Carnaby

TAKING FLIGHT

Annual Report June 2019

Carnaby Resources Limited

www.carnabyresources.com.au

Carnaby

Corporate directory

Directors
Peter Bowler (Non-Executive Chairman)
Rob Watkins (Managing Director)
Justin Tremain (Non-Executive Director)
Paul Payne (Non-Executive Director)

Company Secretary
Ben Larkin

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78 Churchill Avenue
Subiaco, WA 6008
Website: carnabyresources.com.au
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Share Registry
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452 Johnston Street
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Auditors
Grant Thornton Audit Pty Ltd
Level 43, 152 -158 St Georges Terrace
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Stock Exchange
Australian Securities Exchange Ltd
ASX Code: CNB

ABN
62 610 855 064

Website
carnabyresources.com.au

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Chairman's Letter

Dear Fellow Shareholders,

Welcome to the 2019 Annual Report for Carnaby Resources Limited (ASX: CNB). Looking back on a transformative year for our Company, this Annual Report marks our first since the acquisition of the historical high-grade Tick Hill Project along with a 1,295 km^2 gold and copper exploration position in the Mt Isa region of Queensland and in Western Australia. It also marks the first under our new company name of Carnaby Resources Limited, reflecting our transition to Australian gold and copper focussed exploration.

In Tick Hill we have acquired one of Australia's historically most profitable gold mines. The mine produced 511,000 ounces of gold at an exceptional grade of 22.5 grams per tonne and was mined over 5 years, before the orebody faulted off at depth causing production to cease in 1995.

The Tick Hill Mine and surrounding area has effectively laid dormant for the past 20 years under fragmented ownership and has not benefited from the use modern day exploration techniques that have proved successful in rejuvenating many other similar Australian gold deposits in recent times.

Tick Hill contains a JORC Indicated gold resource of 630,000 tonnes at 1.08 grams per tonne gold for 22,000 ounces[1], which is located within the Tick Hill tailings dam. The resource represents our maiden gold resource, a significant milestone in itself.

A Sub Audio Magnetic (SAM) geophysical survey at Tick Hill and the nearby Mount Birnie prospect were completed during the year, identifying several priority drill targets. Subsequent to the end of the year, we have continued our exploration efforts apace and completed a maiden 1,500 m drilling program at Mount Birnie, which intersected significant copper mineralisation, including 2 zones of 3 m at 9.33% and 2 m at 9.46% copper[2].

[1] Refer to the Mineral Resource Statement in the Directors' Report.
[2] Refer ASX announcement 1 August 2019.

Immediately following the Mount Birnie program, a maiden 2,500 m drilling program was commenced at Tick Hill. Remarkably, this drilling represents the first exploration drilling at Tick Hill in over 15 years. The initial drilling is targeting shallow areas of remnant mineralisation surrounding the Tick Hill deposit and new targets identified along the mine corridor by the SAM survey.

Deeper exploration targeting of potential offset positions of the Tick Hill orebody will immediately follow the initial first pass drilling. We keenly await results as the Tick Hill drilling continues.

During the year we completed a capital raising of $1.6 million before costs to fund our exploration activities and to provide working capital. I would like to thank our shareholders, both new and existing for their support in the raising.

I'm excited to be a part of our Company's new look management team along with our recently appointed Managing Director, Rob Watkins, as we focus on revitalising one Australia's truly exceptional gold mines. It promises to be another exciting year for us and I hope you share in our confidence that we will achieve exploration success.

Peter Bowler
Non-Executive Chairman

Directors' Report

1. Directors' report

The Directors present their report for Carnaby Resources Limited ("Carnaby" or "the Company") and its subsidiaries ("the Group") for the year ended 30 June 2019.

2. Directors

The names, qualifications and experience of the Company's Directors in office during the year and as at the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Name and qualifications	Experience and other directorships
Peter Bowler *Dip Farm Management (Hons)* Non-Executive Chairman Appointed 23 April 2019 *Other current directorships* Nil *Previous directorships (last 3 years)* Nil	Mr Bowler was previously the founding Managing Director of Beadell Resources Limited from 2007 to 2015 and, prior to that, founding Managing Director of Agincourt Resources Limited from 2003 to 2007. Under his leadership those companies grew to a peak market capitalisation of approximately $800 million and $500 million respectively.
Robert Watkins *BSc (Hons), MAusIMM* Managing Director Appointed 23 April 2019 *Other current directorships* Nil *Previous directorships (last 3 years)* Nil	Mr Watkins is a geologist with over 20 years exploration experience and a proven track record of exploration success, both in Australia and overseas. He was previously a founding Executive Director of Beadell Resources Limited and, prior to that, Exploration Manager of Agincourt Resources Limited.
Justin Tremain *BCom* Non-Executive Director *Other current directorships* Exore Resources Limited Fin Resources Limited Odin Metals Limited. *Previous directorships (last 3 years)* Renaissance Minerals Limited Emerald Resources NL	Mr Tremain is Managing Director of Exore Resources Ltd. Prior to his current role with Exore Resources Ltd, he co-founded ASX listed Renaissance Minerals Limited in June 2010 and served as Managing Director until its takeover by ASX listed Emerald Resources NL in November 2016. Prior to founding Renaissance Minerals, Mr Tremain had over 10 years' investment banking experience in the natural resources sector. He has held positions with Investec, NM Rothschild & Sons and Macquarie Bank.
Paul Payne *B.AppSc Grad Dip Min Ec,* *Grad Cert (Geostats), FAusIMM* Non-Executive Director *Other current directorships* Dreadnought Resources Limited *Previous directorships (last 3 years)* Auteco Minerals Limited	Mr Payne is the principal of PayneGeo and has over 30 years of experience within the mining industry, including over ten years of independent consulting across a range of commodities and jurisdictions ranging from high level reviews, to development of exploration strategy to participation in definitive feasibility studies. Mr Payne has extensive technical experience in the evaluation of mineral deposits from early stage exploration to definitive feasibility studies. Recent exploration experience includes the implementation and management of gold exploration for Dacian Gold Limited in Western Australia, and for Rift Valley Resources in Tanzania. Both projects had substantial discoveries under his management. Mr Payne has held recent corporate roles including Technical Director and Managing Director of ASX listed companies including the position of

	founding Managing Director of Dacian Gold Limited taking that company through a successful IPO and making the major initial gold discoveries at the Mount Morgans project.
Neil Inwood *M.Sc (Ore Deposit Geology) UWA,* *B.Sc (Applied Geology), FAusIMM* Non-Executive Director Resigned 15 August 2019 *Other directorships (until resignation)* Nil *Previous directorships (last 3 years, until resignation)* Nil	Mr Inwood is a highly experienced geologist with over 22 years' international experience in gold, base metal, and specialty metals. Mr. Inwood has worked in consulting and venture capital for the last 13 years, was previously the Executive Geologist with Verona Capital and prior to that Principal Geologist with the international mining consultancy Coffey Mining. Most recently Mr Inwood led the geological team that established the world-class endowment of the Panda Hill Niobium Project in Tanzania for Cradle Resources, and performed the role of Geology Manager for Boss Resources following his involvement in the acquisition phase of the Honeymoon Uranium Mine.

3. Company Secretary

Ben Larkin
Appointed 6 Aug 2019
B.Com, CA
Mr Larkin is a Chartered Accountant with more than 15 years' experience. Mr Larkin commenced his career in public practice before specialising in the natural resources sector in 2007. Mr Larkin most recently served as the Financial Controller for the formerly ASX Listed company Beadell Resources Limited.

4. Directors' meetings

During the financial year, in addition to regular Board discussions, the number of meetings of directors held during the year and the number of meetings attended by each director was as follows:

Director	Number of meetings eligible to attend	Number of meetings attended
Peter Bowler	1	1
Rob Watkins	1	1
Justin Tremain	3	3
Neil Inwood	3	3
Paul Payne	3	2

5. Director interests

As at the date of this report, the interests of the directors in securities of Carnaby Resources Limited are as follows:

Director	Ordinary Shares	Options – exercisable at $0.09 each on or before 23-Apr-2024	Options – exercisable at $0.09 each on or before 23-Apr-2024	Options – exercisable at $0.25 each on or before 31-Dec-19	Options – exercisable at $0.30 each on or before 31-Dec-19	Options – exercisable at $0.001 each on or before 30-Nov-20
Peter Bowler	4,277,752	2,000,000	1,000,000	-	-	-
Robert Watkins	4,277,752	2,000,000	1,000,000	-	-	-
Justin Tremain	2,625,000	-	-	500,000	-	500,000
Paul Payne	75,000	-	-	500,000	-	500,000

6. Principal activities

The principal activity of the Company during the financial year was mineral exploration.

7. Operating and financial review

7.1 Review of operations

During the year the Company acquired the historical high-grade Tick Hill Project along with 323 km^2 gold and copper exploration position in the Mt Isa region in Queensland and a 972 km^2 gold exploration position in Western Australia (Figure 1).

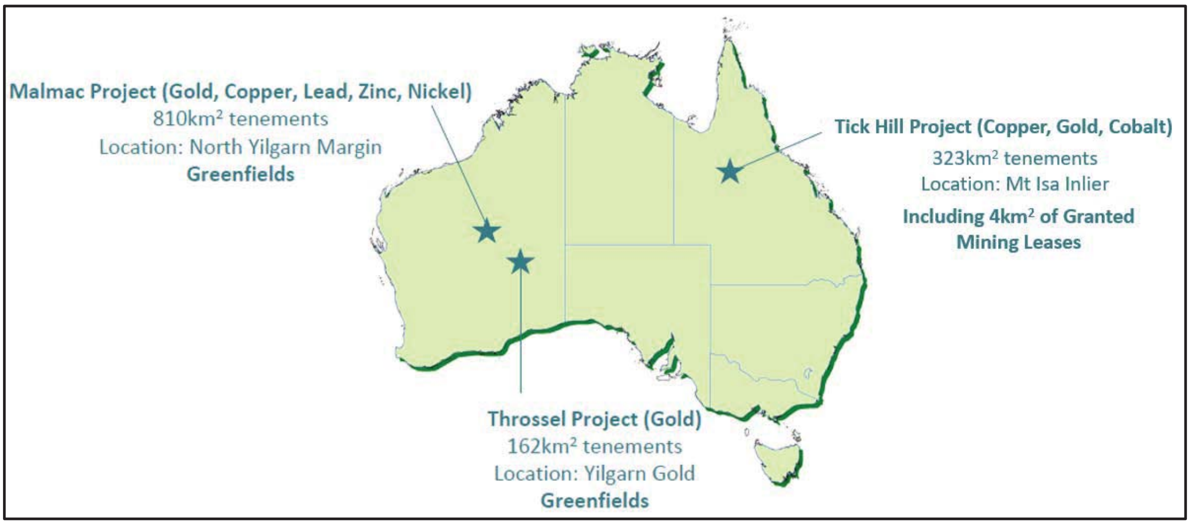

Figure 1 | Projects acquired during the year

Tick Hill Near Mine Project and exploration package, Queensland

Tick Hill Near Mine and broader exploration package (Figure 3) covers a substantial landholding of 323 km^2 within the highly prospective Mt Isa Inlier. The acquisition comprises of a 100% interest in three granted Mining Leases (4 km^2) over the historic Tick Hill gold mine, 82.5% interest in 293 km^2 (vendor 17.5% free carried interest until Decision to Mine) and 100% interest in a further 26 km^2 of surrounding and regional exploration tenements (Figure 3).

Field based exploration activities across the 323 km^2 tenure commenced in the June 2019 quarter following completion of the acquisition. Exploration activities focused predominantly on Tick Hill Near Mine and Mount Birnie (Figure 5).

A maiden 4,000 m drilling program commenced on 1 July 2019 targeting Mount Birnie and Tick Hill (Figure 2), the Company also completed Sub Audio Magnetic (SAM) geophysical surveys at Tick Hill and Mount Birnie during the year.

Figure 2 | Commencement of 4,000m drilling program

Tick Hill Near Mine (CNB 100%)

The Tick Hill Project contains the historic Tick Hill Gold Mine. The mine area and surrounds has been largely unexplored for over 20 years following the mine closure by Carpentaria Gold Ltd (subsidiary of MIM Holdings Ltd) in 1995. Tick Hill has not benefited from any modern exploration techniques and this provides an opportunity to revitalise one of Australia's highest-grade gold mines in an exceptional mining jurisdiction and location.

The Tick Hill Gold Mine produced 511,000 oz of gold at 22.5 g/t gold between 1991 and 1995. Tick Hill was mined to a depth of only 235 m below surface at an average of 2,184 oz of gold per vertical metre, with an average strike length of just 80 m. It is believed that the Tick Hill orebody was faulted off at depth with the offset extension yet to be discovered. Historical reported metallurgical gold recoveries were 97% with a highly positive mill reconciliation reported against resource estimates (refer ASX announcement 12 March 2019).

The Tick Hill Project contains a JORC (2012) Indicated Mineral Resource Estimate which has been defined within the Tick Hill Mine tailings dam of 630,000 t @ 1.08 g/t gold for 22,000 oz (refer ASX announcement 12 March 2019 and Table 1).

Figure 3 | Tick Hill Project and broader exploration package

Exploration at Tick Hill

Detailed structural mapping was conducted at Tick Hill of the open pit and surrounds in conjunction with initial re-logging of historical core. The results from this study are being combined into a new model for the Tick Hill orebody and will form the basis of drilling targeting of the potential offset location of Tick Hill orebody which is truncated at only 235 m below surface.

During the year, a SAM geophysical survey was completed over Tick Hill (Figure 6). The results from this survey highlighted several targets that are being evaluated (refer ASX announcement 4 July 2019).

A first pass 2,500 m drilling program at Tick Hill commenced in August 2019 and represents the first exploration drilling at Tick Hill in approximately 15 years. The initial drilling will target near mine remnants, potential offsets, satellite repetitions and new targets identified by the SAM survey.

The Company has identified multiple high priority near mine targets for testing, including (refer Figure 4):

- Potential high grade offset mineralisation;
- Potential structural repetitions; and
- Unexplored areas along strike and with the near mine corridor.

Historical near mine drilling intersections include (refer ASX announcement 12 March 2019):

- 2 m @ 104.2 g/t Au from 92 m (Hole TH047RD);
- 3 m @ 84.8 g/t Au from 15 m (Hole 767-1890-3);
- 5 m @ 20.6 g/t Au from 66 m (Hole U8401) ;
- 2 m @ 40.2g/t Au from 17m (Hole 767-1890-1);
- 2 m @ 20.2 g/t Au from 3 m (Hole 767-1900-9); and
- 3 m @ 16.9 g/t Au from 59 m (Hole U8503).

