CLASSIC MINERALS LIMITED
ABN: 77 119 484 016

HALF YEAR REPORT
31 DECEMBER 2019

TABLE OF CONTENTS

Directors

Mr. John Lester
(Non Executive Director)
Mr. Frederick Salkanovic
(Non Executive Director)
Mr. Lu Ning Yi
(Non Executive Director)

Company Secretary

Mr. Madhukar Bhalla

Registered Office

71 Furniss Road
Landsdale WA, 6065
Telephone: (08) 6305 0221
Facsimile: (08) 9242 9295
Email: contact@classicminerals.com.au

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3,
London House,
216 St George's Terrace,
Perth WA 6000.

Telephone: (08) 9226 4500
Facsimile: (08) 9226 4300

Bankers

National Australia Bank
226 Main Street,
Osborne Park WA 6107

Share Registry

Advanced Share Registry Limited
110 Stirling Highway,
Nedlands WA 6009

Telephone: (08) 9389 8033
Facsimile: (08) 9262 3723

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Ltd (ASX)
Home Exchange: Perth, Western Australia

Website

www.classicminerals.com.au

Australian Securities Exchange Code:

CLZ

DIRECTORS' REPORT

The directors of Classic Minerals Ltd submit herewith the financial report for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001* the directors report as follows:

Directors

The names of the directors of the company during or since the end of the half year are:

Mr. John Lester
Mr. Frederick Salkanovic
Mr. Yi Lu Ning

Unless otherwise stated, all directors were in office for the period under review, and up to the date of this report.

Review of Operations

The loss for the six-month period ended 31 December 2019 was $9,118,076 (31 December 2018 loss $3,274,662). As at 31 December 2019, Classic Minerals Ltd ("Classic" or "the Company") had 7,016,123,239 shares on issue.

Exploration Activities

During the half year ended 31 December 2019, below are the activities conducted by the Company.

Forrestania Gold Project, Western Australia.

The Forrestania Gold Project (FGP) contains an existing Minerals Resource of 5.9mt at 1.32g/t for 215,350 ounces of Gold, classified and reported in accordance with the JORC code (2012), with the recent scoping study indicating both the technical and viability of the project.

The Company's 2019 drilling campaigns at the Forrestania Gold Project commenced at Kat Gap on July 1st, 2019 and ended on the 30th December 2019 These programs were designed to extend high-grade mineralized gold zones.

- Kat Gap: 38 RC holes for 3,460m
- Kat Gap: 3 diamond holes for 527.55m
- Lady Ada/Magdalene: 7 RC holes for 640m
- Stormbreaker: 3 RC holes for 270m.

The company completed an updated resource estimate for Lady Magdalene increasing the existing resource by 38% to 5.92 million tonnes grading 1.32g/t for 251,350 ounces of gold.

In addition to the RC drilling at Kat Gap deposits, on-going geological work including detailed prospect scale mapping, rock chip sampling and prospecting activities were also carried out.

Samples from the drilling program were submitted to local laboratory's for chemical analysis. The results obtained are detailed in the Company's 2019 Quarterly report announcements.

Review of Operations (continued)

- RC drilling programs within the Lady Magdalene resource area to locate potential high-grade Lady Ada style cross-cutting mineralization;
- Drill programs at Kat Gap to extend known gold mineralized zones further along strike to increase resource size together with testing new zones hosted within granite;
- Shallow aircore/RAB drilling programs testing 6 regional high priority exploration targets;
- Further research and data review.

Fraser Range Project.

Classic's Fraser Range Project (E28/1904) is 40km to the north east of Sirius' Nova deposit on the Fraser-Albany Mobile Belt, 160 km east southeast of Kambalda. Classic holds a 28 km strike across 84 km^2. To date it has identified 19 conductors across the tenement and made two key discoveries.

In June 2019 Classic Minerals Ltd entered into an Earn in and Joint Venture Agreement ("Agreement') over the Company's Fraser Range tenements, with Independence Newsearch Pty Ltd, a 100% owned subsidiary of Independence Group NL (ASX: IGO) (together "Independence").

Under the Agreement, Independence will continue to advance the Fraser Range Project allowing Classic to focus exploration efforts on its emerging high-grade Kat Gap Gold Project located in the Forrestania area of Western Australia.

