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PATERSON RESOURCES LTD

(formerly known as Hardey Resources Limited)

ABN 45 115 593 005

HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2019

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CORPORATE DIRECTORY

Board of Directors

Nick Johansen
Brian Thomas
Matthew Bull

Non-Executive Chairman
Non-Executive Director
Non-Executive Director (appointed 27 September 2019)

Secretary

Ms Sarah Smith

Registered Office

Level 1, 1 Altona Street
West Perth WA 6005

Website: www.patersonresources.com.au

Stock Exchange Listing

Listed on the Australian Securities Exchange (ASX Code: PSL)

Auditors

RSM Australia Partners
Level 32, Exchange Tower
2 The Esplanade
Perth WA 6000

Solicitors

HWL Ebsworth Lawyers
Level 20, 240 St Georges Terrace
Perth WA 6000

Bankers

Westpac Banking Corporation
Level 13, 109 St Georges Terrace
Perth WA 6000

Share Registry

Computershare Investor Services Pty Limited
172 St Georges Terrace
Perth WA 6000

Country of Incorporation

Paterson Resources Ltd is domiciled and incorporated in Australia

DIRECTORS' REPORT

Your Directors present their report for the consolidated entity consisting of Paterson Resources Ltd (formerly known as Hardey Resources Limited) ("PSL" or "the Company") and the entities it controlled ("the Group") for the half-year ended 31 December 2019.

It is recommended that the Directors' Report be read in conjunction with the annual financial statements for the year ended 30 June 2019 and considered together with any public announcement made by the Company during the Period and up to the date of this report.

DIRECTORS

The names of the Company's Directors who held office during the Period and until the date of this report are set out below. Directors were in office for this entire Period unless otherwise stated.

Director	Position
Nick Johansen	Non-Executive Chairman
Brian Thomas	Non-Executive Director
Matthew Bull	Non-Executive Director (appointed 27 September 2019)
John Hannaford	Non-Executive Chairman (resigned 27 September 2019)
David Izzard	Non-Executive Director (resigned 14 August 2019)
Scott Paterson	Non-Executive Director (resigned 14 August 2019)