Tick Hill Regional (CNB 82.5% & 100%)

The acquisition of the Tick Hill regional exploration tenements covering 319 km^2 allows, for the first time in 20 years, for the consolidation of a previously fragmented and highly prospective land tenure surrounding the historic Tick Hill gold mine.

The Tick Hill tenement package enables a consolidated exploration approach to be taken to the area, including detailed structural geology interpretation, modern day low-level detection limit geochemistry and modern geophysical techniques developed over the last 20 years. The Tick Hill deposit style is characterised by a highly discrete gold, copper and cobalt footprint that can easily be missed with wider spaced drilling.

The broader land package includes the historical Duchess copper-gold mine (Figure 8) and contains targets for Iron Oxide Copper Gold deposits (IOCG) and epigenetic Tick Hill style gold deposits. Tick Hill is considered to be an epigenetic end member of the IOCG mineralisation that exists throughout the belt.

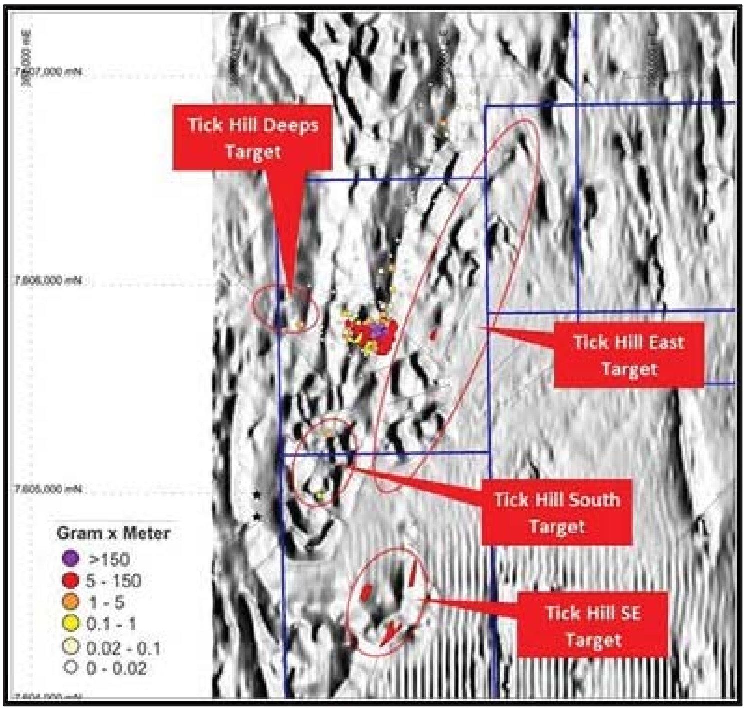

Figure 4 | Tick Hill near mine targets

Historical production at Duchess was approximately 205,000 t at 12.5% copper from 1900-1940 (refer ASX announcement 12 March 2019). Duchess provides the potential to define high-grade, shallow open-pitable resources adjacent to existing railway infrastructure.

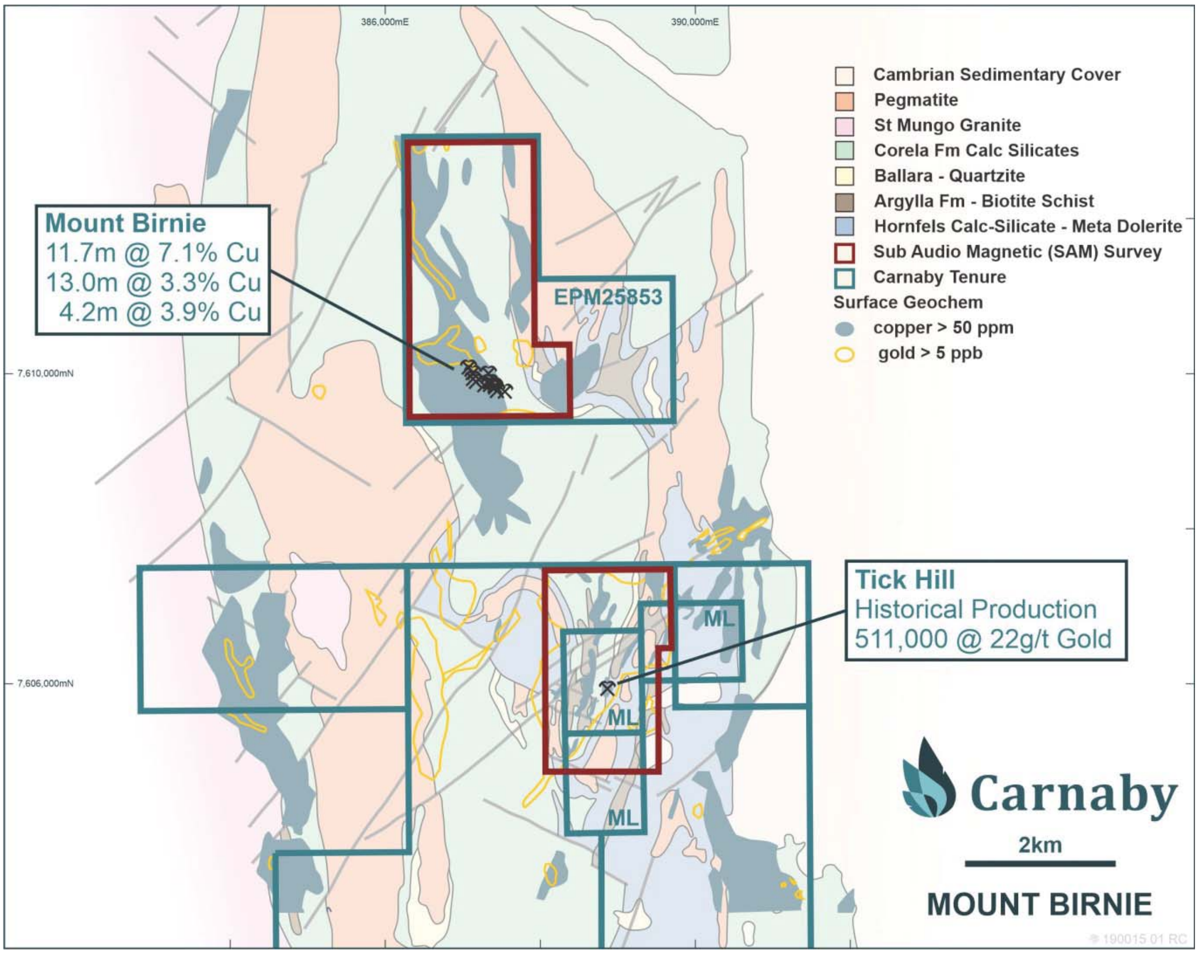

Figure 5 | Tick Hill regional geology plan showing location of Mount Birnie and Tick Hill.

Exploration at Mount Birnie

During the year, a SAM geophysical survey was completed at Mount Birnie over the 4 km NNW trending IOCG corridor surrounding Mount Birnie during the year, highlighting several new targets (Figure 6).

In July 2019, Carnaby commenced its maiden drilling program at Mount Birnie. Reverse circulation and diamond tail drilling intersected significant IOCG mineralisation at Mount Birnie, including (refer ASX announcement 1 August 2019):

- MBC002 15 m @ 2.10% Cu, 0.23 g/t Au from 24 m Inc 6 m @ 4.41% Cu, 0.47 g/t Au from 33 m;
- MBC006 2 m @ 3.18% Cu, 0.29 g/t Au from 53 m, 17 m @ 3.14% Cu, 0.24 g/t Au from 84 m Inc 3 m @ 9.33% Cu, 0.99 g/t Au from 76 m Inc 2 m @ 9.46% Cu, 0.06 g/t Au from 99 m; and
- MBC004 21 m @ 0.91% Cu, 0.11 g/t Au from 13 m Inc 8 m @ 1.83% Cu, 0.20 g/t Au from 20 m.

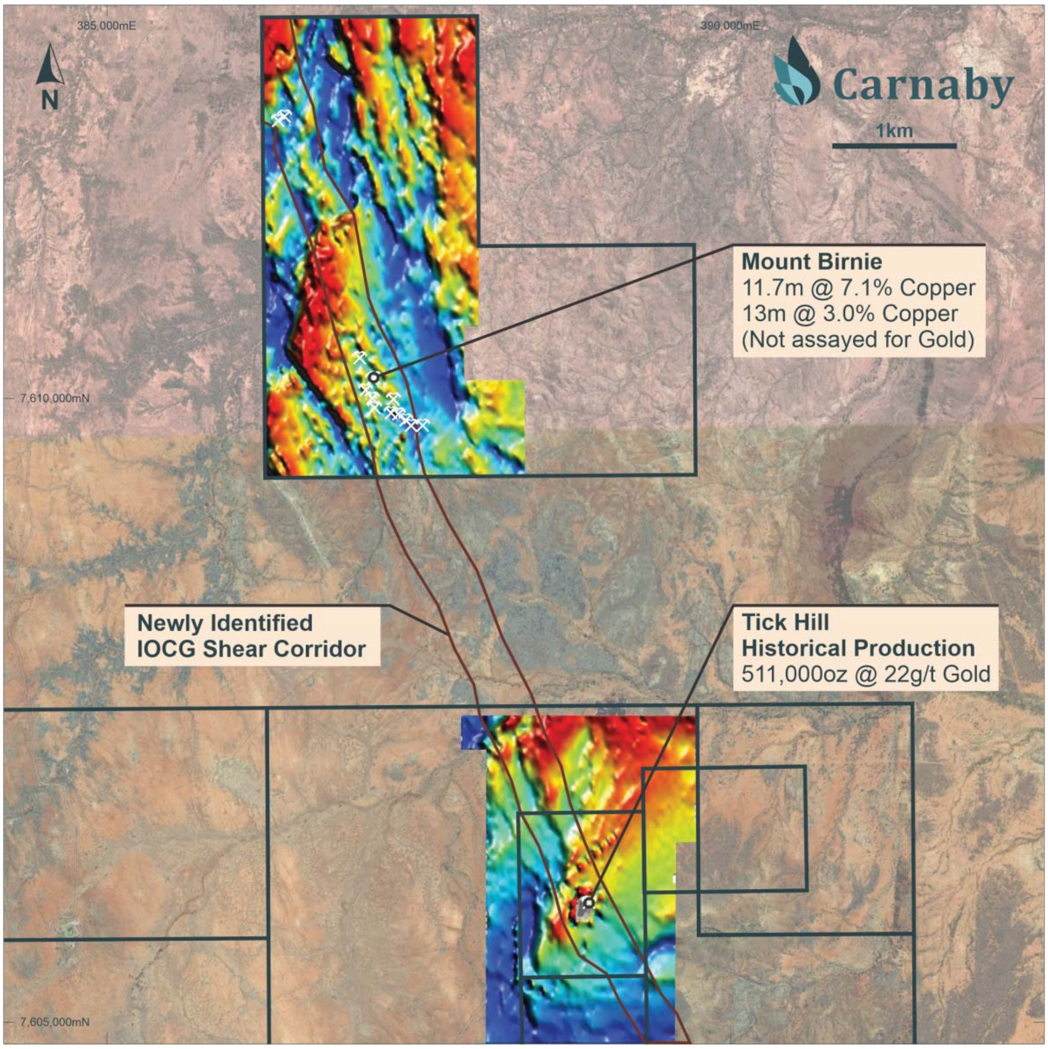

Figure 6 | Tick Hill and Mount Birnie SAM TFEM image showing location NNW trending IOCG shear corridor and SAM targets.

The initial drilling has targeted the Mount Birnie workings area where 50 year old historical diamond drill results had reported the 11.7 m @ 7.1% copper in DDH06 (refer ASX announcement 11 June 2019 and Figure 7).

These results have been supported by the results from the new drilling where MBC006 intersected two zones of very high grade copper-gold mineralisation of 3 m @ 9.33% copper and 0.99 g/t gold and 2 m @ 9.46% copper within a broader envelope that assayed 17 m @ 3.14% copper from 84 m. MBC006 was drilled as a scissor hole across DDH06 confirming not only the grade but also the significant width of the mineralisation (Figure 7).

Three very shallow holes were drilled up dip of the historical drilling, immediately below the surface workings. All holes intersected a broad and continuous steeply dipping lode. The first hole, MBC001, intersected 6 m @ 1.12% copper from 28 m and remains open to the east. The second hole, MBC002, intersected 15 m @ 2.10% copper from 24 m including 6 m @ 4.41% copper and 0.47 g/t gold (Figure 7).

A step out hole to the west intersected shallow copper-gold mineralisation in a sub parallel lode position to the main Mount Birnie lode and suggests potential for multiple lodes to be developed. A result of 21 m @ 0.9% copper from 13 m including 8 m @ 1.83% copper from 20 m in MBC004 remains open to the west.

The mineralisation style at Mount Birnie is characterised by high grade core zones of semi massive chalcopyrite in a calcite dominant gangue, surrounded by a broad halo of disseminated chalcopyrite and appears to be structurally focussed into shear zones. This mineralisation and associated calc silicate and magnetite alteration is identical to some of the larger IOCG deposit in the Mt Isa district such as Mount Elliot, Osborne and Ernest Henry.

