PATERSON RESOURCES LTD

ABN 45 115 593 005

(formerly known as Hardey Resources Limited)

Annual Report for the Year Ended 30 June 2020

Annual Report
For the year ended 30 June 2020

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Corporate Directory

Board of Directors

Nick Johansen	Non-Executive Chairman
Brian Thomas	Technical Director
Matthew Bull	Non-Executive Director (appointed 27 September 2019)

Secretary
Ms Sarah Smith

Registered Office
Suite 2, 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

The Directors of Paterson Resources Limited ("PSL" or "the Company") (formerly known as Hardey Resources Limited) present their report, together with the financial statements on the consolidated entity consisting of Paterson Resources Limited and its controlled entities (the "Group") for the financial year ended 30 June 2020.

DIRECTORS

The names and particulars of the Company's directors in office during the financial year and at the date of this report are as follows. Directors held office for this entire period unless otherwise stated.

Nick Johansen | Non-Executive Chairman

A solicitor with extensive mining experience, ranging from junior exploration to production, across a range of commodities, Nick has expertise in transactions, resources regulation, native title and environmental law. Nick completed his Graduate Diploma of Legal Practice at Australian National University. In addition, he holds a BA in economics from the University of Adelaide.

During the past three years, Mr Johansen held the following directorships in other ASX-listed companies:

- Non-Executive Chairman of Orcoda Limited (current).

Brian Thomas | Technical Director

Brian is the principal of a boutique corporate advisory practice working with small to mid-market capitalisation companies and investors conducting technical reviews plus advising on corporate finance, mergers & acquisitions and investor relations. He has held both Executive and Non-Executive Director roles with numerous ASX listed and unlisted companies after an extensive career in the financial services sector in corporate stockbroking, investment banking, funds management and banking. He has more than 35 years of mining and exploration industry experience in a broad range of commodities from precious and base metals, bulk and industrial minerals, diamonds plus oil and gas.

Brian graduated from the University of Adelaide with a BSc in Geology and Mineral Economics, the University of Western Australia Business School with an MBA and the Securities Institute of Australia (now FinSIA) with a Certificate in Applied Finance and Investment.

During the past three years, Mr Thomas held the following directorships in other ASX-listed companies:

- Non-Executive Director of Auris Minerals Ltd (resigned 31 March 2020); and
- Non-Executive Director Cougar Metals NL (resigned 31 July 2019).

Matthew Bull | Non-Executive Director

Matthew Bull is a geologist with over 10 years' experience in the mining and exploration industry. He has worked in a wide range of commodities including graphite, bauxite, gold, iron ore, copper and coal. He has considerable experience on the operation greenfield and resource development drilling exploration programs. His previous positions include consultant geologist working on Discovery Africa's Tanzanian Graphite Project and CEO/Chief Geologist at Baru Resources.

During the past three years, Mr Bull as held the following directorships in other ASX-listed companies:

- Non-Executive Director of Lindian Resources Limited (current);
- Non-Executive Director Castillo Copper Limited (resigned 30 April 2020); and
- Non-Executive Director Volt Resources Limited (resigned 9 July 2018).

Directors' Report

John Hannaford | Non-Executive Chairman
(Resigned 27 September 2019)

John is an experienced corporate executive with extensive experience in the ASX Resources sector as Corporate Advisor, Executive, Chairman, Company promoter and investor. He is a qualified Chartered Accountant and Fellow of the Securities Institute of Australia (FinSIA).

During the past three years, Mr Hannaford did not hold directorships in other ASX-listed companies.

David Izzard | Non-Executive Director
(Resigned 14 August 2019)

David is an experienced finance executive and director with over 15 years' experience in the mining industry. David is the former CFO for SMS Innovative Mining, a mining services business with annual turnover of $150m and clients including Saracen Minerals, Norton Gold, Mount Gibson Iron, Tawana Resources, BHP, BMA and Capricorn Resources.

He was a co-founder and shareholder of Adaman Resources, a private mining company holding gold assets at Kirkalocka and Corinthia in Western Australia.

David has a strong knowledge of mining operations, financing and project management. Over the last three years he has been involved in identifying economical mining projects and executive teams to execute and operate projects.
David is a qualified accountant and has an MBA and a Master of Mineral Economics from Curtin University.

During the past three years, Mr Izzard did not hold directorships in other ASX-listed companies.

Scott Paterson | Non-Executive Director
(Resigned 14 August 2019)

Scott is a director and shareholder of Gramercy Partners Pty Ltd, a finance company facilitating business and mining finance. Gramercy Partners' loan book is financed through its private fund.

Through his role at Gramercy Partners, Scott is actively involved in the assessment of mining companies and their operations, with a focus on determining project viability.

Scott is also a director and shareholding of GNO Pty Ltd, a private company specialising in small scale mining and milling operations in and around Kalgoorlie and Western Australian goldfields.

Scott has extensive business experience and been the recipient of multiple Australia wide industry awards and accolades.

During the past three years, Mr Paterson did not hold directorships in other ASX-listed companies.

COMPANY SECRETARY

Sarah Smith

Ms Smith specialises in corporate advisory, company secretarial and financial management services. Ms Smith's experience includes company secretarial and financial management services for ASX listed companies, capital raisings and IPOs, due diligence reviews and ASX and ASIC compliance. Ms Smith is a Chartered Accountant and has acted as the Company Secretary for several ASX-listed companies.

Directors' Report

INTERESTS IN SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

The following table sets out each current Director's relevant interest in shares and options of the Company or a related body corporate as at the date of this report.

Director	Ordinary Shares	Unlisted Share Options
Nick Johansen	-	-
Brian Thomas	-	-
Matthew Bull	-	-
John Hannaford (resigned)	-	-
David Izzard (resigned)	-	-
Scott Paterson (resigned)	-	-
Total	**-**	**-**

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was mineral exploration.

REVIEW OF OPERATIONS

Grace Project – Paterson Province, Western Australia

The Grace Project is located in the highly prospective Paterson Range province, home to the world class gold and copper Telfer Mine, operated by Newcrest Mining Ltd located 25km to the north east. The Paterson is also host to a number of other additional major discoveries including Rio Tinto's Winu copper project and the Havieron gold and copper discovery, a joint venture with Newcrest and AIM listed Greatland Gold.

