

ERRAWARRA

Resources^{Ltd}

ABN 95 155 472 834

ANNUAL REPORT 2020

WWW.ERRAWARRA.COM

DIRECTORS' REPORT

ANNUAL REPORT

for the financial year ended 30 June 2020

Page

Corporate directory	1
Directors' report	2
Auditor's independence declaration	8
Directors' declaration	9
Independent auditor's report	10
Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the financial statements	17

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Chairman: Mr Damian Hicks
Directors: Mr Jonathan Murray
Mr Markus Bachmann

Company Secretary: Mrs Mindy Ku

PRINCIPAL OFFICE

Level 11 London House
216 St Georges Terrace
Perth WA 6000

REGISTERED OFFICE

Level 11 London House
216 St Georges Terrace
Perth WA 6000

POSTAL ADDRESS

PO Box 1227
West Perth
Western Australia 6872

CONTACT DETAILS

+61 8 9322 3383 (Telephone)
info@errawarra.com (Email)
www.errawarra.com (Website)
@SOPandHPA (Twitter)

AUDITORS

Stantons International
Level 2
1 Walker Avenue
West Perth
Western Australia 6005

Chairman's Letter

Dear Shareholders

Errawarra has pivoted back to gold and nickel exploration in Western Australia and aims to complete a minimum \$4.5 million capital raising and listing on ASX before the end of 2020 (IPO).

If you would like to receive priority entitlement to the gold & nickel focussed IPO please send an email to info@errawarra.com requesting the "IPO Presentation". All Errawarra shareholders have the right to apply for new shares in the IPO.

The Board has secured a promising portfolio of gold and nickel projects in Western Australia via execution of two agreements with third parties, and applications for exploration licenses in the name of Errawarra:

- Nickel east of Norseman - the first agreement grants Errawarra the right to acquire (via the issue of equity) a 70% interest in two strategic tenements located ~100kms east of Norseman in the Fraser Range. The (Fraser Range) tenements are located 30kms south-west of the operating Nova nickel mine owned by IGO Ltd and are considered by successful consultants Newexco Exploration (www.newexco.com) to have high **nickel** prospectivity. Subject to funding and approvals, Errawarra plans to start ground geophysical surveys at Fraser Range in November 2020
- Gold north of Kalgoorlie - the second agreement grants Errawarra the right to earn (via exploration expenditure) an 80% interest in one tenement (called Binti Binti) located ~70kms north-east of Kalgoorlie and ~40kms west of the Carosue Dam gold mine owned by Saracen Mineral Holdings Ltd. Subject to funding and approvals, Errawarra plans to start aircore drilling for gold at Binti Binti in November 2020.
- Nickel & Gold north-west of Meekatharra – the exploration license applications by Errawarra (collectively referred to as Errabiddy) are located ~200kms north-west of Meekatharra. The applications are considered prospective for nickel and gold. Subject to grant, Errawarra plans to start reconnaissance geological mapping and possibly ground geophysical surveys during the next field season in 2021.

Settlement of the third party agreements are subject to Errawarra being admitted to the ASX.

The strategy change (away from fertiliser technology development towards minerals exploration in Western Australia) is due to the rebound in sentiment towards commodities, and the increasing flows of capital being allocated to exploration, development, and mining of mineral resources, predominantly gold, nickel, and copper. The sulphate of potash (SOP) project has been retained however the high purity alumina (HPA) project has been discontinued. Errawarra will continue searching for an international partner to fund the definitive feasibility study for the SOP project.

The Board expects to appoint two additional directors in the short term with minerals exploration and mining expertise to oversee Errawarra's activities.

Subject to all resolutions being passed at the Annual General Meeting (AGM), the Company also expects to reach agreement with its lenders and creditors to convert outstanding debts into equity, thereby increasing the probability of the IPO being successfully executed.

Kind regards,



Damian Hicks
Executive Director

DIRECTORS' REPORT

BOARD OF DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr Damian Hicks, Executive Director (Appointed 2 February 2012)

Mr Hicks was a founding Director of Errawarra Resources Ltd and was appointed to the position of Chairman on 2 February 2012.

Mr Hicks holds a Bachelor of Commerce (Accounting and Finance) from the University of Western Australia, is admitted as a Barrister and Solicitor of the Supreme Court of Western Australia, holds a Graduate Diploma in Applied Finance & Investment from FINSIA, a Graduate Diploma in Company Secretarial Practice from Governance Institute of Australia and is a Graduate of the Australian Institute of Company Directors course.

Mr Hicks is Executive Director of both ASX listed Hannans Ltd, unlisted Critical Metals Ltd and Chairman of advisory firm Corporate Board Services.

Mr Jonathan Murray, Non-Executive Chairman (Appointed 2 February 2012)

Mr Murray is a partner at law firm Steinepreis Paganin, based in Perth, Western Australia. He has significant experience in advising on initial public offers and secondary market capital raisings, all forms of commercial acquisitions and divestments and providing general corporate and strategic advice. Prior to his commencement at Steinepreis Paganin in 1997, he practiced law for two years at national law firm Clayton Utz.

Mr Murray graduated from Murdoch University in 1996 with a Bachelor of Laws and Commerce (majoring in Accounting). He is also a member of FINSIA (formerly the Securities Institute of Australia).

Mr Markus Bachmann, Non-Executive Director (Appointed 2 February 2012)

Mr Markus Bachmann holds a Master (MA) in Business and Economics (cum laude) from the University of Berne, Switzerland. Markus started his career in the corporate finance department of the Credit Suisse Group, before joining SBC Brinson Asset Management Emerging Markets team in 1997. There he was assigned responsibility for the analysis and portfolio management for the equity markets of Greece, Portugal, the Middle East (including Israel) and Africa.