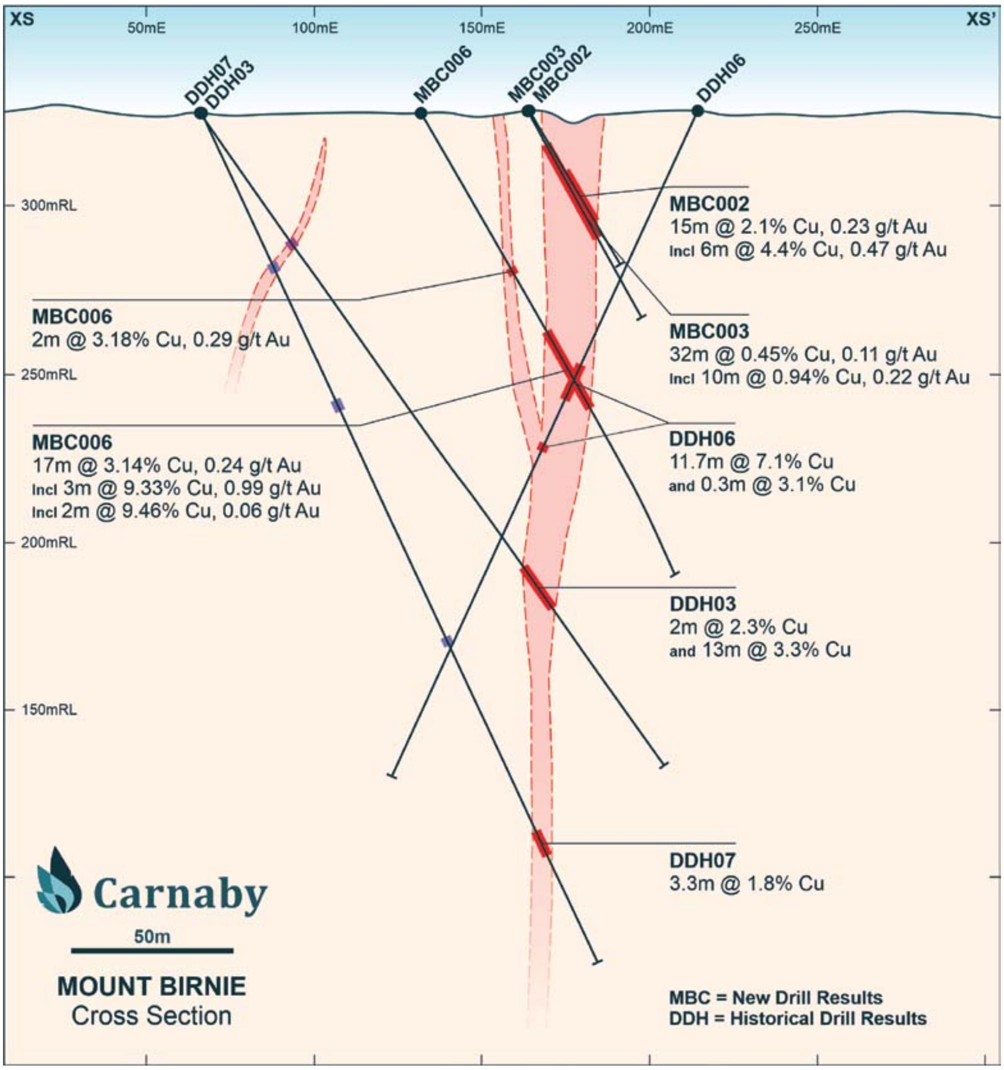

Figure 7 | Mount Birnie longsection showing location of new and historical results.

The initial drilling at Mount Birnie has only focussed on the immediate area of the workings and historical drill results where the mineralisation remains open along strike and at depth. In the wider 4 km strike of surface copper and gold anomalism and historical workings (Figure 6), several key specific targets have been identified from the recently completed SAM survey and will be progressed to drill target testing.

Other Tick Hill Regional Exploration

Initial reconnaissance field visits were completed during the year to key target areas of the extensive 323 km^2 land holding as part of a prioritisation and technical evaluation of appropriate exploration methods to be employed. Mapping and rock chip sampling of key target areas identified Mount Erle and Grassano target areas as higher priority targets in the region (Figure 8). Rock chip results of up to 8.6 g/t gold and 23.9% copper were received (refer ASX announcement 16 May 2019).

The northern part of the Tick Hill group tenements contains several IOCG deposits where significant copper gold results have been reported and includes the high-grade historical Duchess copper mine (Figure 8).

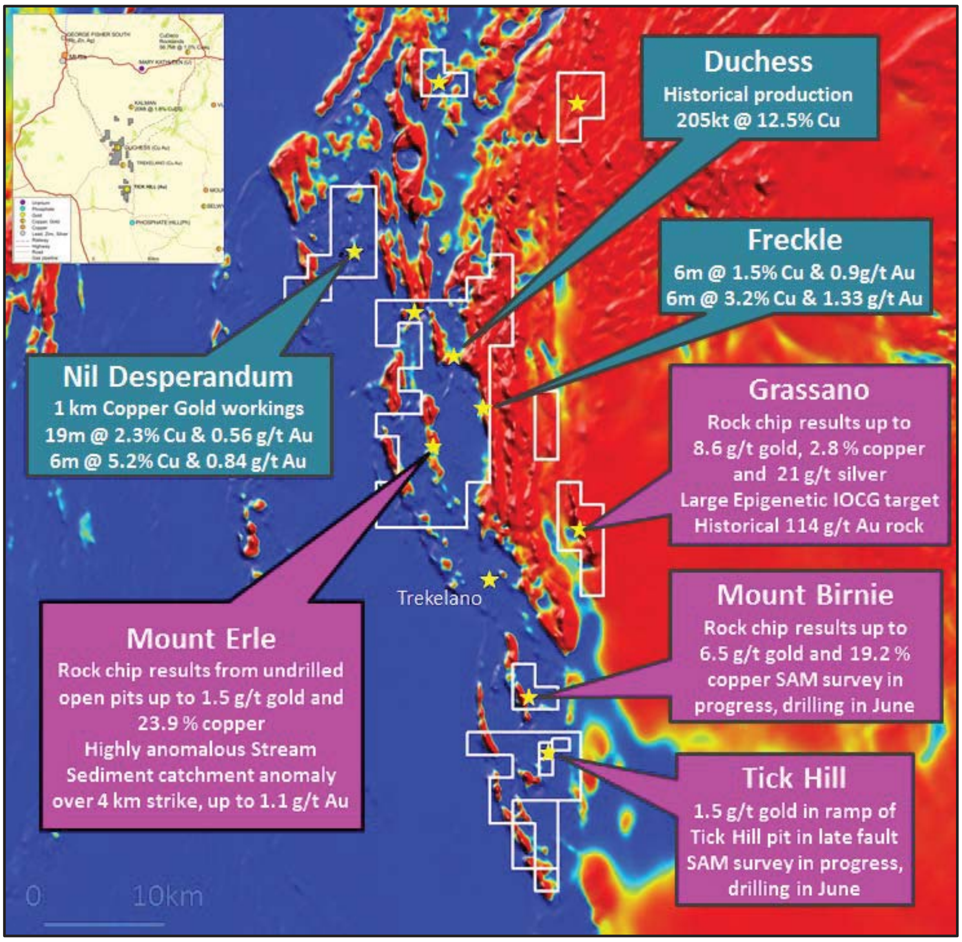

Figure 8 | Tick Hill Regional tenements summarising key target areas on aeromagnetics

Western Australia Gold Exploration Properties (CNB 100%)

Carnaby acquired 100% interest in 972 km^2 of exploration tenements and applications in Western Australia (Figure 9). The package is prospective for orogenic gold, sedimentary exhalative (SEDEX) and volcanogenic massive sulphide (VHMS) base metals deposits, and nickel and platinum group elements (PGE's). The tenements comprise of the Malmac Project and Throssel Project.

The Malmac Project covers 810 km2 within the northern Yilgarn margin mobile belt.The tenements are focussed on the Imbin rift associated with the highly mineralised Glenburgh Orogen with host rocks similar in age and geology to the Karalundi Formation that host Sandfire's Degrussa deposit.

The Throssel Project application covers 162 km^2 located 70 km north of the 6.2 Moz Gruyere Gold Deposit being developed by the Gold Road Resources and Goldfields Ltd. The project area covers a potential 20 km strike of unexplored greenstone belt under shallow cover.

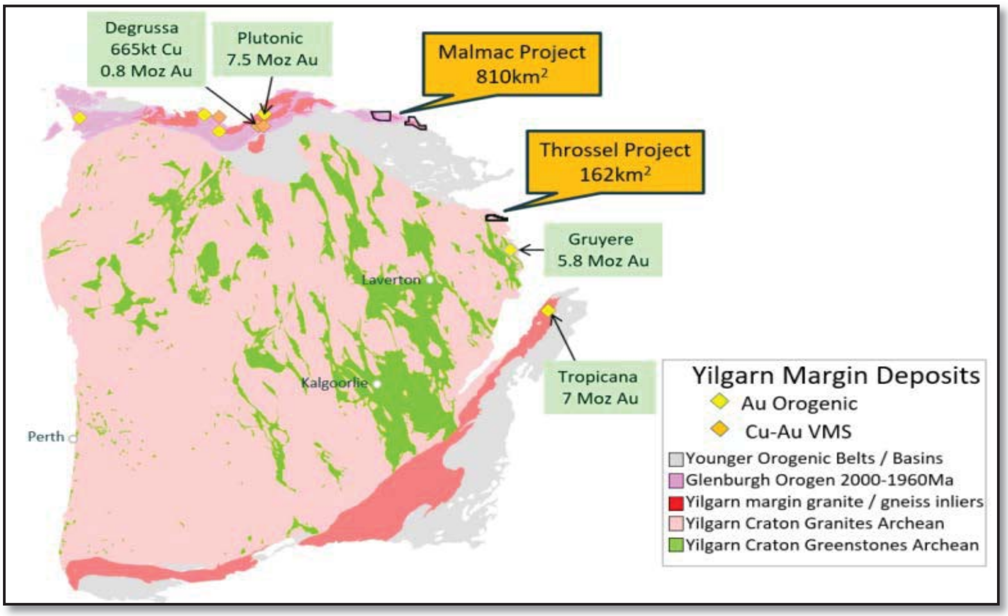

Figure 9 | Malmac and Throssel Prospects

Scandinavian Projects

The Company holds the rights to four nickel-cobalt-copper prospective projects in Norway and Sweden (Figure 10).

Lainejaur Project, Sweden (CNB 100%)

The Lainejaur Nickel-Cobalt Project is centred on a historical Ni-Co-Cu mine which was discovered in 1941 with a recorded production of 100,526t @ 2.21% Ni, 0.1% Co and 0.93% Cu. In February 2018, an updated Mineral Inferred Resource of 460 Kt @ 2.2% Ni, 0.15% Co and 0.7% Cu (above a 0.5% Ni lower cut off) was reported by the Company under JORC (2012) (refer ASX announcement 12 February 2018 and Table 2).

Gladhammar and Tunaberg Projects, Sweden (CNB 100%)

The Gladhammar and Tunaberg Cobalt Projects are centred around historic mines. Iron ore mines opened at Gladhammar in the 16th century, with copper ore being mined from the 17th century and cobalt from the 18th century, continuing intermittently until 1892. At Tunaberg, cobalt and copper mining have been undertaken intermittently from the 15th to 18th centuries.

Skuterud Cobalt Project, Norway (CNB 100%)

The Skuterud Cobalt Project consists of eight granted licences in southern Norway, within 100km of the Oslo port. The region contains one of the most famous, historic cobalt mines in the world, which lends its name to the cobalt ore minerals Skutterudite.

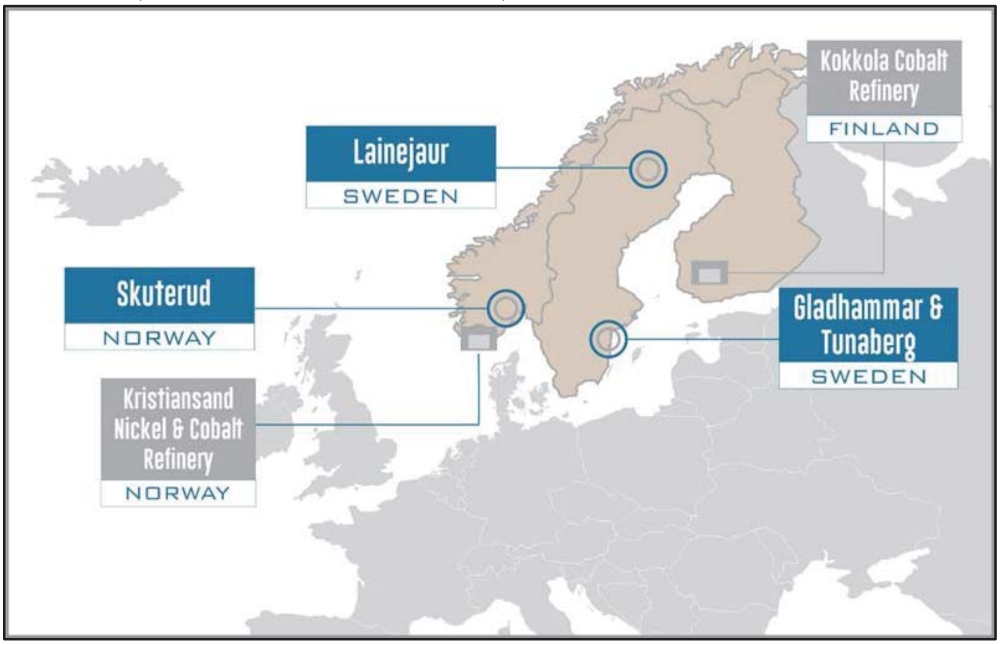

Figure 10 | Scandinavian Project Locations

7.2 Financial performance

The Company's net loss after tax attributable to the shareholders for the year to 30 June 2019 was $1,101,178 (2018 Loss: $2,351,371). The Group's net assets increased $4,186,402 (2018 decreased: $500,025). The Group's cash position as at 30 June 2018 was $4,041,363 (2018: $3,725,459).

7.3 Corporate

Acquisition of projects

On 18 April 2019, shareholders approved the issue of 21,153,846 shares, 6,000,000 5 year options exercisable at $0.09 and 3,000,000 5 year options exercisable at $0.10 as consideration for the acquisition of the Tick Hill, Malmac and Throssel projects. 12,339,744 shares and 100% of the options are escrowed until 23 April 2020.

Equity placement

On 23 April 2019, the Company completed an equity placement raising $1.6 million before costs through the issue of 20,512,820 shares at $0.078 per share.

Board changes

On 23 April 2019, Mr Bowler was appointed as Non-Executive Chairman and Mr Watkins appointed as Managing Director. Mr Inwood, the Company's previous Managing Director and Mr Tremain, the Company's previous Non-Executive Chairman stepped down from their previous roles but remained as Non-Executive Directors of the Company (Mr Inwood subsequently resigned).

Company name change

During the period, the Company changed its name to Carnaby Resources Limited (formerly Berkut Minerals Limited).

8. Dividends

No dividend was paid or declared by the Company during the year and up to the date of this report.

9. Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year, other than as set out in this report.

10. Events subsequent to the reporting date

Director resignation

On 16 August 2019, Mr Neil Inwood resigned as a director of the Company.

Company Secretary resignation and appointment

On 6 August 2019, Mr Ben Larkin was appointed as Company Secretary following the resignation of Mrs Elisangela Dias De Lira O'Brien.

Issue of employee options

On 6 August 2019, the Company issued 600,000 unlisted options under the Company's ESOP at an exercise price of $0.16 per option, vesting on 6 August 2020 and expiring on 30 June 2022.