Directors' Report

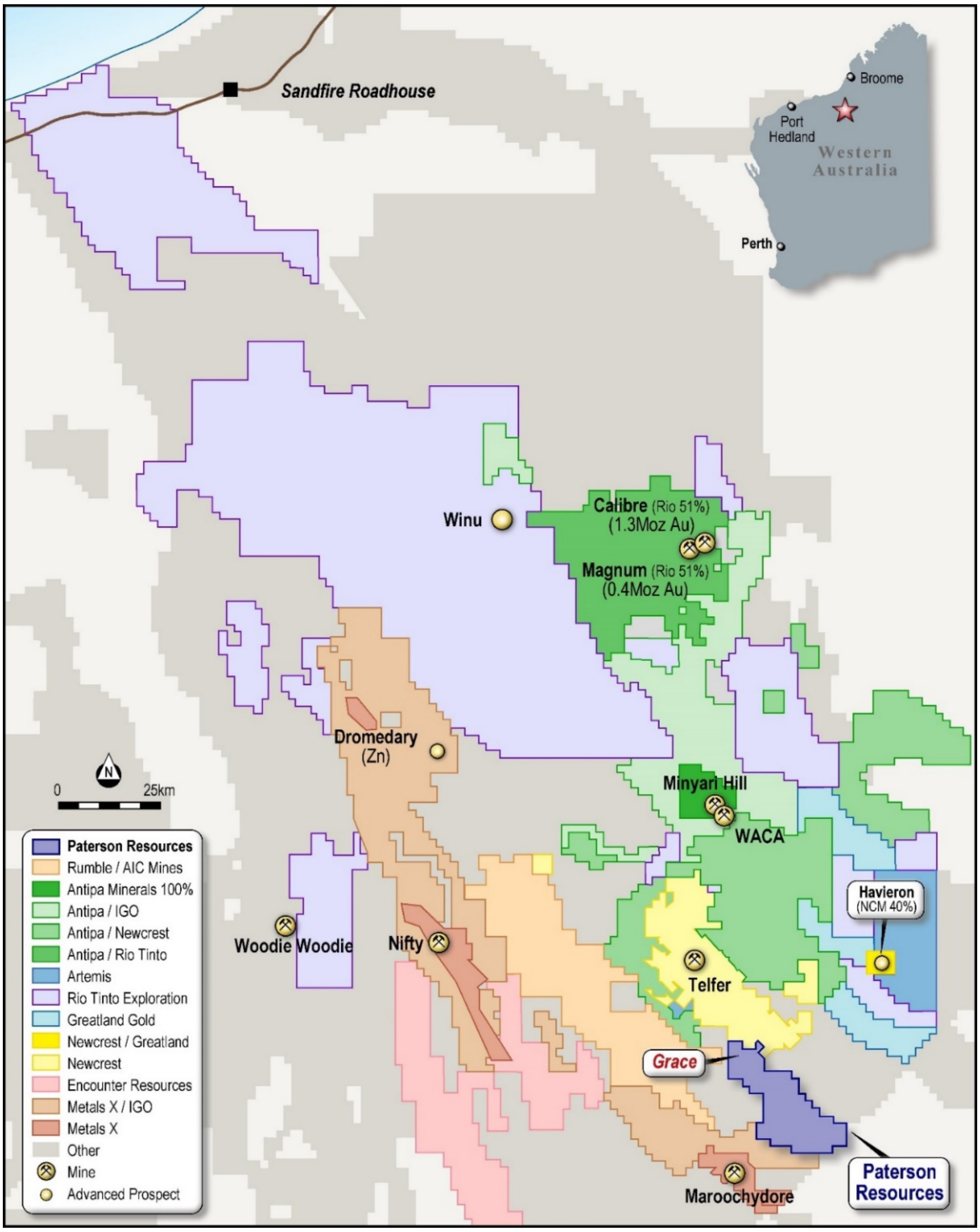

Figure 1: Grace Project Location Map

The Grace Project is comprised of granted prospecting licences P45/2905-2909, exploration licences E45/4524 and E45/5130 (Figure 2).

Directors' Report

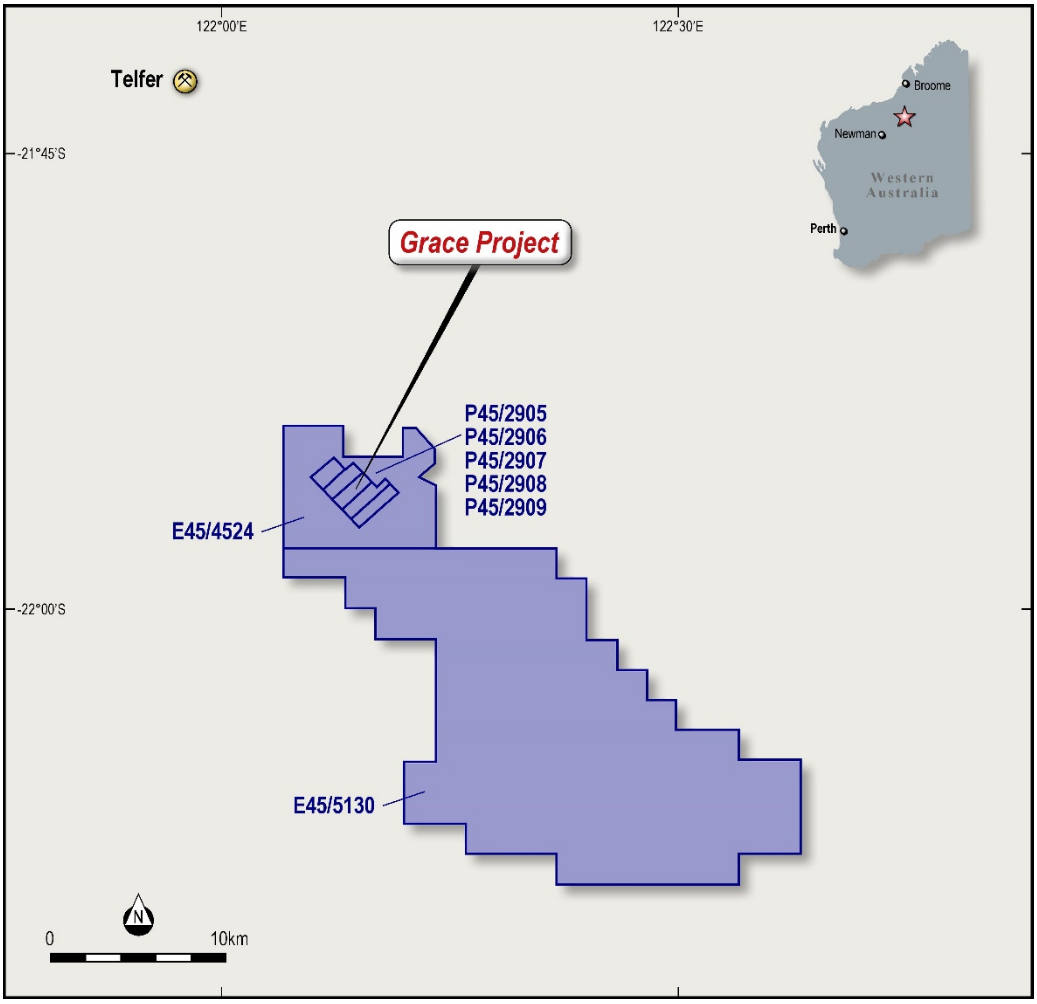

Figure 2: Grace Project Tenement Map

Historically there has been significant exploration activity across the Grace Project area, with a focus on the ground covered by the prospecting licences held by the Company. Work was predominantly completed by Newmont Australia and successor company Newcrest Mining. Newcrest first became involved in the area during the 1970s, before relinquishing the project area in 2015. The area was subsequently licenced to the Company in 2017.

Extensive work was completed by Newmont/Newcrest over that period including desktop studies, prospectivity review and exploration targeting followed by field reconnaissance, rock-chip sampling, soil geochemistry, extensive drilling programmes with diamond, RC, RAB and aircore. In addition, the area was subject to significant aeromagnetics and airborne gravity survey. All this data is available on open file which the company has accessed and has compiled into a comprehensive exploration data base.

An ongoing review of all the historical geological, geophysical and assay data, as well as the data files used in previously 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 conduct 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 Bemm and Grace Shear Zones 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.

During the year, a review of the Grace Gold Copper Project Geophysics was announced to the market (PSL ASX Ann 8 May 2020) and subsequent to 30 June 2020, results of ongoing geophysical studies including 3D Aeromagnetic Modelling were announced (PSL ASX Ann 23 July 2020).