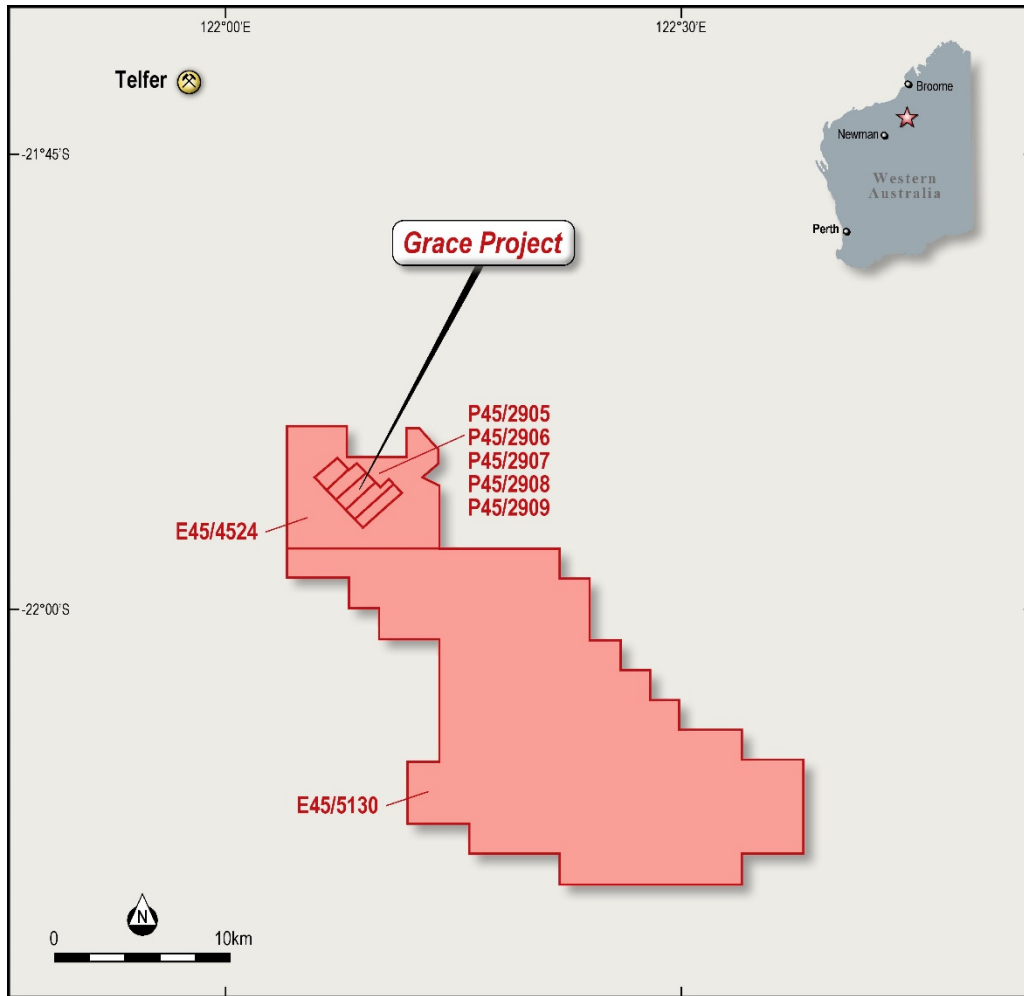
REVIEW OF OPERATIONS

Grace Project – Paterson Range, Western Australia

A further review of all the historical geological, geophysical and assay data, as well as the data files used in the previous announced resource calculations is underway. The planning of an exploration infill drilling programme designed to upgrade and expand the previously announced resources including converting known mineralisation contained in the exploration target area has been put on hold whilst the Company's geophysical consultants, Resource Potentials, conducts a thorough review of the historical geophysical data which includes Induced Polarisation (IP) surveys carried out by previous operators. It is anticipated that a new IP survey will be conducted over the Bemms and Grace Shear Zones in the next Quarter before the close of the current field season when on ground temperatures make field work difficult. This new data will allow for a refined interpretation of the mineralised zones and the assist with the targeting of the drilling programme now planned for late Q2 or early Q3 2020.

The Exploration Licence (E45/5130) immediately adjacent to the currently granted Grace Project tenure has now been granted after successful negotiations on a Land Access and Mineral Exploration Agreement with the Western Desert Lands Aboriginal Corporation.

DIRECTORS' REPORT



The Company continues to note heightened interest in this area from other explorers and major mining companies with several operators maintaining exploration activities through break in field seasons.

Pilbara Gold Exploration Projects – Pilbara Western Australia

Results from an initial reconnaissance programme on Cheela Plains (E08/2880) concentrated on the area around an excised mining lease covering the historic Big Sarah gold prospect were announced to ASX on 18 July 2019.

Desktop studies of the historical exploration data carried out on the three other granted exploration licences in the Pilbara has now been completed. A field reconnaissance programme was carried out by the Company's geological consultants, Cadre Geology and Mining, on the Bellary Project (E47/3578). The Annual Technical Report for the Bellary Project has been lodged with the DMIRS with assay results from rock chip sampling pending release from the assay laboratory.