There have been no significant events subsequent to the end of the financial year to the date of this report.

11. Likely developments

The Board will continue to advance the exploration of, and pursue opportunities in relation to its exploration projects. The Board intends to focus exploration efforts on the Tick Hill Project in the near term.

12. Environmental performance and regulations

The operations of the Company are presently subject to environmental regulation under the laws of the Commonwealth of Australia and the Kingdoms of Sweden and Norway. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

13. Share options

As at the date of this report there were 18,230,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price $	Expiry Date
2,500,000	$0.25	31-Dec-19
1,000,000	$0.30	31-Dec-19
2,300,000	$0.001	30-Nov-20
750,000	$0.50	31-Dec-20
750,000	$0.65	31-Dec-20
1,930,000	$0.16	30-Jun-22
6,000,000	$0.09	23-Apr-24
3,000,000	$0.10	23-Apr-24
18,230,000		

These options do not entitle the holder to participate in any share issue of the Company. No options were exercised during or since the year ended 30 June 2019.

14. Indemnification and insurance of directors and officers

The Company has entered into agreements to indemnify all directors and officers of the Company against any liability arising from a claim brought by a third party against the Company. The Company has paid premiums to insure each Director and Officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or Officer. Disclosure of the amount of the premium is subject to a confidentiality clause under the insurance policy.

15. Indemnification of the auditor

The Group has not provided any insurance or indemnity for the auditor of the Company.

16. Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

17. Non-audit services

During the period Grant Thornton, the Company's auditor, provided no services in addition to their statutory duties in Australia (2018: nil).

18. Lead auditors independence declaration

The Lead auditor's independence declaration is set out on 46 and forms part of the Directors' Report for the period ended 30 June 2019.

19. Audited remuneration report

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the Key Management Personnel (KMP) of Carnaby Resources Limited for the financial year ended 30 June 2019. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The KMP include the directors of the Company and other executives, whom during the period have been identified as;

Name	Position	Period in position during the year
Non-Executive Directors		
Mr Peter Bowler	Non-Executive Director, Chairman	Appointed 23 April 2019
Mr Justin Tremain	Non-Executive Director	Full year
Mr Paul Payne	Non-Executive Director	Full year
Mr Neil Inwood[1]	Non-Executive Director	Full year
Executive Directors		
Mr Rob Watkins	Managing Director	Appointed 23 April 2019
Former KMP		
Mr Ben Cairns	General Manager Geology	Resigned 30 September 2018

[1]Mr Inwood served as the Company's Managing Director until his resignation from the position on 23 April 2019. Mr Inwood was appointed a non-executive director on 23 April 2019 and subsequently resigned from this position on 15 August 2019.

19.1 Principles of remuneration

The Board is responsible for determining and reviewing compensation arrangements for directors and other KMP. Remuneration levels for directors and other KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The Board determines remuneration packages using trends in comparative companies with consideration of the role, capability and experience of each individual director or other executive.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter and Remuneration Policy. The Board has elected not to establish a remuneration committee based on the size of the organisation and has instead agreed to meet as necessary and to allocate the appropriate time to issues regarding remuneration at Board meetings.

The Company's current remuneration structures consist of fixed remuneration and offers to participate in the Company's Employee Share Option Plan. The Company has not offered performance-based cash bonuses to executives, but may do so in the future. Non-executive directors are not eligible to be offered any performance-based cash bonuses.

Fixed remuneration

Fixed remuneration consists of base remuneration and employer contributions to superannuation funds, which is currently set in accordance with the following table:

KMP	Fixed remuneration
Chairman	$49,275
Managing Director	$262,800
Non-Executive Director	$32,850

Additional fees

Should a director perform special duties or services outside the scope of the ordinary duties of that director, that director may be paid additional fees as the Board determines. Directors may be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Employee Share Option Plan

The Group has an established share option plan (ESOP) that entitles eligible employees, including directors, to purchase shares in the Company. Under the plan, the Board may issue options to acquire shares in the future at an exercise price fixed by the Board on grant of options.

The vesting of all options is subject to service conditions being met whereby the recipient must meet the eligible employee criteria as defined in the plan, unless determined otherwise by the Board. The vesting of options may be subject to achievement of performance hurdles, as determined by the Board.

19.2 Details of remuneration

Director and other KMP remuneration

Details of the nature and amount of each element of the remuneration of each director or other KMP of the Group are as follows:

	Salary & fees (short term) $	Super (post employment) $	Share based payments (options)[4] $	Total $
12 months ended 30 June 2019				
Directors				
Peter Bowler[1]	7,962	756	-	8,718
Rob Watkins[1]	42,462	4,034	-	46,496
Justin Tremain	42,116	4,001	31,643	77,760
Paul Payne	29,615	2,813	31,643	64,071
Neil Inwood[2]	222,826	19,834	63,286	305,946
Former KMP				
Ben Cairns[3]	73,066	3,285	-	76,351
Total compensation	418,047	34,723	126,572	579,342

[1] Mr Bowler and Mr Watkins were appointed on 23 April 2019.
[2] Mr Inwood served as the Company's Managing Director until his resignation on 23 April 2019. Mr Inwood was appointed a non-executive director on 23 April 2019 and subsequently resigned from this position on 15 August 2019.
[3] Mr Cairns resigned on 30 September 2018.
[4] In accordance with AASB 2 Share Based Payments, the fair value of share based payments (SBP) is determined at the date of grant using the Black-Scholes option pricing model. SBP expense is allocated to each period evenly over the period from grant date to vesting date. The value disclosed is the portion of SBP expense recognised as an expense in each reporting period.

	Salary & fees (short term) $	Super (post employment) $	Share based payments (options)[2] $	Total $
12 months ended 30 June 2018				
Directors				
Justin Tremain	45,000	4,275	14,615	63,890
Neil Inwood	230,000	21,850	117,084	368,934
Paul Payne[1]	45,660	2,850	14,615	63,125
KMP				
Ben Cairns	162,000	15,390	-	177,390
Total compensation	482,660	44,365	146,314	673,339

[1] Included in salary and fees is $15,660 of consulting fees paid to Payne Geological Services Pty Ltd, of which Mr Payne is a Director. The fees were in relation to services provided for the preparation of the Mineral Resource Estimate and a report for the Lainejaur Project.
[2] In accordance with AASB 2 Share Based Payments, the fair value of share based payments (SBP) is determined at the date of grant using the Black-Scholes option pricing model. SBP expense is allocated to each period evenly over the period from grant date to vesting date. The value disclosed is the portion of SBP expense recognised as an expense in each reporting period.

Options granted as remuneration

The vesting profiles and values of options affecting remuneration in the current or future reporting periods are as follows:

	Grant Date	Grant Number	Expiry date	Exercise price per option	Value of options at grant date[1]	Number of options vested	Vested	Max value yet to vest
Directors								
Justin Tremain	27/11/2017	250,000	30/11/2020	$0.001	$20,877	-[2]	-	$9,839
Justin Tremain	27/11/2017	250,000	30/11/2020	$0.001	$74,225	-[3]	-	$34,981
Neil Inwood	27/11/2017	500,000	30/11/2020	$0.001	$41,754	-[2]	-	$19,678
Neil Inwood	27/11/2017	500,000	30/11/2020	$0.001	$148,450	-[3]	-	$69,962
Paul Payne	27/11/2017	250,000	30/11/2020	$0.001	$20,877	-[2]	-	$9,839
Paul Payne	27/11/2017	250,000	30/11/2020	$0.001	$74,225	-[3]	-	$34,981
		2,000,000			**$380,408**	**-**		**$179,280**

[1] The value at grant date has been calculated in accordance with AASB 2 Share Based Payments.

[2] Options vest upon the Company announcing a Mineral Resource reported in accordance with the JORC Code (or an increase in a Mineral Resource reported in accordance with the JORC Code for any projects acquired by the Company with an existing Mineral Resource reported in accordance with the JORC Code) with an aggregate in-ground value of more than $250,000,000.
[3] Options vest upon the Company reaching a market capitalisation exceeding $30,000,000 for 30 concurrent days (which represents an approximate 100% increase in the Company's current market capitalisation).

No options have been granted since the end of the period to directors or other KMP in respect of their remuneration.

19.3 Shareholdings of directors and other KMP

The number of shares in the Company held during the financial year by directors and other KMP of the Group, including their related parties, is set out below.

	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Directors					
Peter Bowler	-	-	-	4,277,752[1]	4,277,752
Rob Watkins	-	-	-	4,277,752[1]	4,277,752
Justin Tremain	2,350,000	-	-	275,000[2]	2,625,000
Neil Inwood	110,000	-	-	-	110,000
Paul Payne	75,000	-	-	-	75,000
Former KMP					
Ben Cairns	900,000	-	-	-	n/a[3]

[1] On 18 April 2019 the shareholders of the Company approved the issue of 2,136,752 shares to Mr Bowler and Mr Watkins respectively in relation of the acquisition of a company which Mr Bowler and Mr Watkins were shareholders, these shares are subject to escrow until 23 April 2020. Additionally, Mr Bowler and Watkins participated in a capital raising of the Company on 23 April 2019 in which Mr Bowler and Mr Watkins acquired a further 2,141,000 shares respectively.
[2] Related parties of Mr Tremain acquired 275,000 shares in an on market trade during the year.
[3] Mr Cairns resigned during the year.

All equity transactions with directors and other KMP, other than those arise from the exercise of ESOP options, have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

19.4 Option holdings of directors and other KMP

The number of options over ordinary shares in the Company held during the financial year by directors and other KMP of the Group, including their related parties, is set out below.

	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Directors							
Peter Bowler	-	-	-	3,000,000[1]	3,000,000	3,000,000	-
Rob Watkins	-	-	-	3,000,000[1]	3,000,000	3,000,000	-
Justin Tremain	1,000,000	-	-	-	1,000,000	500,000	500,000
Neil Inwood	3,000,000	-	-	-	3,000,000	2,000,000	1,000,000
Paul Payne	1,000,000	-	-	-	1,000,000	500,000	500,000
Former KMP							
Ben Cairns	500,000	-	-	-	n/a[2]	500,000	-

[1] On 18 April 2019 the shareholders of the Company approved the issue of 2,000,000 options exercisable at $0.09 per option and 1,000,000 options exercisable at $0.10 per option to Mr Bowler and Mr Watkins respectively. The options are subject to escrow until 23 April 2020 and expire on 18 April 2024. The options were granted to Mr Bowler and Mr Watkins respectively in relation to the acquisition of a company which Mr Bowler and Mr Watkins were shareholders.
[2] Mr Cairns resigned during the year.

19.5 Service contracts

Executive director

The Managing Director, Rob Watkins is employed under an Executive Employment Agreement effective 23 April 2019. Under the agreement Mr Watkins is paid an annual fee of $240,000, plus superannuation. Mr Watkins also has the opportunity to participate in short term and long-term incentive schemes that the Company may offer in the future. The agreement may be terminated by either party by giving three months' notice in writing. The Company may elect to make a payment in lieu of notice.

Non-executive directors
On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, to the relevant director. The aggregate remuneration for non-executive directors has been set at an amount not to exceed $300,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

19.6 Payments before taking office
On 18 April 2019 the shareholders of the Company approved the issue of 2,136,752 shares, 2,000,000 options exercisable at $0.09 per option and 1,000,000 options exercisable at $0.10 per option to Mr Bowler and Mr Watkins respectively. The options expire on 18 April 2024. The shares and options are escrowed until 23 April 2020 and were issued in relation of the acquisition of a company which Mr Bowler and Mr Watkins were shareholders.

The payments were not made in consideration for Mr Watkins or Mr Bowler agreeing to hold office.

19.7 Loans to directors and other KMP
There were no loan balances with directors or other KMP during the financial year ended 30 June 2019.

19.8 Other benefits
Directors and other KMP are not entitled to receive other benefits other than as disclosed in this Directors Report.

19.9 Voting and comments made at the company's 2018 Annual General Meeting
The Company received 88% of "yes" votes on its remuneration report for the 2018 financial year. No specific feedback was received from shareholders in relation to the Company's 2018 Remuneration Report at its Annual General Meeting.

END OF THE AUDITED REMUNERATION REPORT

Signed on behalf of the Board in accordance with a resolution of the directors:

Rob Watkins
Managing Director

Perth, Western Australia
27 September 2019

Carnaby

Mineral Resources Statement

The Company's JORC-compliant ore reserves and mineral resources as at 30 June 2019 are as follows:

Gold Mineral Resources

Tick Hill Project, Queensland (CNB 100%)

In January 2016, Diatreme Resources Limited (ASX: DRX) completed a Mineral Resource estimate for the tailings material located within the tailings dam at the Tick Hill Gold Project (refer to ASX announcement 12 March 2019). The Tick Hill Gold Mine operated from August 1991 through to March 1995, with the processing plant comprising crushing and milling circuits designed to deliver a product with a p80 of 70µm to a CIL circuit for gold recovery. Tailings were discharged into a tailings dam comprising two paddocks of a "turkeys nest" construction with a perimeter embankment with a clay core to retain tailings. Following successful exploration drilling programs in July and September 2015, and completion of a comprehensive first stage metallurgical test work program with positive results in December 2015, sufficient data is available to develop a resource model for the Tick Hill tailings material (refer to DRX ASX announcement 19 January 2016). All resources are classified as Indicated.

Table 1 | Tick Hill, January 2016 Indicated Mineral Resource Estimate (0.5 g/t Au cut off)

Location	Tonnes Kt	Au g/t	Au oz	Cut-off Au g/t
West Paddock	345	0.80	8,800	0.5 g/t
East Paddock	285	1.42	13,000	0.5 g/t
Total	**630**	**1.08**	**21,800**	**0.5 g/t**

Nickel, Copper & Cobalt Mineral Resources

Lainejaur Project, Sweden (CNB 100%)

In February 2018, the Company updated the Mineral Resource at its Lainejaur Nickel-Cobalt-Copper Project in Sweden (refer to ASX announcement 12 February 2018). The updated resource was reported in accordance with JORC (2012) following a review of historical core, field verification of collars and geology, and a re-interpretation of the mineralisation domains. The majority of the informing drilling was undertaken during the period 2007 to 2010. Evaluation of selected diamond core, drill hole collars and handheld XRF-analysis of mineralised intervals strongly supported the compiled historical databases. Additional bulk density test work was also undertaken in 2018 to obtain relevant density data for the modelled domains. All resources are classified as Inferred.