Directors' Report

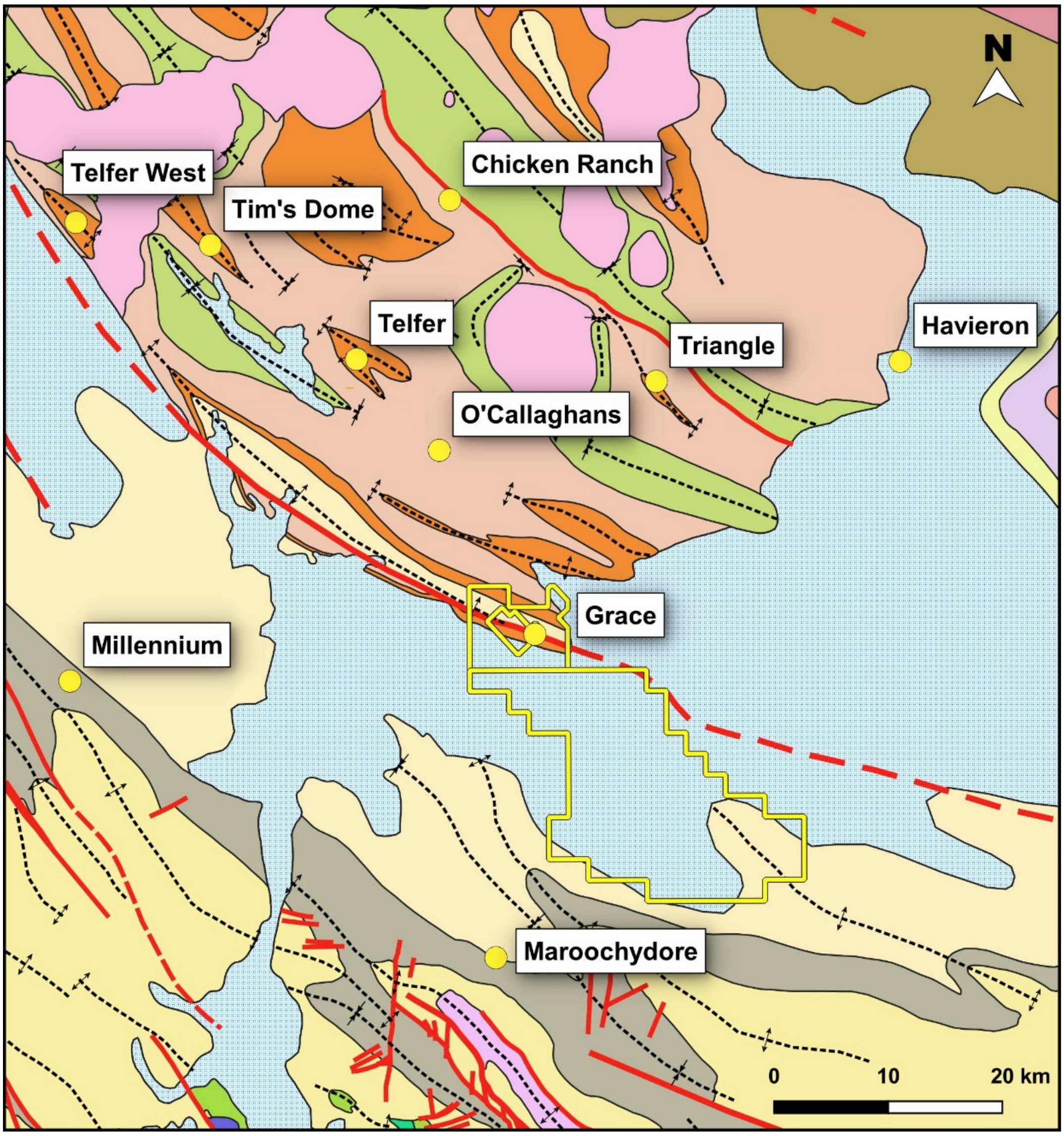

Figure 3: Grace Project Regional Interpreted Bedrock Geology

Geophysics - Aeromagnetics

High resolution aeromagnetic survey data acquired at 100m survey line spacing show a strong NW-SE magnetic anomaly high trend following the southern side of the Grace and Bemm shear zone, and just to the south of this magnetic anomaly trend is another parallel magnetic anomaly trend with very strong magnetic anomalism, with both anomaly trends located entirely within the Company's tenements (Figure 4). The magnetic anomaly patterns suggest that hydrothermal magnetite and/or pyrrhotite have altered the dolomitic siltstone host rocks, similar to the Havieron gold deposit to the northeast, or have formed skarn contact zones related to underlying intrusive igneous rocks, similar to the O'Callaghans tungsten and base metal deposit located between Grace and Telfer, or are related to dolerite sills usually found lower down in the stratigraphic sequence. These magnetic anomaly zones have not yet been systematically drilled deep enough to fully assess the sources of the magnetic anomalies to see if they are related to associated zones of gold and copper mineralisation. The potential sources for the magnetic anomalies could be hydrothermal magnetite and pyrrhotite alteration associated with gold-copper mineralisation at depth, and 3D inversion modelling has been used to estimate depth to the magnetic source bodies for planning deep drilling into these target bodies by the Company.

Directors' Report

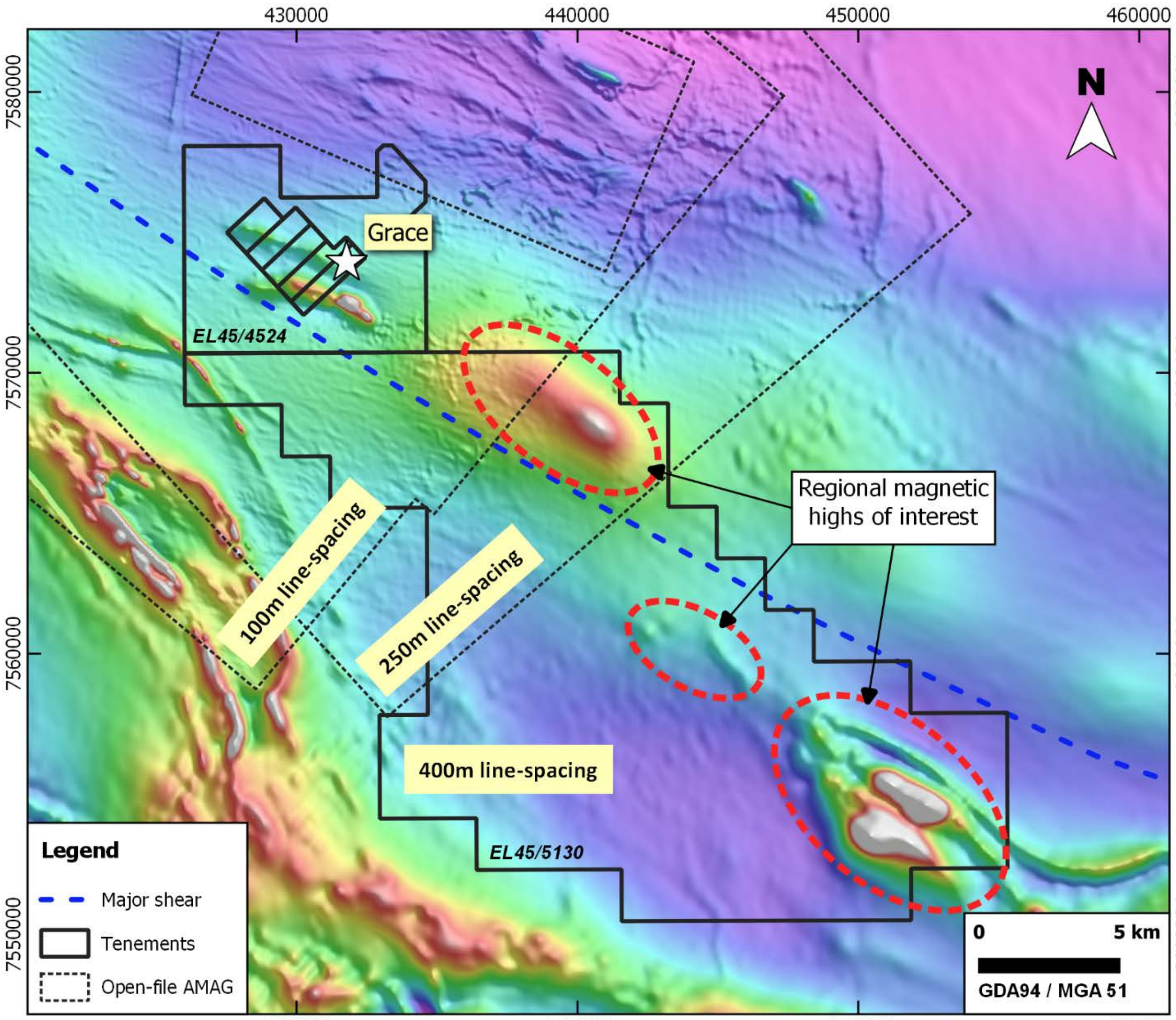

Figure 4: Grace Project Area Regional Aeromagnetics
Merged aeromagnetic anomaly image (TMI reduced to the pole with NE sun angle) showing survey line spacing coverage for different survey areas ranging from 100m to 400m (dashed black outlines), and Paterson tenement outlines (black).

