12,939)	(28,757)
Interest received		21	149
Net cash (used in) operating activities	13	<u>(12,918)</u>	<u>(28,608)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		<u>(86,199)</u>	<u>(97,469)</u>
Net cash (used in) investing activities		<u>(86,199)</u>	<u>(97,469)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares		-	211,400
Share issue expenses		-	(1,924)
Net cash provided by financing activities		<u>-</u>	<u>209,476</u>
Net Increase/Decrease in cash held		(99,117)	83,399
Cash and cash equivalents at the beginning of the financial year		117,563	34,164
Cash and cash equivalents at the end of the financial year	8	<u>18,446</u>	<u>117,563</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 2020

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 2020, the Company incurred an operating loss of \$157,897 (2019: \$35,635). The Company has recorded net asset of \$383,989 as at 30 June 2020 (2019: net asset of \$541,885).
- (b) Cash and cash equivalents on hand at the date of this report is approximately \$18,446.
- (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 2020 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.

The company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

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

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

AASB 16 Leases

Change in accounting policy

The Group has adopted AASB 16 Leases from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (lease payments) and removes the former distinction between 'operating' and 'finance' leases. The exceptions are short-term leases and leases of low value assets.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and adjustments arising from the new leasing rules are recognised in the opening statement of financial position on 1 July 2019. There is no initial impact on accumulated losses under this approach and comparatives have not been restated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

From 1 July 2019, where the Group is lessee, the Group recognises a right-of-use asset and a corresponding liability at the date at which the lease asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group's current lease agreement does not contain any extension options.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date less any lease incentives received, and any initial direct costs.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Where leases have a term of less than 12 months or relate to low value assets the Group may apply exemptions in AASB 16 to not capitalise any such leases and instead recognise the lease payments on a straight-line basis as an expense in profit or loss.

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

(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 the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and Subsequent Measurement

Financial assets

Financial assets are subsequently measured at:

- (a) amortised cost;
- (b) fair value through other comprehensive income; or
- (c) fair value through profit or loss

On the basis of the two primary criteria:

- (a) the contractual cash flow characteristics of the financial asset; and
- (b) the business model for managing the financial assets

A financial asset is subsequently measured at amortised cost when it meets the following conditions:

- (a) the financial asset is managed solely to collect contractual cash flows; and
- (b) the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income when it meets the following conditions:

- (a) the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- (b) the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

Financial liabilities

Financial liabilities are subsequently measured at:

- (a) amortised cost; or
- (b) fair value through profit or loss

A financial liability is measured at fair value through profit and loss if the financial liability is:

- (a) a contingent consideration of an acquirer in a business combination to which AASB 3 applies
- (b) held for trading; or
- (c) initially designated as at fair value through profit or loss

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over its profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- (a) incurred for the purpose of repurchasing or repaying in the near term;
- (b) part of a portfolio where there is an actual pattern of short-term profit taking; or
- (c) a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is an effective hedging relationship).

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

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

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both. The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

For trade receivables, material expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

For intercompany loans that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the subsidiary does not have sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, an expected credit loss is calculated. This is calculated based on the expected cash flows arising from the subsidiary, and weighted for probability likelihood variations in cash flows.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for derecognition of a financial asset:

- (a) the right to receive cash flows from the asset has been expired or been transferred;
- (b) all risk and rewards of ownership of the asset have been substantially transferred; and
- (c) the entity no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

(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.

(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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.
AASB 16 Leases

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

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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.

NOTE 3	REVENUE AND EXPENDITURE	2020 (\$)	2019 (\$)
REVENUE			
Other Income			
	Interest Income	276	203
		<u>276</u>	<u>203</u>
EXPENDITURE			
Other Expenses			
	Filing and ASX Fees	2,506	2,915
	Audit & Bookkeeping Fees	11,449	22,387
	Insurance	8,239	7,597
	Corporate and management	410	624
		<u>22,604</u>	<u>33,523</u>

NOTE 4	INCOME TAX EXPENSE	2020 (\$)	2019 (\$)
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>(157,897)</u>	<u>(35,635)</u>
	Prima facie tax benefit attributable to loss from continuing operations before income tax at 27.5%	(43,421)	(9,799)
	Tax effect of Non-allowable items		
	• Other accruals	-	-
	• Mining Properties Impairments	37,281	26,804
	Tax effect of allowable items		
	• Decline in value deduction	-	-
	• Capital raising costs deduction	-	(830)
	• Deferred tax benefit on tax losses not brought to account	6,140	37,433
	• Income tax attributable to operating loss	<u>-</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

Unrecognised temporary differences

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

Accruals	1,375	1,650
Unrecognised deferred tax assets relating to the above temporary differences	1,375	1,650

Unrecognised deferred tax assets

The Company has accumulated tax losses of \$927,030 (2019: \$818,504).