Competent Person Statement

Exploration Projects

The information in this announcement that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dean Goodwin a competent person who is a Member of the Australian Institute of Geoscientists (AIG). Mr Goodwin has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Goodwin consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Subsequent Events

Please refer to Note 2 of the financial statements.

Auditor's Declaration

The auditor's independence declaration under s.307C of the Corporations Act 2001 is included on page 4 of the half-year financial report.

This report is signed in accordance with a resolution of the board of directors.

John Lester
Director
13 March 2020

INDEPENDENCE DECLARATION TO THE DIRECTORS OF CLASSIC MINERALS LIMITED

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit partner for the review of the financial statements of Classic Minerals Limited for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

Chris Nicoloff

CHRIS NICOLOFF CA
Partner

Dated at Perth this 13th day of March 2020

Bentleys
THINKING AHEAD

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Independent Auditor's Review Report

To the Members of Classic Minerals Limited

We have reviewed the accompanying financial report of Classic Minerals Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Company.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independent Auditor's Review Report

To the Members of Classic Minerals Limited (Continued)

Bentleys
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Independence

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

Conclusion

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

a. Giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report, which indicates that the Company incurred a net loss of $9,118,076 during the half year ended 31 December 2019. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Bentleys

BENTLEYS
Chartered Accountants

Chris Nicoloff

CHRIS NICOLOFF CA
Partner

Dated at Perth this 13th day of March 2020

DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 23 are in accordance with the *Corporations Act 2001,* including:

   a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and

   b) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

John Lester
Chairman
13 March 2020

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 $	31 December 2018 $
Research & Development rebate		1,314,506	442,913
Other Income		185	949
Employee benefits and consultants expenses		(1,044,729)	(146,301)
Advertising and marketing expenses		(284,520)	(46,347)
Legal expenses and professional fees		(433,597)	(52,312)
Commissions		(1,676)	-
Depreciation expenses		(63,594)	(8,493)
Exploration expenses		(4,020,187)	(1,549,181)
Finance charges		(547,010)	(817,328)
Travel expenses		(39,204)	-
Occupancy expenses		(8,033)	(48,163)
Loss on asset disposal		(2,331)	-
Introduction fees		-	(394,200)
Auditor's remuneration		(12,614)	(27,643)
ASX listing fees & filing fees		(83,375)	(68,181)
Bad debts		-	(59,035)
Director's fees		(69,996)	(45,000)
Doubtful debts		88,247	(88,250)
Share based payment expenses	9(b)	(3,815,406)	(43,458)
Other administrative expenses		(94,742)	(324,632)
Profit/(Loss) before income tax expense		**(9,118,076)**	**(3,274,662)**
Income tax expense		-	-
Profit/(Loss) for the period		**(9,118,076)**	**(3,274,662)**
Other comprehensive income		-	-
Total comprehensive income for the period		**(9,118,076)**	**(3,274,662)**
Loss per share			
Basic and diluted (cents per share)		(0.18)	(0.14)

The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 $	30 June 2019 $
Current assets			
Cash and cash equivalents		457,897	135,123
Trade and other receivables	4	257,424	466,178
Other current assets	5	179,327	90,314
Total current assets		**894,648**	**691,615**
Non-current assets			
Exploration and evaluation	7	1,826,540	1,550,000
Plant and equipment	6	562,193	170,735
Right of use assets	11	191,585	-
Other non-current assets		4,142	3,642
Total non-current assets		**2,584,460**	**1,724,377**
Total assets		**3,479,108**	**2,415,992**
Current liabilities			
Trade and other payables		1,785,523	2,044,760
Provision for employee benefits		71,049	86,573
Borrowings	8	628,192	772,508
Lease liabilities	11	51,607	-
Total current liabilities		**2,536,371**	**2,903,841**
Non-current liabilities			
Lease liabilities	11	109,013	-
Total non-current liabilities		**109,013**	**-**
Total liabilities		**2,645,384**	**2,903,841**
Net assets/(Liabilities)		**833,724**	**(487,849)**
Equity			
Issued capital	9	33,040,318	24,482,958
Share based payments reserve	9(a)	2,047,212	164,923
Accumulated losses		(34,253,806)	(25,135,730)
Total equity		**833,724**	**(487,849)**

