Annual Financial Report

For the year ended 30 June 2020

Nagambie Resources Limited

and Controlled Entities

Corporate Directory

NAGAMBIE RESOURCES LIMITED ABN 42 111 587 163
NAGAMBIE DEVELOPMENTS PTY LTD ABN 37 130 706 311
NAGAMBIE LANDFILL PTY LTD ABN 90 100 048 075

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS
533 Zanelli Road
Nagambie Vic 3608
Telephone: (03) 5794 1750
Website: www.nagambieresources.com.au
Email: info@nagambieresources.com.au

POSTAL ADDRESS
PO Box 339
Nagambie Vic 3608

DIRECTORS
Michael W Trumbull (Executive Chairman)
Alfonso M Grillo (Non-Executive Director)
Gary R Davison (Non-Executive Director)

CHIEF EXECUTIVE OFFICER
James C Earle

COMPANY SECRETARY
Alfonso M Grillo

AUDITOR
William Buck
Level 20, 181 William Street
Melbourne Vic 3000

PRINCIPAL LEGAL ADVISER
GrilloHiggins Lawyers
Level 4,114 William Street
Melbourne Vic 3000
Telephone: (03) 8621 8881
www.grillohiggins.com.au

SHARE REGISTRY
Automic Pty Ltd
Level 3, 50 Holt Street
Surry Hills NSW 2010
Telephone: 1300 288 664
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SECURITIES EXCHANGE LISTING
Nagambie Resources Limited shares are listed
on the Australian Securities Exchange
ASX code: NAG

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Directors' Report

The directors of Nagambie Resources Limited submit herewith the annual financial report of the company and its controlled entities (the group) for the financial year ended 30 June 2020.

Directors

The names and particulars of the company directors in office during the financial year and until the date of this report are as follows. The directors were in office for the entire period unless stated otherwise.

Name	Particulars
MICHAEL W TRUMBULL *Non-Executive Director* Appointed 28 July 2005 *Non-Executive Chairman* Appointed 20 December 2007 *Executive Chairman* Appointed 13 September 2013	Michael Trumbull has a degree in mining engineering (first class honours) from the University of Queensland and an MBA from Macquarie University. A Fellow of the Australian Institute of Mining and Metallurgy, he has over 40 years of broad mining industry experience with mines / subsidiaries of MIM, Renison, WMC, CRA, AMAX, Nicron, ACM and BCD Resources. From 1983 to 1991, he played a senior executive role in expanding the Australian gold production assets of ACM Gold. From 1985 to 1987, he was Project Manager and then Resident Manager of the Westonia open pit gold mine and treatment plant in Western Australia. From 1987 to 1991, he was General Manager – Investments for the ACM Group. From 1993 to 2011, he was a Director of the BCD Resources Group and was involved in the exploration, subsequent mine development and operation of the Beaconsfield underground gold mine in Tasmania. From 1993 to 2003, he was the sole Executive Director of BCD and, from 2003 to 2004, was the Managing Director. *Other current Directorships of Listed Companies* None *Former Directorships of Listed Companies in last three years* None
ALFONSO M GRILLO *Non-Executive Director and* *Company Secretary* *Independent* Appointed 24 November 2017	Alfonso Grillo is a founding Partner at GrilloHiggins Lawyers. He holds a Bachelor of Arts and Bachelor of Law degree. Alfonso has over 20 years experience as a corporate lawyer, including company meeting practice and corporate governance procedures, fundraising and fundraising documentation, ASX Listing Rules and mergers and acquisitions. Alfonso advises resource industry companies in relation to mining and exploration projects, acquisition and divestment of assets, joint ventures and due diligence assessments. Alfonso has been a member of the Audit and Compliance Committee since his appointment. *Other Current Directorships of Listed Companies* None *Former Directorships of Listed Companies in last three years* None

GARY R DAVISON *Non-Executive Director* *Independent* Appointed 15 May 2019	Gary Davison is a mining engineer. He is Managing Director and principal Mining Engineer of Mining One Pty Ltd which he helped establish in August 2005, an employee-owned independent group which has over 60 technical consultants. Mining One provides expertise in Australia and internationally in resource geology, mine planning, geotechnical engineering, conceptual studies, feasibility studies and corporate strategic advice. Gary has over 40 years' experience in the mining industry in Australia and overseas. His career began at Renison, Tasmania in 1978 and he has worked at senior mine management levels in Tasmania, Western Australia, Victoria and New South Wales – covering principally underground, but also surface mines. In the early 1990's, Gary managed the Nagambie Mine open pit and heap leach treatment operations for Perseverance. Gary is chairman of the Audit and Compliance Committee. *Other Current Directorships of Listed Companies* None. *Former Directorships of Listed Companies in last three years* None.

Chief Executive Officer

JAMES C EARLE BE (Geological) MEM MBA

James Earle was appointed as Chief Executive Officer on 4 July 2016. He is a Geological Engineer with over 15 years broad experience with environmental impact assessments and approvals, waste management, environmental management plans, soil and water assessments and strategic advice. The majority of his experience has been in public infrastructure development and site-based environmental management.

He has held positions with consulting organisations and government departments in Australia and the UK. The most recent positions held by James were Manager of the Victorian practice of Ramboll Environ and prior to that he was a Senior Consultant, Service Group Manager and Principal Consultant at GHD. Both of these groups are global engineering and environmental consultancies. James has also lectured at the Australian National University.

Operating and Financial Review

Principal Activities

The principal activities of the group during the financial period were the exploration for, and development of, gold, associated minerals, and construction materials in Australia, and the investigation and development of waste handling assets.

Review of Operations

Following lengthy negotiations in the first half of the year, an extensive strategic partnership with a Canadian gold exploration company, Mawson Gold Limited ("Mawson"), was announced on 30 January 2020.

Induced Polarisation (IP) geophysical surveys carried out in January and March 2020 outlined strong sulphide-gold targets at Racecourse and Nagambie Mine West. Follow up deep diamond drilling of these targets is being carried out.

Tenders closed during May 2020 for the construction of the North East Link in Melbourne, which will require the management of around 5.4 million tonnes of PASS rock to be excavated by large tunnel boring machines. Nagambie Resources was requested by one of the tenderers to provide pricing for the underwater management of PASS at the Nagambie Mine and it did so.

Strategic Partnership with Mawson

Mawson took up an initial 10.0% cornerstone shareholding in Nagambie Resources Limited ("NRL") of 50.0 million fully-paid ordinary NRL shares. Mawson has right of first refusal to take up or match all proposals under consideration by NRL on its 3,600 sq km of Waranga Domain tenements provided that Mawson continues to hold its original 50.0 million NRL shares. Mawson also has the right to appoint a director to the NRL board provided it increases its' holding above, and maintains it above, 15.0% of NRL.

As consideration for the 50.0 million NRL shares issued for $2,500,000, NRL received 8.5 million shares in Mawson. The value per NRL share of 5.0 cents represented a 31.6% premium to the last ASX sale price for NRL shares on 29 January 2020 of 3.8 cents.

Mawson acquired 100% of NRL's Clonbinane tenements for $500,000 cash and 1.0 million Mawson shares. Mawson also paid NRL $28,000 to cover the tenement bonds.

Total consideration to NRL for the 50.0 million NRL shares and Clonbinane was valued at $3,245,412; $528,000 in cash and $2,717,412 in 9.5 million Mawson shares. The 9.5 million Mawson shares were valued at $3,954,108 at 30 June 2020.

Mawson also has the right to spend the next $1,000,000 on each of NRL's Redcastle exploration licence and NRL's Doctors Gully retention licence to earn a 70% joint venture interest in each.

Covid-19 Impacts

The Covid-19 pandemic affected activities in the second half of the year. Local demand for quarry products was well down on anticipated levels as business developments in the Nagambie region were put on hold.

Diamond drilling of the RAD002 hole at the Racecourse Prospect was delayed by a total of eight weeks because the drilling contractor had manning issues resulting from the strict virus testing protocols required and the closure of the border with Tasmania, the home State for several of his employees. A follow up IP geophysical survey at Racecourse West had to be deferred as the preferred IP contractor is based in Adelaide and the South Australian border was, and remains, closed to Victoria.