Directors' Report

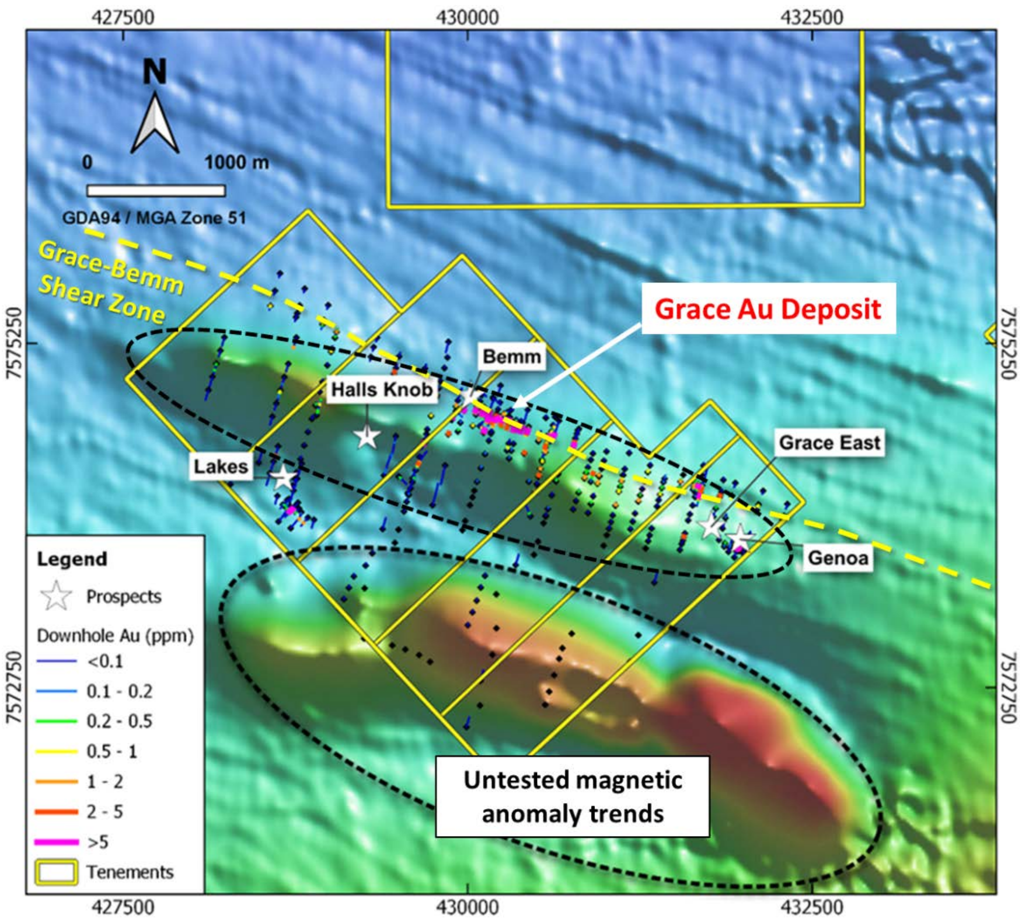

Figure 5: Grace Prospect Interpreted Regional Shears, Historic Drill Collars & IP Lines Overlaying Aeromagnetics.Grace magnetic anomaly image (TMI reduced to the magnetic pole and NE sun angle) showing a moderate strength anomaly trend following the Grace-Bemms shear zone in the north and a much stronger intensity magnetic anomaly trend in the south and running parallel to the Grace-Bemm shear zone trend (dashed black outlines). These large and intense magnetic anomaly zones sit entirely within the Company's tenements (yellow outline), they have not yet been systematically tested by enough deep enough drilling, and could be related to hydrothermal alteration, skarn contacts formed between carbonate host rocks and igneous intrusive rocks, or dolerite sills at greater depth.

3D inversion magnetic modelling has been used to help explain the subsurface magnetic source body geometry causing the two main parallel magnetic anomaly trends. This has resulted in an interpretation that places the tops of magnetic bodies at a greater depth than most drillholes from previous explorers, with only a few very wide spaced historical drillholes appearing to have intersected the tops of the magnetic bodies but did not penetrate deep enough into the cores of both source bodies modelled to cause the strong magnetic anomaly trends (Figures 5 and 6).

Directors' Report

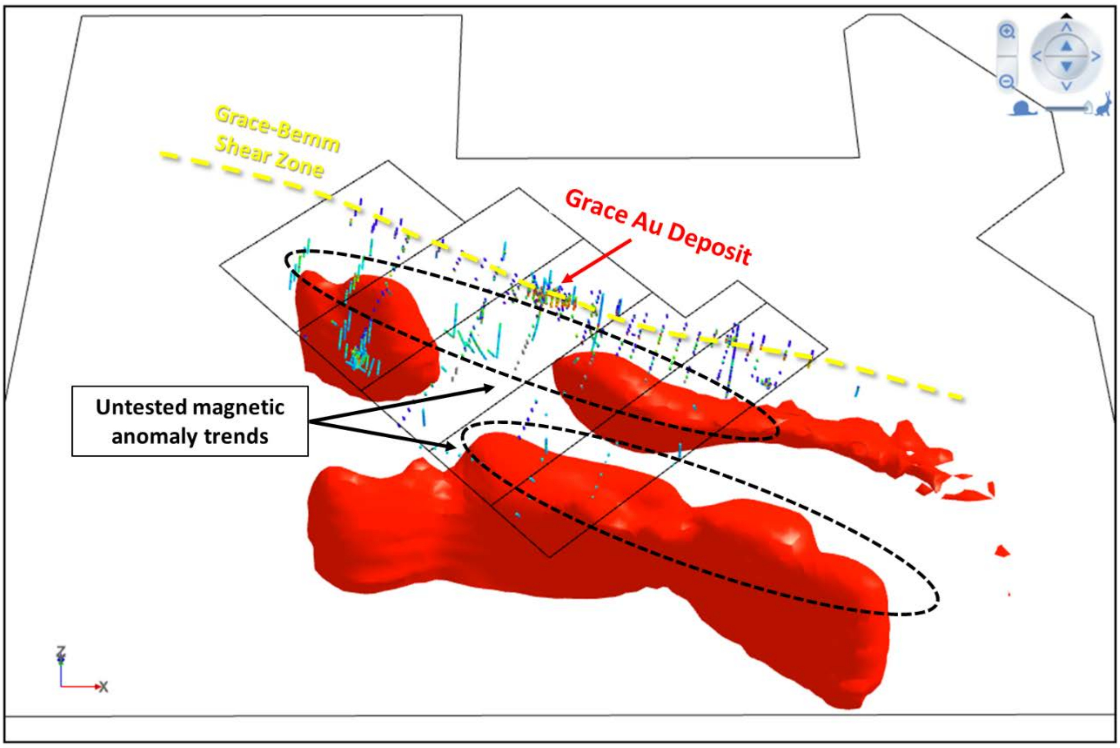

Figure 6: 3D view looking north from above on magnetic inversion modelling results, where magnetic source bodies are in red, also shown are Paterson tenement outlines (black), drilling coloured by increasing gold grade, and Grace and Bemm Shear Zone.

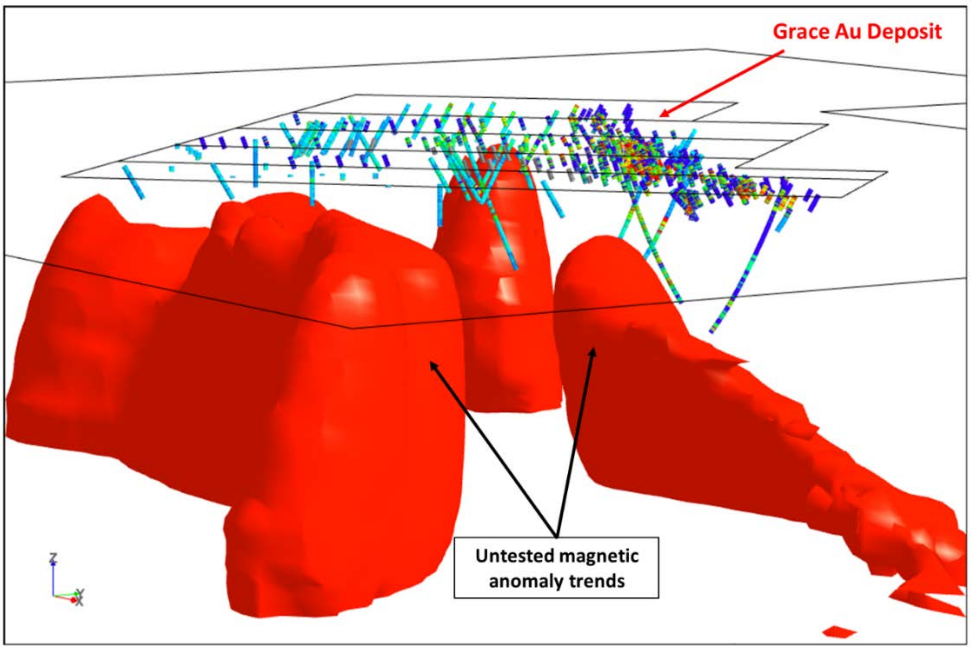

Figure 7: 3D view looking to the west on magnetic modelling results, where magnetic source bodies are in red, also shown are Paterson tenement outlines (black), and drilling coloured by increasing gold grade.

Following on from the completion of the desktop geological and geophysical work, detailed exploration plans and budgets for new modern Induced Polarisation (IP) Surveys plus exploration and infill drilling have been prepared for execution this upcoming and the following field season subject to the completion of heritage clearances with the representatives of the Martu People Traditional Owners, the Western Desert Lands Aboriginal Corporation.

Directors' Report

Pilbara Gold Exploration Projects – Pilbara Western Australia

Desktop studies of the historical exploration data carried out on the four granted exploration licences in the Pilbara has now been completed. Field reconnaissance programmes have been carried out by the Company's geological consultants on the Cheela Plains Project (E08/2880), Bellary Project (E47/3578), Hamersley Project (E47/3827) and the Mt Elsie (E45/5020).

Horseshoe South Base Metal Project – Murchison Western Australia

There has been no activity at the Horseshoe South Project during the year. Subsequent to the end of the financial year the Company surrendered the tenement.

Burraga Copper Gold Project – Lachlan Fold Belt, NSW

The Burraga Copper-Gold Project, located in the recognised minerals province of the East Lachlan Fold Belt in central western New South Wales, consists of four contiguous exploration licences covering a total area of approximately 221km.