Table 2 | Lainejaur, February 2018 Inferred Mineral Resource Estimate (0.5% Ni cut off)

Zone	Tonnes Kt	Ni %	Cu %	Co %	Ni t	Cu t	Co t	Cut-off Ni %
Massive Sulphide	460	2.2	0.7	0.15	10,100	3,000	680	0.5
ID estimate using nominal 0.5m composites and an insitu dry bulk density of 4.1t/m3 for massive-sulphide mineralisation.								

Governance controls

Due to the nature, stage and size of the Company's existing operations, the Company believes there would be no efficiencies or additional governance benefits gained by establishing a separate mineral resources and reserves committee responsible for reviewing and monitoring the Company's processes for calculating mineral resources and reserves and for ensuring that the appropriate internal controls are applied to such calculations. However, the Company ensures that all Mineral Resource calculations are prepared by a competent, senior geologist and are reviewed and verified independently by a qualified person. In addition, the existing composition of the Carnaby Board of Directors includes two qualified and experienced geologists with mineral resource expertise.

Review of material changes

The annual review of the Company's Mineral Resources has concluded that in the absence of new exploration data or feasibility evaluation during the 2019 financial year, the Tick Hill and Lainejaur Mineral Resources have not changed materially.

Corporate Governance Statement

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Carnaby Resources Limited support and adhere to the principles of sound corporate governance. Accordingly, the Board has adopted a Corporate Governance Plan which can be found on the Company's website: www.carnabyresources.com.au. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Carnaby Resources is in compliance to the extent possible with those guidelines, which are of particular importance and add value to the commercial operations of ASX 300 listed companies.

Carnaby Resources Limited reviews all of its corporate governance policies and practices on an annual basis to ensure they are appropriate for the Company's stage of development. These reviews are made in consideration of the ASX Corporate Governance Council's Principles and Recommendations which applicable at the time of the review. The Company's Corporate Governance Statement for the year ended 30 June 2019 was approved by the Board on 27 September 2019 and is available on the Company's website: www.carnabyresources.com.au

Competent Persons Statement

The information in this report that relates to exploration results and the Tick Hill Project Gold Mineral Resource is based upon information and supporting documentation compiled by Mr Robert Watkins. Mr Watkins is a Director and security holder of the Company and a Member of the AusIMM. Mr Watkins has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Watkins consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears.

The information in this report that relates to the Lainejaur Project Nickel, Copper & Cobalt Mineral Resources is based upon information compiled by Mr Paul Payne, an employee of Payne Geological Services Pty Ltd, and a Director and security holder of the Company. Mr Payne is a Fellow of the AusIMM and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Payne consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears.

Forward looking statements

The Annual Report may contain certain forward-looking statements and projections regarding:

- estimated, resources and reserves;
- planned production and operating costs profiles;
- planned capital requirements; and
- planned strategies and corporate objectives.

Such forward looking statements/projections are estimates for discussion purposes only and should not be relied upon. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of the Company. The forward-looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved. The Company does not make any representations and provides no warranties concerning the accuracy of the projections, and disclaims any obligation to update or revise any forward-looking statements/projects based on new information, future events or otherwise except to the extent required by applicable laws.

Disclaimer

References have been made in this Annual Report to certain ASX announcements, including references regarding exploration results and mineral resources. For full details, refer to said announcement on said date. The Company is not aware of any new information or data that materially affects this information. Other than as specified in this announcement and the mentioned announcements, the Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, Exploration Target(s) or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019

	Note	June 2019 $	*Restated** June 2018 $
Interest received		80,224	88,059
Administrative expenses		(616,989)	(1,151,814)
Project exploration and evaluation expenses		(503,430)	(229,967)
Other expenses		(59,193)	-
Impairment losses		-	(1,055,180)
Results from operating activities		**(1,099,388)**	**(2,348,902)**
Finance income		-	3,541
Finance expense		(1,790)	(6,010)
Net finance expense		**(1,790)**	**(2,469)**
Loss for the period before income tax		**(1,101,178)**	**(2,351,371)**
Income tax benefit/(expense)	*8*	-	-
Loss for the period after income tax		**(1,101,178)**	**(2,351,371)**
Other comprehensive profit/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		(376)	(28,110)
Other comprehensive loss for the period net of tax		**(376)**	**(28,110)**
Total comprehensive loss for the year		**(1,101,555)**	**(2,379,481)**
Earnings per share			
Basic loss per share $	*21*	(0.02)	(0.04)
Diluted loss per share $	*21*	(0.02)	(0.04)

* Refer to Note 4 for details regarding a restatement as a result of a voluntary change in accounting policy.

The notes are an integral part of these consolidated financial statements.

Carnaby

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	June 2019 $	Restated* June 2018 $
Assets			
Cash and cash equivalents	*9*	4,041,363	3,725,459
Restricted cash	*10*	15,000	15,000
Prepayments		42,210	-
Trade and other receivables	*11*	116,081	13,852
Total current assets		**4,214,654**	**3,754,311**
Exploration and evaluation assets	*13*	4,081,025	-
Property, plant and equipment	*14*	21,489	7,080
Total non-current assets		**4,102,514**	**7,080**
Total assets		**8,317,168**	**3,761,391**
Liabilities			
Trade and other payables	*15*	173,771	95,491
Provisions	*16*	-	45,750
Total current liabilities		**173,771**	**141,241**
Provisions	*16*	336,844	-
Total non-current liabilities		**336,844**	**-**
Total liabilities		**510,615**	**141,241**
Net assets		**7,806,553**	**3,620,150**
Equity			
Share capital	*20*	11,885,025	7,592,555
Reserves	*20*	1,869,791	874,680
Accumulated losses		(5,948,263)	(4,847,085)
Total equity		**7,806,553**	**3,620,150**

* Refer to Note 4 for details regarding a restatement as a result of a voluntary change in accounting policy.

The notes are an integral part of these consolidated financial statements.

Carnaby

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

	Share capital $	*Restated** Accumulated losses $	Translation reserve $	Share option reserve $	Total equity $
Balance at 1 July 2017	6,051,555	(2,495,714)	-	564,334	4,120,175
Total comprehensive income for the period					
Loss for the period	-	(2,351,371)	-	-	(2,351,371)
Other comprehensive income			-		
Foreign currency translation differences	-	-	(28,110)		(28,110)
Total other comprehensive loss	**-**	**-**	**(28,110)**	**-**	**(28,110)**
Total comprehensive loss for the period	**-**	**(2,351,371)**	**(28,110)**	**-**	**(2,379,481)**
Transactions with owners recorded directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares	1,632,000	-	-	-	1,632,000
Equity transaction costs	(91,000)	-	-	-	(91,000)
Share based payments	-	-	-	338,456	338,456
Total contributions by and distributions to owners	**1,541,000**	**-**	**-**	**338,456**	**1,879,456**
Balance as at 30 June 2018	**7,592,555**	**(4,847,085)**	**(28,110)**	**902,790**	**3,620,150**

	Share capital $	Accumulated losses $	Translation reserve $	option reserve $	Total equity $
Balance at 1 July 2018	7,592,555	(4,847,085)	(28,110)	902,790	3,620,150
Total comprehensive income for the period					
Loss for the period	-	(1,101,178)	-	-	(1,101,178)
Other comprehensive income					
Foreign currency translation differences	-	-	(376)	-	(376)
Total other comprehensive loss	**-**	**-**	**(376)**	**-**	**(376)**
Total comprehensive loss for the period	**-**	**(1,101,178)**	**(376)**	**-**	**(1,101,554)**
Transactions with owners recorded directly in equity					
Contributions by and distributions to owners					
Issue of ordinary shares	4,350,000	-	-	-	4,350,000
Equity transaction costs	(57,530)	-	-	-	(57,530)
Issue of share options	-	-	-	848,080	848,080
Share based payments	-	-	-	147,407	147,407
Total contributions by and distributions to owners	**4,292,470**	**-**	**-**	**995,487**	**5,287,957**
Balance as at 30 June 2019	**11,885,025**	**(5,948,263)**	**(28,486)**	**1,898,277**	**7,806,553**

* Refer to Note 4 for details regarding a restatement as a result of a voluntary change in accounting policy.

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	Note	June 2019 $	June 2018 $
Cash flow from operating activities			
Payments to suppliers and employees		(602,990)	(814,270)
Payments for exploration expenditure		(531,711)	(1,282,171)
Net cash used in operating activities	*9*	**(1,134,701)**	**(2,096,441)**
Cashflow from investing activities			
Interest received		74,234	84,900
Payments for property, plant and equipment and mineral properties		(166,316)	-
Net cash (used)/from in investing activities		**(92,082)**	**84,900**
Cashflow from financing activities			
Proceeds from issue of share capital		1,600,000	1,541,000
Share issue costs		(57,530)	-
Net cash from financing activities		**1,542,470**	**1,541,000**
Net increase/(decrease) in cash and cash equivalents		315,686	(470,541)
Cash and cash equivalents 30 June		3,725,459	4,192,459
Effect of exchange rate fluctuations on cash held		218	3,541
Cash and cash equivalents 30 June 2019	*9*	**4,041,363**	**3,725,459**

The notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Reporting entity

Carnaby Resources Limited (the "Company") is a for profit company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Stock Exchange. The address of the Company's registered office is 78 Churchill Avenue, Subiaco, Western Australia. On 7 May 2019, the name of the Company was changed to Carnaby Resources Limited (formerly Berkut Minerals Limited).

The consolidated financial statements of the Company as at and for the period from 1 July 2018 to 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). The nature of the operations and principal activities of the Group are described in the Directors' Report

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 27 September 2019.

(b) Basis of measurement

The consolidated financial statements have been prepared on accruals basis under the historical cost convention.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

Set out below is information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

(i) Acquisition of a subsidiary

The Group has acquired a subsidiary during the period and has determined that AASB 3 'Business Combinations' does not apply in accounting for the acquisition. Accordingly, the Company has accounted for the acquisition as an asset acquisition. Refer to note 12 for further information.

(ii) Restoration obligations

Significant estimation is required in determining the provision for site restoration as there are many factors that may affect the timing and ultimate cost to rehabilitate sites where construction, mining and/or exploration activities have taken place. These factors include future development and exploration activities, changes in the cost of goods and services required for restoration activities and changes to the legal and regulatory framework governing restoration obligations. These factors may result in future actual expenditure differing from amounts currently provided. Refer to note 16 for further information.

(iii) Share-based payment transactions

The Company measures the cost of equity-settled transactions and cash-settled share-based payments with employees and third parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at the grant date is determined using the Black and Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted and the assumptions detailed in note 22.

(iv) Deferred consideration shares

The Group has issued deferred considerations shares. The fair value of the deferred consideration shares could not be determined at grant date as the probability of achieving the milestones could not be reliably estimated. Refer to note 22 for further information.

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Transactions and balances eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Acquisitions of subsidiaries

Business combinations

In each transaction that results in the acquisition of a subsidiary, the Company determines if AASB 3 'Business Combinations' shall apply to the transaction by assessing if the Company has acquired "business". A business is an integrated set of activities that is capable of being managed to provide a return to investors by way of dividends, lower costs or other economic benefits. A business generally consists of inputs, processes applied to those inputs and the ability to create outputs. If the Company determines that the acquisition results in the acquisition of a business, then the Company applies the requirements of AASB 3 to the acquisition.

Asset acquisitions

If the Company determines that the acquired subsidiary does not constitute a business, then the transaction is accounted for as an acquisition of an asset (or group of assets) that do not constitute a business combination within the scope of AASB 3. In the acquisition of a group of assets, the cost of the acquisition is allocated between the individual assets and liabilities in the group based on their relative fair values at the date of acquisition.

(b) Segment Reporting

The Group determines and presents operating segments based on the information that is provided to the board of directors, who are the Group's chief operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about the allocation of resources to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise predominantly of administrative expenses. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(c) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(d) Value-added taxes (VAT)

Revenue, expenses and assets are recognised net of the amount of goods and services tax and equivalent indirect taxes, except where the amount of tax incurred is not recoverable from the taxation authority. In these circumstances, the tax is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of tax included. The net amount of tax recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The tax components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(e) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The Group's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

Subsequent measurement financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's financial assets comprise cash and cash equivalents, restricted cash and trade and other receivables.

Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses (the 'expected credit losses (ECL) model'). Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. The Group's financial liabilities are comprise trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(i) Non-derivative financial instruments

The following summarises the accounting treatment of the Group's non-derivative financial instruments;

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and short term deposits at call. Short term deposits have original maturities of 3 months or less that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in fair value.

Restricted cash
Restricted cash comprises cash at bank and short term deposits that have been given as security. As the Group has given security over these balances they are not eligible for recognition as cash and cash equivalents.
Trade and other receivables
The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.
Trade and other payables
Trade and other payables are carried at amortised cost. The amounts are unsecured and are typically settled in 30 to 60 days of recognition. Due to their short term nature, balances are generally not discounted.

(ii) Share capital
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.
Dividends
Dividends are recognised as a liability in the period in which they are declared.

(f) Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets (excluding deferred tax assets and inventories) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, known as CGU's.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU's are allocated to reduce the carrying amount of assets in the unit (group of units) on a pro rata basis. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Property, plant and equipment
(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.
When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income or other expenses in profit or loss. When re-valued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.
(ii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.
The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.
(iii) Depreciation
Depreciation is charged to the statement of profit and loss and other comprehensive income on a straight line basis over the estimated useful lives of each asset. In the current and comparative periods, useful lives are as follows:
- plant and equipment 2 - 20 years
- fixtures and fittings 5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(h) Leases
Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Determining whether an arrangement contains a lease
At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. This will be the case if the following criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset(s); and
- the arrangement contains the right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.
Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(i) Employee benefits

Share based payments
The Group operates equity-settled share based payment employee option scheme. Refer to note 3(p) for further discussion.

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Short term benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term benefits
The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and, where applicable, prior periods plus related on costs; that benefit is discounted to determine its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations.

(j) Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Site restoration
Site restoration costs include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the site. Provisions are recognised at the time that the environmental disturbance occurs. The provision is the best estimate of the present value of the future cash flows required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the financial year.

The amount of the provision for future restoration costs is recognised as exploration and evaluation assets during the exploration phase according to the Company's policy for exploration and evaluation assets (refer note 3 (n)). Upon the commencement of commercial production, future restoration costs are recognised as mine property assets.