Likely Developments

During the 2021 financial year, Nagambie Resources is planning to:

1. Complete RAD002 into the Racecourse sulphide-gold prospect and drill NWD001, the first hole into the Nagambie Mine West sulphide-gold prospect;

2. Carry out lithogeochemical sampling of RAD002 and NWD001 to assist in vectoring towards and/or prioritising structures and follow up drilling;

3. Carry out a ground IP geophysical survey to the west of the Nagambie Bypass Freeway to assist in targeting a follow up Racecourse prospect hole to the west of RAD002;

4. Secure a PASS Management contract for some of the estimated 5.4 million tonnes of PASS rock to be excavated from the tunnels for the North East Link;

5. Secure additional joint ventures over more of Nagambie Resources' 3,600 sq km of contiguous tenements in the Waranga Domain. Mawson is likely to be the joint venture participant as it has right of first refusal to take up or match all gold exploration proposals under consideration by NRL; and

6. Carry out bacterial speciation testwork to establish the best naturally occurring bacteria to use to recover residual gold in the Nagambie Mine 1989-1997 heap leach pad and to establish potential gold recovery. In the USA, the use of naturally occurring bacteria in solution has been shown to get significant recovery of such residual gold.

Financial Matters

The consolidated loss for the group for the year amounted to $876,491 after tax. This compared to a loss after tax for the year ended 30 June 2019 of $1,485,048. The decrease of $608,557 in the loss for the year arises after a decrease in revenue of $22,731 a decrease in expenditures of $183,050 and receipt of an R&D tax incentive of $727,624. After an increase in the value of the shares in Mawson Gold Limited is taken into account as Other comprehensive income there is a Total comprehensive income of $360,206 for the year.

A total of $3,163,800 before costs was raised in share capital by the company during the 2020 financial year. This included $603,800 from issue of 11,392,468 shares at 5.3 cents from a share purchase plan, $60,000 from issue of 1,132,076 shares at 5.3 cents in a placement and $2,500,000 from the issue of 50,000,000 shares at 5.0 cents to Mawson Gold Limited. There was also $200,000 raised from the issue of 4,000,000 convertible notes at 5 cents.

Changes in state of affairs

There was no significant change in the state of affairs of the Group during the financial year other than already disclosed.

Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or state of affairs of the Group, in future financial years.

Environmental regulations

The company's exploration and mining tenements are located in Victoria. The operation of these tenements is subject to compliance with the Victorian and Commonwealth mining and environmental regulations and legislation.

Licence requirements relating to ground disturbance, rehabilitation and waste disposal exist for all tenements held. The directors are not aware of any ongoing breaches of mining and environmental regulations and legislation during the year and up to the date of this report.

Dividends

No dividends in respect of the current financial period have been paid, declared or recommended for payment (2019: Nil).

Share options

Share options granted to directors and executives

The following options were granted to directors and executives during the year: Refer to page 10 of the remuneration report for full details.

Michael Trumbull (director)	4,000,000
Alfonso Grillo (director)	2,000,000
Gary Davison (director)	2,000,000
James Earle (chief executive officer)	2,000,000

Shares under option or issued on exercise of options

No options were exercised during the year.

Options on issue as at reporting date

Number of options	Grant date	Vesting date	Expiry date	Exercise price
11,300,000	16/11/2015	16/11/2015	28/11/2020	10 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25.0 cents
13,750,000	24/11/2017	24/11/2017	24/11/2022	10 cents
1,000,000	20/12/2017	20/12/2017	20/12/2022	14.1 cents
4,500,000	22/8/2018	22/8/2018	22/8/2023	12.6 cents
10,500,000	23/11/2018	23/11/2018	23/11/2023	10.8 cents
2,000,000	27/2/2019	27/2/2019	27/2/2024	12.0 cents
14,900,000	29/11/2019	29/11/2019	29/11/2024	10.0 cents
72,450,000				

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, executive officers and any related body corporate against a liability incurred by a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such by an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

During the financial year 7 board meetings and 5 audit and compliance committee meetings were held.

	Board of directors		Audit and compliance committee	
Directors	**Held**	**Attended**	**Held**	**Attended**
Michael Trumbull	7	7	-	-
Alfonso Grillo	7	7	5	5
Gary Davison	7	6	5	5

Directors' shareholdings and options

The following table sets out each director's relevant interest in shares, debentures, and rights or options on shares of the company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number
Michael Trumbull	21,168,492	20,000,000
Alfonso Grillo	1,937,973	8,000,000
Gary Davison	586,038	4,000,000

Remuneration report (Audited)

Remuneration policy for directors and executives

Details of key management personnel
The directors and key management personnel of Nagambie Resources Limited during the financial year were:

Michael Trumbull	Executive Director
Alfonso Grillo	Non-Executive Director
Gary Davison	Non-Executive Director
James Earle	Chief Executive Officer

Remuneration Policy

The Board is responsible for determining and reviewing the compensation of the directors, the chief executive officer, the executive officers and senior managers of the company and reviewing the operation of the company's Employee Option Plan. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the company's operations. The board of directors also recommends levels and form of remuneration for non-executive directors with reference to performance and when required, sought independent expert advice. The total sum of remuneration payable to non-executive directors shall not exceed the sum fixed by members of the company in general meeting.

In accordance with ASX Listing Rule 10.17, the current maximum aggregate compensation payable out of the funds of the company to non-executive directors for their services as directors is $250,000 per annum. For the year ending 30 June 2020, the board resolved that the executive chairman's remuneration be set at $150,000 (2019: $150,000) per annum excluding superannuation and share based payments. For non-executive directors, remuneration was set at $42,000 (2019: $42,000) per annum excluding superannuation and share based payments. Where a director performs special duties or otherwise performs consulting services outside of the scope of the ordinary duties of a director, then additional amounts will be payable.

There is no direct relationship between the company's remuneration policy and the company's performance. That is, no portion of the remuneration of directors, secretary or senior managers is 'at risk'. However, in determining the remuneration to be paid in each subsequent financial year, the board will have regard to the company's performance. Therefore, the relationship between the remuneration policy and the company's performance is indirect.

Options are issued to employees under the company's Employee Option Plan at the discretion of the board. Options issued to directors require the approval of shareholders at a general meeting. The purpose of the issue of options is to remunerate employees and directors as an incentive for future services. The directors consider it important that the company is able to attract and retain people of the highest calibre and believe that the most appropriate means of achieving this is to provide an opportunity to participate in the company's future growth and give them an incentive to contribute to that growth.

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Group earnings and movements in shareholder wealth for the five years to June 2020.

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Revenue	$306,173	$328,904	$762,163	$669,836	$453,058
Net loss before tax	$1,604,115	$1,764,434	$1,187,261	$1,621,972	$619,449
Net loss after tax	$876,491	$1,485,048	$1,187,261	$1,621,972	$619,449
Share price at start of year (cents)	4.4	16.0	4.7	16.5	3.4
Share price at end of year (cents)	5.2	4.4	16.0	4.7	16.5
Dividends paid	Nil	Nil	Nil	Nil	Nil
Basic earnings per share (cents)	(0.19)	(0.35)	(0.29)	(0.43)	(0.21)
Diluted earnings per share (cents)	(0.19)	(0.35)	(0.29)	(0.43)	(0.21)

Director and executive remuneration

The directors, executives and consultants detailed below received the following amounts as compensation for their services during the year:

		Short Term Benefits	Post Employment Benefits	Share Based Payment	Performance Related Benefits	Other LongTerm Benefits	Total
		Salary and fees	Superannuation	Options (non-cash)			
		$	$	$	$	$	$
Directors							
Michael Trumbull (1)	**2020**	**164,250**	**-**	**113,916**	**-**	**-**	**278,166**
	2019	164,250	-	155,928	-	-	320,178
Alfonso Grillo (2)	**2020**	**45,990**	**-**	**56,958**	**-**	**-**	**102,948**
	2019	45,990	-	77,964	-	-	123,954
Gary Davison (3)	**2020**	**45,990**	**-**	**56,958**	**-**	**-**	**102,948**
	2019	5,749	-	-	-	-	5,749
Kevin Perrin (4)	**2020**	-	-	-	-	-	-
	2019	45,990	-	77,964	-	-	123,954
Chief Executive Officer							
James Earle (5)	**2020**	**200,000**	**19,000**	**56,958**	**-**	**-**	**275,958**
	2019	172,000	14,250	155,928	-	-	342,178
Total for Year	**2020**	**456,230**	**19,000**	**284,790**	**-**	**-**	**760,020**
Total for Year	2019	433,979	14,250	467,784	-	-	916,013

Apart from the contracts disclosed at (1) and (4) below there were no other contracts with management or directors in place during the 2020 and the 2019 financial years.

