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ABN 62 610 855 064

Interim Financial Report  
For the half year ended 31 December 2019

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# Corporate directory

## Directors

Peter Bowler	Independent Non-Executive Director, Chairman
Greg Barrett	Independent Non-Executive Director
Paul Payne	Independent Non-Executive Director
Rob Watkins	Managing Director

## Company Secretary

Ben Larkin

## Corporate Details

Carnaby Resources Limited (ABN 62 610 855 064)

Issued capital 95,983,332 ordinary shares

## Registered Office

78 Churchill Avenue

Subiaco, WA 6008

Telephone: +61 8 9429 0800

Internet: [www.carnabyresources.com.au](http://www.carnabyresources.com.au)

## Share Registry

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452 Johnston Street

Abbotsford, VIC 3067

Telephone: +61 3 9415 5000

## Stock Exchange Listing

ASX Ltd

ASX code: CNB

## Auditor

Grant Thornton Audit Pty Ltd

Level 43

153 – 158 St Georges Terrace

Perth, WA 6000

Telephone: +61 8 9480 2000

# Directors' Report

## For the six months ended 31 December 2019

The directors present their report together with the consolidated interim financial statements of the Carnaby Resources Limited (the "Company" or "Carnaby") Group, being the Company and its subsidiaries, for the six months ended 31 December 2019 (the "period") and the auditor's review report thereon.

### Directors

The directors of the Company at any time during or since the end of the period are as set out below. Directors were in office for the entire period unless otherwise stated.

Mr Peter Bowler	Independent Non-Executive Director, Chairman
Mr Robert Watkins	Managing Director
Mr Greg Barrett	Independent Non-Executive Director (appointed 12 March 2020)
Mr Paul Payne	Independent Non-Executive Director
Mr Neil Inwood	Independent Non-Executive Director (resigned 15 August 2019)
Mr Justin Tremain	Independent Non-Executive Director (resigned 12 March 2020)

### Financial performance

The Company's net loss after tax attributable to the shareholders for the half year to 31 December 2019 was \$2,185,300 (31 December 2018 loss: \$467,696). The Company's net assets decreased by \$2,040,338 (31 December 2018 decreased: \$394,462). The Company's cash position as at 31 December 2019 was \$1,936,612 (31 December 2018: \$3,273,042).

### Review of operations

During the period, the Company continued its exploration efforts, with a primary focus on the Tick Hill Project. Subsequent to the end of the period, the Company announced an increase in the Tick Hill Project Mineral Resources to total of 838,000 t @ 2.41 g/t gold for 65,000 ounces (refer ASX announcement 29 January 2020).

Following the announcement on 29 January 2020, the Company released the results of a positive Scoping contemplating a mining and toll treatment operation over a 12 month period processing Mineral Resources of 348,000 t @ 2.47 g/t to recover approximately 25,000 ounces of gold at an All-In Sustaining Cost ('AISC') of A\$1,247 per ounce, which incorporated an update of the Tick Hill Project Mineral Resources to total of 723,000 t @ 2.47 g/t gold for 66,400 ounces (refer Table 1 and ASX announcement 11 March 2020).

### Tick Hill Project, Queensland

#### Tick Hill Project Mineral Resources Update

On 29 January 2020, the Company announced a Mineral Resource estimation in relation to the Tick Hill Main Lode and Tick Hill Hangingwall Lode, resulting in an increase in total Mineral Resources of 43,200 gold ounces, which was subsequently updated on 11 March 2020 resulting in a revised increase in total Mineral Resources of 44,600 gold ounces. This is in addition to the pre-existing Tailings Dam East and West Paddock Mineral Resources of 21,800 gold ounces.