Future restoration costs are depreciated on a unit-of-production basis over the economically recoverable reserves of the mine concerned, resulting in an amortisation charge proportional to the depletion of the economically recoverable mineral resources. Amortisation begins at the commencement of commercial production. The unwinding of the effect of discounting on the provision is recognised as a finance cost. Restoration expenditure is capitalised to the extent that it is probable that the future economic benefits associated with restoration expenditure will flow to the Group.

(k) Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the operation at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated to the

presentation currency at the balance date at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are measured using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for qualifying cash flow hedges which are recognised in the other comprehensive income to the extent the hedge is effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at reporting date. The income and expenses of foreign operations are translated to Australian dollars at average exchange rates prevailing during the period. Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the income statement.

(l) Finance income and expense

Finance income and expense comprises interest income and foreign currency gains or losses. Foreign currency gains and losses are reported on a net basis.

(m) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income

Specifically in relation to interest income; revenue from interest is recognised on a time proportionate basis, taking into account the effective yield on the related financial asset.

(n) Exploration and evaluation expenditure

Exploration and evaluation expenditure, excluding acquisition costs, are expensed as incurred. Acquisition costs are accumulated in respect of each separate area of interest.

Acquisition costs include:

(i) Consideration paid to acquire exploration and/or mining license's;
(ii) Stamp duty;
(iii) Professional fees attributable the acquisition; and
(iv) Site restoration costs assumed or recognised.

Exploration and evaluation assets are only recognised if the rights to the area are current and either:

(i) the acquisition costs are expected to be recouped through successful development and exploitation of the area of interest; or
(ii) activities in the area of interest have not at the reporting date, reached a state which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

(i) sufficient data exists to determine technical feasibility and commercial viability; and
(ii) facts and circumstances suggest the carrying amount exceeds the recoverable amount.

For the purposes of impairment testing, exploration and evaluation assets are allocated to CGU's to which the exploration activity relates. The CGU shall not be larger than the area of interest.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property assets within property, plant and equipment.

In the event that an area of interest is abandoned or if the directors consider the exploration and evaluation assets attributable to the area of interest to be of reduced value, the exploration and evaluation assets are impaired in the period in which the assessment is made. Each area of interest is reviewed at each reporting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(p) Share based payment transactions

Employee benefits

The Group operates equity-settled share based payment employee option scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to share based payments reserve. The fair value of options is ascertained using a recognised pricing model which incorporates all market vesting conditions. The fair value of options is measured using the Black-Scholes formula.

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The cost of share based payment transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for share based payment transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

Other share based payments

The Group has entered into equity-settled share based payment transactions with non-employees of the Company. The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted.

(q) New accounting standards, amendments and interpretations

Effective for these financial statements

AASB 15 Revenue

AASB 15 replaces AASB 18 Revenue, AASB 111 Construction Contracts and several revenue related interpretations. The new standard applies form 1 January 2018 using the modified retrospective approach. Under this approach, the cumulative effect of the initial application is recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018 and comparatives are not restated. The adoption of this new standard has had no impact on the current or prior reporting period and as such there have been no adjustments to the opening balance of retained earnings.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces and expected credit loss model for impairment of financial assets. The adoption of this new standard has had no impact on the current or prior reporting period.

Issued but not yet effective for these financial statements

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 16 Leases

AASB 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance lease have been removed. The new standard requires a lessee to recognise assets (the right to use the leased item) and liabilities (obligations to make lease repayments). Short term leases (less than 12 months) and leases of low value assets are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. While the Group is yet to undertake a detailed assessment of AASB 16, the standard is not expected to have a material impact on the Group’s financial statements when first adopted for the year ending 30 June 2020.

4. Voluntary change in accounting policy

(a) Exploration and evaluation accounting policy

The financial report has been prepared on the basis of retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expenditure in accordance with standard AASB 6: Exploration for and Evaluation of Mineral Resources. Previously, the Group expensed exploration and evaluation expenditure, including acquisition costs, incurred in respect of each identifiable area of interest until a time where an asset is in development.

Change of accounting policy associated with the acquisition of projects

During the period the Company acquired the Tick Hill, Malmac and Throssel projects, incurring approximately $4.1 million in acquisition and related costs (refer note 12).

The directors of the Company are of the view that capitalisation of these project acquisition costs better reflects the prospective value of the recent acquisitions, particularly given the scale of acquisitions and related costs relative to the Company's size, and the early stage of the Company's exploration and evaluation of these projects. Accordingly, the directors of the Company have determined that the change in accounting policy results in the financial statements providing more relevant and no less reliable information regarding the effects of the project acquisitions on the Company's financial position and financial performance.

(b) Impact on financial statements

As a result of the change in the accounting policy for exploration and evaluation expenditure, prior year financial statements have been restated in line with requirements of accounting standards. The amounts disclosed for the financial year ended 30 June 2018 are after the change in accounting policy for exploration and evaluation expenditure.

As a result of the restatement, the Company has recognised $1,055,180 of exploration and evaluation assets in respect of acquisition costs in relation to its Scandinavian projects. The directors are of the view that these acquisition costs are impaired as at 30 June 2018 as the Company does not intend to conduct further significant exploration on these projects. Accordingly, the Company has recognised an impairment loss as at 30 June 2018 of $1,055,180.

The following tables summarises the adjustments made to the Consolidated Statement of Profit or Loss and Other Comprehensive Income and to the Consolidated Statement of Financial Position on 30 June 2018.

	Exploration expenditure $	Impairment losses $	Accumulated losses $
Balances as at 30 June 2018, as previously reported	1,775,612	-	1,775,612
Impact of change in accounting policy to 30 June 2018	(1,055,180)	1,055,180	-
Restated balances as at 30 June 2018	720,432	1,055,180	1,775,612

There is no impact on basic or diluted earnings per share or the statement of cash flows as a result of the change of accounting policy.

5. Financial risk management

This note presents information about the Group's exposure to credit, liquidity and market risks and objectives, policies and processes for measuring and managing financial risk and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continual basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents, restricted cash and trade and other receivables.

Cash, cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. The Group limits its credit risk by holding cash balances and demand deposits with reputable counterparties with acceptable credit ratings.

Restricted cash

Restricted cash comprises cash balances used as security for the Company's transactional bank facilities. Cash balances used as security are held with reputable counterparties with acceptable credit ratings.

Trade and other receivables

The Group's trade and other receivables are neither past due nor impaired.

Exposure to credit risk

The carrying amounts of the Group's financial assets represent maximum exposure to credit risk is as follows;

	June 2019 $	June 2018 $
Total		
Cash and cash equivalents	4,041,363	3,725,459
Restricted cash	15,000	15,000
Trade and other receivables	13,014	6,069
Exposure to credit risk	4,069,377	3,746,528

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate cash reserves from funds raised by the Company in various capital raisings and continuously monitoring forecast and actual cash flows. The contractual maturities of the Group's financial liabilities are as follows;

	Carrying amount $	Contractual cash flows $	6 months or less $
30 June 2019			
Trade and other payables	(173,771)	(173,771)	(173,771)
Balance as at 30 June	(173,771)	(173,771)	(173,771)
30 June 2018			
Trade and other payables	(95,491)	(95,491)	(95,491)
Balance as at 30 June	(95,492)	(95,492)	(95,492)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to market risk in the form of fluctuations in interest rates.

Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group is exposed to interest rate risk on cash and cash equivalents and restricted cash. The Group does not use derivatives to mitigate these exposures.

Cash and cash equivalents and restricted cash (together "cash") are held at variable and fixed interest rates. Cash in term deposits are held for fixed terms at fixed interest rates maturing in periods less than twelve months. The Group's other cash balances are held in deposit accounts at variable rates with no fixed term.

Interest rate risk – profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	June 2019 $	June 2018 $
Fixed rate instruments		
Financial assets	3,015,000	3,015,000
Variable rate instruments		
Financial assets	1,041,363	725,459

Interest rate risk – fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Interest rate risk – cash flow sensitivity analysis

A change in interest rates of 75 basis points at the reporting date would have increased/(decreased) the Group's profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

Sensitivity	75bp increase June 2019 $	75bp decrease June 2019 $	75bp increase June 2018 $	75bp decrease June 2018 $
Interest bearing instruments	29,238	(29,238)	27,941	(27,941)
Cash flow sensitivity (net)	29,238	(29,238)	27,941	(27,941)

(d) Fair values vs carrying amounts

Carrying amounts of financial assets and liabilities equate to their corresponding fair values.

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(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a capital base sufficient to allow future exploration and development of the Group's current projects and evaluation of potential acquisitions. The Group has raised all capital through the issue of equity to fund its administration, exploration and evaluation activities and does not have any external borrowings at balance date. The Group may raise additional capital through the issue of new shares or debt finance for exploration, development and/or asset acquisition, should the Group require additional capital to carry out those activities. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

6. Operating segments

The Group has two reportable segments being; 'Scandinavian mineral exploration' and 'Australian mineral exploration' which are the Group's strategic business units. The strategic business units are managed separately because they are governed by different regulatory regimes. For each of the strategic business units, the Board reviews internal management reports on a monthly basis.

Information about reportable segment profit/(loss)	*Restated* Scandinavia $	Australia $	Total $
12 months ended 30 June 2019			
(Impairment of) segment assets	-	-	-
Depreciation and amortisation	-	(210)	(210)
Reportable segment profit/(loss) before income tax	(21,815)	(481,615)	(503,430)
12 months ended 30 June 2018			
(Impairment of) segment assets	(1,055,180)	-	(1,055,180)
Depreciation and amortisation	(80)	-	(80)
Reportable segment (loss)/profit before income tax	(1,268,085)	(13,987)	(1,282,072)

* Refer to note 4

Reconciliation of reportable segment profit/(loss)	June 2019 $	*Restated* June 2018 $
Total profit/(loss) for reportable segments	(503,430)	(1,282,072)
Unallocated amounts		
- Corporate income	80,224	88,059
- Corporate expenses	(677,972)	(1,157,358)
Consolidated profit/(loss) before tax	(1,101,178)	(2,351,371)

* Refer to note 4

Information about reportable segment assets, liabilities and capital expenditure	*Restated* Scandinavia $	Australia $	Total $
2019			
Reportable segment assets	-	4,135,668	4,135,668
Reportable segment liabilities	-	(377,861)	(377,861)
Reportable segment capital expenditure	-	4,135,668	4,135,668
2018			
Reportable segment assets	-	-	-
Reportable segment liabilities	-	-	-
Reportable segment capital expenditure	-	-	-

* Refer to note 4

Reconciliation of reportable segment assets and liabilities	June 2019 $	*Restated June 2018 $
Total assets for reportable segments	4,135,668	-
Unallocated amounts		
- Corporate assets	4,181,498	3,761,391
Consolidated assets	8,317,166	3,761,391
Total liabilities for reportable segments	(377,861)	-
Unallocated amounts		
- Corporate liabilities	(132,754)	(141,241)
Consolidated liabilities	(510,615)	(141,241)

* Refer to note 4

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of activities earning revenue. Segment assets are based on the geographical location of assets.

	Revenues June 2019 $	Non-current assets June 2019 $	Revenues June 2018 $	*Restated Non-current assets June 2018 $
Australia	-	4,093,460	-	-
Scandinavia	-	-	-	-
Unallocated amounts	80,224	9,054	88,059	7,080
Balance at the end of the period	80,224	4,102,514	88,059	7,080

* Refer to note 4

7. Personnel expenses

	June 2019 $	June 2018 $
Wages, salaries and benefits	(398,770)	(463,291)
Contributions to defined contribution plans	(36,771)	(48,609)
Share-based payment transactions	(147,407)	(155,083)
Personnel expenses	(582,948)	(666,983)

8. Income tax

Current income tax

	June 2019 $	*Restated June 2018 $
Income tax benefit/(expense)		
Current tax expense	-	-
Deferred tax benefit/(expense)	-	-
Income tax benefit/(expense)	-	-
Numerical reconciliation between tax benefit/(expense) and pre-tax accounting (loss)/profit		
Pre-tax accounting loss for the period	(1,101,178)	(2,351,371)
Income tax benefit at the Group's Australian tax rate of 30% (2018: 30%)	(330,354)	(705,411)
Non-deductible expenses	63,430	488,371
Current year losses for which no deferred tax asset was recognised	266,924	217,040
Income tax benefit/(expense)	-	-

* Refer to note 4

Deferred income tax

	June 2019 $	*Restated June 2018 $
Liabilities		
Exploration and evaluation assets	(77,054)	-
Interest receivable	(2,868)	(1,821)
Recognition of deferred tax assets	79,922	1,821
Deferred tax liability recognised	-	-
Assets		
Losses available to offset against future taxable income	733,682	478,196
Provision for rehabilitation	101,053	-
Exploration and evaluation assets	-	26,000
Share issue costs deductible over five years	67,689	23,191
Employee provisions	6,072	17,237
Accrued expenses	6,750	4,050
Recognition of deferred tax assets	(79,922)	(1,821)
Net deferred tax assets not recognised	835,324	546,853

* Refer to note 4

Unused tax losses

	June 2019 $	*Restated June 2018 $
Unused tax losses		
Unused tax losses	2,445,606	1,593,987
Tax effect carry forward losses at the Group's Australian tax rate of 30% (2018: 30%)	733,682	478,196

* Refer to note 4

9. Cash and cash equivalents

	June 2019 $	June 2018 $
Bank balances	4,041,363	3,725,459
Cash and cash equivalents in the statement of cash flows	4,041,363	3,725,459
Reconciliation of operating loss after tax to net cash flow from operations		
Loss after tax	(1,101,178)	(2,351,371)
Non-cash and non-operating items		
Share based payments	147,407	338,456
Gain on foreign exchange	(594)	(31,650)
Interest received	(74,234)	(84,900)
Depreciation	5,806	3,075
Change in assets and liabilities		
Decrease / (increase) in trade and other receivables	(144,437)	(947)
Increase / (decrease) in trade and other payables	32,529	30,896
Net cash flow used in operating activities	(1,134,701)	(2,096,441)

10. Restricted cash

	June 2019 $	June 2018 $
Restricted cash and deposits held as security	15,000	15,000
Current	15,000	15,000
Balance at the end of the period	15,000	15,000

Restricted cash comprises cash deposits given as security in relation to the Company's transactional bank facilities.