In 2000 he joined Coronation Fund Managers in Cape Town, South Africa, as a senior manager for various retail products and institutional mandates. In 2001 he received the S&P Award for the best performing large cap equity unit trust in South Africa. Markus co-funded Craton Capital in 2003. He is the Manager of the Craton Capital Precious Metal Fund and the Global Resources Fund. Under his management, the Craton Capital funds received a number of prestigious industry awards for management and performance excellence, including Sauren Golden Award, Euro am Sonntag and Mining Journal Outstanding Achievement.

At the date of this report, the following table sets out the current Directors' relevant interests in shares and options of Errawarra Resources Ltd.

	Ordinary Shares	
	Current holding	Net Increase/ (decrease)
Damian Hicks	28,475	–
Jonathan Murray	737,091	–
Markus Bachmann	1,736,431	–

Remuneration Report (Unaudited)

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Directors' equity holdings
- F. Additional information

A. Principles used to determine the nature and amount of remuneration

The whole Board form the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long term incentives based on key performance areas affecting the Company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Company.

The Directors of the Company have not entered into an employment contract with the Company. It is envisaged that subject to completion of key milestones, including future capital raisings, the Directors will, if necessary, seek shareholder approval for individual Director's employment contract that will reflect past and future services to the Company.

B. Details of remuneration

Details of remuneration of the directors and key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Errawarra Resources Ltd are set out in the following table.

The key management personnel of Errawarra Resources Ltd are the directors as listed on page 3.

The table below shows the 2020 and 2019 figures for remuneration received by the Company's directors.

	Short Term			Post-employment		Equity		Other benefits	Total
	Salary & fees	Bonus	Other benefits	Super-annuation	Prescribed benefits	Shares	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
2020									
Directors									
Damian Hicks	-	-	-	-	-	-	-	-	-
Jonathan Murray	-	-	-	-	-	-	-	-	-
Markus Bachmann	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
2019									
Directors									
Damian Hicks	-	-	-	-	-	-	-	-	-
Jonathan Murray	-	-	-	-	-	-	-	-	-
Markus Bachmann	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

C. Service agreements

Other

The Group has a corporate service agreement with Corporate Board Services Pty Ltd (**CBS**) to provide management, financial, company secretary and administrative services from 10 February 2012. Mr Damian Hicks is a director of CBS. There are no monthly fees payable to CBS. One month notice of termination is required.

DIRECTORS' REPORT

D. Share-based compensation

Ordinary shares and options can be issued to directors and executives as part of their remuneration. The ordinary shares and options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders. They are valued at the net asset value of the Group at the approval date.

No ordinary shares were issued during the year (2019: Nil). No options were issued in the current year (2019: Nil).

E. Directors' equity holdings

(a) Fully paid ordinary shares of Errawarra Resources Ltd

Key management personnel	Balance at 1 July No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
2020					
Damian Hicks	28,475	–	–	–	28,475
Jonathan Murray	737,091	–	–	–	737,091
Markus Bachmann	1,736,431	–	–	–	1,736,431
	2,501,997	–	–	–	2,501,997
2019					
Damian Hicks	28,475	–	–	–	28,475
Jonathan Murray	737,091	–	–	–	737,091
Markus Bachmann	1,736,431	–	–	–	1,736,431
	2,501,997	–	–	–	2,501,997

(b) Share options of Errawarra Resources Ltd

No key management personnel held options in the Company in 2020 or 2019.

F. Additional information

Performance income as a proportion of total compensation

No performance based bonuses have been paid to directors or executives during the financial year.

End of Remuneration Report (Unaudited)

Directors Meetings

The following table sets out information in relation to Board meetings held during the financial year.

Board Member	Board Meetings held while Director	Attended	Circular Resolutions Passed	Total
Damian Hicks	1	1	1	2
Jonathan Murray	1	1	1	2
Markus Bachmann	1	1	1	2

PROJECT

The Group is aiming to discover an economic mineral deposit in Western Australia, and manufacture sulphate of potassium (**SOP**) fertiliser.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year was aggregating a land position with the potential to host an economic mineral deposit and continuing the search for a partner to economically manufacture SOP.

REVIEW OF OPERATIONS

The Group has applied for several exploration licenses in the Gascoyne and entered joint ventures to explore for nickel and gold in the Eastern Goldfields and Gascoyne regions of Western Australia.

The Group continued its search for a partner for the SOP project. Completion of a Location Study and a Feasibility Study are the next milestones for the SOP project.

The Company will need to complete a capital raising of not less than \$150,000 to meet its commitments for the next 18 months exclusive of the funds required to commence exploration for an economic mineral deposit, and identify a partner for the SOP project.

The Directors have prepared the financial statements on a going concern basis which contemplates the continuity of normal business activities.

FINANCIAL REVIEW

The Group began the financial year with cash reserves of \$312.

During the year, the net administration expenditure incurred by the Group amounted to \$78,124 (2019: \$101,710), of which interest expense incurred of \$37,937 (2019: \$39,057). This has resulted in an operating loss after income tax for the year of \$42,865 (2019: profit \$6,802).

As at 30 June 2020, cash and cash equivalents totalled \$16,825.

CORPORATE STRUCTURE

The corporate structure of Errawarra Resources Ltd group is as follows:



COMPLIANCE

Additional Compliance Statements

Risk Management

The Board is responsible for ensuring that risks, and opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee.

The Board has several mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include the Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk and implementation of Board approved operating plans and Board monitoring of the progress against budgets.