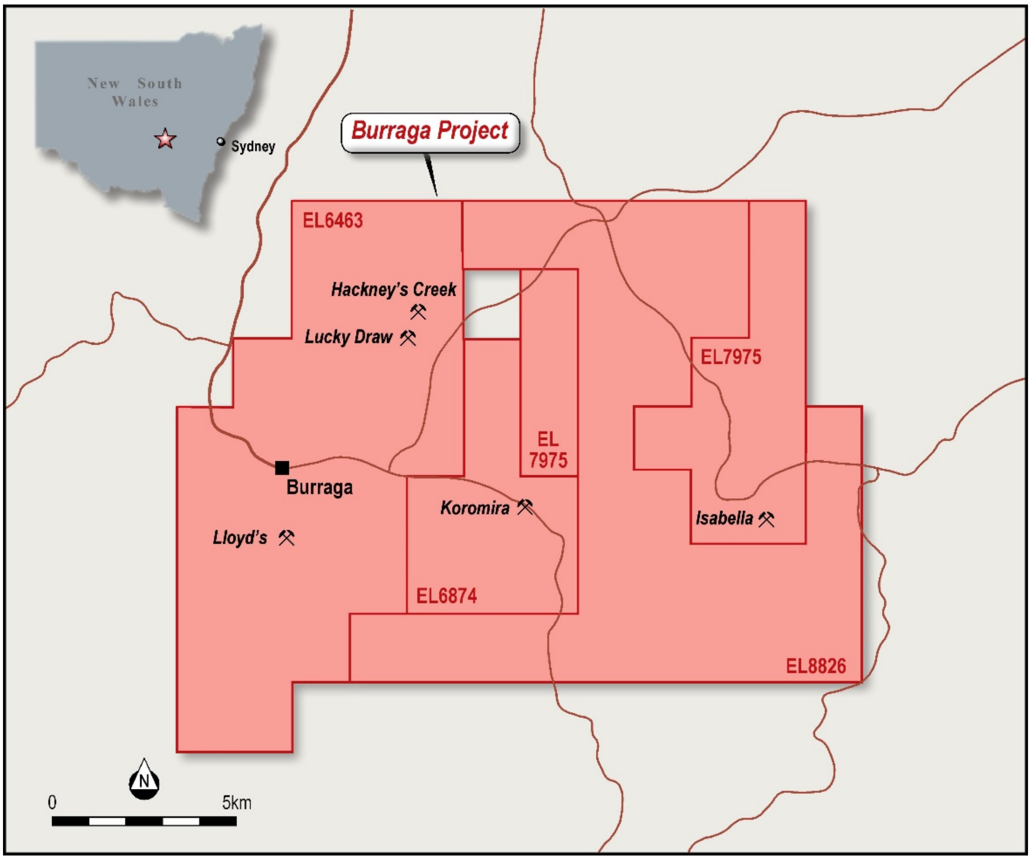

Figure 8 : Burraga Project Area

The Company has reported the below Mineral Resources for the Burraga Copper-Gold Project:

Directors' Report

Prospect		Tonnes	Cu (%)	Au (g/t)	Cu Metal (t)
Lloyds (0.3% Cu cutoff)	Measured	80,000	1.0	0.1	800
	Indicated	910,000	0.8	0.1	7,130
	Inferred	320,000	0.7	0.1	2,200
	Total	1,310,000	0.8	0.1	10,090
Tailings	Indicated	280,000	1.2	0.3	3,490
Slag Heaps	Inferred	90,000	1.3	0.2	1,170
Burraga Combined	Measured	80,000	1.0	0.1	800
	Indicated	1,280,000	0.9	0.1	11,520
	Inferred	320,000	0.7	0.1	2,200
	Total	**1,680,000**	**0.9**	**0.1**	**15,120**

The Lloyds Copper Mine is approximately 1.5km south of the village of Burraga.

The Lucky Draw and Hackney's Creek deposits occur along strike from each other about 1km apart and 5km northeast of the village of Burraga.

Prospect	Tonnes	g/t Au	Au Metal ozs
Hackney's Creek	2,210,000	1.4	102,300
Lucky Draw	470,000	2.1	31,700
Total	**2,680,000**	**3.5**	**134,000**

The cut-off grade applied for reporting the Inferred Mineral Resource estimate for the Lucky Draw and Hackney's Creek prospects is 0.5g/t Au.

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.

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".

Directors' Report

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 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.

On 30 April 2020, 930,154,097 Listed Options exercisable at $0.02 (PSLOC) expired unexercised.

On 26 June 2020, the Company completed a non-renounceable pro-rata rights issue to eligible shareholders by issuing 1,597,205,980 ordinary shares at an issue price $0.001 per share, to raise a total of $1,597,206. The Directors of the Company allocated the remaining Shortfall Offer Shares in accordance with the shortfall allocation policy set out in section 1.2 of the Company's Prospectus dated 22 May 2020. The remaining 333,042,676 shortfall shares were issued on 29 June 2020 raising an additional $333,043.

Financial Performance

The financial results of the Group for the year ended 30 June 2020 and 30 June 2019 are:

	30-June-20 $	**30-June-19 $**
Cash and cash equivalents	**1,955,989**	508,225
Net Assets	**19,010,165**	17,223,575
Revenue	**440**	4,416
Net loss after tax	**(570,887)**	(2,849,384)

DIVIDENDS

No dividends have been paid or declared by the Group since the end of the previous financial year.

No dividend is recommended in respect of the current financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, there were no significant changes in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 21 July 2020, the Company's securities were reinstated to trading on ASX following the satisfaction by PSL of ASX's conditions for reinstatement.

On 11 September 2020, PSL was placed in voluntary suspension pending an announcement regarding a capital raising.

Directors' Report

On 14 September 2020, PSL was reinstated to Official Quotation following a capital raising announcement. The Company has received firm commitments to raise approximately A$500,000 before expenses, by way of a placement of 142,857,143 shares to sophisticated and professional investors ("Placement") together with one (1) free attaching option for every one (1) Placement Share subscribed for ("Placement Options"). The Placement Shares will be issued at A$0.0035 per Share, representing a 12.5% discount to the last traded price of $0.004 on 8 September 2020, being the last trading day prior to the Company's trading halt. The Placement Options will have an exercise price of $0.007 and will expire on 30 September 2023.

In addition to the Placement, the Company intends to conduct a Share Purchase Plan ("SPP") up to a maximum of $1.5 million to provide shareholders the opportunity to purchase additional shares in the Company at the same price on the same terms as the Placement. The SPP offer will allow eligible shareholders to subscribe for up to $30,000 worth of shares at the determined issue price per Share being $0.0035, together with one (1) free attaching option for every one (1) SPP Share subscribed for and issued. At this stage, the maximum gross raised under the SPP will be capped at a total of $1,500,000, though the Company reserves the right to change this cap at its discretion by an announcement to ASX.

The Company has established a share sale facility ("Facility") of ordinary shares for holders of Less than Marketable Parcels of the Company's shares. A Less than Marketable Parcel of $0.004 on the Record Date. This represents 70,332,830 shares held by 2,020 shareholders.

On 18 September 2020, the Company completed the Placement and issued 142,857,143 fully paid ordinary shares at an issue price of $0.0035 per share.

Other than the above there has not been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Future Exploration
The Group's main exploration efforts will be focussed on continuing to develop value from exploration across its tenements.

SHARES UNDER OPTION
Unissued ordinary shares of Paterson Resources Ltd under option at the date of this report are as follows:

Class	Grant date	Expiry date	Exercise price	Number under option
Unlisted Option	19-8-2016	1-10-2020	$0.044	3,401,578
Unlisted Option	19-8-2016	19-08-2020	$0.06	12,500,000
Unlisted Option	29-9-2016	19-08-2020	$0.06	33,025,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

SHARES ISSUED ON EXERCISE OF OPTION

There were no shares were issued during the year ended 30 June 2020 and up to the date of this report on the exercise of options granted.

Directors' Report

DIRECTORS' MEETINGS

The number of Directors' meetings held during the financial year and the number of meetings attended by each Director during the time the Director held office are:

Director	Number Eligible to Attend	Number Attended
Nick Johansen	3	3
Brian Thomas	3	3
Matthew Bull	3	3
John Hannaford (resigned)	1	1
David Izzard (resigned)	1	1
Scott Paterson (resigned)	1	-

In addition to the scheduled Board meetings, Directors regularly communicate by telephone, email or other electronic means, and where necessary, circular resolutions are executed to effect decisions.

Due to the size and scale of the Company, there is no Remuneration and Nomination Committee or Audit Committee at present. Matters typically dealt with by these Committees are, for the time being, managed by the Board. For details of the function of the Board, refer to the Corporate Governance Statement.