(1) Michael Trumbull is employed as Executive Chairman under a consultancy agreement which commenced on 1 July 2013 and is ongoing. The fixed annual remuneration level was set at $150,000 plus superannuation of $14,250 (2019: $150,000 plus superannuation of $14,250) plus provision of a motor vehicle and reimbursement of out of pocket expenses. The contract may be terminated upon giving 6 months notice by the company or 3 months by the Consultant. Apart from accrued entitlements there are no other termination benefits.

During the 2020 financial year, fees of $164,250 (2019: $164,250) were paid to Cypron Pty Ltd, an entity controlled by Michael Trumbull, for his services as a director of the company. At 30 June 2020, there was an amount of $90,337 (2019: Nil) owing to Cypron Pty Ltd.

(2) During the 2020 financial year, fees of $45,990 (2019: $45,990) were paid to GrilloHiggins Lawyers, an entity in which Alfonso Grillo is a partner, for his services as a director of the company. The amount of $45,990 is comprised of $42,000 director's fee plus an allowance of $3,990 for superannuation. During the 2020 financial year the company also paid fees of $99,802 (2019: $44,438) to GrilloHiggins Lawyers for secretarial and legal services provided by Alfonso Grillo and other GrilloHiggins personnel.

At 30 June 2020, there was an amount of $3,437 (2019: $3,770) owing to GrilloHiggins.

(3) Gary Davison was appointed a director on 15 May 2019. During the 2020 financial year he was paid $45,990 (2019: $5,749) for his services as a director of the company. The amount of $45,990 is comprised of $42,000 director's fee plus an allowance of $3,990 for superannuation.

At 30 June 2020, there was no amount (2019: $5,749) owing to Gary Davison.

(4) Kevin Perrin retired as a director on 30 June 2019.

(5) James Earle is employed as the Chief Executive Officer under an employment agreement which commenced on 8 August 2016 and is ongoing. The fixed remuneration is $200,000 per annum plus superannuation. He is also entitled to a cash incentive bonus subject to performance hurdles. For the 2020 financial year there was no cash bonus paid (2019: $22,000). The agreement may be terminated by either party upon giving 3 months notice. Apart from accrued entitlements, there are no other termination benefits.

Shareholdings of key management personnel

	Balance 1 July 2019	Granted as remuneration	On exercise of options	Net change (1)	Balance 30 June 2020
Michael Trumbull	20,602,454	-	-	566,038	21,168,492
Alfonso Grillo	1,371,935	-	-	566,038	1,937,973
Gary Davison	-	-	-	586,038	586,038
James Earle	975,268	-	-	283,019	1,258,287
Total	**22,949,657**	**-**	**-**	**2,001,133**	**24,950,790**

(1) Net change refers to on and off market acquisitions/disposals.

Executive Options

The Group has an ownership-based remuneration scheme for staff and executives (including executive and non-executive directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, staff and executives of the company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the board of directors.

Each share option converts into one ordinary share of Nagambie Resources Limited on exercise by the payment of the exercise price. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the board of directors of the company.

The options granted expire five years after their issue or one month after the resignation of the staff member or executive, whichever is the earlier, or as otherwise determined by the board of directors. There are 72,450,000 share options on issue under this plan, of which 43,000,000 are held by directors and key management personnel and 29,450,000 are held by other current and former executives and employees.

Options on issue at the end of the financial year

Number of options	Grant date	Vesting date	Expiry date	Exercise price
11,300,000	16/11/2015	16/11/2015	16/11/2020	10 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25 cents
13,750,000	24/11/2017	24/11/2017	24/11/2022	10 cents
1,000,000	20/12/2017	20/12/2017	20/12/2022	14.1 cents
4,500,000	22/8/2018	22/8/2018	22/8/2023	12.6 cents
10,500,000	23/11/2018	23/11/2018	23/11/2023	10.8 cents
2,000,000	27/2/2019	27/2/2019	27/2/2024	12.0 cents
14,900,000	29/11/2019	29/11/2019	29/11/2024	10.0 cents
72,450,000				

Value of options issued to directors and executives

The following grants of share-based payment compensation to directors and executives relate to the 2020 financial year:

Name	Option series	Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for year consisting of options
Michael Trumbull	issued 29/11/2019	4,000,000	4,000,000	100%	0%	40.9%
Alfonso Grillo	issued 29/11/2019	2,000,000	2,000,000	100%	0%	55.3%
Gary Davison	issued 29/11/2019	2,000,000	2,000,000	100%	0%	55.3%
James Earle	issued 29/11/2019	2,000,000	2,000,000	100%	0%	34.2%

The following table summarises the value of options granted, exercised or lapsed during the 2020 financial year to directors and executives:

Name	Value of options granted at the grant date (i)	Value of options exercised at the exercise date (ii)	Value of options lapsed at the date of lapse (iii)
	$	$	$
Michael Trumbull	113,916	Nil	$56,000
Alfonso Grillo	56,958	Nil	$14,000
Gary Davison	56,958	Nil	Nil
James Earle	56,958	Nil	Nil

(i) The value of options granted during the period is recognised in compensation at the grant date which is also the vesting date. The assessed value was 2.85 cents per option.
(ii) No options were exercised during the reporting period.
(iii) 5,000,000 directors options and no executives options lapsed during the reporting period.

Option holdings of key management personnel

	Balance 1 July 2019	Granted as remuneration	Options Exercised	Options Lapsed	Balance 30 June 2020	Vested and exercisable at 30 June 2020
Michael Trumbull	20,000,000	4,000,000	-	(4,000,000)	20,000,000	20,000,000
Alfonso Grillo	7,000,000	2,000,000	-	(1,000,000)	8,000,000	8,000,000
Gary Davison	2,000,000	2,000,000	-	-	4,000,000	4,000,000
James Earle	9,000,000	2,000,000	-	-	11,000,000	11,000,000
Total	**38,000,000**	**10,000,000**	**-**	**(5,000,000)**	**43,000,000**	**43,000,000**

This concludes the Remuneration report which has been audited.

Corporate Governance

The Company's Corporate Governance Statement and other corporate governance related documents may be accessed from the Company's website at https://www.nagambieresources.com.au/investor-information/corporate-governance-statement.

Non-audit services

As detailed in note 27 to the financial statements, no amount has been paid to the auditor during the financial year for non-audit services.

Auditor's independence declaration

The auditor's independence declaration is attached to this directors' report.

Proceedings on behalf of the company

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

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

On behalf of the directors

Michael W Trumbull
Executive Chairman

Melbourne
28 September 2020

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF NAGAMBIE RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

A. A. Finnis
Director

Melbourne, 28 September 2020

ACCOUNTANTS & ADVISORS
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Statement of Profit and Loss and Other Comprehensive Income for the financial year ended 30 June 2020

		Consolidated	
	Note	**2020 $**	2019 $
Revenue	4	**306,173**	328,904
Corporate expenses		**(575,860)**	(628,971)
Cost of sales and rehabilitation		**(10,287)**	(199,923)
Depreciation		**(205,982)**	(122,195)
Employee benefits expense	4	**(547,428)**	(755,448)
Impairment of assets	10	**(107,303)**	-
Interest expense		**(463,428)**	(386,801)
Loss before income tax		**(1,604,115)**	(1,764,434)
Income tax benefit	5	**727,624**	279,386
Loss for the year after tax		**(876,491)**	(1,485,048)
Items that will not be re-classified to profit or loss Other comprehensive income		**1,236,697**	-
Total comprehensive income (loss) for the year		**360,206**	(1,485,048)
Loss per share calculated on Loss for the year after tax Basic and diluted loss per share in cents	6	**(0.19)**	(0.35)