DIRECTORS' REPORT

Significant Events after the Balance Date

No other matters or circumstances, besides those disclosed at note 22 and shown below, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

- On 3 September 2020 the Company executed an agreement with Sorrento Resources Pty Ltd, Kingmaker Metals Pty Ltd and Kingmaker Exploration No 1 Pty Ltd to acquire the rights, title and interest in the granted tenements. The acquisition is conditional on the Company achieving certain milestones.
- On 8 September 2020 the Company entered into a Binding Earn-In Agreement with Greta Purich for the right to earn an 80% interest in the tenement and geological information (**Earn-In Right**). The Earn-In Right is conditional upon the Company achieving certain milestones.
- On 8 September 2020 Rock Biz Pty Ltd (**Rock Biz**) agreed to convert the outstanding loan of \$57,500 at 30 June 2020 to equity at a deemed price equal to the seed capital raising upon fulfillment of certain conditions. Rock Biz agreed to waive all rights to interest from 1 July 2020 until the date of the conversion.
- On 8 September 2020 Corporate Board Services (**CBS**) agreed to convert the outstanding service fees of \$70,579.45 at 30 June 2020 to equity at a deemed price equal to the seed capital raising upon fulfillment of certain conditions.
- On 15 September 2020 Equity & Royalty Investments Ltd (**ERI**) agreed to convert the outstanding loan of \$65,021.98 at 30 June 2020 to equity at a deemed price equal to the seed capital raising upon fulfillment of certain conditions. ERI agreed to waive all rights to interest from 1 July 2020 until the date of the conversion.

Likely Developments and Expected Results

The Group plans to explore mineral projects with the aim of discovering an economic resource to generate shareholder wealth.

Environmental Regulation and Performance

The Group is subject to environmental regulation in respect to the tenement held by the Group.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, its aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

Dividends

No dividends were paid or declared during the financial year and no recommendation for payment of dividends has been made.

Options

There are no potential shares to be issued under options outstanding at the date of this report.

Non-Audit Services

During the year, neither Stantons International or any of its associated entities provided any non-audit services to the Group.

Indemnifying Officers or Auditor

During or since the end of the financial year, the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums on behalf of the directors.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not party to any such proceedings during the year.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 8.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Damian Hicks

Executive Director

Perth, Australia this 16th day of September 2020

INDEPENDENCE DECLARATION TO THE DIRECTORS OF ERRAWARRA RESOURCES LTD

Stantons International Audit and Consulting Pty Ltd
trading as

Stantons International

Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

16 September 2020

Board of Directors
Errawarra Resources Limited
Level 11 London House
216 St Georges Terrace
PERTH WA 6000

Dear Directors

RE: ERRAWARRA RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Errawarra Resources Limited.

As Audit Director for the audit of the financial statements of Errawarra Resources Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT & CONSULTING PTY LTD
(Trading as Stantons International)
(Authorised Audit Company)



Samir R Tirodkar
Director

Liability limited by a scheme approved
under Professional Standards Legislation

Member of Russell Bedford International



DIRECTORS' DECLARATION

The Directors declare that:

- (a) 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;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards and International Financial Reporting Standards as disclosed in note 2 and giving a true and fair view of the financial position and performance of the Group for the financial year ended on that date; and
- (c) the remuneration disclosures set out in the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Act and Regulations 2001*.
- (d) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Damian Hicks

Executive Director

Perth, Australia this 16th day of September 2020

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ERRAWARRA RESOURCES LTD

Stantons International Audit and Consulting Pty Ltd
trading as

Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERRAWARRA RESOURCES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Errawarra Resources Limited and its subsidiary ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described 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.

Material Uncertainty Related to Going Concern

Without modification to the opinion expressed above, attention is drawn to the following matter:

As referred to in Note 2(a) to the consolidated financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2020, the Group had cash and cash equivalents totalling \$16,825 and had incurred a loss before tax for the year of \$78,124. The ability of the Group to continue as a going concern is subject to the Group successfully raising working capital and continued related party entity support. In the event that the Group is not successful in raising working capital or can no longer rely on related party entity support, the Group may not be able to meet its liabilities as they fall due and the realisable value of the Group's assets may be significantly less than their stated values.

Liability limited by a scheme approved
under Professional Standards Legislation

Member of Russell Bedford International



Stantons International

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Group 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 ability of the Group 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 has 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.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Stantons International


We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd


Samir Tirodkar
Director
West Perth, Western Australia
16 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2020

	Note	2020 \$	2019 \$
Other income		–	–
Consultants expenses		(55,061)	(34,616)
Interest expenses		(37,937)	(39,057)
Impairment expenses	4(a)	7,134	(50,757)
Fair value gain on other financial assets	9	14,687	29,373
Other expenses		(6,947)	(6,653)
Loss from continuing operations before income tax benefit		(78,124)	(101,710)
Income tax benefit	5	35,259	108,512
(Loss)/Profit from continuing operations attributable to members of the parent entity		(42,865)	6,802
Other comprehensive loss for the year			
<i>Items that are or may be reclassified to profit or loss</i>		–	–
<i>Items that are or may not be reclassified to profit or loss</i>		–	–
Total other comprehensive loss for the year		–	–
Total comprehensive (loss)/profit for the year		(42,865)	6,802
Net (loss)/profit attributable to the parent entity		(42,865)	6,802
Total comprehensive (loss)/profit attributable to the parent entity		(42,865)	6,802
(Loss)/Profit per share:			
Basic (cents per share)	16	(0.21)	0.03