Horseshoe South Base Metal Project – Murchison Western Australia

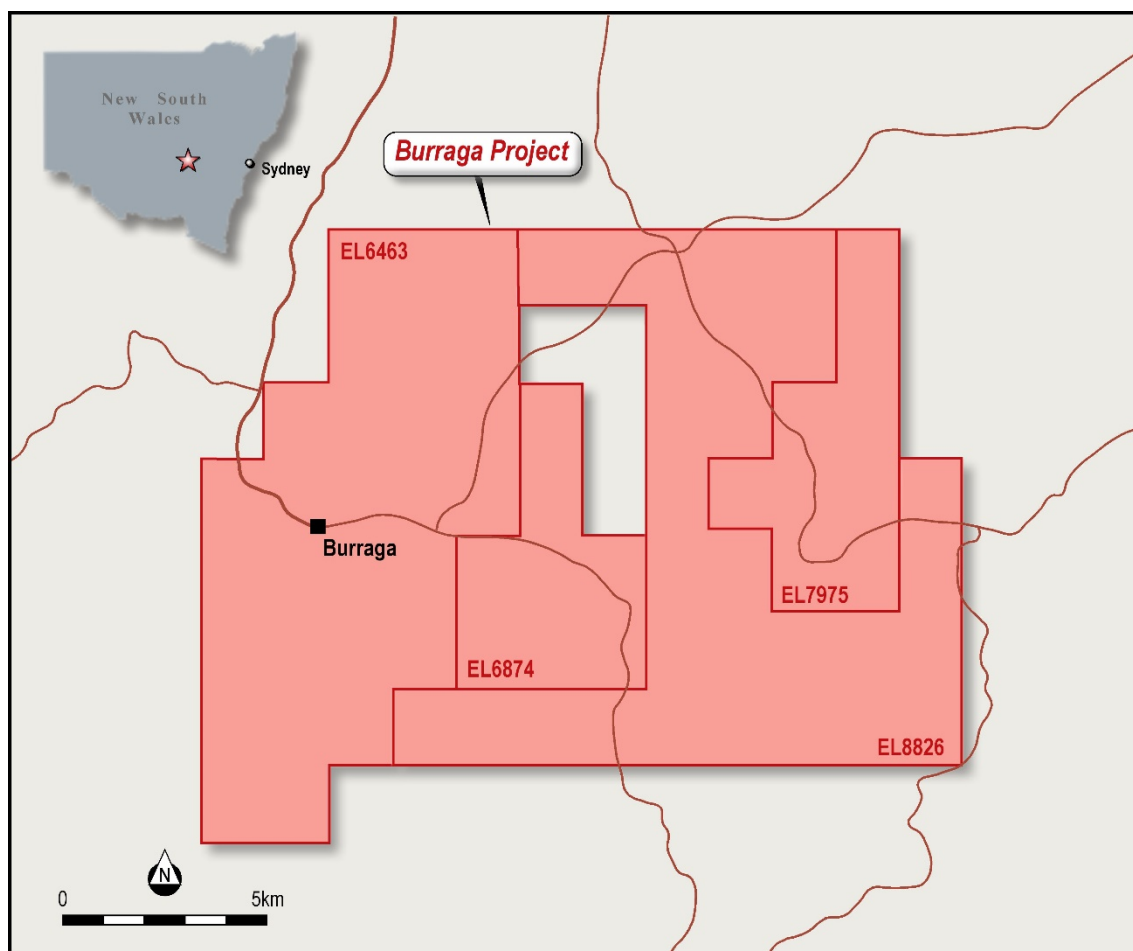
There has been no activity at the Horseshoe South Project during the period. The Company notes that the sale process for the Horseshoe Lights Project to the north of this granted tenure by the current holder, Horseshoe Metals Limited, has not yet been finalised.

DIRECTORS' REPORT

Burruga Copper Gold Project – Lachlan Fold Belt, NSW

During the period, a company consultant visited the Burruga Project to review historical on ground exploration activities following on from a site visit by representatives of the NSW Resource Regulator. At a meeting in Orange, the Resource Regulator was appraised of the historical timeline and current situation with Paterson Resources. Undertakings were given on site clean-up and rehabilitation obligations. In addition, an audit was conducted on all company assets, including drill core, sample trays, vehicle and ancillary field and office equipment currently in storage in Orange. Administrative and exploration data was digitally retrieved for future use.

There continues to be interest expressed in participation in the Burruga Project by a number of companies and individuals exploring in the Lachlan Fold Belt of NSW.



Corporate

On 27 September 2019, the Company held its General Meeting of Shareholders. All resolutions put to the General Meeting were passed on a show of hands, with the exception of Resolution 7 (relating to the proposed Share Consolidation) which was withdrawn.

In addition, the Company advises that the resolutions put to the Meetings of the Vendors (of Nelly Vanadium Pty Ltd and Vanadium Mining Pty Ltd), and the Blumenthal Parties held 27 September were passed on a show of hands.

On 14 August 2019, Mr Scott Paterson and Mr David Izzard resigned from the Board. In addition, Mr John Hannaford resigned following the General Meeting on 27 September 2019.

On 31 October 2019, the cancellation of the consideration securities issued to the Vendors and Additional Parties in connection with the Nelly Vanadium Pty Ltd and Vanadium Mining Pty Ltd Acquisitions, or transferred to the Blumenthal Parties, held as at the date of the Remediation Proposal (announced to ASX on 15 March 2019), was registered with ASIC.