Directors' Report

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2020 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements for Key Management Personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company.

a) Key Management Personnel Disclosed in this Report

Key Management Personnel of the Group during or since the end of the financial year were:

Nick Johansen	Non-Executive Chairman
Brian Thomas	Technical 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)

There have been no other changes after reporting date and up to the date that the financial report was authorised for issue.

The Remuneration Report is set out under the following main headings:

A Remuneration Philosophy
B Remuneration Governance, Structure and Approvals
C Remuneration and Performance
D Details of Remuneration
E Contractual Arrangements
F Share-based Compensation
G Equity Instruments Issued on Exercise of Remuneration Options
H Loans with KMP
I Other Transactions with KMP
J Additional Information
K Voting at 2019 Annual General Meeting ("AGM")

A Remuneration Philosophy

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP of the Group comprise of the Board of Directors.

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

No remuneration consultants were employed during the financial year.

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

B Remuneration Governance, Structure and Approvals

Remuneration of Directors is currently set by the Board of Directors. The Board has not established a separate Remuneration Committee at this point in the Group's development, nor has the Board engaged the services of an external remuneration consultant. It is considered that the size of the Board along with the level of activity of the Group renders this impractical. The Board is primarily responsible for:

- The over-arching executive remuneration framework;
- Operation of the incentive plans which apply to executive directors and senior executives, including key performance indicators and performance hurdles;
- Remuneration levels of executives; and
- Non-Executive Director fees.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

❖ **Executive Remuneration Structure**

The Group's remuneration policy for executive directors is designed to promote superior performance and long-term commitment to the Group. Executives receive a base salary which is market related. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the best interests of the Group and its shareholders to do so. The Board's reward policy reflects its obligation to align executives' remuneration with shareholders' interests and retain appropriately qualified executive talent for the benefit of the Group. The main principles of the policy are:

- Reward reflects the competitive market in which the Group operates;
- Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Refer below for details of Directors' remuneration.

❖ **Non-Executive Remuneration Structure**

The remuneration of Non-Executive Directors consists of Directors' fees, payable in arrears. The total aggregate fixed sum per annum to be paid to Non-Executive Directors in accordance with the Company's Constitution shall initially be no more than A$250,000 and may be varied by ordinary resolution of the Shareholders in a General Meeting.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements. Refer below for details of all Directors' share and option holdings.

All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using an appropriate valuation methodology.

The remuneration of Non-Executive is detailed in Table 1 and their contractual arrangements are disclosed in "Section E – Contractual Arrangements".

C Remuneration and Performance

The following table shows the gross revenue, losses, earnings per share ("EPS") and share price of the Group as at 30 June 2020 and 30 June 2019.

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

	30-Jun-20	30-Jun-19
Revenue ($)	**440**	4,416
Net loss after tax ($)	**(570,887)**	(2,849,384)
Loss per share (cents)	**(0.03)**	(0.20)
Share price ($)	**0.003**	0.003

Relationship between Remuneration and Company Performance
Given the current phase of the Company's development, the Board does not consider earnings during the current and previous financial year when determining, and in relation to, the nature and amount of remuneration of KMP.

The pay and reward framework for key management personnel may consist of the following areas:

a) Fixed Remuneration – base salary
b) Variable Short-Term Incentives
c) Variable Long-Term Incentives

The combination of these would comprise the key management personnel's total remuneration.

a) Fixed Remuneration – Base Salary

The fixed remuneration for each senior executive is influenced by the nature and responsibilities of each role and knowledge, skills and experience required for each position. Fixed remuneration provides a base level of remuneration which is market competitive and comprises a base salary inclusive of statutory superannuation. It is structured as a total employment cost package.

Key management personnel are offered a competitive base salary that comprises the fixed component of pay and rewards. The base covers standard business hours and terms. Work performed on weekends, after hours, travel, site visits and special assignments may be charged at hourly rates reviewable by the Board. External remuneration consultants may provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. No external advice was taken this year. Base salary for key management personnel is reviewed annually to ensure the executives' pay is competitive with the market. The pay of key management personnel is also reviewed on promotion. There is no guaranteed pay increase included in any key management personnel's contract.

b) Variable Remuneration – Short -Term Incentives (STI)

Discretionary cash bonuses may be paid to key management personnel annually, subject to the requisite Board and shareholder approvals where applicable.

There were no bonuses paid to Directors during the year.

c) Variable Remuneration – Long-Term Incentives (LTI)

Options are issued at the Board's discretion. Other than options disclosed in section D of the Remuneration Report there have been no options issued to employees at the date of this financial report.

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

D Details of Remuneration

Details of the nature and amount of each major element of the remuneration of each KMP of the Group during the financial year are:

Table 1 – Remuneration of KMP of the Group for the year ended 30 June 2020 is set out below:

	Short-term Employee Benefits			Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other	Superannuation	Options (iii)	
30 June 2020	$	$	$	$	$	$
Directors						
Nick Johansen	82,500	-	-	-	-	82,500
Brian Thomas	60,000	-	-	-	-	60,000
Matthew Bull (i)	45,000	-	-	-	-	45,000
John Hannaford (ii)	29,000	-	-	-	-	29,000
David Izzard (iii)	5,000	-	-	-	-	5,000
Scott Paterson (iii)	7,500	-	-	-	-	7,500
Total	**229,000**	-	-	-	-	**229,000**

(i) Appointed on 27 September 2019.
(ii) Resigned on 27 September 2019.
(iii) Resigned on 14 August 2019.

	Short-term Employee Benefits			Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other	Superannuation	Options (iii)	
30 June 2019	$	$	$	$	$	$
Directors						
John Hannaford (i)	35,000	-	-	-	-	35,000
Brian Thomas (i)	17,500	-	-	-	-	17,500
Nick Johansen (i)	17,500	-	-	-	-	17,500
David Izzard (i)	17,500	-	-	-	-	17,500
Scott Paterson (i)	17,500	-	-	-	-	17,500
Terence Clee (ii)	67,500	-	-	-	2,215	69,715
Robin Armstrong (ii)	45,000	-	-	-	3,220	48,220
Robert McCauley (ii)(iv)	43,500	-	-	3,800	-	47,300
Total	**261,000**	**-**	**-**	**3,800**	**5,435**	**270,235**

(i) Appointed on 15 March 2019.
(ii) Resigned on 15 March 2019.
(iii) Share-based payments are the options expensed over the vesting period (refer to Note 16 for further details).
(iv) Remuneration has not been restated for expenditures subsequently reversed in the profit or loss in the current year.

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the tables above:

Table 2 – Relative proportion of fixed vs variable remuneration expense

	Fixed Remuneration (%)		At Risk – STI (%)		At Risk – LTI (%)	
Name	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Directors						
Nick Johansen	**100%**	**100%**	**-**	-	-	-
Brian Thomas	**100%**	**100%**	**-**	-	-	-
Matthew Bull	**100%**	-	**-**	-	-	-
John Hannaford (resigned)	**100%**	**100%**	**-**	-	-	-
David Izzard (resigned)	**100%**	**100%**	**-**	-	-	-
Scott Paterson (resigned)	**100%**	**100%**	**-**	-	-	-
Terence Clee (resigned)	**-**	**97%**	**-**	**3%**	-	-
Robin Armstrong (resigned)	**-**	**93%**	**-**	**7%**	-	-
Robert McCauley (resigned)	**-**	**100%**	**-**	-	-	-

Table 3 – Shareholdings of KMP (direct and indirect holdings)

30 June 2020	**Balance at 01/07/2019**	**On Conversion of Convertible Notes**	**On Exercise of Options**	**Net Change – Other**	**Balance at 30/06/2020**
Directors					
Nick Johansen	-	-	-	-	-
Brian Thomas	-	-	-	-	-
Matthew Bull	-	-	-	-	-
John Hannaford (resigned)	-	-	-	-	-
David Izzard (resigned)	-	-	-	-	-
Scott Paterson (resigned)	-	-	-	-	-
Total	-	-	-	-	-

Table 4 – Option holdings of KMP (direct and indirect holdings)

30 June 2019	**Balance at 01/07/2019**	**Granted as Remuneration**	**Exercised**	**Net Change – Other**	**Balance at 30/06/2020**
Directors					
Nick Johansen	-	-	-	-	-
Brian Thomas	-	-	-	-	-
Matthew Bull	-	-	-	-	-
John Hannaford (resigned)	-	-	-	-	-
David Izzard (resigned)	-	-	-	-	-
Scott Paterson (resigned)	-	-	-	-	-
Total	-	-	-	-	-

E Contractual Arrangements

The following contractual arrangements were in place during the year:

❖ **Nick Johansen – Non-Executive Chairman**
- Contract: Commenced on 15 March 2019.
- Remuneration 1 July 2020 to 30 September 2019: $60,000 per annum.
- Remuneration 1 October 2019 to 30 June 2020: $90,000 per annum.
- Term: See Note 1 below for details pertaining to re-appointment and termination.

