

Shenton Resources Limited

ABN: 16 152 726 595

ANNUAL REPORT

YEAR ENDED 30 JUNE 2017

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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

FOR SHAREHOLDER INFORMATION CONTACT

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FOR INFORMATION ON THE COMPANY CONTACT

PRINCIPAL & REGISTERED OFFICE

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WEST PERTH WA 6005

SOLICITORS

Jeremy Shervington
Barrister & Solicitor
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WEST PERTH WA 6005

BANKERS

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

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

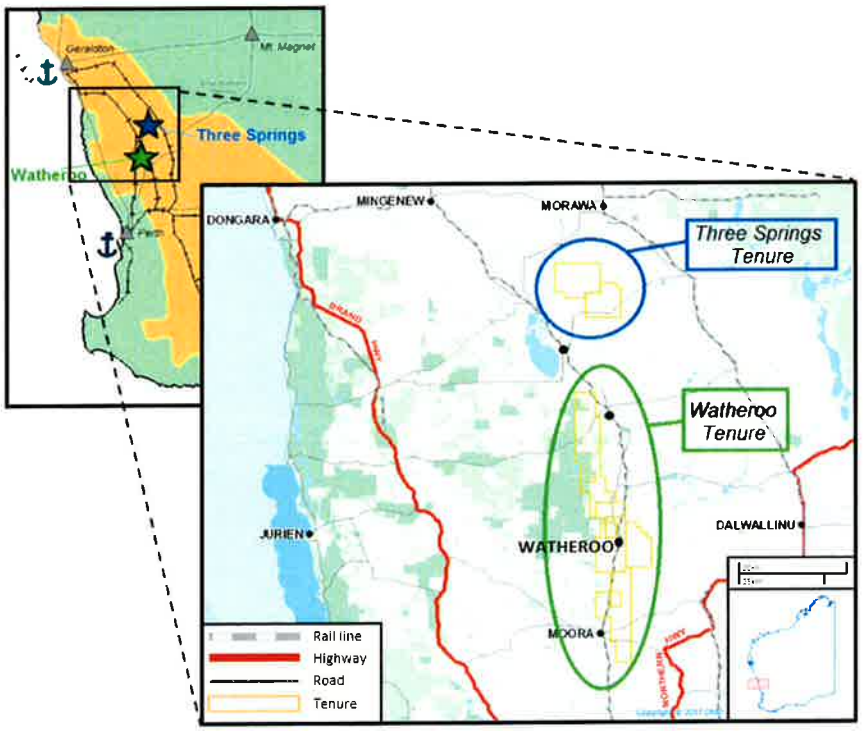
REVIEW OF OPERATIONS

Potash Project Highlights

- **Shenton Resources steadily progressing exploration and metallurgical investigation on a hard-rock hosted potash deposit**
- **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**
- **1,150km² of Exploration Licences granted or under application with prospective host rocks covering strike length of 65km over freehold agricultural land**
- **Drill and surface sample grades up to 10.9% K_2O, with best drill intersection of 24m @ 8.0% K_2O**
- **Conventional shallow open pit mining operation envisaged**
- **Targeting 250Ktpa of K_2SO_4 (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.

