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DUKETON MINING LTD

ABN 76 159 084 107

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2019

This interim financial report does not include all the notes of the type normally included in an annual financial report. This report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Duketon Mining Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DUKETON MINING LTD

31 DECEMBER 2019

Contents	Page
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	5
STATEMENT OF COMPREHENSIVE INCOME	6
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF CHANGES IN EQUITY	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10
DIRECTORS' DECLARATION	14
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS	15

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DUKETON MINING LTD

31 DECEMBER 2019

DIRECTORS' REPORT

Your directors are pleased to present their report on Duketon Mining Ltd for the half-year ended 31 December 2019.

DIRECTORS

The names of the directors who held office during or since the end of the period are:

Seamus Cornelius

Stuart Fogarty

Heath Hellewell

REVIEW AND RESULTS OF OPERATIONS

A summary of revenues and results for the period is set out below:

	2019	
	Revenues \$	Results \$
Duketon Mining Ltd	20,096,128	18,325,186

Corporate and Operating Review

During the half-year ended 31 December 2019, the Company entered into and completed a binding Sale Agreement with Regis Resources Limited ("Regis") to sell a package of tenements from the Duketon Project for a total cash consideration of \$25 million ("Transaction").

Under the terms of the agreement the Company has retained 100% ownership of mining licence M38/1252, which contains 71,000 tonnes of nickel metal in JORC compliant resources, and the rights to nickel (and other metals occurring where nickel is the dominant metal by value) over five of the Sale Tenements (being E38/2866, E38/2805, E38/2916, E38/2834 and E38/2666) pursuant to a Nickel Rights Deed entered into between Duketon and Regis.

In the Company's view, the nickel rights area retained is the most prospective tenure for the discovery of nickel sulphides and is underpinned by the existing 71,000t of nickel metal already delineated in the two resources at Rosie and C2 on M38/1252. Duketon granted Regis the gold rights over tenement M38/1252 under a Gold Rights Deed.

The purchase price consisted of:

1. Closing consideration – \$20 million in cash.
2. Mineral resource contingent payment – \$2.5m in cash payable on the first occasion that Regis announces to the ASX mineral resources totalling more than 250,000 ounces of gold (Measured, Indicated or Inferred) on one or more of the Sale Tenements.
3. Gold production contingent payment – \$2.5m in cash payable on the first to occur of the following:
 - a. first commercial gold production within the Sale Tenements (and not being an extension into the Tenements of Regis' existing mining operation at Petra); or
 - b. in the case of an extension into the Sale Tenements of Regis' existing mining operation at Petra, the mining of greater than 5,000 ounces of gold from the Sale Tenements.

The completion of this Transaction allows the Company to focus its efforts on maximising value from known nickel resources. Duketon is well positioned to extract value from its highly prospective nickel tenure, while also providing the opportunity to acquire new projects specific to gold, nickel and copper.

DUKETON MINING LTD

31 DECEMBER 2019

DIRECTORS' REPORT (continued)

Review

The Company recorded a net profit after tax of \$18,325,186 for the 6 months ended 31 December 2019 following the sale of the gold tenement package to Regis for proceeds of \$20,000,000. Included in the profit for the half-year was exploration expenditure of \$826,233. In line with the Company's accounting policies, all exploration expenditure is expensed as incurred. The Company had total cash on hand at the end of the period of \$20,875,888, and listed equity investments with a market value of \$945,189.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of directors.



Stuart Fogarty
Managing Director
Perth, 11 March 2020

*R*OTHSA Y

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The Directors
Duketon Mining Ltd
45 Richardson St
West Perth WA 6005

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2019 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Rolf Garda FCA (Lead auditor)



