Caeneus Minerals Ltd

ABN 42 082 593 235

and its controlled entities

Half year report for the half-year ended

31 December 2019

Corporate directory

Board of Directors

Mr Peter Christie	Chairman
Mr Johnathon Busing	Non-Executive Director
Mr David Sanders	Non-Executive Director

Company Secretary
Mr Johnathon Busing

Registered and Principal Office
Ground Floor
168 Stirling Highway
Nedlands, Western Australia 6009
Tel: +61 8 6165 8858

Postal Address
PO Box 369
Nedlands, Western Australia 6909

Website
www.caeneus.com.au

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

Share Registry
Advanced Share Registry Ltd
110 Stirling Highway
Nedlands, Western Australia 6009
Tel: +61 8 9389 8033
Fax: +61 8 9262 3723

Stock Exchange
Australian Securities Exchange
Level 40, Central Park
152- 158 St Georges Terrace
Perth, Western Australia 6000

ASX Code
CAD
CADO

Half year report for the half-year ended 31 December 2019

Contents

Directors' report

The directors of Caeneus Minerals Ltd ("Caeneus" or "the Company") submit herewith the financial report of Caeneus Minerals Ltd and its subsidiaries ("the Group") for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Names of Directors

The names of the directors of the Company during or since the end of the half-year are:

Mr Peter Christie (appointed on 03 October 2017)
Mr Johnathon Busing (appointed on 30 November 2017)
Mr David Sanders (appointed on 07 December 2018)

Review of operations

The consolidated loss of the Group for the half-year ended 31 December 2019 amounted to $340,505 (31 December 2018: $1,076,481).

<u>**Exploration**</u>

Pardoo Project

On 3 July 2019, the Company advised that as announced to ASX on 19 October 2018 after the completion of drilling of three modelled HPFLTEM plate conductors at its Pardoo – Supply Well Project, 18 representative samples across the three holes were selected, cut and sent for assay at ALS Global.

Due to cash flow constraints, the assays and analysis of the assays for the drill program on the Supply Well tenement that comprises part of the Pardoo Project remain on hold unless and until further funds are raised to proceed with further work on that tenement that would justify the cost of further analysis. Shareholders with further queries should refer to the Company announcement at the conclusion of the drill program on 19 October 2018 noting the three targets were all intersected at target depth and the sulphide encountered was pyrrhotite and pyrite. Sufficient sulphide was intersected to explain the conductive anomalies.

The Company commenced a review of the tenements comprising the Pardoo Project.

As a result of the review, the Company surrendered an Exploration Licence that was due to expire (E45/4279) and was considered superfluous to the core of the Project. As part of the review, the Company has prepared an exploration program for the Project to be carried out over the next two quarters.

Yule River Project

The Company has prepared an exploration program for its Yule River Project (E45/3857) which was granted in mid-2019 with a view to completing the program prior to the first anniversary of the grant of that tenement.

Other Western Australia Projects

The Company's other Western Australia projects comprise of two Exploration Licences (E47/3846 and E45/5041) that remain at the application stage. In relation to both of these applications, the Company is in advanced discussions with third parties to put in place access agreements to enable the grant of these tenements to proceed.

Nevada Projects

The Company made payments in respect to its tenements including the maintenance fees to the Bureau of Land Management in Nevada USA. The Company continues to maintain its claims and is in discussion with various parties who have expressed an interest in investing in those claims either by way of acquisition or farm-in.

Other Opportunities

The Company continues to assess other opportunities both to introduce joint venture partners to its existing projects and to acquire new projects that are considered to be complementary to the Company's existing projects.

Corporate

Funding

On 25 October 2019, the Company raised $150,819 via Listing Rule 7.1A placement of 186,196,554 shares at $0.00081 with a 1:1 option exercisable at $0.0025 expiring on 31 December 2024. All necessary approvals were obtained by the Company at the 2019 AGM. An Appendix 3B was released to the market following the issue of the Shares.