DIRECTORS' REPORT

On 9 December 2019, the Company held its Annual General Meeting (AGM) of Shareholders. All resolutions put to the AGM were passed and decided on a poll.

As approved at the AGM, Hardey Resources Limited changed its name to Paterson Resources Ltd. The Australian Securities and Investments Commission recorded the change of name on 9 December 2019. On 16 December 2019, the ASX code changed from "HDY" to "PSL".

The Company is continuing to work with ASX to establish the requirements for the relisting of the Company on ASX. In this respect, the Company has finalised a funding proposal which is with ASX for their consideration.

EVENTS OCCURRING AFTER REPORTING DATE

On 8 January 2020, the Company issued 150,000 Convertible Notes at \$1.00 per Note to raise \$150,000. The funds raised from the issue will be used to provide the Company with general working capital, as well as funding exploration activities on the Company's current projects and corporate administration and management. The issue of the Convertible Notes was approved by shareholders at the AGM held 9 December 2019.

On 7 February 2020, the Company received confirmation from ASX that, on the basis of the capital raising initiatives proposed by the Company to ASX on 16 December 2019, ASX can see no reason why the securities of PSL will not be reinstated to quotation.

PSL's proposed capital raising initiative is comprised of:

- raising \$150,000 by way of an issue of convertible notes, with the subscribers committing to convert their notes (this raising was completed in January 2020);
- \$251,772 by the issue of 251,771,564 shares by way of placement at an issue price of \$0.001 per share (completed 25 February 2020);
- \$1,930,249 by the issue of 1,930,249,000 shares through a potential fully underwritten non-renounceable entitlements issue on a 1:1 basis at an issue price of \$0.001 per share.

On 25 February 2020, the Company completed a Placement to sophisticated and professional investors by issuing 251,771,564 shares (Placement Shares) to raise \$251,771. The Placement Shares were issued at \$0.001 per Share, representing a 66.6% discount to the last traded share price of \$0.003 on 6 September 2018, being the last trading day prior to the Company's suspension from official quotation. The Placement Shares will rank equally with that of existing fully paid ordinary shares on issue.

Other than the above, there are no matters or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is included within this financial report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Nick Johansen
Non-Executive Chairman
13 March 2020

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Paterson Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM**RSM AUSTRALIA PARTNERS**

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 13 March 2020

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**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2019**

	31-Dec-19 \$	31-Dec-18 \$
Revenue from continuing operations		
Other income	425	3,319
Administrative expenses	(158,313)	(258,305)
Compliance and regulatory expenses	(51,636)	(84,573)
Corporate advisory and consulting fees	(4,618)	(288,160)
Depreciation	(3,221)	(8,490)
Employee benefit expenses	(127,500)	(174,715)
Exploration consulting fees	(17,924)	(229,045)
Finance costs	(1,925)	(17,000)
Fair value of available for sale financial assets	(149)	74
Legal fees	(40,584)	(105,363)
Marketing and investor relations	(272)	(332,762)
Occupancy costs	(4,710)	(32,040)
Loss on disposal of fixed asset	(16,348)	-
Share-based payments expense	(12,728)	(12,728)
Other expenses	(7,739)	(30,877)
Loss before income tax expense	(447,242)	(1,570,665)
Income tax expense	-	-
Loss after income tax for the period	(447,242)	(1,570,665)
Total comprehensive loss for the period attributable to members of Paterson Resources Ltd	(447,242)	(1,570,665)
Loss per share for the period attributable to the members of Paterson Resources Ltd:		
Basic and diluted loss per share (cents)	(0.03)	(0.12)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	31-Dec-19 \$	30-June-19 \$
ASSETS			
Current Assets			
Cash and cash equivalents		39,092	508,225
Trade and other receivables		202,003	206,457
Total Current Assets		241,095	714,682
Non-Current Assets			
Plant and equipment		6,838	26,403
Available-for-sale financial assets		1,194	1,343
Deferred exploration and evaluation expenditure	3	17,212,885	17,051,252
Total Non-Current Assets		17,220,917	17,078,998
TOTAL ASSETS		17,462,012	17,793,680
LIABILITIES			
Current Liabilities			
Trade and other payables		570,138	570,105
Other current liabilities		102,813	-
Total Current Liabilities		672,951	570,105
TOTAL LIABILITIES		672,951	570,105
NET ASSETS		16,789,061	17,223,575
EQUITY			
Contributed equity	4	28,271,719	28,271,719
Reserves		5,659,913	5,647,185
Accumulated losses		(17,142,571)	(16,695,329)
TOTAL EQUITY		16,789,061	17,223,575