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Note	2020 \$	2019 \$
Current assets			
Cash and cash equivalents	23(a)	16,825	312
Trade and other receivables	8	–	840
Other financial assets at fair value through profit or loss	9	73,433	58,746
Total current assets		90,258	59,898
Non-current assets			
Intangible assets	10	–	–
Total non-current assets		–	–
TOTAL ASSETS		90,258	59,898
Current liabilities			
Trade and other payables	11	90,153	103,273
Borrowings	12	379,398	303,053
Total current liabilities		469,551	406,326
Non-current liabilities			
Borrowings	12	–	–
Total non-current liabilities		–	–
TOTAL LIABILITIES		469,551	406,326
NET LIABILITIES		(379,293)	(346,428)
Equity			
Issued capital	13	122,525	112,525
Reserves	14	728,580	728,580
Accumulated losses	15	(1,230,398)	(1,187,533)
TOTAL DEFICIENCY		(379,293)	(346,428)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2020

For the year ended 30 June 2020	Attributable to equity holders			
	Issued capital \$	Reserves \$	Accumulated losses \$	Total Equity/ (Deficiency) \$
Balance as at 1 July 2019	112,525	728,580	(1,187,533)	(346,428)
Total comprehensive income				
Profit for the year	–	–	(42,865)	(42,865)
Other comprehensive loss for the year	–	–	–	–
Total comprehensive profit for the year	–	–	(42,865)	(42,865)
Transactions with owners recorded direct to equity				
Issue of shares	10,000	–	–	10,000
Share issue costs	–	–	–	–
Total transactions with owners	10,000	–	–	10,000
Balance as at 30 June 2020	122,525	728,580	(1,230,398)	(379,293)

For the year ended 30 June 2019	Attributable to equity holders			
	Issued capital \$	Reserves \$	Accumulated losses \$	Total Equity/ (Deficiency) \$
Balance as at 1 July 2018	112,525	728,580	(1,203,991)	(362,886)
Total comprehensive income				
Profit for the year	–	–	6,802	6,802
Other comprehensive loss for the year	–	–	–	–
Total comprehensive loss for the year	–	–	6,802	6,802
Transfer of fair value reserve of equity instruments designated at FVPL	–	–	9,656	9,656
Transactions with owners recorded direct to equity				
Issue of shares	–	–	–	–
Share issue costs	–	–	–	–
Total transactions with owners	–	–	–	–
Balance as at 30 June 2019	112,525	728,580	(1,187,533)	(346,428)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Payments for projects		(27,008)	(2,560)
Payments to suppliers and employees		(13,891)	(33,299)
Interest paid		(18,392)	–
Research and Development rebate received		35,259	108,512
Net cash provided by/(used in) operating activities	23(b)	(24,032)	72,653
Cash flows from investing activities			
Amounts received from related entities		–	27,500
Payments for intangible asset		(16,255)	(113,398)
Net cash (used in)/provided by investing activities		(16,255)	(85,898)
Cash flows from financing activities			
Proceeds from issues of equity securities		–	–
Proceeds/(repayment) from borrowing		56,800	12,850
Net cash provided by/(used in) financing activities		56,800	12,850
Net decrease in cash and cash equivalents		16,513	(395)
Cash and cash equivalents at the beginning of the financial year		312	707
Cash and cash equivalents at the end of the financial year	23(a)	16,825	312

The accompanying notes form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

1. General Information

Errawarra Resources Ltd (**Company**) is an unlisted public company, domiciled and incorporated in Australia.

The Group's registered office and its principal place of business are as follows:

<u>Registered office</u>	<u>Principal place of business</u>
Level 11, London House, 216 St Georges Terrace Perth WA 6000	Level 11, London House, 216 St Georges Terrace Perth WA 6000

2. Statement of significant accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the financial statements of the consolidated entity (**Group**) comprising the Company and Errawarra Pty Ltd. Separate financial statements for Errawarra Resources Ltd as an individual entity are no longer presented as the consequence of a change to the *Corporations Act 2001*, however, required financial information for Errawarra Resources Ltd as an individual entity is included in note 25.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated and parent financial statements and notes of the Group and parent entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 16 September 2020.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, except as noted below.

(a) Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical cost, except for certain financial assets and liabilities which are carried at fair value. 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 set out below have been applied in preparing the financial statements for the year ended 30 June 2020.

Going concern basis of preparation

The consolidated financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation and extinguishment of liabilities in the ordinary course of business.

For the year ended 30 June 2020 the Group incurred a loss of \$42,865 (2019: profit \$6,802) and had a working capital deficit of \$379,293 (2019: \$346,428 deficit). Based upon the Group's existing cash resources of \$16,825 (2019: \$312) and other financial assets of \$73,433 (2019: \$58,746) as at 30 June 2020, the ability to modify expenditure outlays if required, and the Directors' confidence of sourcing additional funds, the Directors consider there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation is considered to be appropriate for the Group's 2020 financial report.

The Board of Directors is aware, having prepared a cashflow forecast, of the Group's working capital requirements and the Group needs to have sufficient funds to continue minimal operations for the next 12 months. However the Directors are aware that access to additional equity funding is required to repay the existing related party loans and to expand operations.

In the event that the Group is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts lower to those stated in its financial report. No adjustments have been made in this report with regard to the recoverability or classification of recorded asset amounts or to the amounts on classification of liabilities that might be necessary should the group not be able to continue as a going concern.

(b) Adoption of new accounting standards in the current financial year

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019 except for the new accounting standards stated below.

The Group has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following standard:

AASB 16 Leases

The Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised as 1 July 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated.

AASB16 requires the recognition of a lease liability and right-of-use asset for all leases (with exception of short-term and low value leases) recognised as operating leases under AASB 117: Leases where the Group is a lessee.

The adoption of AASB 16 had no impact on the financial report as the Group's did not hold any lease during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

2. Statement of significant accounting policies (cont'd)

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(d) 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. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transactions costs, except for those carried "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

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 and subsequent measurement

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 other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- the contractual cash flow characteristics of the financial assets; and
- the entities business model for managing the financial asset.