On 31 December 2019, the Company announced a capital raising via a Placement of 296,189,040 fully paid ordinary shares at an issue price of $0.0005 each for a total amount raised of approximately $198,095 to sophisticated and professional investors from the Company's Listing Rule 7.1 placement capacity. The Company also issued a 1 for 1 attaching option exercisable at $0.0025 expiring on or before 31 December 2024 subject to shareholder approval pursuant to Listing Rule 7.1.

The funds raised were directed towards costs incurred in relation to the Company's exploration tenements and general working capital.

The Company has been progressing an R&D claim for its significant diamond drill program conducted at Supply Well in the 2019 financial year and expects to receive the amount of approximately $200,000 in the current quarter.

The Company also received an offer of a further Placement to raise $440,000 from sophisticated and professional investors subject to shareholder approval pursuant to Listing Rule 7.1 and from the directors to raise a further $25,000.

Annual General Meeting

The Company held its Annual General Meeting on 29 November 2019. All resolutions were passed by the requisite majority on a show of hands. Details of proxy votes submitted in respect of each resolution were set out in a summary attached to the announcement made on the same day.

Replacement of Constitution

The Company also repealed its existing Constitution and adopted a new Constitution by Special Resolution on 29 November 2019. All necessary shareholder approvals were obtained by the Company at the 2019 AGM.

Unmarketable Parcel Share Sale

On 31 December 2019, the Company advised that it entered into a sale agreement in respect to the Unmarketable Share Sale announced on 24 June 2019.

The final number of shares sold under the Facility was 268,828,455 ordinary shares. The shares were sold off market by the Company at a price of $0.001 per share (market price at the time). All costs associated with the sale of the unmarketable parcels of shares were borne by the Company.

The completion of Unmarketable Parcel Share Sale provided the opportunity for 8,365 small shareholder to dispose of their shares in circumstances where it is unlikely to have been economic for them to do so otherwise and will also lead to significant administrative costs saving for the Company going forward (including printing, postage and share registry costs) associated with such a large number of small shareholders.

Auditor’s independence declaration

The auditor’s independence declaration is included on page 5 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors

Mr Peter Christie
Chairman
13 March 2020
Perth, Western Australia

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

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

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

13 March 2020

Board of Directors
Caeneus Minerals Limited
Ground Floor
168 Stirling Highway,
NEDLANDS WA 6009

Dear Directors

RE: CAENEUS MINERALS LIMITED

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

As Audit Director for the review of the financial statements of Caeneus Minerals 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.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

Martin Michalik

Martin Michalik
Director

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
CAENEUS MINERALS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Caeneus Minerals Limited, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Caeneus Minerals Limited (the consolidated entity). The consolidated entity comprises both Caeneus Minerals Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Caeneus Minerals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 Caeneus Minerals 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

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*, has been provided to the directors of Caeneus Minerals Limited on 13 March 2020.

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 Caeneus Minerals 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 Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty regarding Going Concern

We draw attention in Note 1 to the interim financial report which describe the consolidated entity's use of the going concern basis of preparation of the financial report.

As at 31 December 2019, the consolidated entity had cash and cash equivalents of $164,235. The consolidated entity had incurred a loss for the half year ended 31 December 2019 of $340,505

The ability of the consolidated entity to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon the consolidated entity raising further working capital and/or successfully exploiting its mineral assets. In the event that the consolidated entity is not successful in raising further equity and/or successfully exploiting its mineral assets, the consolidated entity may not be able to meet its liabilities as and when they fall due and the realisable value of the consolidated entity's assets may be significantly less than book values.

Our conclusion is not modified in respect of this matter.