11. Trade and other receivables

	June 2019 $	June 2018 $
GST receivable	103,067	7,783
Other receivables	13,014	6,069
Balance at the end of the period	116,081	13,852
Current	116,081	13,852
Balance at the end of the period	116,081	13,852

12. Acquisition of a subsidiary

On 18 April 2019 the Group successfully completed the acquisition of 100% of the issued capital of Carnaby Resources (Holdings) Pty Ltd (Carnaby Holdings) through the issue of 6,410,256 ordinary shares and 9,000,000 options over ordinary shares of the Company to the shareholders of Carnaby Holdings. The Group has determined that AASB 3 'Business Combinations' does not apply to the acquisition of Carnaby Holdings, accordingly, the Company has accounted for the acquisition as an asset acquisition.

Consideration transferred

The following table summarises the consideration transferred at the acquisition date:

	Number of equity instruments issued	Fair value per equity instrument $	Fair value $
Ordinary shares	6,410,256	0.13	833,333
Options over ordinary shares exercisable at $0.09	6,000,000	0.09	569,611
Options over ordinary shares exercisable at $0.10	3,000,000	0.09	278,469
Balance at the end of the period	15,410,256		1,681,413

For further details regarding the equity instruments issued and the determination of fair values, refer notes 20 and 22 respectively.

Identifiable assets acquired and liabilities assumed

	Fair value $
Cash and cash equivalents	7,793
Trade and other receivables	2,536
Exploration and evaluation assets	1,666,967
Property, plant and equipment	4,117
Net identifiable assets	1,681,413

13. Exploration and evaluation assets

	June 2019 $	*Restated** June 2018 $
Cost		
Opening balance	-	1,055,180
Acquisitions of subsidiaries	1,666,967	-
Other acquisitions	2,414,058	-
Impairment loss	-	(1,055,180)
Balance at the end of the period	4,081,025	-

* Refer to note 4

Acquisition of a subsidiary

In April 2019, the Group acquired Carnaby Holdings through the issue of ordinary shares and options over ordinary shares of the Company, which resulted in the recognition of tenement acquisition costs of $1,666,967 in relation to the Company's Malmac and Throssel projects in Western Australia. For further information regarding the acquisition of Carnaby Holdings, refer to note 12.

Other acquisitions

In April 2019, the Group acquired exploration and mining licenses in relation to the Company's Tick Hill Project in Queensland. The acquisitions comprise of:

- 100% interest in 4km^2 of mining licenses over the historic Tick Hill gold mine;
- 82.5% interest in 293km^2 of exploration licenses (vendor retaining a 17.5% free carried interest until a decision to mine); and
- 100% interest in a further 26km^2 of surrounding and regional exploration licenses.

The acquisition costs recognised in relation to the Tick Hill Project comprise of:

- Issue of 14,743,590 ordinary shares of the Company at a fair value of $1,916,667 (refer note 20);
- Recognition of site restoration cost of $336,844 (refer note 16); and
- Stamp duty, professional fees and other associated costs of $160,547.

14. Property, plant and equipment

30 June 2019	Plant & equipment $	Office equipment $	Total $
Cost			
Opening balance	318	12,397	12,715
Additions	8,000	8,098	16,098
Acquisitions of subsidiaries	4,117	-	4,117
Balance at 30 June 2019	12,435	20,495	32,930
Depreciation			
Opening balance	(134)	(5,501)	(5,635)
Depreciation	(210)	(5,596)	(5,806)
Balance at 30 June 2019	(344)	(11,097)	(11,441)
Carrying amount			
Opening balance	184	6,896	7,080
Balance at 30 June 2019	12,091	9,398	21,489

30 June 2018	Plant & equipment $	Office equipment $	Total $
Cost			
Opening balance	318	12,397	12,715
Additions	-	-	-
Balance at 30 June 2018	318	12,397	12,715
Depreciation			
Opening balance	(54)	(2,506)	(2,560)
Depreciation	(80)	(2,995)	(3,075)
Balance at 30 June 2018	(134)	(5,501)	(5,635)
Carrying amount			
Opening balance	264	9,891	10,155
Balance at 30 June 2018	184	6,896	7,080

15. Trade and other payables

	June 2019 $	June 2018 $
Trade payables	74,498	17,649
Accruals	66,431	44,874
Employee benefits	32,842	32,968
Balance at the end of the period	173,771	95,491
Current	173,771	95,491
Balance at the end of the period	173,771	95,491

16. Provisions

	Site Restoration $	Other $	Total $
Balance at beginning of the period	-	45,750	45,750
Provisions made during the period	336,844	-	336,844
Provisions used during the period	-	(45,750)	(45,750)
Balance at end of the period	336,844	-	336,844
Current	-	-	-
Non Current	336,844	-	336,844
Balance at the end of the period	336,844	-	336,844

Upon acquisition of the Tick Hill Project, the Company assumed responsibility for remediation of the disturbed areas at the site. Accordingly, the Company has recognised a provision for site restoration. The provision includes estimates of costs associated with reclamation, rehabilitation and other costs associated with the restoration of the site. Estimates of restoration costs are based on current legal requirements.

As a result of the recognition of the provision, an exploration and evaluation asset has also been recognised, which offsets the provision for site restoration (refer note 13).

17. Leases

	June 2019 $	June 2018 $
Less than a year	14,960	30,316
Between one and five years	-	12,632
Operating lease rentals payable	14,960	42,948

The Group's operating leases comprise an office sub-lease agreement, expiring 30 November 2019.

18. Commitments

In order to maintain current rights of tenure to exploration and mining tenements, the Group is required to meet minimum expenditure requirements specified by various state governments. These obligations at balance date have not been provided for and are as set out in the following table:

Not yet provided for	June 2019 $	June 2018 $
Minimum exploration expenditure commitments		
Within one year	247,688	-
Balance at end of the period	247,688	-

19. Contingent liabilities

Deferred Consideration Shares

The Company has issued 8,250,000 Deferred Consideration Shares. The Deferred Consideration Shares will vest as ordinary shares upon the achievement of certain milestones. Upon satisfaction of the milestones, an obligation will arise and will be issued at that time.

The Deferred Consideration Shares must be issued no later than 22 May 2021. Up to the date of this report, no deferred consideration shares have been issued. Refer note 22 for further details regarding Deferred Consideration Shares.

20. Capital and reserves

Ordinary share capital		June 2019 shares	June 2018 shares	June 2019 $	June 2018 $
On issue at the beginning of the period		54,316,669	47,266,669	7,592,555	6,051,555
Issued in respect of the acquisition of a subsidiary	(i)	6,410,256	-	833,333	-
Issued in respect of exploration and evaluation assets	(ii)	14,743,590	-	1,916,667	-
Issued in respect of share capital raising fees		-	350,000	-	91,000
Issued for cash	(iii)	20,512,820	6,700,000	1,600,000	1,541,000
Equity transaction costs		-	-	(57,530)	(91,000)
On issue at the end of the period (net of transaction costs)		95,983,335	54,316,669	11,885,025	7,592,555

Capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are fully paid and rank equally with regard to the Company's residual assets.

(i) Acquisition of a subsidiary

In April 2019, the Company acquired Carnaby Holdings (refer note 12). Consideration for the acquisition was in part satisfied by the issue of 6,410,256 ordinary shares in the Company at fair value of $0.13 per share, escrowed until 23 April 2020. The fair value was determined as the Company's closing share price on the date of the completion of the acquisition. Refer to note 22 for further details regarding these shares.

(ii) Acquisition of exploration and evaluation assets

In April 2019, the Company acquired various exploration and mining licenses (refer note 12). Consideration for the acquisition was satisfied by the issue of 14,743,590 ordinary shares in the Company at fair value of $0.13 per share, with 12,339,744 shares escrowed until 23 April 2020. The fair value was determined as the Company's closing share price on the date of the completion of the acquisition. Refer to note 22 for further details regarding these shares.

(iii) Capital raising

In April 2019, the Company raised $1.6 million before costs, through the placement of 20,512,820 ordinary shares to sophisticated and professional investors. Costs associated with the capital raising were $57,530.

Deferred Consideration Shares

The Deferred Consideration Shares expire on 22 May 2021. No value has been recorded for the Deferred Consideration Shares and, as at the date of this Financial Report, no Deferred Consideration Shares have vested as ordinary shares. Refer to note 22 for further details regarding Deferred Consideration Shares.

Nature and purpose of reserves

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of foreign operations.

Share option reserve

The share based payments reserve includes the cumulative expense recognised in respect of share options granted. Refer to note 22 for further information regarding share based payments.

21. Loss per share

Basic loss per share attributable to ordinary shareholders

The basic loss per share for the period is $0.02 (2018 loss per share: $0.04). The calculation of loss per share at 30 June 2019 was based on the consolidated loss attributable to ordinary shareholders of $1,101,178 (2018 loss: $2,351,371) and a weighted average number of ordinary shares outstanding of 62,650,002 (2018: 53,292,967) calculated as follows:

	June 2019 $	June 2018 $
(Loss)/Profit for the period	(1,101,178)	(2,351,371)
(Loss)/Profit attributable to ordinary shareholders	(1,101,178)	(2,351,371)

Basic weighted average number of ordinary shares

Weighted average effects	June 2019 shares	June 2018 shares
Opening balance	54,316,669	47,266,669
Effect of shares issued	8,333,333	6,026,298
Weighted average number of ordinary shares at the end of the period	62,650,002	53,292,967

Diluted loss per share

The Company does not have any potential ordinary shares whose conversion to ordinary shares would have a dilutive effect on basic loss per share and as such diluted loss per share is equal to basic loss per share. Potential ordinary shares of the Company consist of 18,230,000 share options (refer note 22) and 8,250,000 Deferred Consideration Shares (refer note 22).

In accordance with AASB 133 'Earnings per Share' these options and performance rights have been excluded from the calculation of diluted loss per share due to the antidilutive effect.

22. Share based payments

Employee Share Option Plan

The Group has an established share option plan (ESOP) that entitles employees to purchase shares in the Company. The objective of the plan is to assist in the recruitment, reward, retention and motivation of eligible persons in the Group. Under the plan, the Board may issue eligible employees with options to acquire shares in the future at an exercise price fixed by the Board on grant of options.

The vesting of all options is subject to service conditions being met whereby the recipient must meet the eligible employee criteria as defined in the plan, unless determined otherwise by the Board.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share based payment options during the period:

	June 2019		June 2018	
	options	WAEP	options	WAEP
Opening balance	5,800,000	$0.160	3,500,000	$0.264
Options granted during the period	1,330,000	$0.160	2,300,000	$0.001
Options exercised during the period	-		-	
Options forfeited during the period	-		-	
Options outstanding at the end of the year	7,130,000	$0.160	5,800,000	$0.160
Options exercisable at the end of the year	3,500,000	$0.264	3,500,000	$0.264

Carnaby

The outstanding balance of ESOP options as at 30 June 2019 is represented by:

Number of options	Grant date	Vesting	Expiring	Strike price per option	Contractual life (years)	Fair value per option
Key Management Personnel						
1,000,000	27-Nov-17	Performance condition[1]	30-Nov-20	$0.001	3.0	$0.084
1,000,000	27-Nov-17	Performance condition[2]	30-Nov-20	$0.001	3.0	$0.297
1,000,000	22-May-17	Vested	31-Dec-19	$0.300	2.6	$0.100
1,000,000	22-May-17	Vested	31-Dec-19	$0.250	2.6	$0.108
1,500,000	15-Jun-16	Vested	31-Dec-19	$0.250	3.5	
Other employees						
150,000	27-Nov-17	Performance condition[1]	30-Nov-20	$0.001	3.0	$0.084
150,000	27-Nov-17	Performance condition[2]	30-Nov-20	$0.001	3.0	$0.297
1,330,000	24-Jun-19	24-Jun-20	30-Jun-22	$0.160	3.0	$0.085

[1] Options vest upon the Company announcing a Mineral Resource reported in accordance with the JORC Code (or an increase in a Mineral Resource reported in accordance with the JORC Code for any projects acquired by the Company with an existing Mineral Resource reported in accordance with the JORC Code) with an aggregate in-ground value of more than $250,000,000.

[2] Options vest upon the Company reaching a market capitalisation exceeding $30,000,000 for 30 concurrent days.

The grant date fair value of ESOP options was measured using the Black-Scholes formula. The inputs used to determine the fair value of options granted during the year were:

Period ended 30 June 2019	Employee grant 24-Jun-19
Fair value at grant date	$0.08
Expected dividends	0%
Contractual life (years)	3.0
Market value of underlying shares	$0.16
Option exercise price	$0.16
Expected volatility of the underlying shares	82.00%
Risk free rate applied	0.90%

The Company has recognised the following as employee costs during the period in relation to the ESOP:

	June 2019 $	June 2018 $
ESOP share based payments expense	147,407	155,083

Other share based payments

The Company has issued securities to other parties that are not employees of the Group as payment for goods or services. The following table illustrates the number and movements in other share based payment options during the period:

	June 2019 options	June 2018 options
Opening balance	1,500,000	5,000,000
Options granted during the period	9,000,000	1,500,000
Options exercised during the period	-	-
Options lapsed during the period	-	(5,000,000)
Closing balance	10,500,000	1,500,000

During the period, the Company has recognised the following expenses in respect of other share based payments:

	June 2019 $	June 2018 $
Shares issued for pre acquisition of a subsidiary[1]	833,333	-
Unlisted options issued for the acquisition of a subsidiary[1]	848,080	-
Shares issued for exploration and mining licenses[2]	1,916,667	-
Shares issued to advisors[3]	-	91,000
Unlisted options issued to advisors[3]	-	183,373
Other share based payments	3,598,080	274,373

[1]Securities issued as consideration for the acquisition of a subsidiary

On 18 April 2019, the Company acquired Carnaby Holdings (refer note 12) through the issue of ordinary shares and unlisted options over ordinary shares to the shareholders of Carnaby Holdings as consideration.

Shares issued

The Company issued 6,410,256 ordinary shares to the shareholders of Carnaby Holdings at a fair value of $0.13 per share, escrowed until 23 April 2020. The fair value was determined as the Company's closing share price on the date of the issue of the shares.

Unlisted options issued

The terms of the options are as follows:

Number of options	Grant date	Vesting	Escrowed to	Expiring	Strike price per option	Contractual life (years)	Fair value per option
6,000,000	18-Apr-19	18-Apr-19	23-Apr-20	18-Apr-24	$0.09	5.0	$0.09
3,000,000	18-Apr-19	18-Apr-19	23-Apr-20	18-Apr-24	$0.10	5.0	$0.09

The grant date fair value of unlisted options was measured using the Black-Scholes formula. The inputs used to determine the fair value of options granted during the year were:

Period ended 30 June 2019	Grant date 18-Apr-19	Grant date 18-Apr-19
Fair value at grant date	$0.09	$0.09
Expected dividends	0%	0%
Contractual life (years)	5.0	5.00
Market value of underlying shares	$0.13	$0.13
Option exercise price	$0.09	$0.10
Expected volatility of the underlying shares	85.00%	85.00%
Risk free rate applied	1.56%	1.56%

[2]Shares issued as consideration for exploration and mining licenses

On 18 April 2019, the Company acquired various exploration and mining licenses (refer note 13) through the issue of ordinary shares and unlisted options over ordinary shares to the vendors as consideration.