(d) Financial instruments (cont'd)

Financial assets at amortised cost

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; and
- 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 Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading.

Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

2. Statement of significant accounting policies (cont'd)

(d) Financial instruments (cont'd)

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value that are recognised in profit or loss.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(e) Financial instruments issued by the Group

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

(f) Goods and services tax (cont'd)

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

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(g) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

2. Statement of significant accounting policies (cont'd)

(h) Tax (cont'd)

Deferred tax (cont'd)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Research & Development (R&D) tax incentive

R&D tax incentive is calculated by reference to the eligible R&D amount to be claimed. It is calculated using the R&D tax offset rates and tax laws that have been enacted or substantively enacted by reporting date. R&D tax incentive for prior periods are recognised as a tax refund to the extent that it has been refunded on a cash basis to the Group.

(h) Tax (cont'd)

Tax consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiary have implemented the tax consolidation legislation in February 2012 with Errawarra Resources Ltd as the head entity.

(i) Intangible assets

Acquired rights to commercialise trademark and licences

Trademarks and licences acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Upon completion of the commercialised project, the carried costs are amortised to profit or loss using the straight-line method over 10 to 20 years, which is the shorter of their estimated useful lives and periods of contractual rights.

(j) Joint arrangements

Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

(k) Operating cycle

The operating cycle of the Group coincides with the annual reporting cycle.

(l) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(m) Presentation currency

The Group operates entirely within Australia and the presentation currency is Australian dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

2. Statement of significant accounting policies (cont'd)

(n) Principles of consolidation

The consolidated financial statements incorporate all the assets, liabilities, and results of the Company (the parent entity) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. A list of the subsidiaries is provided in note 20.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly, or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. After initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(o) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line or diminishing value basis to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate (%)
Plant & equipment	20.00

(p) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

(p) Provisions (cont'd)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(q) Leases

At inception of a contract the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of options to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(r) Revenue recognition

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that considers the effective yield on the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

2. Statement of significant accounting policies (cont'd)

(s) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black and Scholes model or binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(t) Fair value measurement

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable, and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the Group at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the Company's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(t) Fair value measurement (cont'd)

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- Level 1:** Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2:** Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3:** Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

2. Statement of significant accounting policies (cont'd)

(t) Fair value measurement (cont'd)

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(u) Segment reporting policy

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of profit or loss and other comprehensive income and statement of financial position.

(v) New accounting standards and interpretations

There are no other standards that are not yet effective and that would be expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

3. Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Key estimates — intangible assets

The future recoverability of the intangible assets are dependent on a number of factors including whether it successfully recovers the related intangible asset through sale or development. The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The Group assessed the intangible asset's recoverability and if recoverable, would only be recoverable in the long term and therefore provided for the full amount as at 30 June 2020.

Key judgments — doubtful debts provision

The Directors believe that the intercompany loans from Errawarra Pty Ltd to Errawarra Resources Ltd, if recoverable, would only be recoverable in the long term and have therefore provided for the full amount as at 30 June 2020.

Key judgments — deferred taxation

Deferred tax liabilities are recognised for all taxable temporary differences in accordance with accounting policies. Deferred tax assets are recognised in respect of tax losses only where the tax losses are expected to be recovered. The Group has not recognised any deferred tax assets as the Directors cannot determine with any degree of certainty the probability of using the deferred tax assets arising from tax losses and other temporary differences.

	2020 \$	2019 \$
4. Loss from operations		
(a) Impairment		
Impairment/(reversal of impairment) of loan to a related party	–	(27,500)
Impairment provision of intangible assets (i)	(7,134)	78,257
	(7,134)	50,757

(i) Refer note 10 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

	2020 \$	2019 \$
5. Income taxes		
Income tax recognised in profit or loss		
Tax benefit/(expense) comprises:		
Current tax expense	–	–
Research and Development rebate	35,259	108,512
Total tax benefit	35,259	108,512
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Profit/(Loss) from operations	(78,124)	(101,710)
Income tax expense calculated at 27.5% (2019: 27.5%)	(21,484)	(27,970)
Research and Development rebate received	35,259	108,512
Effect of expenses that are not deductible in determining taxable loss	–	(15,641)
Effect of net deferred tax asset/(liability) not recognised:		
Unused tax losses and temporary differences not recognised as deferred tax assets	18,981	52,513
Change in recognised deductible temporary differences	2,503	(8,902)
Income tax benefit	35,259	108,512
The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.		
Unrecognised deferred tax balances		
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax losses – revenue	327,127	308,796
Net temporary differences	(426)	(8,903)
	326,701	299,893

The Company had unrecognised deferred tax liability of \$4,039 at 30 June 2020 (2019: Nil) from net temporary differences on capital losses.

Tax consolidation

Relevance of tax consolidation to the Group

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

6. Key management personnel disclosures

(a) Details of key management personnel

The Directors and Executives of Errawarra Resources Ltd during the year were:

Directors

- Damian Hicks
- Jonathan Murray
- Markus Bachmann

(b) Key management personnel compensation

The aggregate compensation made to key management personnel of the Group is set out below. Detailed compensation of each member of the key management personnel of the Group is set out in the Remuneration Report in the Directors' Report on page 4.

	2020 \$	2019 \$
Short-term employee benefits	–	–
Post-employment benefits	–	–
Other benefits	–	–
	–	–

7. Remuneration of auditors

Audit or review of the financial report

Stantons International	7,000	4,500
	7,000	4,500

The auditor of the Group is Stantons International.