The above condensed statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Issued capital	Share based payments reserve	Accumulated losses	Total equity
	$	$	$	$
Balance at 1 July 2018	20,262,695	-	(19,573,819)	688,876
Loss for the period	-	-	(3,274,662)	(3,274,662)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(3,274,662)	(3,274,662)
Transactions with owner, directly recognised in equity				
Options issued	-	38,148	-	38,148
Shares issued (net of expenses)	3,520,693	-	-	3,520,693
Balance at 31 December 2018	**23,783,388**	**38,148**	**(22,848,481)**	**973,055**
Balance at 1 July 2019	24,482,958	164,923	(25,135,730)	(487,849)
Loss for the period	-	-	(9,118,076)	(9,038,076)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(9,118,076)	(9,038,076)
Transactions with owner, directly recognised in equity				
Options and performance rights issued	-	1,882,289	-	1,882,289
Shares issued (net of expenses)	8,557,360	-	-	8,477,360
Balance at 31 December 2019	**33,040,318**	**2,047,212**	**(34,253,806)**	**833,724**

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 December 2019 $	31 December 2018 $
Cash flows from operating activities		
Receipt of research & development rebate	1,314,506	1,278,784
Payments to suppliers and employees	(1,389,345)	(869,908)
Payments for exploration and evaluation	(1,678,609)	(1,655,500)
Interest paid	(383,785)	(248,901)
Interest Income	67	949
Net cash used in operating activities	**(2,137,166)**	**(1,494,576)**
Cash flows from investing activities		
Proceeds from the disposal of tenement	299,640	-
Proceeds from the disposal of property, plant and equipment	8,569	-
Payment for property, plant and equipment	(452,122)	(39,438)
Net cash used in investing activities	**(143,913)**	**(39,438)**
Cash flows from financing activities		
Drawings of borrowings	850,000	612,000
Repayment of borrowings	(749,483)	(1,708,140)
Repayment of lease liability	(65,297)	-
Capital raising costs	(163,207)	(108,000)
Proceeds from Issue of shares and options	2,731,840	2,313,200
Net cash from financing activities	**2,603,853**	**1,109,060**
Net increase/(decrease) in cash and cash equivalents	322,774	(424,954)
Cash and cash equivalents at the beginning of the half-year	135,123	726,100
Cash and cash equivalents at the end of the half-year	**457,897**	**301,146**

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF ACCOUNTING POLICIES

Significant Accounting Policies

a) Statement of Compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards including AASB 134 Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2019 annual financial report.

b) Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Accounting Standards That Are Mandatorily Effective for The Current Reporting Period

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Boards ("AASB") that are mandatory for the current reporting period. The adoption of these amendments has not resulted in any significant effect on the measurement or disclosure of the amounts reported for the current or prior periods.

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

c) Going concern

The half-year financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. The Company made a loss of $9,118,076 for the half year ended 31 December 2019 (31 December 2018: $3,274,662).

The net working capital deficit position of the Company at 31 December 2019 was $1,641,723 (30 June 2019: net working capital deficit of $2,212,226). Cash outflows from operations of the Company for the half year ended 31 December 2019 were $2,137,166 (31 December 2018: $1,494,576) and the net movement in cash held during the half year was an increase of $322,774 (31 December 2018: decrease of $424,954). Included in the working capital deficit were loans from shareholders due in January, February and March 2020. As disclosed in Note 2, subsequent to year end the Company has executed deeds of variation extending the repayments to 15 March and April 2020.

The ability of the Company to continue to pay its debts as and when they fall due is dependent upon the Company raising capital via equity and/or debt funding.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

c) Going concern (continued)

The Directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- The Company has a credit facility of $5,000,000 and the investor (Stock Assist Group Pty Ltd) agrees to subscribe for shares if requested by the Company subject to the terms and conditions;
- The Directors have an appropriate plan to raise additional funds in the immediate future and have been holding discussions with a broker to raise funds as and when required.

Should the Company not be successful in the above, it may be necessary to sell some of its assets, farm out exploration projects, or reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Company may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

d) Accounting Standards That Are Mandatorily Effective for the Current Reporting Period

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Boards (“AASB”) that are mandatory for the current reporting period. The impact from adoption of these Accounting Standards and Interpretations have been assessed below.