Tick Hill	Indicated			Inferred			Total		
	tonnes	g/t	ounces	tonnes	g/t	ounces	tonnes	g/t	ounces
Tick Hill Main Lode	61,000	6.90	13,400	92,000	7.31	21,700	153,000	7.15	35,100
Tick Hill Hanginwall Lode	32,000	4.40	4,500	21,000	7.07	4,900	53,000	5.46	9,400
<b>Tick Hill Deposit Total</b>	<b>93,000</b>	<b>6.04</b>	<b>18,000</b>	<b>114,000</b>	<b>7.27</b>	<b>26,600</b>	<b>207,000</b>	<b>6.71</b>	<b>44,600</b>
Tailings Dam West Paddock	345,000	0.80	8,800				345,000	0.80	8,800
Tailings Dam East Paddock	285,000	1.42	13,000				285,000	1.42	13,000
<b>Tailings Dam Total</b>	<b>630,000</b>	<b>1.08</b>	<b>21,800</b>				<b>630,000</b>	<b>1.08</b>	<b>21,800</b>
<b>Tick Hill Total</b>	<b>723,000</b>	<b>1.72</b>	<b>39,800</b>	<b>114,000</b>	<b>7.27</b>	<b>26,600</b>	<b>837,000</b>	<b>2.47</b>	<b>66,400</b>

Table 1 | January 2020 Updated Tick Hill Mineral Resource Estimate (0.5 g/t Au cut off)

# Directors' Report

## *Tick Hill Project resource definition*

### *Main Lode*

Tick Hill was mined in the early 1990's, where the bulk of the historical 511,000 ounces @ 22 g/t gold production was mined from the Main Lode. The remaining Main Lode, located beneath the historical open pit, has not been mined historically from underground, even though underground development is in close proximity. Drilling was conducted during the period targeting the Main Lode. Drill results included (refer ASX announcement 1 October and 26 November 2019):

- CBC005 1 m @ 41.9 g/t gold from 98 m within 6 m @ 8.5 g/t gold from 94 m;
- CBC024 1 m @ 25.7 g/t gold within 3 m @ 9.78 g/t gold from 80 m; and
- CBD023 1 m @ 4.8 g/t gold within 3 m @ 2.9 g/t gold from 88 m.

These results have confirmed the unmined Main Lode positions below the open pit and adjacent to existing underground development and also confirmed that several historical drill results remain in place below the open pit allowing them to be used in the Mineral Resource estimate;

- U8401 1 m @ 94.6 g/t gold within 12 m @ 9.1 g/t gold;
- U8503 3 m @ 16.9 g/t gold within 7 m @ 7.6 g/t gold;
- TH047RD 1 m @ 207.8 g/t gold within 2 m @ 104.1 g/t gold;
- U8703 1 m @ 16.8 g/t gold within 23 m @ 2.1 g/t gold;
- U8701 14 m @ 7.47 g/t gold including 5 m @ 18.7 g/t gold;
- TH002D 4 m @ 6.18 g/t gold; and
- U8402 5 m @ 1.46 g/t gold and 6 m @ 2.32 g/t gold.

### *Hangingwall Lode*

The Tick Hill Hangingwall Lode is an ancillary lode, sub-parallel to the Main Lode. The Hangingwall Lode is located approximately 5 m to 15 m away from the Main Lode stoped areas.

Drill hole CBC003 was drilled during the period to test the southern position of the Hangingwall Lode and intersected 1 m @ 34.5 g/t gold from 99 m within 2 m @ 17.9 g/t gold from 99 m (refer ASX announcement 1 October 2019). The result has confirmed the presence of unmined high-grade gold mineralisation associated with the Hangingwall Lode. Additional historical drill results from the Hangingwall Lode, which have been used in the Mineral Resource estimate include:

- U9001 2 m @ 15.4 g/t gold;
- U9005 1 m @ 92.0 g/t gold;
- TH007RD 1.5 m @ 70.5 g/t gold; and
- TH085RD 2 m @ 10.1 g/t gold.

### *Historical workings*

Additional shallow resource definition drilling was completed on historical waste dump, ROM pad and tailings dam areas. New results, which have not been included in the updated Tick Hill Mineral Resource and are expected to add incremental ounces to the growing resource base, include (refer ASX announcement 31 January 2020):

- THRP007 2 m @ 7.15 g/t gold from surface including 1 m @ 12.8 g/t gold from surface;
- THRP008 1 m @ 1.24 g/t gold from surface;
- THRP006 1 m @ 1.58 g/t gold from surface;
- CBC028 6 m @ 1.40 g/t gold from 1.5 m including 3 m @ 2.31 g/t gold from 4 m;
- CBC029 6 m @ 1.72 g/t gold from 1.5 m including 2 m @ 3.00 g/t gold from 3.5 m;
- CBC030 7 m @ 1.25 g/t gold from 2 m;
- THWD007 6 m @ 0.64 g/t gold from 3 m including 2 m @ 1.1 g/t gold from 6 m; and
- THWD009 1 m @ 2.58 g/t gold from 1 m and 1 m @ 1.0 g/t gold from 9 m.