8. Trade and other receivables – current

Net goods and services tax (GST) receivable	–	840
	–	840

9. Other financial assets fair value through profit or loss

Investment in Critical Metals Ltd (i)	73,433	58,746
	73,433	58,746

(i) The investment in Critical Metals Ltd consists of 293,730 (2019: 293,730) ordinary fully paid shares. This is measured and classified as a Tier 1 financial asset which is valued at fair value.

Balance at beginning of year	58,746	19,717
Movement for the year	14,687	39,029
Balance at end of financial year	73,433	58,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

10. Intangible assets

	Patent, trademarks and other rights	Total
	\$	\$
Gross carrying amount		
Balance at 1 July 2018	529,184	529,184
Additions – development	78,257	78,257
Balance at 1 July 2019	607,441	607,441
Additions – development	(7,134)	(7,134)
Balance at 30 June 2020	600,307	600,307
Accumulated depreciation and impairment		
Balance at 1 July 2018	(529,184)	(529,184)
Impairment provision	(78,257)	(78,257)
Balance at 1 July 2019	(607,441)	(607,441)
Impairment provision	7,134	7,134
Balance at 30 June 2020	(600,307)	(600,307)
Net book value		
Cost	600,307	600,307
Impairment provision	(600,307)	(600,307)
As at 30 June 2020	–	–

Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Patent, trademark and licences	10 years
--------------------------------	----------

	2020 \$	2019 \$
11. Current trade and other payables		
Trade payables (i)	1,379	33,572
Payables to related party (ii)	72,534	55,251
Accruals	16,000	14,450
Other payables	240	–
	90,153	103,273

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(ii) Refer to note 21(d) for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

	2020 \$	2019 \$
12. Borrowings		
Current		
Loan from related party entities includes interest payable (i)	379,398	303,053
	379,398	303,053

(i) The loans were executed between Hannans Ltd, Murray Trust Account no 2, Rock Biz Pty Ltd and Equity & Royalty Investments Ltd. Refer to note 21(c) for further details.

13. Issued capital		
20,857,741 fully paid ordinary shares (2019: 20,757,741)	122,525	112,525
	122,525	112,525

	2020		2019	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of year	20,757,741	112,525	20,757,741	112,525
Issue of shares	100,000	10,000	–	–
Share issue costs		–		–
Balance at end of financial year	20,857,741	122,525	20,757,741	112,525

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

During the period, the Company issued 100,000 ordinary shares to a consultant in recognition for their services to the Company during the year (2019: Nil).

	2020 \$	2019 \$
14. Reserves		
<i>Comprising:</i>		
Reserve relating to the in-specie distribution of shares received from Hannans Ltd in February 2012.	728,580	728,580
	728,580	728,580

Movements in reserves		
Balance at beginning of year	728,580	728,580
Reserve movement for the year	–	–
Balance at end of financial year	728,580	728,580

15. Accumulated losses		
Balance at beginning of year	(1,187,533)	(1,203,991)
Profit/(Loss) attributable to members of the parent entity	(42,865)	6,802
Transfer of fair value reserve of equity instruments designated at FVPL	–	9,656
Balance at end of financial year	(1,230,398)	(1,187,533)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

16. (Loss)/Profit per share

	2020 Cents per share	2019 Cents per share
Basic profit/(loss) per share:		
From continuing operations	(0.21)	0.03
Total basic (loss)/profit per share	(0.21)	0.03
Basic (loss)/profit per share		
The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:		
	2020 \$	2019 \$
Profit/(Loss) for the year	(42,865)	6,802
	2020 No	2019 No
Weighted average number of ordinary shares for the purposes of basic loss per share (i)	20,768,943	20,757,741

17. Commitments for expenditure

As at the reporting date, the Company has no obligation to commit to any fixed expenditure.

18. Contingent liabilities and contingent assets

Contingent liabilities

The Office of State Revenue ('OSR') informed the Company on 30 October 2012 that it has raised a Duties Investigation regarding the restructure involving the Mineral Rights Deed between the Company and Hannans Ltd. OSR has requested preliminary supporting information to assess the duty on the transaction. The Company responded to the OSR in regard to this matter. On 21 October 2015 OSR informed the Company that the matter is currently being reviewed by the technical branch. The Company does not consider it probable a stamp duty liability will arise.

Contingent assets

In 2014, the Group sold the Jigalong manganese project in the East Pilbara region of Western Australia to Atlas Iron Limited (ASX:AVI). As part of the sale agreement, Atlas Iron agreed to pay the Group a 1% gross sales revenue royalty from manganese sourced from within the tenements.

Other than the above, there are no other contingent liabilities or contingent assets as at 30 June 2020.

19. Segment reporting

The Group operates predominantly in the Australia mineral exploration industry. For management purposes, the Group is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

20. Subsidiary

Name of entity	Country of incorporation	Ownership Interest	
		2020 %	2019 %
Parent entity:			
Errawarra Resources Ltd (i)	Australia	100	100
Subsidiary:			
Errawarra Pty Ltd	Australia	100	100

(i) Errawarra Resources Ltd is the ultimate parent entity. All the companies are members of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

21. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiary

Details of the percentage of ordinary shares held in subsidiary is disclosed in note 20 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 6 to the financial statements.

(c) Loans to and from key management personnel and their related parties

Loan to related party

Equity & Royalty Investments Ltd, of which Mr Damian Hicks is the Chairman, had a loan outstanding amounting of \$27,500 in 2019. The loan was unsecured, non-interest bearing and had no fixed terms of repayment. The loan was considered recoverable in the long term and therefore the full amount has been provided for. The loan was fully repaid in 2019.