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

AASB 16 Leases

The Group has adopted AASB 16 with effect from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

AASB 16 introduces a new framework for accounting for leases and replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2019, with the exception of AASB 16 Leases as detailed above. All applicable new standards and interpretations issued since 1 July 2019 have been adopted. There was no significant impact on the Group, other than as disclosed in note 12.

2. SUBSEQUENT EVENTS

As announced on 7 February 2020, the Company issued 150,000,000 fully paid shares at a deemed issue price of $0.002 per share for cash consideration and 36,000,067 shares at a deemed issue price $0.003 per share for the retirement of debt. In addition, the Company also issued 50,000,000 unlisted options expiring 1 March 2022 with exercise price of $0.002.

As mentioned on Note 8, loans from shareholders were subsequently extended to 20 April 2020, 15 March 2020 and 30 April 2020 respectively.

No other circumstances or events have arisen subsequent to the end of the period that have had, or are likely to have, a material impact on the financial statements.

3. OPERATING SEGMENTS

The Company has one operating segment this is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

The Company operates in one operating and geographic segment being mineral exploration, and evaluation in Western Australia for the half-year periods ended 31 December 2019 and 31 December 2018.

4. TRADE AND OTHER RECEIVABLES

	31 December 2019	30 June 2019
Current	$	$
Receivable from Independence Group NL	-	330,000
Other receivables (i)	261,052	248,553
Bonds and security deposits	40,500	20,000
Less: Provision for doubtful debts	(44,128)	(132,375)
	257,424	466,178

(i) Included in other receivables is $70,000 pertaining to 70,000,000 shares issued at $0.001 to a shareholder as part of a loan agreement to acquire a motor vehicle for the Company. The term of the loan is for 122 days from 24 October 2019. The fair value of the shares at grant date was $0.003 therefore a share based payment of $140,000 was recognised as disclosed in Note 9(b). As at 31 December 2019 the motor vehicle has not yet been transferred to the Company.

5. OTHER CURRENT ASSETS

	31 December 2019	30 June 2019
	$	$
Current		
Prepaid expenses	178,190	90,314
Other prepayments	1,137	-
	179,327	90,314

6. PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment	Equipment under Finance Lease	Motor Vehicles, Caravans and Quad Bikes	Construction in Progress	TOTAL
Gross Carrying Amount	**$**	**$**	**$**	**$**	**$**
Balance at 30 June 2019	194,007	139,853	133,874	-	467,734
Reclassified (i)	-	(139,853)	-	-	(139,853)
Additions	34,674	-	278,431	159,017	472,122
Disposals	-	-	(66,883)	-	(66,883)
Balance at 31 December 2019	**228,681**	**-**	**345,422**	**159,017**	**733,120**
Accumulated Depreciation					
Balance at 30 June 2019	83,822	97,130	116,047	-	296,999
Reclassified (i)		(97,130)	-	-	(97,130)
Depreciation expense	11,383	-	15,658	-	27,041
Disposals	-	-	(55,983)	-	(55,983)
Balance at 31 December 2019	**95,205**	**-**	**75,722**	**-**	**170,927**
-					
Net Book Value					
As at 30 June 2019	110,185	42,723	17,827	-	170,735
As at 31 December 2019	**133,476**	**-**	**269,700**	**159,017**	**562,193**

(i) Refer to note 12 for further details on adoption of AASB 16 Leases.

7. EXPLORATION AND EVALUATION ASSETS

	31 December 2019	30 June 2019
Non-Current	$	$
Forrestania project	850,000	850,000
Lady Lila tenements	400,000	400,000
Kat Gap tenements	326,540	300,000
Fraser Range project	250,000	-
	1,826,540	1,550,000

8. BORROWINGS

	31 December 2019	30 June 2019
Current	$	$
Loans from shareholders (i)	628,192	732,005
Finance lease liabilities (iv)	-	40,503
	628,192	772,508

8. BORROWINGS (continued)

i) As at 31 December 2019, short term loans of $850,000 had been advanced to the Company by three of its shareholders. The key terms of the loans are summarized as follows:

a. Two loans have an interest rate of 10% per month and attracted an establishment fee of 16,700,000 and 30,000,000 shares. These are secured against all present and after-acquired property of the Company including tenements E74/422 and E74/467 and have maturity dates of 15th January 2020 and 20 February 2020 respectively.

b. The other unsecured loan also has an interest rate of 10% per month and attracted an establishment fee of 50,000,000 options exercisable at $0.002 on or before 1 March 2022, purchased at $ 0.0001 per Option. The maturity date was 01 March 2020.

ii) Pursuant to relevant accounting standards, transaction costs that are directly attributable to the acquisition of financial liabilities are to be offset against the financial liability and amortised to maturity date.