Rothsay Auditing

Dated 11 March 2020



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DUKETON MINING LTD

31 DECEMBER 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 \$	2018 \$
REVENUE			
Interest		96,128	46,819
Profit on sale of tenements		20,000,000	-
EXPENDITURE			
Administration and corporate expenses		(211,334)	(138,184)
Depreciation expense		(13,787)	(10,334)
Employee benefits expense		(252,817)	(90,272)
Exploration expenses		(826,234)	(1,681,536)
Fair value losses on financial assets at fair value through profit or loss		(276,010)	(161,892)
Share-based payments expense		(190,760)	(112,400)
PROFIT/(LOSS) BEFORE INCOME TAX		18,325,186	(2,147,799)
Income tax (expense)/benefit	3	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF DUKETON MINING LTD		18,325,186	(2,147,799)
Basic and diluted earnings/(loss) per share		15.5	(1.8)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

DUKETON MINING LTD

31 DECEMBER 2019

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Notes	31 December 2019 \$	30 June 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		20,875,888	2,085,199
Trade and other receivables		85,532	50,444
Financial assets at fair value through profit or loss	4	945,189	1,221,199
TOTAL CURRENT ASSETS		21,906,609	3,356,842
NON-CURRENT ASSETS			
Plant and equipment		84,162	46,786
TOTAL NON-CURRENT ASSETS		84,162	46,786
TOTAL ASSETS		21,990,771	3,403,628
CURRENT LIABILITIES			
Trade and other payables		154,151	121,635
Employee benefit obligations		69,282	62,045
TOTAL CURRENT LIABILITIES		223,433	183,680
NON-CURRENT LIABILITIES			
Employee benefit obligations		16,251	10,057
TOTAL NON-CURRENT LIABILITIES		16,251	10,057
TOTAL LIABILITIES		239,684	193,737
NET ASSETS		21,751,087	3,209,891
EQUITY			
Issued capital	5	22,964,815	22,920,030
Reserves		1,079,295	908,070
Accumulated losses		(2,293,023)	(20,618,209)
TOTAL EQUITY		21,751,087	3,209,891

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

DUKETON MINING LTD

31 DECEMBER 2019

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

	Notes	Contributed Equity \$	Share-Based Payments Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2018		22,900,030	1,163,425	(18,095,668)	5,967,787
Loss for the period		-	-	(2,147,799)	(2,147,799)
TOTAL COMPREHENSIVE LOSS		-	-	(2,147,799)	(2,147,799)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Employee options		-	112,400	-	112,400
BALANCE AT 31 DECEMBER 2018		22,900,030	1,275,825	(20,243,467)	3,932,388
BALANCE AT 1 JULY 2019		22,920,030	908,070	(20,618,209)	3,209,891
Profit for the period		-	-	18,325,186	18,325,186
TOTAL COMPREHENSIVE INCOME		-	-	18,325,186	18,325,186
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	5	44,785	-	-	44,785
Employee options	5	-	171,225	-	171,225
BALANCE AT 31 DECEMBER 2019		22,964,815	1,079,295	(2,293,023)	21,751,087

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

DUKETON MINING LTD**31 DECEMBER 2019****STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments for exploration expenditure	(837,609)	(1,818,238)
Payments for administration and other expenses	(419,422)	(255,644)
Interest received	74,065	56,912
Proceeds from sale of tenements	20,000,000	-
Net cash inflow/(outflow) from operating activities	18,817,034	(2,016,970)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(51,163)	(22,864)
Net cash outflow from investing activities	(51,163)	(22,864)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for small parcel round-up	(432)	-
Proceeds on the issue of shares	25,250	-
Net cash inflow from financing activities	24,818	-
Net increase/(decrease) in cash and cash equivalents	18,790,689	(2,039,834)
Cash and cash equivalents at the beginning of the half-year	2,085,199	5,083,699
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	20,875,888	3,043,865

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Duketon Mining Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated.

New and amended standards adopted by the Company

In the half-year ended 31 December 2019, the Company has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

- AASB 16 *Leases*; and
- Interpretation 23 *Uncertainty over Income Tax Treatments*.

AASB 16 Leases

The Company has adopted AASB 16 *Leases* from 1 July 2019 which has resulted in changes in the classification, measurement and recognition of leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (lease payments) and removes the former distinction between 'operating' and 'finance' leases. The exceptions are short-term leases and leases of low value assets.