## *Tick Hill Project Scoping Study*

Subsequent to the end of the period, the Company released a Scoping Study contemplating re-commencing mining operations at Tick Hill. The key findings of the Scoping Study were:

- A 3 month pre-production site establishment period;
- Contract mining and toll treatment operation over a 12 month period processing Mineral Resources of 348,000 t @ 2.47 g/t producing positive project economics;
- Produced gold of 25,000 ounces, at a life of mine recovery of 91%;

# Directors' Report

- All-In Sustaining Cost ('AISC') of \$31,438,000 (\$1,247 per ounce);
- Capital costs of \$295,000, inclusive of a 15% contingency (\$12 per ounce);
- An initial re-processing project of the East Paddock tailings stockpile of 285,000 t @ 1.42 g/t for 13,000 ounces, to provide a low risk project start up with minimal pre-production capital requirement and providing immediate cash flow; and
- Following the commencement of the re-processing of the tailings, an optimised open pit cutback of the Tick Hill open pit would commence, to mine an open pit containing a Mineral Resource of 63,000 t @ 7.24 g/t gold for 14,600 ounces.

Further details regarding the Scoping Study can be found in the Company's ASX announcement dated 11 March 2020.

## ***Tick Hill Project near mine exploration***

Drilling targeting the potential fault offset / repetition of the Tick Hill orebody within the near mine area was undertaken during the period. Wide spaced step out exploration drilling has to date intersected gold anomalism and host rocks consistent with the expected tenor of gold anomalism on the edge of a Tick Hill type orebody (refer ASX announcement 26 November 2019). New insights from the completed drilling highlight the Tick Hill North target as a potential repetition site of the Tick Hill orebody which is truncated at only 235 m below surface.

### ***Tick Hill North***

The newly identified North West Fault Corridor is flanked by 2 major NW faults that bound the southern and northern edges of the Tick Hill deposit. The Truncator Fault abruptly terminates the Tick Hill orebody at only 235 m below surface, whilst the Lidar Fault abruptly terminates the northern end of the deposit. Steeply dipping EW faults that bound the Tick Hill orebody are interpreted to have propagated off these faults.

The Tick Hill North target area immediately below the Lidar Fault represents a potential repetition site of Tick Hill where steeply dipping EW faulting is propagating off the Truncator fault.

The last hole drilled in the 2019 program CBD027 intersected a highly encouraging 10 m wide zone of extremely altered Lodestone in the same stratigraphic position and 250 m north of where the Tick Hill orebody is truncated. Hole CBD027 hole trace lifted during drilling and intersected the target horizon significantly higher than planned. While no significant gold results were received from CBD027, the presence of a thick Lodestone unit (host rock of the Tick Hill orebody) is considered to be significant.

Drill spacing at Tick Hill North in the target area below the Lidar Fault remains sparsely tested with the closest hole being 150 m away which is far greater than the average strike length of the Tick Hill orebody which averages only 80 m strike. Tick Hill style gold mineralisation is characterised by an extremely limited dispersion halo of only a few meters and therefore can be easily missed by even closed spaced drilling.

Detailed structural and lithological analysis and an updated 3D geological model utilising the new drilling information will be completed in Q1 2020, prior to undertaking further drilling.