The options were fair valued using the Black-Scholes option pricing model. Refer to Note 9(a) for further details.

The shares were fair valued with reference to the share prevailing share price on the date of issue.

Total transaction costs for the above loans was $313,076 of which $99,380 have been reflected within finance charges within the statement of profit or loss and other comprehensive income.

iii) As disclosed in Note 2, the above loan from shareholders were extended from 1 March 2020 to 30 April 2020, from 20 February 2020 to 15 March 2020 and from 15 January 2020 to 20 April 2020.

iv) Refer to note 12 for further details on adoption of AASB 16 Leases.

9. ISSUED CAPITAL

Shares

The following shares were issued during the half-year reporting period ended 31 December 2019:

	Note	31 December 2019 $	Number of Shares
At the beginning of the reporting period		24,482,958	3,005,719,906
Shares issued at 0.1 cents		1,312,940	1,312,940,000
Shares issued at 0.15 cents		300,000	200,000,000
Shares issued at 0.2 cents		1,654,500	843,950,000
Shares issued at 0.2 cents (exercise of options)		280,000	140,000,000
Shares issued at 0.25 cents		2,516,300	1,006,520,000
Shares issued at 0.3 cents		400,000	133,333,333
Shares issued at 0.4 cents		120,000	30,000,000
Shares issued from last year advance at 0.1 cents		-	373,660,000
Share based payment for difference between market value of shares issued and the value of creditors paid	9(b)	2,018,880	-
Value of options exercised		157,846	-
Less: expenses related to capital raisings		(163,206)	-
At the end of the reporting period		**33,040,318**	**7,016,123,239**

9(a). SHARE BASED PAYMENTS RESERVE

During the half year the following options were issued:

	Date issued	Note	31 December 2019 $	Number of Options
At the beginning of the reporting period			164,923	60,000,000
Options issued with an exercise price of 0.2 cents and expiry of 1 March 2022	15/07/2019	(i)	-	145,490,352
Options issued with an exercise price of 0.2 cents and expiry of 1 March 2022	05/08/2019	(ii)	9,475	15,000,000
Options issued with an exercise price of 0.2 cents and expiry of 1 March 2022	27/09/2019	(iii)	-	80,000,000
Exercise of options at 0.2 cents	15/10/2019	-	(11,475)	(35,000,000)
Free attaching options issued with an exercise price of 0.7 cents and expiry of 5 November 2021	08/11/2019	-	-	79,333,334
Options issued with an exercise price of 0.2 cents and expiry of 1 March 2022	22/11/2019	(iv)	597,214	160,000,000
Exercise of options at 0.2 cents	12/12/2019		(146,371)	(105,000,000)
Options issued with an exercise price of 0.2 cents and expiry of 1 March 2022	27/12/2019	(v)	148,859	50,000,000
At the end of the reporting period			**762,625**	**449,823,686**

9(a). SHARE BASED PAYMENTS RESERVE (continued)

(i) Relates to options issued for repayment of debt approved by shareholders on 27 June 2019 of which the value is reflected within the opening balance as at 1 July 2019. Refer to note 16(a) in the 30 June 2019 annual report.

(ii) Relates to options issued for financing activities pursuant to a mandate dated 4 of March 2019. As at 30 June 2019 the terms of the options were subject to further negotiation and were accrued for as a liability. Refer to note 16(a) in the 30 June 2019 annual report.

(iii) Financier options approved by shareholders on 27 June 2019 of which the value is reflected within the opening balance as at 1 July 2019. Refer to note 16(a) in the 30 June 2019 annual report.

(iv) Relates to 160,000,000 options issued to financiers pursuant to mandates entered into during 30 June 2019. These were approved by shareholders on 27 June 2019 however were subject to further negotiations and were accrued for as a liability as at 30 June 2019.