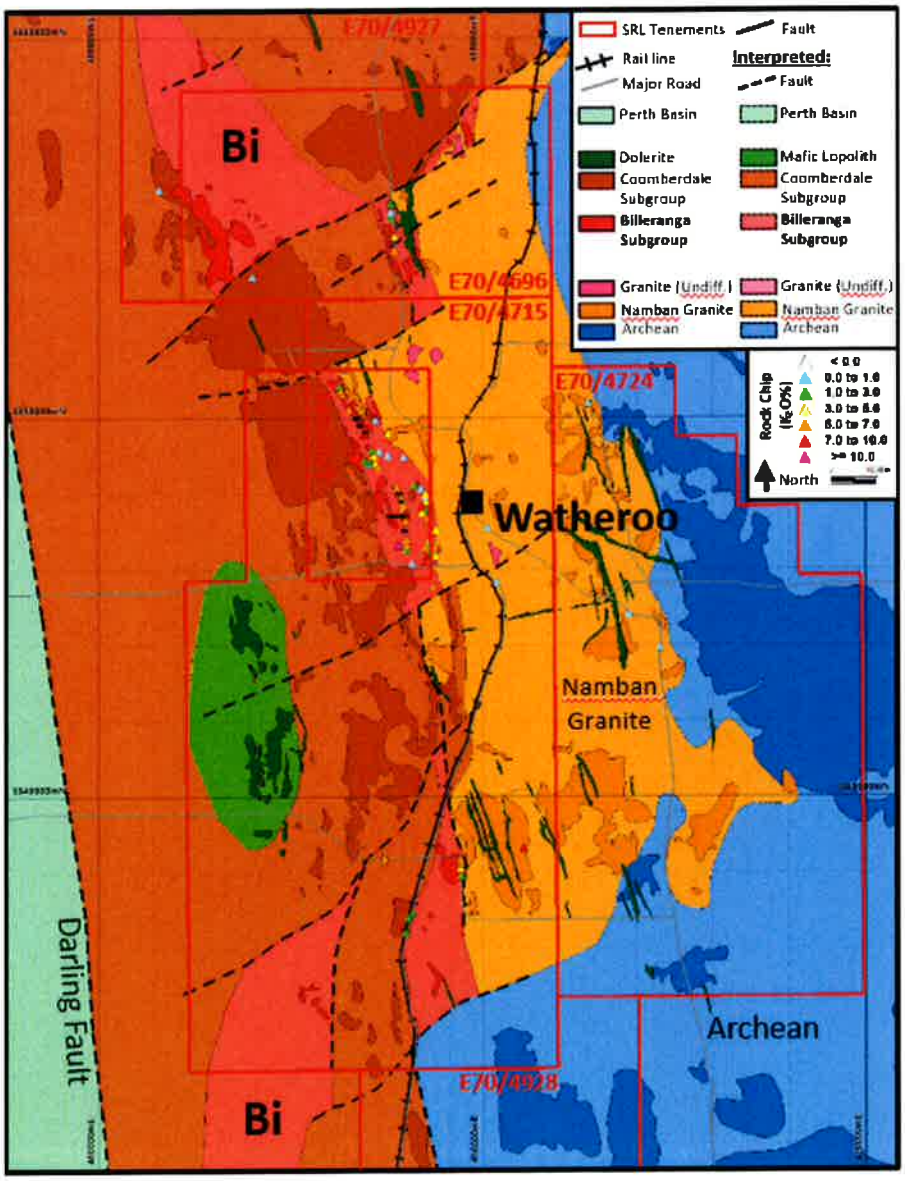
The Company has two project (Watheroo & Three Springs) areas with total exploration tenements covering approximately 1,150 km2. The main project area is located within two hours (220km) of Perth and situated on freehold agricultural land with immediate access to major utilities, transport corridor, local workforce and regional services centre.



REVIEW OF OPERATIONS

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

Potash mineralization associated with homogeneous, potassium feldspar-rich tuff, tuffaceous volcaniclastic and sedimentary (lithic wacke/siltstone) lithologies of the Billeranga Subgroup (Bi), deposited during a failed Proterozoic Rift.