## ***Mount Birnie Project exploration***

Mount Birnie located 4 km NW of the historical Tick Hill Mine and is interpreted to be in the same NW IOCG corridor as Tick Hill that remains open down plunge and along strike. Drilling during the period at Mount Birnie returned the following results (refer ASX announcements 1 August 2019 and 31 January 2020):

- MBC006 3 m @ 9.3% copper and 1.0 g/t gold and 2 m @ 9.5% copper within an envelope of 17 m @ 3.1% copper from 84 m;
- MBC001 6 m @ 1.1% copper from 28 m;
- MBC002 6 m @ 4.4% copper and 0.5 g/t gold within 15 m @ 2.1% copper from 24 m;
- MBC004 8 m @ 1.8% copper from 20 m within 21 m @ 0.9% copper from 13 m;
- MBC011 1 m @ 4.1% copper and 1.3 g/t gold within 6 m @ 1.4% copper from 134 m; and
- MBD009 95 m @ 0.24% Copper, 0.03 g/t gold from 59 m including 5 m @ 0.88% Copper from 64 m including 1 m @ 2.03% Copper and including 4 m @ 0.82% Copper from 145m and 1 m @ 0.5% Copper from 320 m and 1 m @ 0.8% Copper from 282 m.

Additional exploration activities during the period included downhole EM on MBD009, identifying an off hole conductor located approximately 60 m to the northeast and 150 m north of the Mount Birnie workings. A small program of Fixed Loop EM was also completed, highlighting a subtle anomaly SW of Mount Birnie.

# Directors' Report

## *Tick Hill Regional exploration*

Newly identified regional targets including Mount Question, 4 km SE of Tick Hill have been identified as high priority targets for follow up exploration and will form part of a broader regional exploration program at the Tick Hill Project in 2020.

## **Western Australian Projects**

### *Malmac and Throssel*

The Malmac and Throssel projects cover 972 km<sup>2</sup> of exploration tenements and applications in Western Australia. The package is prospective for orogenic gold, sedimentary exhalative (SEDEX) and volcanogenic massive sulphide (VHMS) base metals deposits, and nickel and platinum group elements (PGE's).

First pass exploration programs of surface geochemical sampling and mapping will be completed in the first half of 2020.

## **Scandinavian Projects**

Following a strategic review of the Company's Scandinavian projects, the Company has relinquished several exploration permits in Norway and Sweden, while retaining Lainejaur (refer below). Divestment of the remaining Scandinavian projects is being sought to allow the Company to focus on its Australian projects.

### *Lainejaur*

The Company has retained permits related to the Lainejaur Nickel-Cobalt Project, which contains a nickel, copper and cobalt Inferred Mineral Resource (refer Table 2 and ASX announcement 12 February 2018).

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

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

## **Subsequent events**

On 12 March 2020, Mr Justin Tremain resigned as a director and Mr Greg Barrett was appointed as a director of the Company.

Other than as disclosed in this Directors' Report, there have been no other events subsequent to balance date which would have a material effect on the Group's interim financial report.

## **Lead auditor's independence declaration**

The Lead auditor's independence declaration is set out on page 22 and forms part of the directors' report for the six months ended 31 December 2019.

This report is made with a resolution of the directors:



Rob Watkins

Managing Director

Dated at Perth, this 12<sup>th</sup> day of March 2020

# Competent persons and cautionary statements

## Competent Persons Statement

The information in this document that relates to the Tick Deposit Mineral Resources is based upon information compiled by Mr Paul Tan. Mr Tan is a full time employee and security holder of the Company and a Member of the AUSIMM. Mr Tan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Tan consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears.

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

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

## Disclaimer

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

## Forward looking statements

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

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

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



# Consolidated interim financial statements

## Consolidated interim statement of financial position

As at 31 December 2019

	<i>Note</i>	Dec 2019 \$	Jun 2019 \$
<b>Assets</b>			
Cash and cash equivalents		1,936,612	4,041,363
Restricted cash	6	388,000	15,000
Prepayments		103,822	42,210
Trade and other receivables		77,479	116,081
<b>Total current assets</b>		<b>2,505,913</b>	<b>4,214,654</b>
Exploration and evaluation assets	7	4,127,129	4,081,025
Property, plant and equipment	8	26,587	21,489
Right of use assets	10	43,933	-
<b>Total non-current assets</b>		<b>4,197,649</b>	<b>4,102,514</b>
<b>Total assets</b>		<b>6,703,562</b>	<b>8,317,168</b>
<b>Liabilities</b>			
Trade and other payables	9	508,557	173,771
Lease liabilities	10	25,511	-
<b>Total current liabilities</b>		<b>534,068</b>	<b>173,771</b>
Lease liabilities	10	20,331	-
Provisions		382,948	336,844
<b>Total non-current liabilities</b>		<b>403,279</b>	<b>336,844</b>
<b>Total liabilities</b>		<b>937,347</b>	<b>510,615</b>
<b>Net assets</b>		<b>5,766,215</b>	<b>7,806,553</b>
<b>Equity</b>			
Share capital		11,885,025	11,885,025
Reserves		2,014,753	1,869,791
Accumulated losses		(8,133,563)	(5,948,263)
<b>Total equity</b>		<b>5,766,215</b>	<b>7,806,553</b>

The notes on pages 13 to 18 are an integral part of these consolidated interim financial statements.