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2019

31 December 2019	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
At 1 July 2019	28,271,719	5,647,185	(16,695,329)	17,223,575
Loss for the period	-	-	(447,242)	(447,242)
Total comprehensive loss for the period after tax	-	-	(447,242)	(447,242)
Transactions with owners in their capacity as owners:				
Share-based payments	-	12,728	-	12,728
Balance at 31 December 2019	28,271,719	5,659,913	(17,142,571)	16,789,061
31 December 2018	\$	\$	\$	\$
At 1 July 2018	26,885,215	5,505,711	(13,845,945)	18,544,981
Loss for the period	-	-	(1,570,665)	(1,570,665)
Total comprehensive loss for the period after tax	-	-	(1,570,665)	(1,570,665)
Transactions with owners in their capacity as owners:				
Share-based payments	-	12,728	-	12,728
Balance at 31 December 2018	26,885,215	5,518,439	(15,416,610)	16,987,045

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2019

	31-Dec-19	31-Dec-18
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(407,927)	(1,234,695)
Interest received	427	1,608
Net cash used in operating activities	(407,500)	(1,233,087)
Cash flows from investing activities		
Payment for exploration and evaluation expenditure	(161,633)	(620,523)
Net cash used in investing activities	(161,633)	(620,523)
Cash flows from financing activities		
Proceeds from convertible note	100,000	-
Proceeds from borrowings (net)	-	85,000
Net cash provided by financing activities	100,000	85,000
Net increase in cash and cash equivalents	(469,133)	(1,768,610)
Cash and cash equivalents at beginning of the period	508,225	1,936,438
Cash and cash equivalents at end of the period	39,092	167,828

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of \$447,242 and had net cash outflows from operating and investing activities of \$407,500 and \$161,633 respectively for the half-year ended 31 December 2019. As at 31 December 2019, the Group had cash of \$39,092 and net current liabilities of \$431,856.

These factors indicate significant uncertainty as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- As disclosed in Note 8:
 - On 8 January 2020, the Group raised \$150,000 by way of an issue of convertible notes;
 - On 25 February 2020, the Group issued 251,771,564 shares by way of Placement at an issue price of \$0.001 per share to raise \$251,771 (before cost);
- As part of the Group recapitalisation, the Group plans to issue additional shares through a potential fully underwritten non-renounceable entitlement issue on a 1:1 basis at an issue price of \$0.001 per share, raising approximately \$1.9m (before costs); and
- The Group plans to re-organise its operations for the next 12 months, including scaling back corporate overheads and other aspects of its cost base, in order to curtail expenditure, in the event that financial projections indicate that available cash will be insufficient to meet projected expenditure.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Significant accounting judgements and key estimates

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

(c) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications 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 (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses 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 within 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 financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

The consolidated entity has adopted AASB 16 from 1 July 2019 using the retrospective modified approach and as such the comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2019.

NOTE 2 SEGMENT INFORMATION

The Group operates in the mineral exploration industry in Australia only.

Given the nature of the Group, its size and current operations, management does not treat any part of the Group as a separate operating segment. Internal financial information used by the Group's decision makers is presented on a "whole of entity" manner without dissemination to any separately identifiable segments.

The Group's management operate the business as a whole without any special responsibilities for any separately identifiable segments of the business.

Accordingly, the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Notes to the Consolidated Financial Statements

NOTE 3 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec-19 \$	30-Jun-19 \$
Carrying amount of exploration and evaluation expenditure	<u>17,212,885</u>	17,051,252
At the beginning of the year	17,051,252	16,651,698
Exploration expenditure incurred	<u>161,633</u>	399,554
At the end of the year	<u>17,212,885</u>	<u>17,051,252</u>

NOTE 4 CONTRIBUTED EQUITY

(a) Issued and fully paid

	31-Dec-19		30-Jun-19	
	No.	\$	No.	\$
Ordinary shares	<u>1,678,477,092</u>	<u>28,271,719</u>	1,678,477,092	28,271,719

Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the Company in proportion to the number and amount paid on the share hold.