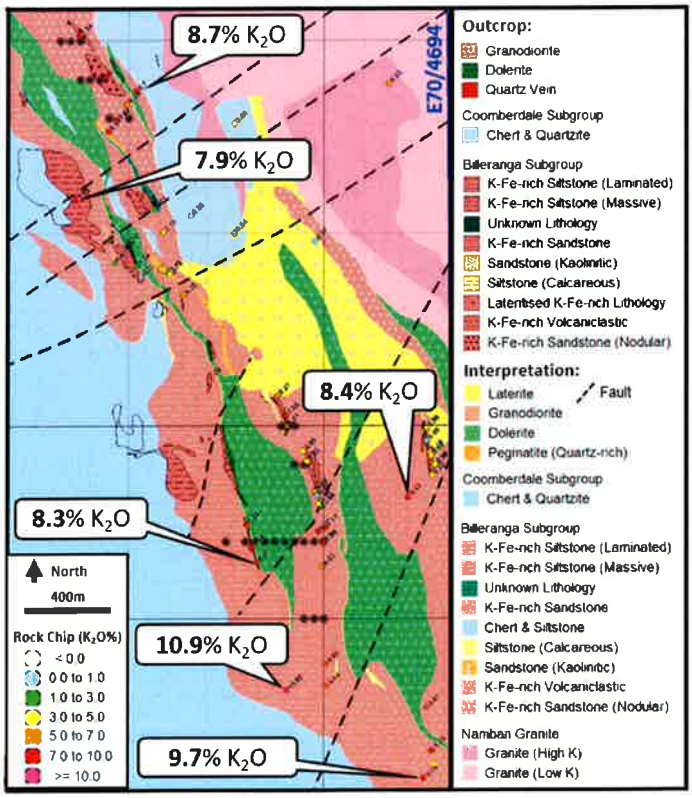
REVIEW OF OPERATIONS

Watheroo Project

At Watheroo, these ultrapotassic horizons are confined to the Dalaroo Siltstone member – focus of rock chip sampling/AC drilling, Anomalism of 8-11% K2O has been proven over semi-continuous strike length of over plus 4km.

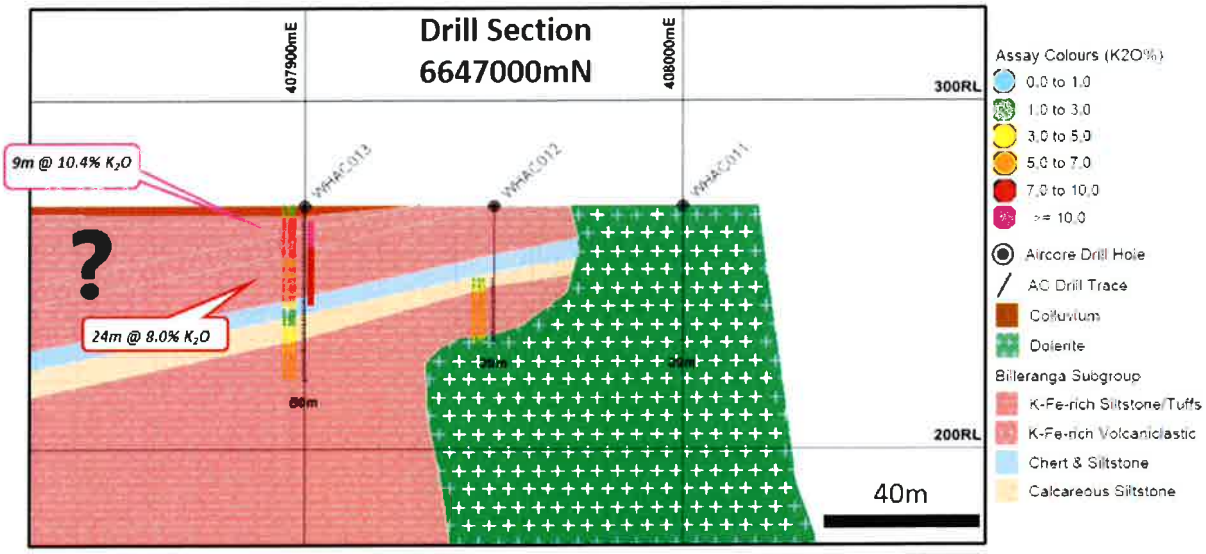
A total of 26 vertical AC holes ranging in depth from 3 m to 53 m totalling 566 m have been completed. The depth of drilling was dictated by depth of weathering with holes drilled to blade refusal. Drill intercepts of up to 24m at 8.0% K2O from 4m depth including 9m @ 10.9% K2O

In addition, up to 12% K2O has been returned from extensions of Billeranga Subgroup covered by Shenton's southern Watheroo tenure near Moora. There appears to be potential for ore bodies to continue up to tens of km.