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

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
13 March 2020

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standard AASB 134 *'Interim Financial Reporting'* and giving a true and fair view of the financial position and performance of the Group for the period ended 31 December 2019.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors

Mr Peter Christie
Chairman
13 March 2020
Perth, Western Australia

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	Note	Consolidated Half-year ended 31 Dec 2019 $	31 Dec 2018 $
Continuing operations			
Other income	3	-	136
Administration costs		(37,400)	(93,079)
Consultants costs		(123,308)	(193,543)
Compliance costs		(78,220)	(98,933)
Exploration & Evaluation Expenditure Written Off	5	(97,022)	(514,822)
Other costs		(951)	(2,531)
Interest Costs	7	-	(156,906)
Foreign exchange losses		(3,604)	(16,803)
Loss before income tax		**(340,505)**	**(1,076,481)**
Income tax expense		-	-
Loss for the period		**(340,505)**	**(1,076,481)**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of income tax		**-**	**-**
Total comprehensive loss for the period		**(340,505)**	**(1,076,481)**
Loss attributable to:			
Owners of Caeneus Minerals Ltd		**(340,505)**	**(1,076,481)**
Total comprehensive loss attributable to:			
Owners of Caeneus Minerals Ltd		**(340,505)**	**(1,076,481)**
Loss per share:			
Basic and diluted (cents per share)		(0.015)	(0.01)
Weighted average number of shares		**2,215,729,615**	**13,338,940,783**

Condensed notes to the consolidated financial statements are included on pages 13 to 21.

Consolidated statement of financial position as at 31 December 2019

	Note	Consolidated 31 Dec 2019 $	Consolidated 30 Jun 2019 $
Current assets			
Cash and cash equivalents		164,235	130,477
Trade and other receivables	4	37,702	60,382
Other assets		1,862	1,862
Total current assets		**203,799**	**192,721**
Non-current assets			
Exploration and evaluation expenditure	5	-	-
Total non-current assets		**-**	**-**
Total assets		**203,799**	**192,721**
Current liabilities			
Trade and other payables		177,407	134,174
Deferred considerations	10	293,058	241,869
Total current liabilities		**470,465**	**376,043**
Non-current liabilities			
Deferred considerations	10	-	49,797
Total non-current liabilities		**-**	**49,797**
Total liabilities		**470,465**	**425,840**
Net assets/(liabilities)		**(266,666)**	**(233,119)**
Equity			
Issued capital	6	86,421,615	86,013,352
Convertible Notes (Equity portion)		-	101,305
Reserves	8	2,055,258	2,055,258
Accumulated losses		(88,743,539)	(88,403,034)
Total equity/(deficiency)		**(266,666)**	**(233,119)**

Condensed notes to the consolidated financial statements are included on pages 13 to 21.

Consolidated statement of changes in equity for the half-year ended 31 December 2019

Consolidated	Issued Capital $	Convertible notes	Reserves $	Accumulated losses $	Total $
Balance at 1 July 2018	**82,383,969**	**101,305**	**1,815,353**	**(85,841,781)**	**(1,541,154)**
Loss for the period	-	-	-	(1,076,481)	(1,076,481)
Total comprehensive loss for the period	**-**	**-**	**-**	**(1,076,481)**	**(1,076,481)**
Issue of shares to DG Resources Management Ltd	160,000	-	-	-	160,000
Issue of shares in lieu of interest on Convertible Notes	12,735	-	-	-	12,735
Issue of shares as part of settlement of the acquisition of Mt Roe	1,030,000	-	-	-	1,030,000
Issue of shares to convert the Convertible Notes	1,250,000	-	-	-	1,250,000
Issue of shares to sophisticated and professional investors	585,462	-	-	-	585,462
Share based payments	-	-	239,905	-	239,905
Convertible Notes (equity portion) (Refer Note 7)	-	452,174	-	-	452,174
Share issue costs	(53,781)	-	-	-	(53,781)
Balance at 31 December 2018	**85,368,385**	**553,479**	**2,055,258**	**(86,918,262)**	**1,058,860**
Balance at 1 July 2019	**86,114,657**	**-**	**2,055,258**	**(88,403,034)**	**(233,119)**
Loss for the period	-	-	-	(340,505)	(340,505)
Total comprehensive loss for the period	**-**	**-**	**-**	**(340,505)**	**(340,505)**
Issue of shares to sophisticated and professional investors	150,819	-	-	-	150,819
Issue of shares to sophisticated and professional investors	148,095	-	-	-	148,095
Shares to be issued	12,500	-	-	-	12,500
Share issue costs	(4,456)	-	-	-	(4,456)
Balance at 31 December 2019	**86,421,615**	**-**	**2,055,258**	**(88,743,539)**	**266,666**

Condensed notes to the consolidated financial statements are included on pages 13 to 21.