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2020

		Consolidated	
	Note	2020 $	2019 $
Current assets			
Cash and cash equivalents	16(b)	**224,057**	224,988
Trade and other receivables	7	**75,235**	68,477
Equity investments at fair value	8	**1,977,054**	-
Total current assets		**2,276,346**	293,465
Non-current assets			
Security deposits	9	**709,213**	635,479
Equity investments at fair value	8	**1,977,055**	-
Property, plant and equipment	11	**284,013**	817,051
Right of use assets	12	**743,579**	-
Exploration and evaluation assets	10	**12,149,498**	11,768,062
Total non-current assets		**15,863,358**	13,220,592
Total assets		**18,139,704**	13,514,057
Current liabilities			
Trade and other payables	13	**246,725**	341,553
Borrowings	17	**300,000**	1,060,622
Lease liabilities		**279,349**	-
Provisions	18	**32,303**	15,523
Revenue in advance		**41,188**	-
Total current liabilities		**899,565**	1,417,698
Non-current liabilities			
Borrowings	17	**4,234,000**	3,330,489
Lease liabilities		**287,092**	-
Provisions	18	**18,927**	10,845
Total non-current liabilities		**4,540,019**	3,341,334
Total liabilities		**5,439,584**	4,759,032
Net assets		**12,700,120**	8,755,025
Equity			
Issued capital	14	**27,284,103**	24,123,551
Options reserve	15	**2,105,677**	1,828,340
Asset revaluation reserve	15	**1,236,697**	-
Accumulated losses		**(17,926,357)**	(17,196,866)
Total equity		**12,700,120**	8,755,025

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the financial year ended 30 June 2020

	Note	Consolidated				
		Issued capital $	Options reserve $	Asset revaluation reserve $	Accumulated losses $	Total $
Balance at 30 June 2018		22,091,390	1,214,896	-	(15,733,658)	7,572,628
Loss for the year		-	-	-	(1,485,048)	(1,485,048)
Other comprehensive income		-	-	-	-	-
Total comprehensive income		**-**	**-**	**-**	**(1,485,048)**	**(1,485,048)**
Transactions with owners in their capacity as owners						
Shares issued during the year	14(b)	2,025,500	-	-	-	2,025,500
Share issue expenses		(20,749)	-	-	-	(20,749)
Recognition of share based payments		-	662,694	-	-	662,694
Transfer on lapse of options		-	(21,840)	-	21,840	-
Transfer on exercise of options		27,410	(27,410)	-	-	-
Balance at 30 June 2019		**24,123,551**	**1,828,340**	**-**	**(17,196,866)**	**8,755,025**
Loss for the year		-	-	-	(876,491)	(876,491)
Other comprehensive income		-	-	1,236,697	-	1,236,697
Total comprehensive income		**-**	**-**	**1,236,697**	**(876,491)**	**360,206**
Transactions with owners in their capacity as owners						
Shares issued during the year	14(b)	3,163,800	-	-	-	3,163,800
Share issue expenses		(3,248)	-	-	-	(3,248)
Recognition of share based payments		-	424,337	-	-	424,337
Transfer on lapse of options		-	(147,000)	-	147,000	-
Balance at 30 June 2020		**27,284,103**	**2,105,677**	**1,236,697**	**(17,926,357)**	**12,700,120**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the financial year ended 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Cash flows from operating activities			
Receipts from customers		**327,309**	408,149
Payments to suppliers and employees		**(779,204)**	(955,694)
Interest received		**11,213**	16,980
Interest paid		**(422,325)**	(340,506)
R&D tax incentive		**727,624**	279,386
Net cash inflows used in operating activities	16(a)	**(135,383)**	(591,685)
Cash flows from investing activities			
Payments for exploration expenditure		**(1,235,018)**	(2,092,107)
Payments for security bonds		**(71,653)**	(479)
Proceeds from sale of Clonbinane Goldfield assets		**528,867**	-
Purchase of property, plant and equipment		**-**	(13,810)
Net cash used in investing activities		**(777,804)**	(2,106,396)
Cash flows from financing activities			
Proceeds from issue of shares		**660,552**	2,004,751
Proceeds (repayment) of borrowings		**300,000**	(133,752)
Proceeds from issue of convertible notes		**200,000**	700,000
Repayment of lease liabilities		**(248,296)**	-
Net cash provided by financing activities		**912,256**	2,570,999
Net increase (decrease) in cash and cash equivalents		**(931)**	(127,082)
Cash and cash equivalents at the beginning of the financial period		**224,988**	352,070
Cash and cash equivalents at the end of the financial period	16(b)	**224,057**	224,988

The accompanying notes form part of these financial statements

Notes to the Financial Statements
for the financial year ended 30 June 2020

1. General information

Nagambie Resources Limited (the Company) is a listed for-profit public company, incorporated in Australia and operating in Victoria. The registered office and principal place of business for the Company are located at 533 Zanelli Road, Nagambie Vic 3608. These financial statements were authorised for issue on the date of the signing of the attached Directors' Declaration.

2. Significant accounting policies

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*, Australian Accounting Standards and Interpretations. The financial statements include the consolidated financial statements of the group.

Compliance with Australian Accounting Standards (AASBs) ensures that the financial statements and notes of the group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

The financial statements have been prepared on an accruals basis using historical cost with the exception of certain assets measured 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, which is the functional and presentation currency of the Company and its controlled entities. Comparative information where necessary has been reclassified in order to achieve consistency in presentation with amounts disclosed in the current year.

Changes in accounting policies

Other than the policies described below there have been no changes in accounting policies.

AASB 16 – Leases ("AASB 16")

The Group has adopted AASB 16 from 1 July 2019. This standard replaces AASB 117 "Leases" and for leases eliminates the classification of operating leases and finance leases. Except for short-term leases and leases of low value assets, right of use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (including operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier period of the lease, the expense associated with the lease under AASB 16 will be higher when compared to the lease expense under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification with the statement of cash-flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in the financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

As the Group's only lease expired on 14 October 2019 there was no impact on adoption of this standard as at 1 July 2019. A new lease was signed on 15 October 2019 which has been recorded as a right of use asset / lease liability on 15 October 2019.

Hire purchase assets were transferred from plant and equipment to right on use asset on 1 July 2019. This did not result in any financial impact to the Group.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation and settlement of liabilities in the normal course of business.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (referred to as 'the group' in these financial statements). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

2. Significant accounting policies (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be wholly settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be wholly settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(e) Exploration and evaluation assets

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(8) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measure of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in previous years.

Where a decision is made to proceed with the development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance will then be reclassified to capitalised development costs.

2. Significant accounting policies (continued)

(f) Impairment of tangible assets

At the end of each reporting period, the group reviews the carrying amounts of its tangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years.

(g) Income 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 at the end of the reporting period. 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 liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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.

A deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the group 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 at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, 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 group intends to settle its current tax assets and liabilities on a net basis.

2. Significant accounting policies (continued)

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.

(h) Research & development tax incentive

The Research & development (R&D) tax incentive refund relates to eligible R&D activities undertaken by the group. The tax credit is recognised when the money is received from the Australian Taxation Office. This credit is recognised in current tax (refer note 2(h) above).

.(i) Right of use assets

A right of use asset is recognised at the commencement date of a lease. The right of use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable; any lease payment made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right of use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. When the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with a term of 12 months or leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(j) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payment to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following; future lease payments arising from a change in an index or a rate used, residual guarantees, lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the following right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Depreciation is calculated on a straight line basis so as to write off the net cost amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis.

(k) Property, plant and equipment

Property, 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 property, plant and equipment except for freehold land.

Depreciation is calculated on a straight line basis so as to write off the net cost amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis.

The range of useful lives for each class of plant equipment for the year were:

Plant and equipment:	4-10 years
Computer equipment:	3-5 years
Motor vehicles:	3-5 years

The gain or loss arising on disposal or retirement of an item of property, plant or equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

2. Significant accounting policies (continued)

(l) Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Sale of rock revenue

Revenue from the sale of rock is measured at the fair value for the consideration received or receivable. The revenue is recognised when the rock is removed from the company premises. There are no cartage expenses as the customer utilises their own assets to source and remove the rock.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental revenue

Property rental income is recognised on a straight-line basis over the period of the lease term. When rental income is received in advance at the end of a period it is recognised as income in the following period to which it relates.