REVIEW OF OPERATIONS



Based on this geological interpretation and AC drilling results, the Company is targeting resources in the order of 200 million tonnes of K2O at grade of 8% at its Watheroo Project.

Three Springs

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

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

Development Path

An attractive benefit of the hard rock geology hosting Shenton's potash mineralisation is the ability for the Company to apply conventional methods for exploration drilling and resource evaluation to define the tonnes and grade contained in the mineral resource. This will permit confident mine planning and enable a consistent delivery of annual production.

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

A future Shenton potash operation is envisaged to utilise well proven and low risk open cut mining methods, providing a consistently reliable feed source to the ore processing concentrator. Basic raw material inputs including gas, sulphuric acid and salt are readily obtainable in the West Australian market place.

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.

The Shenton 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.

The next phase of work to be undertaken by Shenton will entail drilling to define the mineralisation strike length and depth estimation of a preliminary potash resource and resume further metallurgical testing programmes. Plans for commencement of scoping studies will be finalised during the next round of investigation activity.

DIRECTORS' REPORT

Your Directors present their report on the Company for the year ended 30 June 2017.

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 $31,340 (2016: $24,015).

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 (0.29) cents (2016 period 0.22 cents). Diluted Loss per share in respect of the year ended 30 June 2017 is the same as the Basic Loss per share.

FINANCIAL POSITION

The Company's cash position as at 30 June 2017 was $15,147 a decrease from the 30 June 2016 cash balance which was $101,737. The cash position is adequate to fund committed exploration expenditure.

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 1,637,500 fully paid ordinary shares and 2 million 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 1,725,000 fully paid ordinary shares and 2 million 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 1,675,000 fully paid ordinary shares and 2 million 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 2017 there were six meetings of Directors and two 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 $2,925 (2016: $2,370) 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.

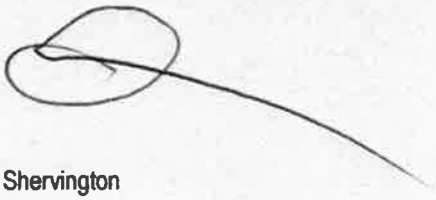
PROCEEDINGS ON BEHALF OF THE COMPANY

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
11 August 2017

Greenwich & Co

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PO Box 983, West Perth WA 6872
T 08 6555 9500 | F 08 6555 9555
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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 2017, 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 Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Lin Lee Kwa
Audit Director

Perth

11 August 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Notes	2017 ($)	2016 ($)
Revenue:			
Other revenue	3	665	3,105
Expenses:			
Travel Exploration expenses	3	(1,876)	(4,063)
Other expenses	3	(30,129)	(23,057)
(Loss) before income tax expense		(31,340)	(24,015)
Income tax expense	4	-	-
(Loss) from continuing operations		(31,340)	(24,015)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(31,340)	(24,015)
Total comprehensive income for year attributable to members of the Company		(31,340)	(24,015)
Basic (loss) per share (cents per share)	7	(0.29)	(0.22)
Diluted (loss) per share (cents per share)	7	(0.29)	(0.22)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	2017 ($)	2016 ($)
ASSETS			
Current Assets			
Cash and cash equivalents	8	15,147	101,737
Trade and other receivables	9	11,764	13,871
Total Current Assets		26,911	115,608
Non-Current Assets			
Mining Properties	10	227,839	138,368
Total Non-Current Assets		227,839	138,368
TOTAL ASSETS		254,750	253,976
LIABILITIES			
Current Liabilities			
Trade and other payables	11	6,684	14,570
Borrowings	12	40,000	-
Total Current Liabilities		46,684	14,570
TOTAL LIABILITIES		46,684	14,570
NET ASSETS		208,066	239,406
Equity			
Contributed equity	13	422,611	422,611
Accumulated (losses)		(214,545)	(183,205)
TOTAL EQUITY		208,066	239,406