The potential deferred tax asset of these losses \$254,933 (2019: \$225,089) 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 16.

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 2020:

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	2,516,250	-	-	-	2,516,250	2,516,250
Mr Abbott	2,509,375	-	-	-	2,509,375	2,509,375
Mr Beeck	2,468,750	-	-	-	2,468,750	2,468,750
Total	7,494,375	-	-	-	7,494,375	7,494,375

30 June 2019:

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	2,297,500	218,750	-	-	2,516,250	2,516,250
Mr Abbott	2,262,500	246,875	-	-	2,509,375	2,509,375
Mr Beeck	2,250,000	218,750	-	-	2,468,750	2,468,750
Total	6,810,000	684,375	-	-	7,494,375	7,494,375

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

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 2020:

Name	Balance at the start of the year	Share movements	Balance at the end of the year
Mr Shervington Ordinary shares	2,153,750	-	2,153,750
Mr Abbott Ordinary shares	2,234,375	-	2,234,375
Mr Beeck Ordinary shares	2,143,750	-	2,143,750

30 June 2019:

Name	Balance at the start of the year	Share movements	Balance at the end of the year
Mr Shervington Ordinary shares	1,935,000	218,750	2,153,750
Mr Abbott Ordinary shares	1,987,500	246,875	2,234,375
Mr Beeck Ordinary shares	1,925,000	218,750	2,143,750

NOTE 6 AUDITORS REMUNERATION

Amounts received or due and receivable by the auditors of the Company for:

Auditing and reviewing the financial report

2020
(\$)

5,000

5,000

2019
(\$)

6,000

6,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

NOTE 7 EARNINGS PER SHARE**2020**
(\$)**2019**
(\$)

The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share

Loss for the year (157,897) (35,635)

Earnings used in calculating basic and diluted earnings per share (157,897) (35,635)

Weighted average number of ordinary shares used in calculating basic and diluted earnings per share 13,606,250 13,606,250

The Company had 8,965,883 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**2020**
(\$)**2019**
(\$)

Cash at bank 18,446 117,563
18,446 117,563

NOTE 9 TRADE AND OTHER RECEIVABLES**2020**
(\$)**2019**
(\$)

GST and tax refundable 903 2,696
Environmental Bond & Interest 10,434 10,180
11,337 12,876

NOTE 10 MINING PROPERTIES**2020**
(\$)**2019**
(\$)

Opening Balance 417,543 320,074
Exploration & Expenditure Capitalised 86,199 97,469
Impairment of Mining Properties (135,569) -
Closing Balance of Mining Properties 368,173 417,543

NOTE 11 TRADE AND OTHER PAYABLES**2020**
(\$)**2019**
(\$)

Trade creditors and accruals 13,967 6,097
13,967 6,097

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

NOTE 12 EQUITY

	2020		2019	
	No.	\$	No.	\$
Contributed Equity – Ordinary Shares				
At the beginning of year	12,606,250	882,671	12,285,000	673,195
Share Issued (Feb 18)	-	-	1,321,250	209,476
Share Issued (Dec 17)	-	-	-	-
Closing balance:	13,606,250	882,671	13,606,250	882,671

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 (Expires on 22 nd Dec 2022).	1,644,583	-	1,644,583	-
Options exercisable at \$0.22 per option (Expires on 15 th February 2023).	1,321,250	-	1,321,250	-
Closing balance:	8,965,833	890,171	8,965,833	890,171

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 13 CASH FLOW INFORMATION

	2020 (\$)	2019 (\$)
Reconciliation of operating loss after income tax with funds used in operating activities		
Operating (loss) after income tax	(22,328)	(35,635)
Changes in operating assets and liabilities:		
Decrease in trade and other receivables relating to operating activities	1,539	8,131
Increase in trade and other payables relating to operating activities	7,870	(1,104)
Cash flow from operations	(12,918)	(28,608)

NOTE 14 TENEMENT EXPENDITURES AND LEASING COMMITMENTS

The company has a leasing commitment requirement to spend money on each of their four mining tenements, shortly after balance date Shenton Resources Limited has surrendered two of its tenements. Over the next 12 months Shenton Resources Limited is required to spend approximately \$126,000 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 15 EVENTS SUBSEQUENT TO REPORTING DATE

Loans from the directors' post 30 June 2020 are to be on the following terms. Interest to accrue at 8% p.a calculated and compounding monthly (or pro rata for part of the month in which payment of accrued interest occurs) in arrears, principal plus accrued interest to be repayable at call provided that no call can be made unless and until Shenton's net cash position is such that Shenton could repay all directors' loans (called plus uncalled) plus accrued interest at the relevant time and remain in a position to meet its debts as and when they fall due, and provided further than the lender can elect at any time or times to capitalise some or all of the principal plus accrued interest at a price per share which is the greater of (a) net asset backing per share calculated by reference to the latest audited or audit reviewed documents at the relevant time; and (b) 90% of the market value of a share at the relevant time, where market value is determined by an independent appropriately qualified financial expert as being the price per share at which Shenton could raise working capital of no less than \$250,000.