Consolidated statement of cash flows for the half-year ended 31 December 2019

	Consolidated	
	Half-year ended	
	31 Dec 2019 $	31 Dec 2018 $
Cash flows from operating activities		
Payments to suppliers and employees	(176,270)	(525,353)
Interest received	-	136
Net cash (used in) operating activities	(176,270)	(525,217)
Cash flows from investing activities		
Payments for exploration and evaluation	(96,973)	(514,822)
Payment of deferred consideration	-	-
Cash acquired from acquisition of subsidiary	-	-
Net cash (used in) investing activities	(96,973)	(514,822)
Cash flows from financing activities		
Proceeds from shares and options issued	311,414	585,462
Proceeds from convertible notes	-	450,000
Share issue costs	(2,201)	(53,781)
Net cash provided by financing activities	309,213	981,681
Net increase/(decrease) in cash and cash equivalents	**35,970**	**(58,358)**
Cash and cash equivalents at the beginning of the period	130,477	372,980
Effect of exchange rate fluctuations	(2,212)	-
Cash and cash equivalents at the end of the period	**164,235**	**314,622**

Condensed notes to the consolidated financial statements are included on pages 13 to 21.

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2019

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with annual financial statements of the Company for the year ended 30 June 2019 together with any public announcements made during the following half year.

The half-year financial report was authorised for issue by the directors on 13 March 2020.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going concern basis

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

For the half-year ended 31 December 2019, the Group incurred a loss after tax of $340,505 (31 December 2018: $1,076,481) and a net cash outflow from operations of $176,270 (31 December 2018: $525,217). At 31 December 2019, the Group had net current liabilities of $266,666 (30 June 2019: net current liabilities of $183,332).

The Directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate on the basis that the Group has been successful to date in securing required funding and the Directors are of the opinion that it will continue to do so through a combination of debt and equity. The Company has secured additional funding expecting an R&D refund of $200,000 in March 2020 and a further $440,000 by way of capital raising to sophisticated investors.

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the impact of new standard and interpretations described below.

Principles of consolidation
The consolidated financial statements incorporate all assets, liabilities, and results of the parent and all of its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Business Combinations
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Significant accounting judgements and key estimates
The preparation of interim financial statements requires management to make judgements, 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 these half-yearly statements, 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 annual financial report for the year ended 30 June 2019.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group is required to change some of its accounting policies as a result of new or revised accounting standards which became effective from 1 January 2019. The affected policies and standards are:

- AASB 16 Leases

The impact of the adoption of this Standard and the respective accounting policies is disclosed below.

Changes in Accounting Policies

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

As a result of the changes in Group's accounting policies, prior year financial statements were required to be restated. However, the Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised as 1 July 2019.

i. Leases

The Group as lessee

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

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

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

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

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

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

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

2. Segment information

2.1 Geographical segment

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group operates in two (2) principal geographical areas - Australia (country of domicile) and United States of America.