Shares issued

The Company issued 14,743,590 ordinary shares to vendors at a fair value of $0.13 per share, with 12,339,744 shares escrowed until 23 April 2020. The fair value was determined as the Company's closing share price on the date of the issue of the shares.

[3]Securities issued to advisors

Shares issued

In 2018, 350,000 shares were issued at a deemed issue price of $0.26 per share pursuant to the terms of a Lead Manager Mandate and in connection with the placement of 6.7 million shares to institutional and sophisticated investors.

Unlisted options

In 2018, the Company issued unlisted options to corporate advisors for services to be provided pursuant to a Corporate Services Mandate dated 27 November 2017. The terms of the options are as follows:

Number of options	Grant date	Vesting	Expiring	Strike price per option	Contractual life (years)	Fair value per option
750,000	1-Dec-17	1-Dec-17	31-Dec-20	$0.50	3.1	$0.13
750,000	1-Dec-17	1-Dec-17	31-Dec-20	$0.65	3.1	$0.12

Deferred Consideration Shares

In 2017, the Company awarded of 8,250,000 Deferred Consideration Shares to the vendors of Kobald Mineral Holdings Pty Ltd, an entity which became a wholly owned subsidiary of the Company. The Deferred Consideration Shares vest as ordinary shares of the Company upon the achievement of the following milestones:

- 4,125,000 ordinary shares upon the completion or announcement to the market of a scoping study on JORC compliant resources on any of the tenements acquired by the Company as part of the acquisition; and
- 4,125,000 ordinary shares upon the completion or announcement to the market of a definitive feasibility study on JORC compliant resources at any of the tenements.

The fair value of the Deferred Consideration Shares could not be determined at acquisition date as the probability of achieving the milestones could not be reliably estimated (refer note 2(d)(iv)) and accordingly no fair value has been recognised in respect of their issue.

As at the date of this Financial Report, no Deferred Consideration Shares have vested as ordinary shares. The Deferred Consideration Shares expire on 22 May 2021.

23. Related party disclosures

Key management personnel compensation

Key management personnel compensation is as follows:

	June 2019 $	June 2018 $
Short-term employee benefits	418,046	482,660
Post-employment benefits	34,724	44,365
Share based payments	126,571	146,314
Key management personnel compensation	579,341	673,339

Other related party transactions

Key management person and related party transaction	Transactions value 2019 $	Balance outstanding 30 June 2019 $	Transactions value 2018 $	Balance outstanding 30 June 2018 $
Mr Tremain: Rental fees paid to a company which Mr Tremain is a former director	-	-	6,699	-
Mr Payne: Consulting fees for the preparation of a Mineral Resource Estimate	-	-	15,660	-
Total and current liabilities	-	-	22,359	-

Subsidiaries

The consolidated financial statements include the financial statements of Carnaby Resources Limited and the subsidiaries listed in the following table:

Name of entity	Country of incorporation	Equity holding	
		2019	2018
Carnaby Resources (Holdings) Pty Ltd	Australia	100%	-%
Kobald Mineral Holdings Pty Ltd	Australia	100%	100%
Berkut Minerals Norway AS	Norway	100%	100%
Berkut Sweden AB	Sweden	100%	100%

24. Subsequent events

Board and management changes

On 6 August 2019, Mr Ben Larkin was appointed as Company Secretary following the resignation of Mrs Elisangela Dias De Lira O'Brien. On 16 August 2019, Mr Neil Inwood resigned as a director of the Company.

Issue of employee options

On 6 August 2019, the Company issued 600,000 unlisted options under the Company's ESOP at an exercise price of $0.16 per option, vesting on 6 August 2020 and expiring on 30 June 2022.

25. Parent entity information

As at and during the period ending 30 June 2019, the parent company of the Group was Carnaby Resources Limited (formerly Berkut Minerals Limited). Information regarding the results and financial position of Carnaby Resources Limited is as follows:

	June 2019 $	June 2018 $
Result		
Loss for the period	(1,101,724)	(3,307,379)
Other comprehensive income	-	-
Total comprehensive loss	(1,101,724)	(3,307,379)
Financial position		
Current assets	4,196,012	3,717,316
Total assets	8,308,855	3,753,248
Current liabilities	(173,772)	(141,242)
Total liabilities	(510,616)	(141,242)
Net assets	**7,798,239**	**3,612,006**
Equity		
Share capital	11,885,025	7,592,555
Reserves	1,898,277	902,790
Accumulated losses	(5,985,063)	(4,883,339)
Total equity	**7,798,239**	**3,612,006**

26. Auditor's remuneration

	June 2019 $	June 2018 $
Audit services		
Audit and review of financial reports	22,500	26,550
Audit services	22,500	26,550

Directors' declaration

In accordance with a resolution of the Directors of Carnaby Resources Limited, I declare that:

1. In the opinion of the Directors:

   a) The consolidated financial statements and notes of Carnaby Resources Limited for the year ended 30 June 2019 are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the consolidated financial position as at 30 June 2019 and of its performance for the year ended on that date; and

      ii. complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a).

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the Board

Rob Watkins
Managing Director

Perth, Western Australia
27 September 2019

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Auditor's Independence Declaration

To the Directors of Carnaby Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Carnaby Resources Limited for the year ended 30m June 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 27 September 2019

Grant Thornton

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Independent Auditor's Report

To the Members of Carnaby Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Carnaby Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
b 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 in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Exploration and evaluation assets – Note 13	

At 30 June 2019 the carrying value of Exploration and Evaluation Assets was $4,081,025.
 	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.
 	
The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.
 	
This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.
	Our procedures included, amongst others:
	
	• obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;
	• reviewing management's area of interest considerations against AASB 6;
	• conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including;
	    ○ tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;
	    ○ enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure; and
	    ○ understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;
	• assessing the accuracy of impairment recorded for the year as it pertained to exploration interests;
	• evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and
	• assessing the appropriateness of the related financial statement disclosures

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 14 to 18 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Carnaby Resources Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L A Stella
Partner – Audit & Assurance

Perth, 27 September 2019

Carnaby

ASX additional information

AS AT 30 AUGUST 2019

Stock exchange listing

Carnaby Resources Limited shares are listed on the Australian Stock Exchange. The Company's ASX code is CNB.

Distribution of shareholders

Range	Total holders	Units	% Units
1 - 1,000	24	2,751	0
1,001 - 5,000	69	228,106	0.24
5,001 - 10,000	80	639,458	0.67
10,001 - 100,000	311	13,116,608	13.67
100,001 Over	147	81,996,409	85.43
Rounding			-0.01
Total	**631**	**95,983,332**	**100.00**

20 largest shareholders

The names of the twenty largest holders of quoted equity securities are listed below:

Rank	Name of ordnary shareholder	Securities	%
1	DIATREME RESOURCES LIMITED	7,211,539	7.51
2	SYNDICATED METALS LIMITED	5,128,205	5.34
3	BRAIDWOOD INVESTMENTS (WA) PTY LTD	4,277,752	4.46
4	HOOKIPA PTY LTD <G BARRETT FAMILY A/C>	4,277,752	4.46
5	ARALAD MANAGEMENT PTY LTD <TRK SUPERANNUATION FUND A/C>	3,278,871	3.42
6	SUPERIOR RESOURCES LTD	2,403,846	2.5
7	TENBAGGA RESOURCES FUND PTY LTD <TENBAGGA FAMILY A/C>	2,276,707	2.37
8	COSMO HOLDINGS (WA) PTY LTD <THE WATKINS FAMILY A/C>	2,141,000	2.23
9	COSMO HOLDINGS (WA) PTY LTD <WATKINS FAMILY A/C>	2,136,752	2.23
10	MS KAREN HEATHER LAMB	2,000,000	2.08
11	MS SASHA TREMAIN	1,700,000	1.77
12	B & A WALLACE SUPERANNUATION FUND PTY LTD <B & A WALLACE SUPER FUND A/C>	1,500,000	1.56
13	CITICORP NOMINEES PTY LIMITED	1,360,826	1.42
14	BILLYN PTY LTD <THE HYLEROD SUPER FUND A/C>	1,085,000	1.13
15	TZ ENTERTAINMENT PTY LTD <CLAYTON MOVIE FAMILY A/C>	1,001,689	1.04
16	MR JASON BONTEMPO + MRS TIZIANA BATTISTA <MORRISTON SUPER FUND A/C>	1,000,001	1.04
17	GARVEY PARK PTY LTD	1,000,000	1.04
18	MR STACEY RADFORD	1,000,000	1.04
19	MR JAMES MICHAEL SCOTT	1,000,000	1.04
20	YEA-SAYER PTY LTD	1,000,000	1.04
		46,779,940	**48.72**

Substantial shareholders

The following shareholders have lodged substantial shareholder notices with the Company:

Name of ordinary shareholder	Number of shares held	% of shares held
Carnaby Resources Limited[1]	18,750,000	20
Diatreme Resources Limited	7,211,539	8
Syndicated Metals Limited	5,128,205	5

[1]The Company has entered into voluntary escrow deeds (Escrow Deeds) with certain shareholders of the Company (Escrowed Shareholders) with respect to certain shares held by those Escrowed Shareholders (Escrowed Shares), as disclosed in the notice of meeting lodged by the Company on 19 March 2019. The restrictions on the disposal of the Escrowed Shares under the Escrow Deeds give the Company a relevant interest in the Escrowed Shares under section 608(1)(c) of the Corporations Act. The Company has no right to acquire the Escrowed Shares or to control the voting rights attached to the Escrowed Shares.

Unmarketable parcels
The number of shareholders holding less than a Marketable Parcel is 49.

On-market buy back
There is no current on-market buy back.

Voting rights
Ordinary shares
On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.
Options
Options have no voting rights.

Use of proceeds
In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 30 June 2019.

Unlisted options

Class	Number	Holders with more than 20%
Options over ordinary shares exercisable at $0.25 on or before 31 December 2019.	2,500,000	- View Ways Pty Ltd <ATF the Inwood S/F> 1,000,000 options
Options over ordinary shares exercisable at $0.30 on or before 31 December 2019.	1,000,000	- View Ways Pty Ltd <ATF the Inwood S/F> 1,000,000 options
Options over ordinary shares exercisable at $0.001 on or before 30 November 2020.	2,300,000	- Lone Jet Pty Ltd <ATF Inwood Family Trust> 1,000,000 options - Justin Albert Tremain 500,000 options - Paul Payne 500,000 options
Options over ordinary shares exercisable at $0.50 on or before 31 December 2020.	750,000	- CG Nominees (Australia) Pty Ltd 750,000 options
Options over ordinary shares exercisable at $0.65 on or before 31 December 2020.	750,000	- CG Nominees (Australia) Pty Ltd 750,000 options
Options over ordinary shares exercisable at $0.16 on or before 30 June 2022.	1,930,000	- Paul Tan 750,000 options - Quinta Via Pty Ltd <ATF The Larkin Family Trust> 600,000 options - Brett Davis 500,000 options
Options over ordinary shares exercisable at $0.09 on or before 23 April 2024.	6,000,000	- Braidwood Investments (WA) Pty Ltd 2,000,000 options - Cosmo Holdings (WA) Pty Ltd <The Watkins Family A/C> 2,000,000 options - Hookipa Pty Ltd <G Barret Family A/C> 2,000,000 options
Options over ordinary shares exercisable at $0.10 on or before 23 April 2024.	3,000,000	- Braidwood Investments (WA) Pty Ltd 1,000,000 options - Cosmo Holdings (WA) Pty Ltd <The Watkins Family A/C> 1,000,000 options - Hookipa Pty Ltd <G Barret Family A/C> 1,000,000 options
Total	**18,230,000**	

Carnaby

Tenement table

Tenement	Location	Beneficial tenement holder	Ownership
Australian tenements			
ML 7094	Queensland	Carnaby Resources Limited	100%
ML 7096	Queensland	Carnaby Resources Limited	100%
ML 7097	Queensland	Carnaby Resources Limited	100%
EPM 9083	Queensland	Carnaby Resources Limited	82.5%
EPM 11013	Queensland	Carnaby Resources Limited	82.5%
EPM 14366	Queensland	Carnaby Resources Limited	82.5%
EPM 14369	Queensland	Carnaby Resources Limited	82.5%
EPM 17637	Queensland	Carnaby Resources Limited	82.5%
EPM 18223	Queensland	Carnaby Resources Limited	82.5%
EPM 18980	Queensland	Carnaby Resources Limited	82.5%
EPM 19008	Queensland	Carnaby Resources Limited	82.5%
EPM 25435	Queensland	Carnaby Resources Limited	82.5%
EPM 25439	Queensland	Carnaby Resources Limited	82.5%
EPM 25853	Queensland	Carnaby Resources Limited	82.5%
EPM 25972	Queensland	Carnaby Resources Limited	82.5%
EPM 26651	Queensland	Carnaby Resources Limited	100%
EPM 27101	Queensland	Carnaby Resources Limited	100%
E 69/3509	Western Australia	Carnaby Resources Limited	100%
E 69/3510	Western Australia	Carnaby Resources Limited	100%
E 69/3702	Western Australia	Carnaby Resources Limited	100%
E 38/3289	Western Australia	Carnaby Resources Limited	100%
E 08/2848	Western Australia	Carnaby Resources Limited	100%
Scandinavian tenements			
Skuterud 1, 2, 3, 4	Norway	Kobald Mineral Holdings Pty Ltd	100%
Tunaberg nr 201	Sweden	Kobald Mineral Holdings Pty Ltd	100%
Gladhammar nr 201	Sweden	Kobald Mineral Holdings Pty Ltd	100%
Goshawk 1-13	Norway	Kobald Mineral Holdings Pty Ltd	100%
Skuterud 3a, 5, 6, 7, 8	Norway	Carnaby Resources Limited	100%
Tunaberg nr 202	Sweden	Carnaby Resources Limited	100%
Gladhammar nr 202, 203, 204, 205, 206	Sweden	Carnaby Resources Limited	100%
Lainejaur nr 20	Sweden	Carnaby Resources Limited	100%