Loan from related party

On 10 February 2016 Hannans Ltd (**Hannans**), of which Mr Damian Hicks, Mr Jonathan Murray and Mr Markus Bachmann are the Directors, provided a loan facility of \$50,000 to the Group at an interest rate of 20% per annum. The interest rate was reduced to 12.5% starting from 1 July 2015 onwards. The loan is secured against the Company's rights, title and interest in the agreement executed between the Company, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. Loan drawdowns of \$25,000 on 10 February 2016 and \$25,000 on 9 March 2016 were made. The repayment of the loan is 1 July 2020. The Company is currently in negotiation with Hannans to extend the repayment of the loan or convert it into equity.

A summary of the loan is shown below.

	2020	2019
Principal outstanding at 30 June	\$50,000	\$50,000
Interest accrued during the year	\$12,864	\$17,479
Interest balance at 30 June	\$60,015	\$47,151

On 30 March 2016 Murray Family Trust No 2, of which Mr Jonathan Murray is a beneficiary, provided a loan facility of \$250,000 to the Group at an interest rate of 32% per annum. The interest rate was reduced to 12.5% starting from 1 July 2017 onwards. The loan funds were initially to be provided for a short term only. The loan holds second mortgage against the Company's rights, title and interest in the agreement executed between the Company, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. The Company is currently in negotiation with the Murray Family Trust to extend the repayment of loan or convert it into equity.

A summary of the loan is shown below.

	2020	2019
Principal outstanding at 30 June	\$107,528	\$107,528
Interest accrued during the year	\$13,515	\$13,478
Interest balance at 30 June	\$39,332	\$25,817

On 26 March 2018 Rock Biz Pty Ltd, of which Mr Damian Hicks is a director, provided a loan facility of \$50,000 to the Group at an interest rate of 12.5% per annum. The loan is unsecured. A loan drawdown of \$50,000 was made between March and April 2018. A further loan drawdown was made in August and September 2018 of \$7,500. A payment of \$18,392 (2019: \$Nil) was made to repay the accrued interest to 30 June 2020.

On 8 September 2020 Rock Biz Pty Ltd (Rock Biz) agreed to convert the outstanding loan of \$57,500 at 30 June 2020 to equity at a deemed price equal to the seed capital raising upon fulfillment of certain conditions. Rock Biz agreed to waive all rights to interest from 1 July 2020 until the date of the conversion. Refer to note 22 for further information.

A summary of the loan is shown below.

	2020	2019
Principal outstanding at 30 June	\$57,500	\$57,500
Interest accrued during the year	\$8,874	\$7,911
Interest balance at 30 June	\$Nil	\$9,518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

21. Related party disclosures (cont'd)

(c) Loans to and from key management personnel and their related parties (cont'd)

On 19 March 2019 Equity & Royalty Investments Ltd (**ERI**), of which Mr Damian Hicks is a director, provided a loan facility of \$5,350 to the Group at an interest rate of 12.5% per annum. The loan is unsecured. A loan drawdown of \$5,350 was made in March 2019. The Group made a further loan drawdown of \$56,800 during the year which increased the loan facility. The repayment of the loan is 30 June 2021.

On 15 September 2020 ERI agreed to convert the outstanding loan of \$65,021.98 at 30 June 2020 to equity at a deemed price equal to the seed capital raising upon fulfillment of certain conditions. ERI agreed to waive all rights to interest from 1 July 2020 until the date of the conversion. Refer to note 22 for further information.

A summary of the loan is shown below.

	2020	2019
Principal outstanding at 30 June	\$62,150	\$5,350
Interest accrued during the year	\$2,683	\$189
Interest balance at 30 June	\$2,872	\$189

(d) Transactions with other related parties

Subsidiary

All loans advanced to and payable to related parties are unsecured. No interest was charged on the outstanding intercompany loan balances during the financial year. Errawarra Resources Ltd received interest of nil from loans to subsidiary, and paid interest of nil to subsidiary. The amount owed to its subsidiary at year end is \$435,878 (2019: \$443,662).

Director transactions

Corporate Board Services (**CBS**), of which Mr Damian Hicks is a Director, provided management, financial, company secretary and administrative services amounting to \$14,716 (2019: \$29,270) during the year. The services provided were on arm's length commercial terms. At 30 June 2020 \$70,579 (2019: \$54,503) was owing to CBS for services provided between 1 July 2014 to 30 June 2020.

On 8 September 2020 Corporate Board Services (**CBS**) agreed to convert the outstanding service fees of \$70,579.45 at 30 June 2020 to equity at a deemed price equal to the seed capital raising upon fulfillment of certain conditions. Refer to note 22 for further information.

Steinepreis Paganin, of which Mr Jonathan Murray is a Partner, provided legal services amounting to \$203 (2019: \$1,035) during the year. There were no amounts owing to Steinepreis Paganin at 30 June 2020 (2019: Nil).

Hannans Ltd (**Hannans**), of which Mr Damian Hicks, Mr Jonathan Murray and Mr Markus Bachmann are Directors, invoiced the Group for reimbursements amounting to \$2,046 (2019: \$680) during the year. At 30 June 2020 \$1,954 (2019: \$748) was owing to Hannans.

(e) Parent entity

The ultimate parent entity in the Group is Errawarra Resources Ltd.