The table below presents the asset and liability information and operating results regarding the geographical segments for the period ended 31 December 2019:

	Consolidated	
	31 Dec 2019	**30 Jun 2019**
	$	**$**
Assets		
Australia	200,392	189,314
United States of America	3,407	3,407
Total assets	**203,799**	**192,721**
Liabilities		
Australia	175,533	423,966
United States of America	294,932	1,874
Total liabilities	**470,465**	**425,840**

	31 Dec 2019	**31 Dec 2018**
	$	**$**
Operating result		
Australia	(273,125)	(1,040,321)
United States of America	(67,380)	(36,160)
Total loss from operations	**(340,505)**	**(1,076,481)**

3. Other income

	31 Dec 2019	**31 Dec 2018**
	$	**$**
Interest income	-	136
	-	**136**

4. Trade and other receivables

	31 Dec 2019	**30 Jun 2019**
	$	**$**
Prepayments	28,101	42,237
Other receivables (i)	9,601	18,145
	37,702	**60,382**

(i) None of the trade and other receivables are past due at the reporting date.

5. Exploration and evaluation expenditure

	6 months ended 31 Dec 2019 $	12 months ended 30 Jun 2019 $
Carried forward exploration and evaluation expenditure	-	-
Expenditure incurred during the period	97,022	541,849
Impairment of exploration and evaluation expenditure (i)	(97,022)	(541,849)
Carrying value at end of the period	-	-

(i) An impairment expense of $97,022 has been recognised in profit or loss for the half-year ended 31 December 2019 (30 June 2019: $541,849). This is consistent with the Group's policy on exploration and evaluation expenditure. Refer to the 2019 annual financial report.

6. Issued capital

	31 Dec 2019 $	30 Jun 2019 $
2,623,645,965 fully paid ordinary shares (30 June 2019: 2,141,260,371)	**86,421,615**	**86,013,352**

Fully paid ordinary shares	**31 Dec 2019**		**30 Jun 2019**	
	No.	**$**	**No.**	**$**
Balance at beginning of period	2,141,260,371	86,114,657	716,621,208	82,383,969
Placement (i)	186,196,554	150,819	-	-
Placement (ii)	296,189,040	148,095	-	-
Issue of shares (iii)	-	-	51,500,000	1,030,000
Issue of shares (iv)	-	-	500,000,000	1,250,000
Issue of shares (v)	-	-	5,093,919	12,735
Issue of shares (vi)	-	-	16,000,000	160,000
Placement (vii)	-	-	117,092,421	585,462
Issue of shares (viii)	-	-	450,000,000	450,000
Issue of shares (ix)	-	-	5,656,791	5,657
Issue of shares (x)	-	-	279,294,831	195,506
Rounding on consolidation	-	-	1,201	-
Share to be issued	-	12,500	-	-
Share issue costs	-	(4,456)	-	(59,977)
	2,623,645,965	**86,421,615**	**2,141,260,371**	**86,013,352**

(i) Issue of fully paid ordinary shares at $0.00081 each on 25 October 2019 pursuant to a placement to sophisticated investors of the Company.
(ii) Issue of fully paid ordinary shares at $0.0005 each on 31 December 2019 pursuant to a placement to sophisticated investors of the Company.
(iii) Issue of fully paid ordinary shares at $0.02 each on 12 July 2018 as part of settlement on the acquisition of Mt Roe Mining Pty Ltd.
(iv) Issue of fully paid ordinary shares at $0.0025 each on 12 July 2018 pursuant to the conversion of convertible notes of $1.25 million issued in April 2018.
(v) Issue of fully paid ordinary shares at $0.0025 each on 12 July 2018 in lieu of interest pursuant to the conversion of convertible notes of $1.25 million.
(vi) Issue of fully paid ordinary shares at $0.01 each on 12 July 2018 to DG Resources Management Ltd as deferred consideration pursuant to a contractual obligation of the Company pursuant to the Mining Claims Acquisition Agreement for as part consideration for the Lida Valley and Muddy Mountain Project.
(vii) Issue of fully paid ordinary shares at $0.005 each on 30 August 2019 pursuant to a placement to sophisticated investors of the Company.