Government Grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(n) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Binomial option pricing 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 when options are granted since in all cases there is no delay until options are vested.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(o) Goods and services tax

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

8. 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.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are presented on a net basis. The GST components of cash flows arising from investing or financial activities which are recoverable from a payable to the taxation authority are presented as operating cash flows.

(p) Trade and other payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(q) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

2. Significant accounting policies (continued)

(r) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Convertible notes are initially classified as a financial liability until extinguished on conversion or redemption. The corresponding interest on convertible notes is expensed to profit or loss.

(s) Finance costs

Finance costs are expensed in the period in which they are incurred, including interest on bank accounts and interest on short-term and long-term borrowings.

(t) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off

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

Financial assets at fair value through other comprehensive income include equity investments which the company intends to hold and has irrevocably elected to classify them as such upon initial recognition. There are two types of FVOCI accounting under AASB 9 (Equity FVOCI and Debt FVOCI)

(v) Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

(w) Critical accounting estimates and judgements

<u>Exploration and evaluation costs</u>

Exploration and evaluation costs have been capitalised on the basis that the group may commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and directly allocating overheads between those that are expensed and capitalised.

2. Significant accounting policies (continued)

In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest or activities that are not at a stage that permits a reasonable estimate of the existence of economically recoverable reserves. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Management have assessed the balance of capitalised exploration costs in line with future planned exploration activities and the group's accounting policy and have determined that no impairment was necessary. If a tenement has been relinquished or reduced, then an impairment charge is taken. This charge is generally based on the pro-rata area reduced, however there can be other reasons for not using such an approach. When a tenement is not relinquished or reduced but is thought to be of reduced carrying value then an impairment based on management's estimate of fair value has been applied. Any charge for impairment is recognised in profit or loss immediately and also shown at Note 9.

Rehabilitation of tenements
The group has considered whether a provision for rehabilitation of any tenement is required. The directors do not consider that such a provision is necessary due to the fact that rehabilitation is being undertaken on a progressive basis. Whilst the company is in exploration phase it cannot reliably estimate the scope and costs of rehabilitation work that will need to be undertaken.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Share based payments
The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Binomial valuation method of taking into account the terms and conditions upon which the instruments were granted. The company employs an external consultant to complete the valuation and this takes into account the expected volatility of the share price as one of the key components of the valuation. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value of convertible notes
Under the group's accounting policy for convertible notes with cash redemption features, at initial recognition an amount equal to the fair value of the convertible notes issued is recognised as a financial liability ("debt"), and the residual value, being the proceeds of consideration less the debt component recognised at fair value, is recognised in equity.

On initial recognition, the directors have assessed the terms of the convertible notes and determined that in their view the fair value of the debt component is equal to the proceeds such that there is no residual amount to be allocated to an equity component. In making this determination, the directors are of the view that the value of the consideration received, net of costs, provided reliable evidence of the fair value of the debt component of the convertible note.

(x) Fair value measurement hierarchy

The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

(y) Parent entity information
In accordance with the *Corporations Act 2001*, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 29.

3. New Accounting Standards for Application in Current and Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. In the directors' view none of these standards and interpretations will have a material effect on these financial statements,

Standard	Mandatory date for annual reporting periods beginning on or after	Reporting period standard adopted by the company
The revised Conceptual Framework for Financial Reporting	1 January 2020	1 July 2020
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	1 July 2020
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	1 July 2020
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of liabilities as Current or Non-Current	1 January 2023	1 July 2023

4. Revenue and expenses

	Consolidated	
	2020 **$**	2019 $
The loss before income tax includes the following items of revenue and expenses.		
(a) Revenue		
Revenue from contracts with customers		
Rental income	**190,542**	194,695
Sale of rock and quarry products	**44,851**	102,601
Other revenue		
Government cash flow boost	**50,730**	-
Interest	**11,213**	16,980
Sundry income	**8,837**	14,628
Total revenue	**306,173**	328,904
(b) Expenses		
Employee benefits expense		
Employee benefits	**95,785**	60,595
Share based payments expense	**424,337**	662,694
Superannuation expense	**27,306**	32,159
	547,428	755,448

5. Income tax

(a)	**Income tax expense**		
	Loss from operations	**(1,604,115)**	(1,764,434)
	Prima facie tax benefit calculated at 30% (2019: 30%)	**481,235**	529,330
	Add tax effect of:		
	- Non deductible expenses	**5,201**	1,727
	- Share based payments	**(127,301)**	(198,808)
	Less tax effect of:		
	Current year tax loss not recognised	**(359,135)**	(332,249)
	Add R&D tax incentive	**727,624**	279,386
	Income tax benefit	**727,624**	279,836
(b)	**Deferred tax asset**		
	A deferred tax asset attributable to tax losses and timing differences has not been brought to account due to the uncertainty of recoverability in future periods.	**5,180,203**	4,892,103

6. Loss per share

	Consolidated	
	2020 **$**	2019 $
Basic and diluted loss per share is calculated as net loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.		
Net loss	**876,491**	1,485,048
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**458,442,320**	428,548,060
Basic and diluted loss per share in cents	**0.19**	0.35

As discussed in Note 22, the company has issued options over its unissued share capital. All these options are anti-dilutive in nature due to the company incurring losses and the share price being less than the exercise price. They therefore have not been incorporated into the diluted earnings per share calculation.

7. Receivables

Trade receivables	**16,901**	4,039
Other receivables	**58,334**	64,438
Total receivables	**75,235**	68,477

8. Equity investments at fair value

Current assets		
Shares in Mawson Gold Limited	**1,977,054**	-
Non-current assets		
Shares in Mawson Gold Limited	**1,977,055**	-

The shares shown above as current assets are those which are available for sale within the next 12 months. Those shown as non-current assets are subject to escrow periods which expire beyond that time.

The difference between fair value at balance date and the cost at the date of the transaction for equity investments is $1,236,697. This amount is reflected in an Asset revaluation reserve and shown at Note 15.

8. Equity investments at fair value (continued)

Financial assets at fair value through other comprehensive income relate to Mawson Gold Limited which are ordinary shares in a company listed on the Toronto Stock Exchange. These have been valued at the quoted prices at accordance with AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities

AASB 13 'Fair Value Measurement' requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

9. Security deposits

Non-current assets		
Security deposits - environmental bonds (i)	**559,213**	585,479
Deposit on land	**150,000**	50,000
Total other assets	**709,213**	635,479

(i) Security deposits – environmental bonds

The company holds security deposits, in the form of term deposits with its banker. These are guarantees for performance conditions set by the Department of Economic Development, Jobs, Transport and Resources Victoria on mining tenements held by the company. Those guarantees are held to cover any future rehabilitation obligations the company may have on the mining tenements. When all obligations in relation to a mining tenement are finalised, the relevant guarantee will be released and associated environmental bond will be redeemed. The deposits are shown as non-current assets since it is not expected that they will be repaid during the coming 12 months. These cash deposits earn interest for the company.

10. Exploration and evaluation assets

	Consolidated	
	2020	2019
	$	$
Balance at beginning of the year	**11,768,062**	9,675,955
add Exploration costs capitalised for the year	**1,235,018**	2,092,107
less Disposal of Clonbinane Goldfield tenements	**(746,279)**	-
less Impairment charge	**(107,303)**	-
Balance at end of the year	**12,149,498**	11,768,062

During the financial year the group reassessed the recoverable value of all tenement areas to which exploration costs have been capitalised and an amount of $72,888 was deemed applicable as an impairment charge. This matter is discussed further in ‘Critical accounting estimates and judgements’ at Note 2(s).

On 24 March 2020 the group announced completion of the sale of the subsidiary Clonbinane Goldfield Pty Ltd to Mawson Gold Limited. That sale resulted in an impairment charge of $34,415 arising on the disposal tenements which were owned by the subsidiary company.