# Consolidated interim financial statements

## Consolidated interim statement of profit or loss and other comprehensive income

For the six months ended 31 December 2019

	Note	Dec 2019 \$	Dec 2018 \$
Interest received		21,400	40,690
Administrative expenses		(402,256)	(431,704)
Project exploration and evaluation expenses		(1,800,739)	(75,617)
<b>Results from operating activities</b>		<b>(2,181,595)</b>	<b>(466,631)</b>
Finance expense		(3,705)	(1,065)
<b>Net finance expense</b>		<b>(3,705)</b>	<b>(1,065)</b>
<b>Loss for the period before income tax</b>		<b>(2,185,300)</b>	<b>(467,696)</b>
Income tax benefit/(expense)		-	-
<b>Loss for the period after income tax</b>		<b>(2,185,300)</b>	<b>(467,696)</b>
<b>Other comprehensive profit/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences for foreign operations		-	(143)
<b>Other comprehensive loss for the period net of tax</b>		<b>-</b>	<b>(143)</b>
<b>Total comprehensive loss for the year</b>		<b>(2,185,300)</b>	<b>(467,839)</b>
<b>Earnings per share</b>			
Basic loss per share \$		(0.02)	(0.09)
Diluted loss per share \$		(0.02)	(0.09)

The notes on pages 13 to 18 are an integral part of these consolidated interim financial statements.

# Consolidated interim financial statements

## Consolidated interim statement of changes in equity

For the six months ended 31 December 2019

	Share capital \$	Accumulated losses \$	Translation reserve \$	Share option reserve \$	Total equity \$
Balance at 1 July 2019	11,885,025	(5,948,263)	(28,846)	1,898,637	7,806,553
<b>Total comprehensive income for the period</b>					
Loss for the period	-	(2,185,300)	-	-	(2,185,300)
<b>Other comprehensive income</b>					
Foreign currency translation differences	-	-	-	-	-
<b>Total other comprehensive loss</b>	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	<b>(2,185,300)</b>	-	-	<b>(2,185,300)</b>
<b>Transactions with owners recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Share based payments	-	-	-	144,962	144,962
<b>Total contributions by and distributions to owners</b>	-	-	-	<b>144,962</b>	<b>144,962</b>
<b>Balance as at 31 December 2019</b>	<b>11,885,025</b>	<b>(8,133,563)</b>	<b>(28,846)</b>	<b>2,043,599</b>	<b>5,766,215</b>

	Share capital \$	Accumulated losses \$	Translation reserve \$	Share option reserve \$	Total equity \$
Balance at 1 July 2018	7,592,555	(4,847,085)	(28,110)	902,790	3,620,150
<b>Total comprehensive income for the period</b>					
Loss for the period	-	(467,696)	-	-	(467,696)
<b>Other comprehensive income</b>					
Foreign currency translation differences	-	-	(143)	-	(143)
<b>Total other comprehensive loss</b>	-	-	<b>(143)</b>	-	<b>(143)</b>
<b>Total comprehensive loss for the period</b>	-	<b>(467,696)</b>	<b>(143)</b>	-	<b>(467,839)</b>
<b>Transactions with owners recorded directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
Share based payments	-	-	-	73,377	73,377
<b>Total contributions by and distributions to owners</b>	-	-	-	<b>73,377</b>	<b>73,377</b>
<b>Balance as at 31 December 2018</b>	<b>7,592,555</b>	<b>(5,314,781)</b>	<b>(28,253)</b>	<b>976,167</b>	<b>3,225,688</b>

The notes on pages 13 to 18 are an integral part of these consolidated interim financial statements.