6. Issued capital (cont'd)

(viii) Issue of fully paid ordinary shares at $0.001 each on 26 February 2019 pursuant to the conversion of convertible notes of $450,000 issued in December 2018.
(ix) Issue of fully paid ordinary shares at $0.001 each on 26 February 2019 in lieu of interest pursuant to the conversion of convertible notes of $450,000.
(x) Issue of fully paid ordinary shares at $0.007 each on 29 May 2019 pursuant to a placement to sophisticated investors of the Company.

7. Convertible Note

The Company signed a mandate on 10 December 2018 to raise up $450,000 by way of a convertible note facility with one or more investors who are not related parties of the Company.

The notes to be converted at the election of the note holders into ordinary shares at $0.001 per share with one (1) free attaching unlisted option (exercise price $0.015 per option, expiry 31 December 2023) for every 2 shares issued. Interest will accrue on the value of the note at 6% per annum and will be converted into shares and free attaching Options.

The term of the notes was three months from the date of the 2018 Annual General Meeting, unless otherwise agreed by the noteholder and the Company.

All remaining notes were converted into equity by 30 June 2019.

	31 Dec 2019 $	30 Jun 2019 $
Balance at the beginning of the period	-	1,108,003
Placement of Notes	-	450,000
Adjustment to Equity	-	(452,174)
Unwinding of Finance Costs/Interest	-	156,906
Conversion during the year along with interest	-	(1,262,735)
Issue Costs	-	-
Balance at the end of the Year	-	-

8. Reserves

	6 months ended 31 Dec 2019 $	12 months ended 30 Jun 2019 $
Balance at beginning of the period	2,055,258	1,815,353
Options issued to Chinsiro Pty Ltd (i)	-	75,000
Options issued on acquisition of Mt Roe Mining Pty Ltd (ii)	-	110,442
Options issued to RM Corporate Finance Pty Ltd (iii)	-	54,463
Carrying value at end of the period	**2,055,258**	**2,055,258**

(i) This represent the value attributed to 75,000,000 unlisted options issued as consideration for services provided by Chinsiro Pty Ltd to the Company pursuant to the fundraising agreement.
(ii) This represent the value attributed to 51,500,000 unlisted options issued as part of the consideration for the acquisition of Mt. Roe Mining Pty Ltd.
(iii) This represent the value attributed to 20,000,000 unlisted options issued to RM Corporate Finance Pty Ltd as a signing fee contained in the Sale and Purchase Agreement.

9. Options

The following options arrangements were in existence at the reporting date:

Option series	Number	Grant date	Grant date fair value $	Exercise price $	Expiry date	Vesting date
CAD0	349,128,014	Various	-	0.0300	31 Dec 2020	Vested
CAD67913	115,023,394	Various	0.0019	0.0500	30 Jun 2021	Vested
CAD67904	75,000,000	Various	0.0001	0.0150	30 Jun 2023	Vested
CAD67921	916,353,751	Various	-	0.0150	31 Dec 2023	Vested
CAD67927	465,491,385	Various	-	0.0025	31 Dec 2024	Vested

There has been no alteration of the terms and conditions of the above options arrangements since the grant date.

9.1 Options granted during the half year

The following options were granted during the period:

a) On 29 November 2019, the Company issued 465,491,385 free attaching options to May and October 2019 placements.

No share options were exercised during the half-year ended 31 December 2019 (31 Dec 2018: NIL).

10. Deferred considerations

	31 Dec 2019 $	30 Jun 2019 $
Current		
Cash consideration payable to GEM for acquisitions of ATC Resources and Nevada Clays(i)(ii)(iii)(iv)(v)(vi)(vii)	293,058	241,869
	293,058	**241,869**
Non-current		
Deemed value of cash consideration to GEM for acquisition of ATC Resources and Nevada Clays (ix)	-	49,797
	-	**49,797**

10. Deferred considerations (cont'd)

Deferred consideration to Gold Exploration Management Inc. ("GEM") arising from acquisition of ATC Resources Pty Ltd and Nevada Clays Pty Ltd

Following the acquisitions of 100% of ATC Resources Pty Ltd and Nevada Clays Pty Ltd, Caeneus is liable to pay Gold Exploration Management Inc. deferred cash payments spread out as follows:

<u>Arising from Acquisition of ATC Resources Pty Ltd</u>

(i) US$15,000 on the date that is 24 months after the settlement of the acquisition (being 24 months from 23 June 2016);

(ii) US$50,000 on the date that is 36 months after the settlement of the acquisition (being 36 months from 23 June 2016) for Scotty's South Project.