Subsequently, shareholder approval was obtained on 22 November 2019 and were accordingly the options were re-valued using the Black-Scholes option-pricing model with the inputs in the table below. $597,214 represents the difference between the fair value of $613,369 and the balances recorded as at 30 June 2019.

(v) Establishment options issued to Whead Pty Ltd as part of a financing facility and were valued using the Black-Scholes option-pricing model with the inputs in the table below.

Input	Financing options	Establishment options
Number of options	160,000,000	50,000,000
Grant date share price	$0.004	$0.003
Exercise price	$0.002	$0.002
Expected volatility	253%	254%
Risk-free interest rate	0.9%	0.9%
Dividend yield	Nil	Nil
Fair value	$613,369	$148,859

9(a). SHARE BASED PAYMENTS RESERVE (continued)

During the half year the following performance shares were issued:

Class of Performance Rights	Performance Conditions	Expiry
Class A 150,000,000 performance rights issued	- 50,000,000 performance rights will vest if a VWAP equal to 33.33% above the closing price of ordinary shares at the date of grant is achieved; - 50,000,000 performance rights will vest if a VWAP equal to 100% above the closing price of ordinary shares at the date of grant is achieved; - 50,000,000 performance rights will vest if a VWAP equal to 166.66% above the closing price of ordinary shares at the date of grant is achieved;	31/12/20
Class B (vi) 405,000,000 performance rights issued	Tranche 1 – 135,000,000 performance rights will vest if both of the following conditions are satisfied: - A VWAP equal to 33.33% above the closing price of ordinary shares at the date of grant is achieved; and - Announcement of a JORC Code inferred mineral resources of at least 250,000 oz of gold, at a minimum grade of at least 1g/t in respect of a Company project; Tranche 2 – 135,000,000 performance rights will vest if both of the following conditions are satisfied: - A VWAP equal to 100% above the closing price of ordinary shares at the date of grant is achieved; and - Announcement of a JORC Code inferred mineral resources of at least 300,000 oz of gold, at a minimum grade of at least 1g/t in respect of a Company project; Tranche 3 – 135,000,000 performance rights will vest if both of the following conditions are satisfied: - A VWAP equal to 166.66% above the closing price of ordinary shares at the date of grant is achieved; and - Announcement of a JORC Code inferred mineral resources of at least 350,000 oz of gold, at a minimum grade of at least 1g/t in respect of a Company project;	31/12/20
Class C (vi) 150,000,000 performance rights issued	Tranche 1 – 50,000,000 performance rights will vest if both of the following conditions are satisfied: - A VWAP equal to 33.33% above the closing price of ordinary shares at the date of grant is achieved; and - Announcement of a JORC Code inferred mineral resources of at least 250,000 oz of gold, at a minimum grade of at least 1g/t in respect of a Company project; Tranche 2 – 50,000,000 performance rights will vest if both of the following conditions are satisfied: - A VWAP equal to 100% above the closing price of ordinary shares at the date of grant is achieved; and - Announcement of a JORC Code inferred mineral resources of at least 300,000 oz of gold, at a minimum grade of at least 1g/t in respect of a Company project; Tranche 3 – 50,000,000 performance rights will vest if both of the following conditions are satisfied: - A VWAP equal to 166.66% above the closing price of ordinary shares at the date of grant is achieved; and - Announcement of a JORC Code inferred mineral resources of at least 350,000 oz of gold, at a minimum grade of at least 1g/t in respect of a Company project;	31/12/20

vi) 150,000,000 Class B Performance Rights were granted to Reliant Resources Pty Ltd, a related party of Dean Goodwin. Class C Performance Rights were granted to John Lester, Frank Salkanovic and Lu Ning Yi who are directors of the Company.