11. Property, plant and equipment

	Consolidated				
	Land and buildings $	Plant and equipment $	Computer equipment $	Motor vehicles $	Total $
Gross carrying amount					
Balance at 1 July 2018	45,063	986,737	25,951	195,143	1,252,894
Additions	-	13,810	-	-	13,810
Balance at 1 July 2019	45,063	1,000,547	25,951	195,143	1,266,704
Transfer - right of use asset	**-**	**(609,674)**	**-**	**(88,932)**	**(698,606)**
Balance at 30 June 2020	**45,063**	**390,873**	**25,951**	**106,211**	**568,098**
Accumulated depreciation					
Balance at 1 July 2018	-	(188,940)	(16,179)	(122,339)	(327,458)
Depreciation expense	-	(103,688)	(4,233)	(14,274)	(122,195)
Balance at 1 July 2019	-	(292,628)	(20,412)	(136,613)	(449,653)
Depreciation expense	**-**	**(28,169)**	**(2,166)**	**(1,220)**	**(31,555)**
Transfer - right of use asset	**-**	**161,843**	**-**	**35,280**	**197,123**
Balance at 30 June 2020	**-**	**(158,954)**	**(22,578)**	**(102,553)**	**(284,085)**
Net book value					
As at 30 June 2019	45,063	707,919	5,539	58,530	817,051
As at 30 June 2020	**45,063**	**231,919**	**3,373**	**3,658**	**284,013**

12. Right of use assets

	Consolidated			
	Land and buildings $	Plant and equipment $	Motor vehicles $	Total $
Gross carrying amount				
Balance at 1 July 2019	-	-	-	-
Additions	**416,523**	**-**	**-**	**416,523**
Transfer - right of use asset	**-**	**609,674**	**88,932**	**698,606**
Balance at 30 June 2020	**416,523**	**609,674**	**88,932**	**1,115,129**
Accumulated depreciation				
Balance at 1 July 2019	-	-	-	-
Depreciation expense	**(98,650)**	**(62,327)**	**(13,450)**	**(174,427)**
Transfer - right of use asset	**-**	**(161,843)**	**(35,280)**	**(197,123)**
Balance at 30 June 2020	**(98,650)**	**(224,170)**	**(48,730)**	**(371,550)**
Net book value				
As at 30 June 2019	-	-	-	-
As at 30 June 2020	**317,873**	**385,504**	**40,202**	**743,579**

Land and buildings consists of the group's rental lease for farm land in Nagambie (remaining term is 29 months, no option to extend is included in valuation). For calculation of the value the group has used a discount rate based on weighted average incremental borrowing rate of 10%.

Plant and equipment consists of the group's rental lease for equipment. For calculation of the value the group has used a discount rate based on weighted average incremental borrowing rate of 10%.

Motor vehicles consists of the group's rental leases for motor vehicles. For calculation of the value the group has used a discount rate based on weighted average incremental borrowing rate of 10%.

13. Trade and other payables

	Consolidated	
	2020 **$**	2019 $
Trade payables	**96,149**	196,157
Other payables	**150,576**	145,396
	246,725	341,553

14. Issued capital

	2020	2019
(a) Issued and paid capital	**$**	$
Ordinary shares fully paid	**27,284,103**	24,123,551

(b) Movements in shares on issue

	Year ended 30 June 2020		Year ended 30 June 2019	
	Number of shares issued	**Issued capital $**	Number of shares issued	Issued capital $
Balance at beginning of the year	**437,407,802**	**24,123,551**	407,085,912	22,091,390
Movements during the year				
Placement of shares				
November 2019 issue price 5.3 cents	**1,132,076**	**60,000**	-	-
March 2020 issue price of 5.0 cents	**50,000,000**	**2,500,000**	-	-
October 2018 issue price 6.2 cents	**-**	**-**	9,677,417	600,000
Share purchase plan				
November 2019 issue price 5.3 cents	**11,392,468**	**603,800**	-	-
October 2018 issue price 6.2 cents	**-**	**-**	16,814,473	1,042,500
Exercise of options at 10.0 cents	**-**	**-**	3,830,000	383,000
Options reserve transfers	**-**	**-**	-	27,410
Share issue expenses	**-**	**(3,248)**	-	(20,749)
Balance at end of the year	**499,932,346**	**27,284,103**	437,407,802	24,123,551

(c) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held.

Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the company. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Share options granted under the employee share option plan

As at 30 June 2020 there were 29,450,000 (2019 19,650,000) options over ordinary shares in respect of the employee share option plan. These options were issued in accordance with the provisions of the employee share option plan to executives and senior employees. Of these options 29,450,000 were vested by 30 June 2020 (2019: 19,650,000).

Share options granted under the employee share option plan carry no rights to dividends and have no voting rights. Further details of the employee share option plan are contained in note 20 to the financial statements.

Other share options on issue

As at 30 June 2020 there were 43,000,000 options over ordinary shares issued to directors (2019:48,000,000). Of these options 43,000,000 were vested by 30 June 2020 (2019: 48,000,000).

The options carry no rights to dividends and have no voting rights. Further details of these options are shown in note 20 to the financial statements.

Shares issued to Mawson Gold Limited

In March 2020 50,000,000 shares were issued to Mawson Gold Limited for $2,500,000. This was part of a strategic alliance whereby Nagambie Resources received 8,500,000 shares in Mawson Gold Limited. Further details are included in the Directors' Report.

(d) Capital management

The group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The group is subject to equipment financing arrangements and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2019 Financial Statements.

15. Reserves

	Consolidated 2020 $	2019 $
Options reserve		
Balance at beginning of the year	**1,828,340**	1,214,896
Recognition of share based payments	**424,337**	662,694
Value of options exercised	**-**	(27,410)
Value of options lapsed	**(147,000)**	(21,840)
Balance at end of the year	**2,105,677**	1,828,340

The options reserve represents the fair value of unvested and vested ordinary shares under options granted to directors, consultants and employees.

	2020 $	2019 $
Asset revaluation reserve		
Balance at beginning of the year	**-**	-
Increase on Equity investments at fair value	**1,236,697**	-
Balance at end of the year	**1,236,697**	-

16. Notes to the statement of cash flows

(a) Reconciliation of loss after tax to net cash flows from operations

	2020 $	2019 $
Net loss for the period	**(876,491)**	(1,485,048)
Depreciation of property, plant and equipment	**205,982**	122,195
Share based payment expense	**424,337**	662,694
Non-cash interest on lease liabilities	**41,104**	-
Impairment of assets	**107,303**	-
Changes in assets and liabilities		
(Increase)/Decrease in receivables	**(8,840)**	96,225
Increase/(Decrease) in creditors	**(53,640)**	23,876
Increase/(Decrease) in employee provisions	**24,862**	(11,627)
Net cash from (used in) operating activities	**(135,383)**	(591,685)

(b) Reconciliation of cash

	2020 $	2019 $
Cash and cash equivalents comprise:		
Cash on hand and at call	**224,057**	224,988
	224,057	224,988

(c) Non-cash investing activity

	2020 $	2019 $
Equity investments acquired by issue of shares	**2,500,000**	-
Equity investments acquired by sale of tenements	**217,412**	-
	2,717,412	-

17. Borrowings

	2020 $	2019 $
Current		
Unsecured convertible notes (i)	**-**	934,000
Loan – Shareholder (ii)	**300,000**	-
	300,000	934,000
Non-current		
Unsecured convertible notes (i)	**4,234,000**	3,100,000
	4,234,000	3,100,000
Total borrowings	**4,534,000**	4,034,000

17. Borrowings (continued)

(i) The Company has four series of unsecured Convertible Notes outstanding for a total of $4,234,000.

Series 5: 3,333,333 Notes issued at 18 cents on 19 September 2016 for a total of $600,000
Series 6: 18,000,000 Notes issued at 10 cents on 17 November 2017 for a total of $1,800,000
Series 7: 7,000,000 Notes issued at 10 cents on 27 February 2019 for a total of $700,000
Series 8: 22,680,000 Notes issued at 5 cents on 19 January 2020 for a total of $1,134,000

Each series of Convertible Note has the following terms:

- Interest is payable at 10% per annum every six months after the issue date;
- Convertible on a 1 for 1 basis into ordinary shares in the company at any time prior to the maturity date at the option of the note holder;
- Redeemable for cash in full after 5 years, if not converted;
- Unsecured but rank ahead of shareholders; and
- Protected for reorganisation events such as bonus issues and share consolidations.

(ii) The Company has a short term unsecured loan from a shareholder. The loan is repayable on 31 October 2020 and bears interest at a rate of 10% per annum.