(iii) US$70,000 on the date that is 48 months after the settlement of the acquisition (being 48 months from 23 June 2016).

<u>Nevada Clays Pty Ltd</u>

(iv) US$15,000 on the date that is 12 months after the settlement of the acquisition (being 12 months from 13 September 2016). This is not yet paid;

(v) US$20,000 on the date that is 24 months after the settlement of the acquisition (being 24 months from 13 September 2016);

(vi) US$25,000 on the date that is 36 months after the settlement of the acquisition (being 36 months from13 September 2016); and

(vii) US$35,000 on the date that is 48 months after the settlement of the acquisition (being 48 months from 13 September 2016).

For the purpose of reporting, the total value of the above deferred cash payments (iii) to (ix) have been converted to Australian dollars based on the exchange rate prevailing at 31 December 2019.

11. Contingent liabilities and contingent assets

Upon acquiring 100% interest in the Scotty's South-Sarcobatus Flats and Columbus Marsh lithium projects ("ATC Projects"), Caeneus is liable to pay a 2% Net Smelter Royalty to Gold Exploration Management Inc. ("GEM") on production from the ATC Projects (to be documented with a standard industry royalty agreement). Caeneus has the right to buyback 1% of the royalty for the sum of US$1,000,000.

Upon acquiring 100% interest in the New King lithium project ("New King Project"), Caeneus is liable to pay a 2% Net Smelter Royalty to GEM on production from the New King Project (to be documented with a standard industry royalty agreement). Caeneus has the right to buyback 1% of the royalty for the sum of US$1,000,000.

Upon acquiring 100% interest in Mount Roe Mining Pty Ltd, the Company is liable on a discovery at either E47/3846 and/or E45/5041 and/or E47/3857: totalling 200,000 ounces JORC resource of gold (or gold equivalent on any metals) to issue of A$1.0m in Caeneus Shares at a five-day VWAP prior to notification of this milestone/payment or A$1.0m in cash (at the election of Caeneus).

The directors are not aware of any other contingencies at below date.

12. Subsequent events

On 2 January 2020, the Company advised that the participation of Chairman Peter Christie in the 31 December 2019 Capital Raising is subject to shareholder approval at an upcoming General Meeting.

On 10 February 2020, the Company advised that a forfeiture application has been filed against its exploration licence E45/1866. Accordingly, following consultation with exploration advisors, the Company no longer intends to apply for an extension of the relevant exploration licence and has instead filed a surrender.

On 20 January 2020, the Unmarketable parcel facility payment was finalised and cheques were dispatched.

On 18 February 2020, the Board has accepted an offer to complete a capital raising via a placement of 800,000,000 fully paid ordinary shares at an issue price of $0.0005 each for a total amount raised of $400,000 to sophisticated and professional investors. The Company will also be issuing a 1 for 1 attaching option exercisable at $0.0025 expiring on or before 31 December 2024. The shares and options will be issued subject to Listing Rule 7.1 approval at a shareholder meeting to be held in March 2020.

Mr David Sanders, a director of the Company, has also agreed to subscribe for shares and options on the same terms to raise a further $12,500 subject to Listing Rule 10.11 approval at the shareholder meeting.

The Company has also accepted an offer to place a further 400,000,000 options exercisable at $0.0025 expiring on or before 31 December 2024 at an issue price of $0.0001 to sophisticated and professional investors to raise $40,000 subject to Listing Rule 7.1 approval at the shareholder meeting.

The funds raised will be directed towards the Company's Australian exploration tenements and working capital.