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

- **Brian Thomas – Technical Director**
  - Contract: Commenced on 15 March 2019.
  - Remuneration: $60,000 per annum.
  - Term: See Note 1 below for details pertaining to re-appointment and termination.

- **Matthew Bull – Non-Executive Director**
  - Contract: Commenced on 27 September 2019.
  - Remuneration: $60,000 per annum.
  - Term: See Note 1 below for details pertaining to re-appointment and termination.

- **John Hannaford – Non-Executive Chairman**
  - Contract: Commenced on 15 March 2019 and resigned 27 September 2019.
  - Remuneration: $120,000 per annum.
  - Term: See Note 1 below for details pertaining to re-appointment and termination.

- **David Izzard – Non-Executive Director**
  - Contract: Commenced on 15 March 2019 and resigned 14 August 2019.
  - Remuneration: $60,000 per annum.
  - Term: See Note 1 below for details pertaining to re-appointment and termination.
  -

- **Scott Paterson – Non-Executive Director**
  - Contract: Commenced on 15 March 2019 and resigned 14 August 2019.
  - Remuneration: $60,000 per annum.
  - Term: See Note 1 below for details pertaining to re-appointment and termination

Note 1: The term of each Non-Executive Director is open to the extent that they hold office subject to retirement by rotation, as per the Company's Constitution, at each AGM and are eligible for re-election as a Director at the meeting. Appointment shall cease automatically in the event that the Director gives written notice to the Board, or the Director is not re-elected as a Director by the shareholders of the Company. There are no entitlements to termination or notice periods.

F Share-based Compensation

The Company rewards Directors for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options. Share-based compensation is at the discretion of the Board and no individual has a contractual right to receive any guaranteed benefits.

Options

No short or long-term incentive based options were issued as remuneration to Directors during the current financial year.

Shares

Short and Long-term Incentives

No short or long-term incentive based shares were issued as remuneration to Directors during the current financial year.

G Equity Instruments Issued on Exercise of Remuneration Options

No remuneration options were exercised during the financial year.

H Loans with KMP

There were no loans made to any KMP during the year ended 30 June 2020 (2019: Nil).

Directors' Report

REMUNERATION REPORT (AUDITED) (CONTINUED)

I Other Transactions with KMP

During the financial year, the Company incurred:
- fees of $31,112 to Mr Brian Thomas for geological consulting services provided to the Company.
- Interest expenses of $5,737 to Mr Nick Johansen for convertible note loan provided to the Company.
- Interest expenses of $2,869 to Mr Matthew Bull for convertible note loan provided to the Company.

At 30 June 2020, the Group has an outstanding payable to key management personnel and their related parties as follows:

	2020 **$**
Nick Johansen	135,737
Brian Thomas	15,000
Matthew Bull	67,869

All transactions were made on normal commercial terms and conditions and at market rates.

J Additional Information

The earnings of the consolidated entity for the five years to 30 June 2020 are summarised below:

	2020 **$**	2019 $	2018 $	2017 $	2016 $
Revenue	**440**	4,416	8,418	7,590	550,464
Loss after income tax	**(570,887)**	(2,849,384)	(3,981,619)	(2,447,519)	(919,406)
Share Price ($)	**0.003**	0.003	0.004	0.01	0.2
Loss per share (cents)	**(0.03)**	(0.20)	(0.49)	(2.99)	(0.06)
Dividends	**-**	-	-	-	-

K *Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')*

At the 2019 AGM, 94.24% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices

[End of Audited Remuneration Report]

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Directors' Report

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of these proceedings.

AUDITOR

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the Company who are former partners of RSM Australia Partners.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and included within these financial statements.

NON-AUDIT SERVICES

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independent requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and

- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Nick Johansen
Non-Executive Chairman
29 September 2020

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Paterson Resources Limited for the year ended 30 June 2020, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM
RSM AUSTRALIA PARTNERS

AWhyte
ALASDAIR WHYTE
Partner

Perth, WA
Dated: 29 September 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 30 June 2020

	Note	2020 $	2019 $
Revenue from continuing operations			
Other income	4	**440**	4,416
Expenses			
Administrative expenses	5(a)	**(307,724)**	(477,075)
Compliance and regulatory expenses		**(111,720)**	(114,931)
Corporate advisory and consulting fees	5(b)	**219,397**	(645,088)
Depreciation		**(4,425)**	(17,204)
Employee benefit expenses	5(b)	**(187,105)**	(325,633)
Exploration consulting fees		**(25,322)**	(274,791)
Finance costs		**(11,157)**	(29,527)
Fair value of financial assets		**(597)**	298
Impairment expense		**(5,394)**	-
Legal fees		**(93,158)**	(328,477)
Marketing and investor relations		**(5,322)**	(239,062)
Occupancy costs		**(7,460)**	(56,133)
Option fee		**-**	(150,000)
Loss on disposal of plant and equipment		**(16,343)**	-
Share-based payments expense	16	**(25,457)**	(135,462)
Other expenses	5(b)	**10,460**	(60,715)
(Loss) from continuing operations before income tax		**(570,887)**	(2,849,384)
Income tax expense	6	**-**	-
(Loss) from continuing operations after income tax		**(570,887)**	(2,849,384)
Other comprehensive income			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive (loss) attributable to the members of Paterson Resources Ltd		**(570,887)**	(2,849,384)
(Loss) per share for the year attributable to the members Paterson Resources Ltd			
Basic loss per share (cents)	7	**(0.03)**	(0.20)
Diluted loss per share (cents)	7	**(0.03)**	(0.20)

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 30 June 2020

	Note	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**1,955,989**	508,225
Trade and other receivables	9	**173,042**	206,457
Total current assets		**2,129,031**	714,682
Non-current assets			
Plant and equipment		**5,633**	26,403
Financial assets at fair value through profit or loss		**746**	1,343
Exploration and evaluation expenditure	10	**17,211,185**	17,051,252
Total non-current assets		**17,217,564**	17,078,998
Total assets		**19,346,595**	17,793,680
LIABILITIES			
Current liabilities			
Trade and other payables	11	**317,189**	570,105
Other current liabilities		**19,241**	-
Total current liabilities		**336,430**	570,105
Total liabilities		**336,430**	570,105
Net assets		**19,010,165**	17,223,575
EQUITY			
Contributed equity	12	**30,453,739**	28,271,719
Reserves	13	**5,822,642**	5,647,185
Accumulated losses	21	**(17,266,216)**	(16,695,329)
Total equity		**19,010,165**	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 Financial Year Ended 30 June 2020

	Issued Capital $	Option Reserve $	Accumulated Losses $	Total $
At 1 July 2019	**28,271,719**	**5,647,185**	**(16,695,329)**	**17,223,575**
Loss for the year	**-**	**-**	**(570,887)**	**(570,887)**
Total comprehensive loss for the year after tax	**-**	**-**	**(570,887)**	**(570,887)**
Transactions with owners in their capacity as owners:				
Shares issued during the year	**2,182,020**	**-**	**-**	**2,182,020**
Share-based payments	**-**	**25,457**	**-**	**25,457**
Issue of convertible notes	**-**	**150,000**	**-**	**150,000**
At 30 June 2020	**30,453,739**	**5,822,642**	**(17,266,216)**	**19,010,165**
At 1 July 2018	26,885,215	5,505,711	(13,845,945)	18,544,981
Loss for the year	-	-	(2,849,384)	(2,849,384)
Total comprehensive loss for the year after tax	-	-	(2,849,384)	(2,849,384)
Transactions with owners in their capacity as owners:				
Shares issued during the year	1,386,504	-	-	1,386,504
Listed options issued during the year	-	116,017	-	116,017
Share-based payments	-	25,457	-	25,457
At 30 June 2019	28,271,719	5,647,185	(16,695,329)	17,223,575

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 Financial Year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Payments to suppliers and employees		**(631,820)**	(2,394,353)
Interest received		**442**	2,705
Interest paid		**(2,551)**	(14,527)
Net cash used in operating activities	8(a)	**(633,929)**	(2,406,175)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		**(250,327)**	(399,554)
Net cash used in investing activities		**(250,327)**	(399,554)
Cash flows from financing activities			
Proceeds from convertible notes		**150,000**	-
Proceeds from issue of shares		**2,182,020**	1,276,499
Proceeds from borrowings		**-**	85,000
Repayment of borrowings		**-**	(100,000)
Proceeds from issue of listed options		**-**	116,017
Net cash from financing activities		**2,332,020**	1,377,516
Net increase/(decrease) in cash and cash equivalents		**1,447,764**	(1,428,213)
Cash and cash equivalents at the beginning of the year		**508,225**	1,936,438
Cash and cash equivalents at the end of the year	8	**1,955,989**	508,225

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) Reporting Entity

Paterson Resources Limited (referred to as "Paterson" or the "Company") is a company domiciled in Australia. The address of the Company's registered office and principal place of business is disclosed in the Corporate Directory of the Annual Report. The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity" or the "Group").