# Consolidated interim financial statements

## Consolidated interim statement of cash flows

For the six months ended 31 December 2019

	<i>Note</i>	Dec 2019 \$	Dec 2018 \$
<b>Cash flow from operating activities</b>			
Payments to suppliers and employees		(278,172)	(401,492)
Payments for exploration expenditure		(1,472,677)	(91,576)
<b>Net cash used in operating activities</b>	<i>5</i>	<b>(1,750,849)</b>	<b>(493,068)</b>
<b>Cashflow from investing activities</b>			
Interest received		27,839	40,351
Payments for property, plant and equipment and mineral properties		(8,741)	-
<b>Net cash from investing activities</b>		<b>19,098</b>	40,351
<b>Cashflow from financing activities</b>			
Transfers to restricted cash		(373,000)	-
<b>Net cash used in financing activities</b>		<b>(373,000)</b>	-
Net decrease in cash and cash equivalents		(2,104,751)	(452,717)
Cash and cash equivalents at the beginning of the year		4,041,363	3,725,459
Effect of exchange rate fluctuations on cash held		-	300
<b>Cash and cash equivalents 31 December</b>	<i>5</i>	<b>1,936,612</b>	<b>3,273,042</b>

The notes on pages 13 to 18 are an integral part of these consolidated interim financial statements.

# Notes to the consolidated interim financial statements

## 1. Reporting entity

Carnaby Resources Limited (the "Company") is a for profit company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The consolidated interim financial statements of the Company as at and for the period from 1 July 2019 to 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The nature of the operations and principal activities of the Group are as described in the Directors' Report.

## 2. Statement of compliance

The consolidated interim financial statements are a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual report of the Group as at and for the year ended 30 June 2019 and public announcements made by the Group during the half year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act.

The consolidated interim financial statements were approved by the Board of Directors on 12<sup>th</sup> March 2020.

## 3. Basis of preparation

### a) Changes in significant accounting policies

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2019.

The changes in accounting policies or additional accounting policies now relevant will be reflected in the Company's consolidated annual financial report for the year ending 30 June 2020.

### New standards adopted by the Group

The Group has applied 'AASB16 Leases' for the first time for reporting period commencing 1 July 2019. AASB16 affect the accounting by lessees and results in the recognition of almost all leases on balance sheet. The new standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts.

As a lessee, the Group recognises a right-of-use asset representing its right to use the underlying asset. The right-of-use asset is initially measured at the present value of the lease liability plus various costs when acquiring the asset. This is subsequently measured at cost less any accumulated depreciation, impairment losses and adjusted for any remeasurement of the lease liability.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, which is the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The Group has applied a discount rate of 6% per annum in the application of AASB16.

The lease liability is subsequently increased by the interest cost related to the lease liability and decreased by the lease payments made. The lease liability is remeasured if the estimated future lease payments change as a result of index or rate changes, residual value guarantees or likelihood of exercise of purchase, extension or termination options.

In applying AASB16 for the first time, the Group applied the following practical expedients as permitted by the standard:

- (i) short term leases (12 months or less) and low value (considered by the Group as \$10,000 or less) can be excluded.

The Group will recognise lease payments associated with short-term and low value assets as an expense on a straight-line basis over the lease term.

# Notes to the consolidated interim financial statements

## Impact of new standards on the financial statements

The Group has applied AASB16 from 1 July 2019 and has adopted the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings at 1 July 2019. This is without restating comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On adoption of AASB16, the Group has not recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of 'AASB117 Leases' as the Group's leases relate to short term and low value leases.

The operating lease commitments applying AASB117 at the end of the annual reporting period immediately preceding the date of initial application of AASB16 (30 June 2019) relate to the Group's leased office premises. Remaining lease commitments in relation to this lease totalled \$7,958, with a remaining lease term of 5 months.

Accordingly, the Group has applied the practical expedients contained in AASB16 which has resulted in no change to the Group's financial statements following the initial application of AASB16 on 1 July 2019.

## 4. Operating segments

The Group has two reportable segments being; 'Scandinavian mineral exploration' and 'Australian mineral exploration' which are the Group's strategic business units.