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

	Ordinary Share Capital (Net of Costs) ($)	Accumulated Losses ($)	Total ($)
Balance at 1.7.2016	422,611	(183,205)	239,406
Total Comprehensive Income			
Operating (loss) for the year	-	(31,340)	(31,340)
Total Comprehensive Income	-	(31,340)	(31,340)
Balance at 30.6.2017	**422,611**	**(214,545)**	**208,066**
Balance at 1.7.2015	422,611	(159,190)	263,421
Total Comprehensive Income			
Operating (loss) for the year	-	(24,015)	(24,015)
Total Comprehensive Income	-	(24,015)	(24,015)
Balance at 30.6.2016	**422,611**	**(183,205)**	**239,406**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOW
For the year ended 30 June 2017

	Notes	2017 ($)	2016 ($)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and contractors		(37,867)	(17,857)
Interest received		748	3,157
Net cash (used in) operating activities	14	(37,119)	(14,700)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(89,471)	(82,587)
Proceeds / (Repayments) from borrowings		40,000	(10,000)
Net cash (used in) investing activities		(49,471)	(92,587)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares		-	-
Share issue expenses		-	-
Net cash provided by financing activities		-	-
Net decrease in cash held		(86,590)	(107,287)
Cash and cash equivalents at the beginning of the financial year		101,737	209,024
Cash and cash equivalents at the end of the financial year	8	15,147	101,737

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

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 2017, the Company incurred an operating loss of $31,340 (2016: $24,015). The Company has recorded net asset of $208,066 as at 30 June 2017 (2016: net asset of $239,406).

(b) Cash and cash equivalents on hand at the date of this report is approximately $14,393.

(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 2017 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 2017

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 2017

(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 2017

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 2017

(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 1st July 2016. 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 2017

NOTE 3 REVENUE AND EXPENDITURE	2017 ($)	2016 ($)
REVENUE		
Other Income		
Interest Income	665	3,105
	665	3,105
EXPENDITURE		
Other Expenses		
Filing and ASX Fees	2,533	2,290
Audit & Bookkeeping Fees	21,141	15,793
Insurance	4,792	4,175
Corporate and management	3,539	799
	32,005	23,057

NOTE 4 INCOME TAX EXPENSE	2017 ($)	2016 ($)
The components of tax expense comprise:		
Current tax	-	-
Deferred tax asset/liability	-	-
	-	-
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	(31,340)	(24,015)
Prima facie tax benefit attributable to loss from continuing operations before income tax at 27.5%	(8,619)	(7,204)
Tax effect of Non-allowable items		
• Other accruals	-	-
• Mining Properties	-	-
Tax effect of allowable items		
• Decline in value deduction	(24,604)	(24,777)
• Capital raising costs deduction	(1,559)	(2,933)
• Deferred tax benefit on tax losses not brought to account	34,782	34,914
• Income tax attributable to operating loss	-	-

Unrecognised temporary differences

Net deferred tax assets (calculated at 27.5%) have not been recognised in respect of the following items:		
Accruals	1,650	1,500
Unrecognised deferred tax assets relating to the above temporary differences	1,650	1,500

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Unrecognised deferred tax assets

The Company has accumulated tax losses of $490,275 (2016: $364,794).

The potential deferred tax asset of these losses $134,826 (2016: $100,318) 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 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

30 June 2016:

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 2017

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 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

30 June 2016:

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	2017 ($)	2016 ($)
Amounts received or due and receivable by the auditors of the Company for:		
Auditing and reviewing the financial report	6,000	5,000
	6,000	5,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

NOTE 7 EARNINGS PER SHARE

	2017 ($)	2016 ($)
The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share		
Loss for the year	(31,340)	(24,015)
Earnings used in calculating basic and diluted earnings per share	(31,340)	(24,015)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	10,587,500	10,587,500