18. Provisions

	Consolidated	
	2020	2019
	$	$
Current		
Employee benefits	**32,303**	15,523
Non-current		
Employee benefits	**18,927**	10,845
Total provisions	**51,230**	26,368

19. Commitments

(a) Planned exploration expenditure

The amounts detailed below are the minimum expenditure required to maintain ownership of the current tenements held. An obligation may be cancelled if a tenement is surrendered.

Not longer than 1 year	**1,038,640**	1,122,657
Longer than 1 year and not longer than 5 years	**2,038,261**	3,120,858
Longer than 5 years	**-**	-
	3,076,901	4,243,515

(b) Capital expenditure commitments

There were no capital expenditure commitments at 30 June 2020 or 30 June 2019 except for the one noted at 19(d) below.

(c) Operating lease commitments

Not longer than 1 year	**-**	139,071
Longer than 1 year and not longer than 5 years	**-**	371,167
Longer than 5 years	**-**	-
	-	510,238

(d) Property acquisition with deferred settlement

As noted in the 2019 Annual Financial Report the company is in the process of purchasing a farming property in the Nagambie area. The balance due on or before 15 October 2022 will be $1,513,488. The land as an asset and the balance due at settlement as a liability have been brought to account as a Right of use – Land and buildings and the liability as a lease liability in respect of the rental prior to acquisition.

20. Contingent Liabilities

Apart from the matter discussed in Note 9 the group has no contingent liability as at 30 June 2020.

21. Financial instruments

The board of directors is responsible for monitoring and managing the financial risk exposures of the group, to which end it monitors the financial risk management policies and exposures and approves financial transactions and reviews related internal controls within the scope of its authority. The board has determined that the only significant financial risk exposures of the group are liquidity risk and market risk. Other financial risks are not significant to the group due to the following:

- It has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars;
- It has no significant outstanding receivable balances that have a credit risk;
- Its mining operations are in the exploration phase and therefore have no direct exposure to movements in commodity prices;
- All of the interest bearing instruments are held at amortised cost which have fair values that approximate their carrying values since all cash and payables (except for convertible notes refer note 15) have maturity dates within one financial year. Term deposits on environmental bonds and convertible notes have interest rate yields consistent with current market rates;
- All of the financing for the group is from equity and convertible note instruments, and
- The group has no externally imposed capital requirements with the exception of an ASX requirement to not issue more than 25% of its share capital through a placement in a 12-month period.

(a) Categories of financial instruments

	Consolidated	
	2020 $	2019 $
Financial assets		
Cash and cash equivalents	**224,057**	224,988
Receivables	**75,235**	68,477
Equity investments at fair value	**3,954,108**	-
Financial liabilities		
Trade and other payables	**246,725**	341,553
Borrowings	**4,534,000**	4,391,111

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the group's funding and liquidity management requirements. The group manages liquidity risk by maintaining sufficient cash balances to meet obligations as and when they fall due.

The following tables detail the company's and the group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

Consolidated liabilities	**Interest rate**	**Less than 1 month**	**1-3 months**	**3+ months to 1 year**	**1-5 years**	**5+ years**
	%	**$**	**$**	**$**	**$**	**$**
2020						
Trade and other payables		**98,451**	**126,486**	**21,698**	**-**	-
Lease liabilities	**10.0**	**24,010**	**48,020**	**207,319**	**287,092**	
Borrowings	**10.0**	**-**	**-**	**300,000**	**4,234,000**	
		122,461	**174,506**	**529,017**	**4,521,092**	-
2019						
Trade and other payables		202,436	72,565	66,552	-	-
Lease liabilities	10.0	11,283	22,565	101,543	237,512	
Borrowings	10.0	-	65,000	1,272,400	3,920,000	
		213,719	160,130	1,440,495	4,157,512	-

21. Financial instruments (continued)

(c) Market risk

The group is exposed to price risk in relation to equity investments which it holds in Mawson Gold Limited. These shares are listed on the Toronto Stock Exchange and the price will fluctuate. The following table shows the impact of a 50% change in the price of those listed securities.

	Average price increase			Average price decrease		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
Shares in Mawson Gold Limited	+50%	Nil	$1,977,054	-50%	Nil	($1,977,054)

22. Share-based payments

The group has an ownership-based remuneration scheme for executives (including executive directors) of the group. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, executives with the company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the board of directors. Each executive share option converts into one ordinary share of Nagambie Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the board of directors. The options granted expire five years after their issue, or one month after the resignation of the executive, whichever is the earlier. The total of options on issue is 72,450,000 (2019: 67,650,000). Of these 29,450,000 (2019: 28,650,000) have been issued to executives and employees and the balance of 43,000,000 (2019: 39,000,000) have been issued to directors and key management personnel.

Information with respect to the number of all options granted including executive options is as follows.

	30 June 2020		30 June 2019	
	Number of options	**Exercise price**	Number of options	Exercise price
Balance at beginning of period	**67,650,000**		57,600,000	
granted	**14,900,000**	**10 cents**	17,000,000	10.8 - 12.6
exercised	**-**		(3,830,000)	10 cents
lapsed	**(10,100,000)**	**10 cents**	(3,120,000)	10 cents
Balance at end of period	**72,450,000**		67,650,000	

Options on issue at the end of the reporting period

Number of options	Grant date	Vesting date	Expiry date	Exercise price	Fair value at grant date
11,300,000	16/11/2015	16/11/2015	16/11/2020	10 cents	1.00 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents	3.40 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25 cents	3.44 cents
13,750,000	24/11/2017	24/11/2017	24/11/2022	10 cents	2.80 cents
1,000,000	20/12/2017	20/12/2017	20/12/2022	14.1 cents	2.80 cents
4,500,000	22/8/2018	22/8/2018	22/8/2023	12.6 cents	3.90 cents
10,500,000	23/11/2018	23/11/2018	23/11/2023	10.8 cents	3.90 cents
2,000,000	27/2/2019	27/2/2019	27/2/2024	12.0 cents	3.90 cents
14,900,000	29/11/2019	29/11/2019	29/11/2024	10.0 cents	2.85 cents
74,250,000					

(i) Exercised during the financial year
There were no options exercised during the financial year

(ii) Equity-settled employee benefits reserve
The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

(iii) There are no vesting conditions for the above options

22. Share-based payments (continued)

The weighted average fair value of the share options granted during the financial year is 3.90 cents (2019: 2.80 cents). Options were priced using a Binomial option valuation model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years. The options may be exercised early, but not before vesting date.

Inputs into the valuation model			
Grant date	29/11/2019	Option life	5 years
Options Issued	14,900,000	Dividend yield	Nil
Share price at grant date	5.5 cents	Risk free interest rate	0.90%
Exercise price	10.0 cents	Vesting date	29/11/2019
Expected volatility	79.5%		

23. Key Management personnel compensation

	Consolidated	
	2020	2019
	$	$
Short-term employee benefits	**456,230**	433,979
Post-employment benefits	**19,000**	14,250
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payment	**284,700**	467,784
	760,020	916,013

24. Subsidiaries

		Ownership interest	
<u>Name of entity</u>	<u>Country of incorporation</u>	**2020 %**	2019 %
Parent entity			
Nagambie Resources Limited	Australia	-	-
Subsidiaries			
Nagambie Developments Pty Ltd property owning entity	Australia	100	100
Nagambie Landfill Pty Ltd no business activity conducted during the year	Australia	100	100
Clonbinane Goldfield Pty Ltd development of gold and associated minerals	Australia	Nil	100

25. Related party transactions

Transactions with key management personnel and related parties

There were no related party transactions undertaken during the year other than disclosures already identified elsewhere in this report.

26. Segment information

The group operates in one principal geographical area – in Australia. The group carries out exploration for, and development of gold associated minerals and construction materials in the area. During the year the group earned $164,752 (2019 $166,345) of its rental income described in note 4 from the Department of Defence. There was no other major reliance on any other customer.

27. Remuneration of auditors

	Consolidated	
	2020	2019
	$	$
Auditor of the parent entity		
Audit or review of the financial report	**26,900**	**25,962**
Other non-audit services	**-**	**-**
	26,900	**25,962**

The auditor of Nagambie Resources Limited is William Buck

28. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or state of affairs of the Group, in future financial years.