	Scandinavia	Australia	Total
Information about reportable segment profit/(loss)	\$	\$	\$
<b>6 months ended 31 December 2019</b>			
Depreciation and amortisation	-	(224)	(224)
Reportable segment profit/(loss) before income tax	(2,093)	(1,798,647)	(1,800,740)
<b>6 months ended 31 December 2018</b>			
Depreciation and amortisation	-	(30)	(30)
Reportable segment (loss)/profit before income tax	(71,039)	(3,409)	(74,448)

	Dec 2019	Dec 2018
Reconciliation of reportable segment profit/(loss)	\$	\$
Total profit/(loss) for reportable segments	(1,800,740)	(74,448)
Unallocated amounts		
- Corporate income	21,400	40,690
- Corporate expenses	(405,960)	(433,938)
Consolidated profit/(loss) before tax	(2,185,300)	(467,696)

	Scandinavia	Australia	Total
Information about reportable segment assets, liabilities and capital expenditure	\$	\$	\$
<b>6 months ended 31 December 2019</b>			
Reportable segment assets	-	4,235,941	4,235,941
Reportable segment liabilities	-	(755,878)	(755,878)
Reportable segment capital expenditure	-	100,273	100,273
<b>12 months ended 30 June 2019</b>			
Reportable segment assets	-	4,135,668	4,135,668
Reportable segment liabilities	-	(377,861)	(377,861)
Reportable segment capital expenditure	-	4,135,668	4,135,668

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# Notes to the consolidated interim financial statements

	Dec 2019	Jun 2019
	\$	\$
<b>Reconciliation of reportable segment assets and liabilities</b>		
Total assets for reportable segments	4,235,941	4,135,668
Unallocated amounts		
- Corporate assets	2,467,620	4,181,500
Consolidated assets	6,703,561	8,317,168
Total liabilities for reportable segments	(755,878)	(377,861)
Unallocated amounts		
- Corporate liabilities	(181,470)	(132,754)
Consolidated liabilities	(937,348)	(510,615)

## Geographical segments

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

	Revenues	Non-current assets	Revenues	Non-current assets
	Dec 2019	Dec 2019	Dec 2018	Dec 2018
	\$	\$	\$	\$
Australia	-	4,197,649	-	5,912
Scandinavia	-	-	-	-
Unallocated amounts	21,400	-	40,690	-
Balance at the end of the period	21,400	4,197,649	40,690	5,912

## 5. Cash and cash equivalents

	Dec 2019	Dec 2018
	\$	\$
Bank balances	1,936,612	3,273,042
Cash and cash equivalents in the statement of cash flows	1,936,612	3,273,042
<b>Reconciliation of operating loss after tax to net cash flow from operations</b>		
Loss after tax	(2,185,300)	(467,695)
<i>Non-cash and non-operating items</i>		
Share based payments	144,962	73,377
Foreign exchange	-	(444)
Interest received	(27,839)	(40,351)
Depreciation	5,552	1,168
<i>Change in assets and liabilities</i>		
Decrease / (increase) in trade and other receivables	(23,010)	2,629
Increase / (decrease) in trade and other payables	334,786	(61,752)
Net cash flow used in operating activities	(1,750,849)	(493,068)

## 6. Restricted cash

	Dec 2019	Jun 2019
	\$	\$
Restricted cash	388,000	15,000
Current	388,000	15,000
Balance at the end of the period	388,000	15,000

Restricted cash comprises cash held in term deposits issued in the Company's name which have been used to provide security for:

- (ii) a \$373,000 bank guarantee facility ("Facility"). The Facility allows the Company to issue bank guarantees in satisfaction of its Queensland state government environmental surety obligations; and
- (iii) a \$15,000 credit card facility.