The Company had 6,000,000 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

	2017 ($)	2016 ($)
Cash at bank	15,147	25,997
Deposits at call	-	75,740
	15,147	101,737

NOTE 9 TRADE AND OTHER RECEIVABLES

	2017 ($)	2016 ($)
Accrued Interest	-	83
GST and tax refundable	1,764	3,788
Environmental Bond	10,000	10,000
	11,764	13,871

NOTE 10 MINING PROPERTIES

	2017 ($)	2016 ($)
Opening Balance	138,368	55,781
Exploration & Expenditure Capitalised	89,471	82,587
Closing Balance of Mining Properties	227,839	138,368

NOTE 11 TRADE AND OTHER PAYABLES

	2017 ($)	2016 ($)
Trade creditors and accruals	6,684	14,570
	6,684	14,570

NOTE 12 BORROWINGS

	2017 ($)	2016 ($)
Bradley Abbott	10,000	-
Christopher Higham	10,000	-
Jeremy Shervington	10,000	-
Robert Beeck	10,000	-
	40,000	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

NOTE 13 EQUITY

	2017		2016	
	No.	$	No.	$
Contributed Equity – Ordinary Shares				
At the beginning of year	10,587,500	415,111	10,587,500	415,111
Share Cancellation	-	-	-	-
Closing balance:	10,587,500	415,111	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
Closing balance:	6,000,000	422,611	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

	2017 ($)	2016 ($)
Reconciliation of operating loss after income tax with funds used in operating activities		
Operating (loss) after income tax	(31,340)	(24,015)
Changes in operating assets and liabilities:		
Decrease in trade and other receivables relating to operating activities	2,107	288
Decrease in trade and other payables relating to operating activities	(7,886)	9,027
Cash flow from operations	(37,119)	(14,700)

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 is required over the next 12 months to spend approximately $234,000 on their mining tenements. The company can choose not to spend this money and therefore the mining tenements will be subsequently forfeited or they can be surrendered.

NOTE 16 EVENTS SUBSEQUENT TO REPORTING DATE

No 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 2017

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 $15,000. 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 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 2017 and 30 June 2016 was as follows:

	2017 ($)	2016 ($)
Cash and cash equivalents	15,147	101,737
Trade and other receivables	11,734	13,871
Trade and other payables	(6,684)	(14,570)
Working capital position	20,197	101,038

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 2017

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

	2017 ($)	2016 ($)
Trade and other receivables		
Trade and other receivables	-	83
GST and tax refundable	1,734	3,788
Environmental Bond	10,000	10,000
	11,734	13,871

(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.

2017	Weighted Average Effective Interest Rate %	Floating Interest Rate ($)	Non-Interest Bearing ($)	Total ($)
Financial Assets				
Cash and cash equivalents		-	15,147	15,147
Other receivables		-	11,734	11,734
Total Financial Assets	1.8%	-	26,881	26,881
Financial Liabilities				
Trade and other payables		-	6,684	6,684
Net Financial Assets		-	20,197	20,197

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

2016	Weighted Average Effective Interest Rate %	Floating Interest Rate ($)	Non-Interest Bearing ($)	Total ($)
Financial Assets				
Cash and cash equivalents		75,740	25,997	101,737
Trade and other receivables		-	13,871	13,871
Total Financial Assets	2.5%	75,740	39,868	115,608
Financial Liabilities				
Trade and other payables		-	14,570	14,570
Net Financial Assets		75,740	25,298	101,038

	2016 ($)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	14,570
	14,570

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

(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:

	2017 ($)	2016 ($)
Change in loss – increase/(decrease):		
- Increase in interest rate by 2%	-	1,017
- Decrease in interest rate by 2%	-	(695)
Change in equity – increase/(decrease):		
- Increase in interest rate by 2%	-	1,017
- Decrease in interest rate by 2%	-	(695)

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 2017 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
11 August 2017

Greenwich & Co

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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 2017, the consolidated 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 2017 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 if 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.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Lin Lee Kwa
Audit Director

11 August 2017