Two tenements have been surrendered since balance date. Please refer to Note 14 above.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

NOTE 16 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 \$8,917. 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.

NOTE 17 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 18 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 2020 and 30 June 2019 was as follows:

	2020 (\$)	2019 (\$)
Cash and cash equivalents	18,446	117,563
Trade and other receivables	11,337	12,876
Trade and other payables	(13,967)	(6,097)
Working capital position	15,816	124,342

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.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

	2020 (\$)	2019 (\$)
Trade and other receivables		
GST and tax refundable	903	2,696
Environmental Bond & Interest	10,434	10,180
	<u>11,337</u>	<u>12,876</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.

2020	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents		-	18,446	18,446
Other receivables		-	11,337	11,337
Total Financial Assets	0%	-	29,783	29,783
Financial Liabilities				
Trade and other payables		-	13,967	13,967
Net Financial Assets		-	15,816	15,816

	2020 (\$)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	13,967
	<u>13,967</u>

2019	Weighted Average Effective Interest Rate %	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents		-	117,563	117,563
Trade and other receivables		-	12,876	12,876
Total Financial Assets	0%	-	130,439	130,439
Financial Liabilities				
Trade and other payables		-	6,097	6,097
Net Financial Assets		-	124,342	124,342

	2019 (\$)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	6,097
	<u>6,097</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

(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:

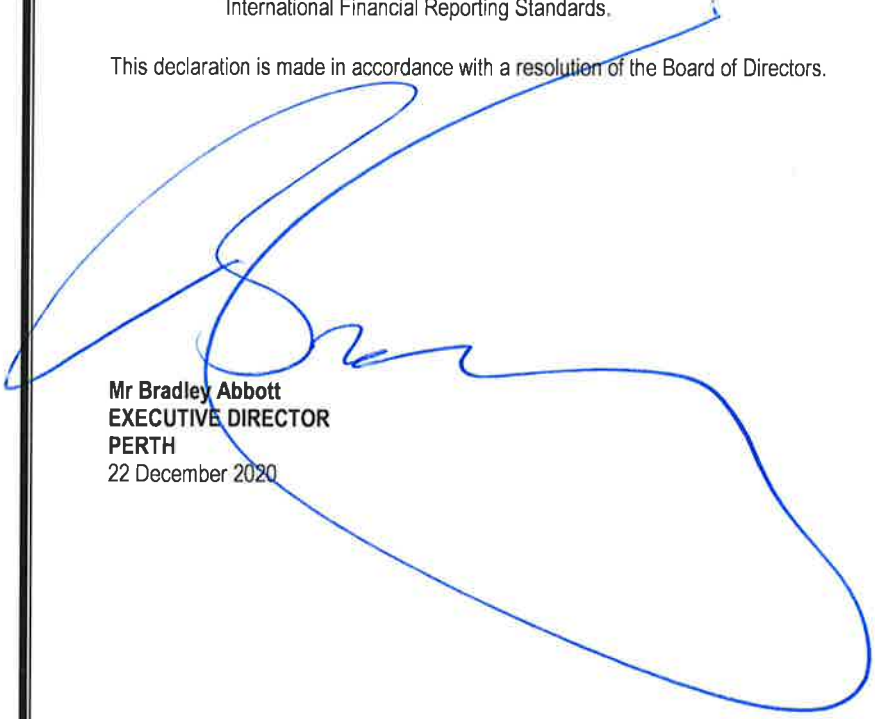
	2020 (\$)	2019 (\$)
Change in loss – increase/(decrease):		
- Increase in interest rate by 2%	-	-
- Decrease in interest rate by 2%	-	-
Change in equity – increase/(decrease):		
- Increase in interest rate by 2%	-	-
- Decrease in interest rate by 2%	-	-

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 2020 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
22 December 2020

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 2020, 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 2020 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.

A handwritten signature in dark ink that reads "Elderton Audit Pty Ltd". The script is cursive and somewhat stylized, with the letters "E", "A", and "P" being prominent.

Elderton Audit Pty Ltd

A handwritten signature in dark ink that reads "Nicholas Hollens". The script is cursive, with the first letter "N" being a large, looping capital.

Nicholas Hollens
Managing Director

22 December 2020