9(a). SHARE BASED PAYMENTS RESERVE (continued)

The valuation of the performance rights was based on the Hoadleys Hybrid ESO Model with the following key inputs:

	Class A Performance Rights			Class B Performance Rights			Class B Performance Rights		
	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3
Expected volatility	300%	300%	300%	300%	300%	300%	300%	300%	300%
Risk-free rate	1%	1%	1%	1%	1%	1%	0.98%	0.98%	0.98%
Grant date	06/11/19	06/11/19	06/11/19	06/11/19	06/11/19	06/11/19	24/12/19	24/12/19	24/12/19
Grant date share price	$0.003	$0.003	$0.003	$0.003	$0.003	$0.003	$0.0025	$0.0025	$0.0025
Share price target	$0.004	$0.006	$.008	$0.004	$0.006	$.008	$0.0033	$0.005	$0.0067
Exercise multiple	1.9	1.9	1.9	1.9	1.9	1.9	2.8	2.8	2.8
Dividend yield	Nil	Ni	Ni	Ni	Ni	Ni	Ni	Ni	Ni
Total Fair Value	$145,000	$140,000	$140,000	$391,500	$378,000	$378,000	$140,000	$130,000	$125,000

The total share based payment expense based on vesting conditions to 31/12/2019 is $1,284,587.

Reconciliation of share based payments reserve:

	31 December 2019 $
Options	762,625
Performance Rights	1,284,587
	2,047,212

9(b): RECONCILIATION OF SHARE BASED PAYMENT EXPENSE

	Note	31 December 2019 $	31 December 2018 $
Share based payment for difference between market value of shares issued and the value of creditors paid	9	2,018,880	7,311
Performance Rights granted during the period	9(a)	1,284,587	-
Options granted during the period	9(a)	511,939	36,147
Total Share based payment expense		**3,815,406**	**43,458**

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade and other receivables, trade and other payables and borrowings. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

11. LEASES

		31 December 2019	30 June 2019
Right of Use Assets (i)			
Properties	12	157,603	-
Motor Vehicles	12	33,982	-
		191,585	-
Lease liabilities (i)			
Current	12	51,607	-
Non-current	12	109,013	-
		160,620	-

(i) Refer to note 12 for further details on adoption of AASB 16 Leases.

12. EFFECTS OF ADOPTION OF AASB 16 LEASES

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019. The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 30 June 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rate as at 1 July 2019. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 6.5%.
The associated right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right of use asset and lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

12. EFFECTS OF ADOPTION OF AASB 16 LEASES (continued)

The following table provides a reconciliation of the operating lease commitments as disclosed in the 30 June 2019 financial report to the expected total lease liability to be recognised at 1 July 2019:

	$
Rental lease commitments as at 30 June 2019	23,693
Discounted using the incremental borrowing rate	23,375
Add: Costs of reasonably certain extension options	162,039
Finance lease liabilities recognised as at 30 June 2019	40,503
Lease liabilities recognised at 1 July 2019	**225,917**

	$
Split between:	
Current lease liabilities	89,952
Non-current lease liabilities	135,965
	225,917

The recognised right-of-use assets were as follows:

	31 December 2019	1 July 2019
Right of Use Assets		
Properties	157,603	185,414
Motor Vehicles	33,982	42,723
	191,585	228,137

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- Finance lease liabilities – decrease by $40,503
- Property, plant and equipment – decrease by $42,723
- Lease liabilities – increase by $225,917
- Right-of-use assets – increase by $228,137

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- To measure the right of use asset on transition at an amount equal to the lease liability (as adjusted for prepaid or accrued lease payments);
- To use hindsight in determining the lease term where lease contracts include options to extend or terminate the lease;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

12. EFFECTS OF ADOPTION OF AASB 16 LEASES (continued)

The Group's leasing activities and how these are accounted for

The Group leases commercial property as their head office. Until the 2019 financial year, leases of commercial properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. The Group also held a motor vehicle under hire purchase, which was previously classified as a finance lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the right-of-use asset is depreciated over the asset's useful life on a straight-line basis. Otherwise, the right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company had a 4% net smelter royalty payable on its Forrestania tenements. During the period the Company entered in to two separate agreements with Stock Assist Group Pty Ltd, the holder of the royalties, to extinguish the 4% net smelter royalty payable.

The consideration, as per details below, have all been settled as of 31 December 2019, and there is no further contingent liability on the Forrestania tenements.

The terms of the agreements are as follows:

	Deed of Variation	Deed of Assignment
Consideration	400,000,000 ordinary shares at an issue price of $0.0025	500,000,000 ordinary shares at an issue price of $0.002 and $100,000 cash
Total value	$1,000,000	$1,100,000

The fair value of shares issued based on the grant date was $3.1 million with the $1.1m difference recognised in share based payments expense as disclosed in note 9(b). The $2.1m consideration paid has been reflected within exploration expenses.