Movement reconciliation

	Issue Price	Number	\$
At 1 July 2019 Opening Balance	-	1,678,477,092	28,271,719
At 31 December 2019 Closing Balance	-	<u>1,678,477,092</u>	<u>28,271,719</u>
At 1 July 2018 Opening Balance		1,361,815,830	26,885,215
15 March 2019 Proceeds of Sale from the Additional Parties and the Blumenthal Parties ⁽ⁱ⁾	0.0044	291,661,262	1,276,499
15 March 2019 Sale of 25,000,000 Shares by Red Marlin and BBD as part consideration for the acquisition of Vanadium Mining ⁽ⁱ⁾	0.0044	25,000,000	110,005
At 30 June 2019 Closing Balance		<u>1,678,477,092</u>	<u>28,271,719</u>

(i) In the prior year, the Company issued 1,287,500,000 shares. Of this balance, 970,838,738 shares issued to the Vendors and Additional Parties in connection with the Nelly Vanadium and Vanadium Mining Pty Ltd Acquisitions were cancelled on 31 October 2019 as approved by shareholders on 27 September 2019 at the General Meeting. These shares were not accounted for previously as they were subject to shareholder approval.

The remaining 316,661,262 have been sold by the Additional and Blumenthal Parties, Red Marlin and BBD Custodians. The Company has received proceeds of \$1,276,499 from the Additional Parties and Blumenthal Parties as part of the Remediation Proposal.

NOTE 5 DIVIDENDS

No dividend has been declared or paid during the half-year ended 31 December 2019 (30 June 2019: Nil), and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2019.

NOTE 6 CONTINGENCIES

There have been no changes to contingent liabilities or assets since 30 June 2019.

Notes to the Consolidated Financial Statements

NOTE 7 COMMITMENTS

There have been no changes to commitments since 30 June 2019.

NOTE 8 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 8 January 2020, the Company issued 150,000 Convertible Notes at \$1.00 per Note to raise \$150,000. The funds raised from the issue will be used to provide the Company with general working capital, as well as funding exploration activities on the Company's current projects and corporate administration and management. The issue of the Convertible Notes was approved by shareholders at the AGM held 9 December 2019.

On 7 February 2020, the Company received confirmation from ASX that, on the basis of the capital raising initiatives proposed by the Company to ASX on 16 December 2019, ASX can see no reason why the securities of PSL will not be reinstated to quotation.

PSL's proposed capital raising initiative is comprised of:

- raising \$150,000 by way of an issue of convertible notes, with the subscribers committing to convert their notes. This raising was completed on 8 January 2020 (refer above);
- \$251,772 by the issue of 251,771,564 shares by way of placement at an issue price of \$0.001 per share. This raising was completed 25 February 2020 (refer below);
- \$1,930,249 by the issue of 1,930,249,000 shares through a potential fully underwritten non-renounceable entitlements issue on a 1:1 basis at an issue price of \$0.001 per share. This raising is still planned at the date of issue of these financial statements.

On 25 February 2020, the Company completed a Placement to sophisticated and professional investors by issuing 251,771,564 shares (Placement Shares) to raise \$251,771. The Placement Shares were issued at \$0.001 per Share, representing a 66.6% discount to the last traded share price of \$0.003 on 6 September 2018, being the last trading day prior to the Company's suspension from official quotation. The Placement Shares will rank equally with that of existing fully paid ordinary shares on issue.

Other than the above, there are no matters or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

DIRECTORS' DECLARATION

In the directors' opinion:

1. The financial statements and notes thereto of the Group, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - a. Complying with Australian Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. 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 then ended on that date.
2. 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 directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Nick Johansen
Non-Executive Chairman
13 March 2020

RSM Australia Partners

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
PATERSON RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Paterson Resources Limited, which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 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 consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paterson 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.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Paterson Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1, which indicates that the consolidated entity incurred a net loss of \$447,242 and had net cash outflows from operating and investing activities of \$407,500 and \$161,633 respectively during the half-year ended 31 December 2019. As at 31 December 2019, the consolidated entity had cash of \$39,092 and net current liabilities of \$431,856. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

RSM
RSM AUSTRALIA PARTNERS

A Whyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 13 March 2020

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