# Notes to the consolidated interim financial statements

## 7. Exploration and evaluation assets

	Dec 2019 \$	Jun 2019 \$
<b>Cost</b>		
Opening balance	4,081,025	-
Acquisitions of subsidiaries	-	1,666,967
Other additions	46,104	2,414,058
Balance at the end of the period	4,127,129	4,081,025

## 8. Property, plant and equipment

	Plant & equipment \$	Office equipment \$	Total \$
<b>31 December 2019</b>			
<b>Cost</b>			
Opening balance	12,435	20,495	32,930
Additions	-	8,741	8,741
Balance at 31 December 2019	12,435	29,236	41,671
<b>Depreciation</b>			
Opening balance	(344)	(11,097)	(11,441)
Depreciation	(224)	(3,419)	(3,643)
Balance at 31 December 2019	(568)	(14,516)	(15,084)
<b>Carrying amount</b>			
Opening balance	12,091	9,398	21,489
Balance at 31 December 2019	11,867	14,720	26,587

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

## 9. Current trade and other payables

	Dec 2019 \$	Jun 2019 \$
Trade and other payables	461,344	140,930
Employee benefits	47,213	32,841
Balance at the end of the period	508,557	173,771



# Notes to the consolidated interim financial statements

## 10. Leases

This note provides information regarding leases where the Group is the lessee. Please refer to note 3 a) of these financial statements for further information regarding leases.

The Group's right of use assets in relation to its leases are as follows:

	Dec 2019	Jun 2019
	\$	\$
<b>Right of use assets</b>		
Property	43,933	-
Balance at the end of the period	43,933	-

The Group has recognised depreciation expense of \$1,909 in respect of right of use assets during the period.

The Group's lease liabilities in relation to its leases are as follows:

	Dec 2019	Jun 2019
	\$	\$
<b>Lease liabilities</b>		
Current	25,511	-
Non-current	20,331	-
Balance at the end of the period	45,842	-

The contractual maturities of the Group's lease liabilities are as follows:

	Less than 1 year	Between 1 and 2 years	Total contractual outflows	Carrying amount
	\$	\$	\$	\$
31 December 2019	24,260	24,260	48,520	45,842
Lease liabilities	24,260	24,260	48,520	45,842

## 11. Share-based payments

### Share Options

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

All Share Options issued under the ESOP are subject to the ESOP terms and conditions as disclosed in the Company's 2019 Annual Report.

### Share Options granted during the period

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

The grant date fair value of the options was determined as \$0.05 per option and was measured using the Black-Scholes formula. The inputs used to determine the fair value of options granted during the period were:

Period ended 31 December 2019	Employee grant 6-Aug-19
Fair value at grant date	\$0.05
Expected dividends	0%
Contractual life (years)	2.9
Market value of underlying shares	\$0.12
Option exercise price	\$0.16
Expected volatility of the underlying shares	82.00%
Risk free rate applied	0.70%

# Notes to the consolidated interim financial statements

## **Share Options lapsed during the period**

On 31 December 2019, 2,500,000 unlisted options exercisable at \$0.25 and 1,000,000 unlisted options exercisable at \$0.30, which were not exercised on their expiry date, lapsed in accordance with their terms.

## **12. Subsequent events**

On 12 March 2020, Mr Justin Tremain resigned as a director and Mr Greg Barrett was appointed as a director of the Company.

There have been no other events subsequent to balance date which would have a material effect on the Group's consolidated interim financial statements.

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## Directors' declaration

1. In the opinion of the directors of Carnaby Resources Limited ("the Company"):
  - (a) the consolidated interim financial statements and notes 1 to 12 that are contained within are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
    - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
  - (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.

Signed in accordance with a resolution of the directors:



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Robert Watkins  
Managing Director

Dated at Perth, this 12<sup>th</sup> day of March 2020

## Independent Auditor's Report

### To the Members of Carnaby Resources Limited

#### Report on the review of the half year financial report

##### Conclusion

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

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Carnaby Resources Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

##### Directors' Responsibility for the Half Year Financial Report

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

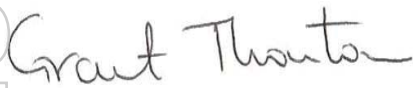
##### Auditor's Responsibility

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

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

**Independence**

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M D Dewhurst  
Partner – Audit & Assurance

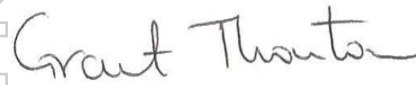
Perth, 12 March 2020

## Auditor's Independence Declaration


To the Directors of Carnaby Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the Review of Carnaby Resources Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M D Dewhurst  
Partner – Audit & Assurance

Perth, 12 March 2020

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