In applying AASB 16 for the first time, as permitted by the standard, the Company has elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered before the transition date the Company relied on its assessment made applying AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

The Company is party to one lease agreement for the office premises for a fixed period of 12 months commencing 1 July 2019. Under AASB 16 this lease is classified as a short-term lease defined as a lease with a lease term of 12 months or less. Payments associated with this short-term lease are recognised on a straight-line basis as an expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

Impact of standards issued but not yet applied by the Company

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

Critical accounting estimates and judgements

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. In preparing this half-year financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2019.

NOTE 2: SEGMENT INFORMATION

Industry and geographical segment

The Company operates in one segment, being the mining exploration segment in Australia.

In determining operating segments, the Company has had regard to the information and reports the chief operating decision maker uses to make strategic decisions regarding resources. The Managing Director is considered to be the chief operating decision maker and is empowered by the Board of Directors to allocate resources and assess the performance of the Company.

NOTE 3: INCOME TAX

Management estimate the effective annual income tax rate for the full financial year to be nil due to there being sufficient previously unrecognised carried forward tax losses to offset the estimated taxable income.

NOTE 4: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019	30 June 2019
	\$	\$
Australian listed equity securities	945,189	1,221,199

The market value of all equity investments represents the fair value based on quoted prices on active markets (primarily ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

Due to their short-term nature, the carrying amounts of current receivables and current payables is assumed to approximate their fair value.

DUKETON MINING LTD

31 DECEMBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5: EQUITY SECURITIES ISSUED

	2019 Shares	2019 \$	2018 Shares	2018 \$
As at 1 July	118,016,281	22,920,030	117,849,615	22,900,030
Issues of ordinary shares during the half-year				
Issued upon exercise of \$0.202 options	125,000	25,250	-	-
Issued as part of employee remuneration ⁽¹⁾	93,023	19,535	-	-
As at 31 December	118,234,304	22,964,815	117,849,615	22,900,030

(1) On 27 September 2019 the Company issued 93,023 ordinary shares to an employee as a reward and incentive. The closing price of \$0.21 on the date of issue was the grant date fair value of the shares issued.

	Number of options	
	2019	2018
As at 1 July	24,800,000	38,100,000
Movements of options during the half-year		
Options exercised at \$0.202, expiring 18 November 2019	(125,000)	-
Options expired on 18 November 2019, exercisable at \$0.202	(2,125,000)	-
Options expired on 1 August 2019, exercisable at \$0.20	(15,000,000)	-
Options issued, exercisable at \$0.214, expiring 28 November 2024	2,250,000	-
Options issued, exercisable at \$0.20, expiring 28 November 2023	-	2,000,000
As at 31 December	9,800,000	40,100,000

During the 2019 half-year, 2,250,000 options with an exercise price of \$0.214 and expiring on 28 November 2024 were issued to the Directors and Company Secretary after approval at the 2019 annual general meeting. These options vested on the date of issue. The fair value of the options granted during the half-year was 7.6 cents for a total expense of \$171,225. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2019
Exercise price (cents)	21.4
Life of the options (years)	5.0
Underlying share price (cents)	19.0
Expected share price volatility	50%
Risk free interest rate	0.74%

NOTE 6: CONTINGENCIES

There has been no material change in contingent liabilities or contingent assets since the last annual reporting date.

DUKETON MINING LTD

31 DECEMBER 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 7: SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2019, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

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DUKETON MINING LTD

31 DECEMBER 2019

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Duketon Mining Ltd will be able to pay its debts as and when they become due and payable.

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



Stuart Fogarty
Managing Director
Perth, 11 March 2020

Independent Review Report to the Members of Duketon Mining Ltd

The financial report and directors' responsibility

The interim financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Duketon Mining Ltd for the period ended 31 December 2019.

The Company's directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

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

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Duketon Mining Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the financial position as at 31 December 2019 and of the performance for the period ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Rothsay Auditing



Rolf Garda FCA
Partner

Dated // March 2020