22. Subsequent events

There have been no matters or circumstances since 30 June 2020 that may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

- On 3 September 2020 the Company executed an agreement with Sorrento Resources Pty Ltd, Kingmaker Metals Pty Ltd and Kingmaker Exploration No 1 Pty Ltd to acquire the rights, title and interest in the granted tenements. The acquisition is conditional on the Company achieving certain milestones.
- On 8 September 2020 the Company entered into a Binding Earn-In Agreement with Greta Purich for the right to earn an 80% interest in the tenement and geological information (**Earn-In Right**). The Earn-In Right is conditional upon the Company achieving certain milestones.
- On 8 September 2020 Rock Biz Pty Ltd (**Rock Biz**) agreed to convert the outstanding loan of \$57,500 at 30 June 2020 to equity at a deemed price equal to the seed capital raising upon fulfillment of certain conditions. Rock Biz agreed to waive all rights to interest from 1 July 2020 until the date of the conversion.
- On 8 September 2020 Corporate Board Services (**CBS**) agreed to convert the outstanding service fees of \$70,579.45 at 30 June 2020 to equity at a deemed price equal to the seed capital raising upon fulfillment of certain conditions.
- On 15 September 2020 Equity & Royalty Investments Ltd (**ERI**) agreed to convert the outstanding loan of \$65,021.98 at 30 June 2020 to equity at a deemed price equal to the seed capital raising upon fulfillment of certain conditions. ERI agreed to waive all rights to interest from 1 July 2020 until the date of the conversion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

	2020 \$	2019 \$
23. Notes to the consolidated statement of cash flows		
(a) Reconciliation of cash and cash equivalents		
For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:		
Cash and cash at bank	16,825	312
	16,825	312
(b) Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(42,865)	6,802
Interest on loan from related party	19,545	39,057
Impairment of related party loan	–	(27,500)
Impairment of intangible assets	(7,134)	78,257
Fair value gain on other financial assets	(14,687)	(29,373)
<i>Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:</i>		
Decrease/(increase) in assets:		
Trade and other receivables	840	6,310
(Decrease)/increase in liabilities:		
Trade and other payables and provisions	20,269	(900)
Net (used in)/cash from operating activities	(24,032)	72,653

(c) Non-cash financing and investing activities

During the current year, the Group did not enter any non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows.

24. Financial instruments

(a) Financial risk management objectives

The Group manages the financial risks relating to the operations of the Group.

The Group does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's Board of Directors.

The Group's activities expose it primarily to the financial risks of changes in interest rates, but at 30 June 2020 it is also exposed to market price risk. The Group does not enter derivative financial instruments to manage its exposure to interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

24. Financial instruments (cont'd)

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Interest rate risk management

The Group is exposed to interest rate risk as it places funds at both fixed and floating interest rates. A 100 basis point movement in interest rates based on interest bearing financial assets and liabilities at 30 June 2020 would not have a material impact on the loss for the year or equity at 30 June 2020.

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk.

	Weighted average effective interest rate	Variable interest rate	Fixed maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	5+ Years		
Consolidated	%	\$	\$	\$	\$	\$	\$
2020							
Financial assets:							
Cash and cash equivalents	0.10%	16,823	–	–	–	2	16,825
Trade and other receivables	–	–	–	–	–	–	–
Other financial assets	–	–	–	–	–	73,433	73,433
		16,823	–	–	–	73,435	90,258
Financial liabilities:							
Trade and other payables	–	–	–	–	–	90,153	90,153
Borrowings	12.50%	–	–	379,398	–	–	379,398
		–	–	379,398	–	90,153	469,551

2019

Financial assets:

Cash and cash equivalents	0.10%	310	–	–	–	2	312
Trade and other receivables	–	–	–	–	–	840	840
Other financial assets	–	–	–	–	–	58,746	58,746
		310	–	–	–	59,588	59,898

Financial liabilities:

Trade and other payables	–	–	–	–	–	103,273	103,273
Borrowings	14.74%	–	–	303,053	–	–	303,053
		–	–	303,053	–	103,273	406,326

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

It is a policy of the Group that creditors are paid within 30 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

24. Financial instruments (cont'd)

(e) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group does not perform any sensitivity analysis and none is disclosed in the financial statements as the impact would not be material.

(f) Market price risk

Market risk is the potential for loss arising from adverse movement in the level and volatility of equity prices.

The Group's investment subject to price risk is unlisted as detailed in note 9 and therefore does not have a market price or a fluctuating price at a certain date.

(g) Fair value of financial instruments

The net fair value of financial assets and liabilities of the consolidated Group approximated their carrying amount. The Group has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the consolidated statement of financial position and notes to the financial statements.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2020				
Financial assets at fair value through profit and loss				
– Equity instruments (note 9)	73,433	–	–	73,433
Total financial assets recognised at fair value	73,433	–	–	73,433
2019				
Financial assets at fair value through profit and loss				
– Available-for-sale financial assets (note 9)	58,746	–	–	58,746
Total financial assets recognised at fair value	58,746	–	–	58,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

25. Parent entity disclosures

The following details information related to the parent entity, Errawarra Resources Ltd, at 30 June 2020. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2020 \$	2019 \$
Results of the parent entity		
Loss for the year	(50,475)	(22,309)
Other comprehensive income	–	–
Total comprehensive loss for the year	(50,475)	(22,309)
Financial position of parent entity at year end		
Current assets	16,805	1,032
Non-current assets	50	50
Total assets	16,855	1,082
Current liabilities	469,636	405,616
Non-current liabilities	435,878	443,650
Total liabilities	905,514	849,266
Total equity of the parent entity comprising of:		
Share capital	122,525	112,525
Reserves	–	–
Accumulated losses	(1,011,184)	(960,709)
Total equity	(888,659)	(848,184)

(a) Guarantees entered into by the parent entity in relation to the debts of its subsidiary

The parent entity had not entered into any guarantees in relation to the debts of its subsidiary as at 30 June 2020 other than disclosed in this financial report.


(b) Parent entity contingencies

The parent entity had no contingent liabilities or assets as at 30 June 2020 other than disclosed in this financial report.


(c) Commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 other than disclosed in this financial report.

ERRAWARRA RESOURCES LTD

 +61 8 9322 3383

 info@errawarra.com

 www.errawarra.com