29. Parent entity disclosures

	Parent	
	2020	2019
	$	$
Current assets	**2,276,346**	292,068
Non-current assets	**15,802,280**	13,289,365
Total assets	**18,078,626**	13,581,433
Current liabilities	**877,304**	328,615
Non-current liabilities	**4,521,092**	4,391,111
Total liabilities	**5,398,396**	4,719,726
Issued capital	**27,254,003**	24,123,551
Options reserve	**2,105,677**	1,828,340
Accumulated losses	**(17,916,147)**	(17,090,184)
Asset revaluation reserve	**1,236,697**	-
Total equity	**12,680,230**	8,861,707
Loss	**(867,067)**	(1,486,574)
Total comprehensive income	**369,630**	(1,486,574)

There were no contingent liabilities and commitments of the parent entity not otherwise disclosed in the consolidated financial statements

Directors' Declaration

In the Directors opinion:

(a) The financial statements and notes are 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 performance for the year ended on that date; with Accounting Standards, the Corporations Regulations 2001 and other mandatory, professional reporting requirements; and
   (ii) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory, professional reporting requirements.

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) At the date of this declaration there are reasonable grounds to believe that the members of the group are able to meet their obligations as and when they become due and payable.

Note 2 confirms that the financial statements also comply with International Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations required by s.295A of the *Corporations Act 2001*

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

On behalf of the directors

Michael W Trumbull
Executive Chairman

Melbourne
28 September 2020

Nagambie Resources Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of Nagambie Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other 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, except for the matters described below in the Basis for Qualified 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 Qualified Opinion

Fair valuation of the debt component of convertible notes upon initial recognition

As disclosed in Note 17 to the financial statements in the current and prior year, the Company has raised $3,634,000 from investors through the issue of Series 6, Series 7 and Series 8 unsecured convertible notes. All tranches of unsecured convertible notes have a coupon interest rate of 10% per annum and include an equity conversion feature, entitling the noteholder to convert the principal value of each note into ordinary shares at 10 cents per share for Series 6 and Series 7, and 5 cents per share for Series 8. AASB 132 *Financial Instruments: Presentation* requires that the debt component of such convertible notes, with fixed conversion formulae, be valued at fair value upon initial recognition (the date upon which the Company and the convertible noteholder became party to contract), with any difference between the face value of those notes and the fair value of the debt component recognised in equity.

The directors of the Company believe there is no reliable basis for measuring at fair value the debt component at initial recognition, principally upon the basis that there is no readily accessible market for unsecured debt with no equity conversion rights for exploration enterprises with similar market capitalisation levels either in Australia or any other foreign jurisdiction, upon which it could benchmark a reliable discount rate to fair value the debt. Upon that basis, they have assessed the fair value of the debt component to equal the face value of the convertible notes for both tranches of convertible notes.

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Notwithstanding this, we consider that a market value for the debt component of such convertible notes can be imputed from other like-for-like Australian-based listed exploration companies, principally due to the growth in popularity of convertible notes as a mechanism for obtaining finance in recent years. Our view is that the depth of the active market has become sufficient for our basis of opinion around the time that the Series 6 notes were issued. Based upon our analysis, we believe that 25% would be an appropriate discount rate for Series 6 and Series 7 and a 20% discount rate for Series 8 to apply in calculating the fair value of the debt component of convertible notes at initial recognition.

Based upon this key assumption, had such a discount been applied against the three tranches of convertible notes which were issued during the current and prior years, the following adjustments would be required to these financial statements as at 30 June 2020:

Series 6

— Convertible notes held at $1,800,000 in the statement of financial position would be restated to $1,368,929;

— An equity reserve would be created, worth $691,837, representing the difference between the face value and fair value of the Convertible Note at initial recognition; and

— An additional interest charge of $260,766, representing the proportionate unwind of the discount applied to the convertible notes from initial recognition through to 30 June 2020.

Series 7

— Convertible notes held at $700,000 in the statement of financial position would be restated to $503,615;

— An equity reserve would be created, worth $269,048, representing the difference between the face value and fair value of the Convertible Note at initial recognition; and

— An additional interest charge of $72,663, representing the proportionate unwind of the discount applied to the convertible notes from initial recognition through to 30 June 2020

Series 8

— Convertible notes held at $1,134,000 in the statement of financial position would be restated to $811,049;

— An equity reserve would be created, worth $322,951, representing the difference between the face value and fair value of the Convertible Note at initial recognition; and

— An additional interest charge of $67,587, representing the proportionate unwind of the discount applied to the convertible notes from initial recognition through to 30 June 2020.

Other matters relevant to the Basis for Qualified 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 confirm that the independence declaration required by the *Corporations Act 2001*, has been provided on the date of this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

CARRYING VALUE OF EXPLORATION AND EVALUATION ASSETS	
Area of focus **Refer also to notes 2 and 10**	**How our audit addressed it**
The Group has incurred exploration and evaluation costs for exploration projects in Victoria over a number of years. The Group holds the right to explore and evaluate those projects through tenement and licence agreements. There is a risk that the Group may lose its right to further explore and evaluate those areas of interest and therefore amounts capitalized to the statement of financial position from the current and historical periods be no longer recoverable.	Our audit procedures included: — Understanding and vouching the underlying contractual entitlement to explore and evaluate each area of interest, including an evaluation of the requirement to renew that tenement at its expiry; — Examining project spend per each area of interest and comparing this spend to the minimum expenditure requirements set out in the underlying tenement expenditure plan; — Examining project spend to each area of interest to ensure that it is directly attributable to that area of interest; — For areas of interest that were disposed of during the year we have obtained the sale documentation to verifiy that the disposal has been accounted for correctly;and — From an overall perspective, comparing the market capitalisation of the Group to the net carrying value of its assets on the statement of financial position to identify any other additional indicators of impairment. We also assessed the adequacy of the Group's disclosures in respect of exploration and evaluation assets in the financial report.

SHARE BASED PAYMENTS	
Area of focus **Refer also to notes 2, 15, 22 and the Remuneration Report**	**How our audit addressed it**
The Group rewards its key management personnel and employees through ownership-based incentive scheme through the granting and issuing of options. These are share-based payments which are charged to the profit or loss as they vest. These options had no performance hurdles or service conditions attached to their vesting, hence they vested immediately upon grant and issue. There were significant subjectivities relating to the accounting for these options in this financial report, including: — The determination of the grant date for the options and their vesting period for identifying the appropriate share price used in the formula for calculating the value of the option; — Determining the volatility rate used in pricing the options and the selection and use of the Binomial model in computing the value of those options; and — Reflecting the vested benefit attributed to key management personnel in disclosures in the financial report and in the Remuneration Report. The Group commissioned the use of an independent expert during the year to appraise the fair value of the options which were granted and issued.	Our audit procedures included: — Determining the grant dates, and evaluating what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements; — Evaluating the fair values of share-based payment arrangements by reviewing the independent experts report; — Evaluating the vesting of the share-based payments; — For the specific application of the option pricing model, we assessed the experience of the external expert used to advise the value of the arrangement to management. We retested some of the key assumptions used in the model; and — We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms. We also assessed the adequacy of the Group's disclosures in respect of share based payments in the financial report.

TRANSACTION WITH MAWSON GOLD LIMITED	
Area of focus **Refer also to notes 2, 8 and 15**	**How our audit addressed it**
During the year the Group entered a strageic partnership with Mawson Gold Limited ("Mawson"). Under the terms of the transaction Mawson acquired a 10% shareholding in the Group. In consideration the Group received 8.5 million shares in Mawson. Acccounting for this transaction in complex in nature under the requirements of *AASB 9 – financial instruments* and therefore has been disclosed as a key audit matter.	Our audit procedures included: — Examining the contractual arrangement between Mawson and the Group; — Verifying that the Group has accounted for the transaction in accordance with *AASB 9 – Financial Instruments* at initial recognition; and — Assessing the value of the Mawson investment as at 30 June 2020 has been valued in accordance with *AASB 13 – Fair Value Measurement,* including the measurement hierarchy. We also assessed the adequacy of the Group's disclosures in respect of share based payments in the financial report.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Nagambie Resources Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

A. A. Finnis
Director

Melbourne, 28 September 2020