(b) Basis of Preparation

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB"). Paterson Resources Ltd is a for-profit entity for the purpose of preparing the financial statements.

The annual report was authorised for issue by the Board of Directors on 29 September 2020.

Basis of measurement

The consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 21.

New, revised or amended standards and interpretations adopted by the Group

The Group 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 Group 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 Group 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.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New standards and interpretations not yet mandatory or early adopted
The Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

(i) AASB 2018-6: Amendments to the Australia Accounting Standards – Definition of a business
This standard amends AASB 3 Business Combinations' ("AASB 3") definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contributes to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. The revisions to AASB 3 also introduced an optional concentration test. If the concentration test is met, the set of activities and assets acquired is determined not to be a business combination and asset acquisition accounting is applied. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The Group's assessment of the impact of this new amendment is that it is not expected to have a material impact on the Group in the current or future reporting periods.

(ii) Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

Significant Judgements and Estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(c) **Comparatives**

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(d) **Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

(e) **Principles of Consolidation**

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Paterson Resources Ltd ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Paterson Resources Ltd and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition method of accounting is used to account for business combinations by the consolidated entity. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(f) **Functional and presentation currency**

The consolidated financial statements have been presented in Australian dollars, which is the Group's functional currency.

(g) **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(h) **Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(j) Segment Reporting

The Group's sole operations are within the mineral exploration industry within Australia.

The Group has applied AASB 8 Operating Segments. AASB 8 requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

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 disaggregation to any separately identifiable segments.

The Group managers operate to manage 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.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Exploration and Evaluation Expenditure
Exploration and evaluation costs have been capitalised on the basis that activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

Notes to the Consolidated Financial Statements

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS (Continued)

The Directors also determines when an area of mineral exploration interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The Directors' decision is made after considering the likelihood of finding commercially viable reserves.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees or suppliers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Hoadley ES02 model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of activities and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

NOTE 3 SEGMENT INFORMATION

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

Given the nature of the Consolidated Entity, 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.

NOTE 4 REVENUE	**2020** **$**	**2019** **$**
Other income		
Interest received	**440**	4,416
	440	4,416

Accounting Policy
Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Notes to the Consolidated Financial Statements

NOTE 4 REVENUE (Continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest
Interest income is recognised when the Group gains controls of the right to receive the interest payment.

NOTE 5 EXPENSES	2020 $	2019 $
(a) Administrative expenses		
Accounting, audit and company secretarial fees	**205,360**	186,945
Travel and accommodation expenses	**8,719**	236,061
General and administration expenses	**93,645**	54,069
	307,724	477,075
(b) Reversal of expenses from prior year		
Reversal of expenses are included in the following categories:		
Reversal of other expense	**(26,192)**	-
Reversal of director fees	**(45,395)**	-
Reversal of corporate advisory and consulting fees	**(224,015)**	-
	(295,602)	**-**

Refer to Note 18 for further details.

NOTE 6 INCOME TAX

(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Income tax expense reported in the profit or loss and other comprehensive income	-	-
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Loss before income tax expense	**(570,887)**	(2,849,384)
Prima facie tax benefit on loss before income tax at 30% (2019: 30%)	**(171,266)**	(854,815)

Notes to the Consolidated Financial Statements

NOTE 6 INCOME TAX (Continued)

Tax effect of amounts that are not deductible/taxable in calculating taxable income		
Non-deductible expenses	**13,344**	157,129
Tax losses and temporary differences not brought to account	**157,922**	697,687
Income Tax Expense	**-**	-
Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised	**23,855,313**	22,685,592
Unused capital tax losses for which no deferred tax asset has been recognised	**105,579**	105,579
Potential tax benefit at 30% (2019: 30%)	**7,188,267**	6,837,351
Unrecognised temporary differences		
Temporary differences for which deferred tax assets/liabilities have not been recognised		
• Provisions, accruals and prepayments	**4,382**	(31,834)
• Exploration assets	**(1,588,597)**	(1,558,480)
• Blackhole expenditure	**63,539**	358,607
	(1,520,676)	(1,231,706)
Unrecognised deferred tax assets relating to the above tax losses and temporary differences	**5,667,592**	5,605,645

Accounting Policy

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred Tax

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Notes to the Consolidated Financial Statements

NOTE 6 INCOME TAX (Continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTE 7 LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2020	**2019**
	$	**$**
Net loss for the year	**(570,887)**	(2,849,384)
Weighted average number of ordinary shares for basic and diluted loss per share.	**1,783,518,304**	1,454,645,296

Options on issue are not considered dilutive to the earnings per share as the Company is in a loss-making position.

Continuing operations		
- Basic and diluted loss per share (cents)	**(0.03)**	(0.20)

Accounting Policy

Basic earnings per share
Basic earnings per share are calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share
Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTE 8 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	**1,955,989**	488,225
Short-term deposits	**-**	20,000
	1,955,989	508,225

Notes to the Consolidated Financial Statements

NOTE 8 CASH AND CASH EQUIVALENTS (Continued)

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

	Note	**2020** **$**	2019 $
Loss for the financial year		**(570,887)**	(2,849,384)
Adjustments for:			
Depreciation		**4,425**	17,204
Share-based payments		**25,457**	135,462
Fair value of financial asset		**(597)**	298
Impairment expense		**5,394**	-
Loss on disposal of plant and equipment		**16,343**	-
Derecognition of payable - exploration asset	18	**85,000**	-
Changes in assets and liabilities			
Trade and other receivables		**33,415**	(23,115)
Trade and other payables		**(232,479)**	318,399
Provisions		**-**	(5,039)
Net cash used in operating activities		**(633,929)**	(2,406,175)

Accounting Policy

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term high liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities in the statement of financial position.

The Group's exposure to interest rate and credit risks is disclosed in Note 14.

NOTE 9 TRADE AND OTHER RECEIVABLES

Goods and services tax ("GST") receivable	**19,001**	64,795
Bonds	**3,863**	4,441
Other receivables	**150,178**	137,221
	173,042	206,457

(a) Allowance for expected credit loss

The consolidated entity has recognised a loss of $nil in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

Accounting Policy

Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset of the assets or part of the expense.

Notes to the Consolidated Financial Statements

NOTE 9 TRADE AND OTHER RECEIVABLES (Continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST on investing and financial activities, which are disclosed as operating cash flows.

Impairment of Assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTE 10 EXPLORATION AND EVALUATION EXPENDITURE	**2020** **$**	2019 $
Carrying amount of exploration and evaluation expenditure	**17,211,185**	17,051,252
At the beginning of the year	**17,051,252**	16,651,698
Exploration and evaluation expenditure incurred	**250,327**	399,554
Impairment expense	**(90,394)** (i)	-
At the end of the year	**17,211,185**	17,051,252

(i) Of this balance, $85,000 relates to reversal of disputed claims made by the former PSL Directors or their associates. Refer to Note 18 for further details.

Accounting Policy

Acquisition, exploration and evaluation costs associated with mining tenements are accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to that area of interest are current and that the costs are expected to be recouped through the successful commercial development or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Each area of interest is also reviewed annually, and acquisition costs written off to the extent that they will not be recoverable in the future.

NOTE 11 TRADE AND OTHER PAYABLES	**2020** **$**	**2019** **$**
Trade payables (i)	**291,067**	481,732
Accrued expenses	**13,500**	30,000
Other payables	**12,622**	58,373
	317,189	570,105

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

Due to the short-term nature of these payables, their carrying value is assumed to be the same as their fair value.

Notes to the Consolidated Financial Statements

NOTE 11 TRADE AND OTHER PAYABLES (Continued)

Accounting Policy

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 12 CONTRIBUTED EQUITY

(a) Issued and fully paid

	2020		2019	
	No.	$	No.	$
Ordinary shares	**3,860,497,312**	**30,453,739**	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.

(b) Movement reconciliation

		Issue Price	Number	$
At 1 July 2019	**Opening Balance**		**1,678,477,092**	**28,271,719**
25 February 2020	Placement	0.0010	251,771,564	251,771
26 June 2020	Entitlement Offer	0.0010	1,597,205,980	1,597,206
30 June 2020	Entitlement Offer - Shortfall	0.0010	333,042,676	333,043
	Less capital raising costs	-	-	-
At 30 June 2020	**Closing Balance**		**3,860,497,312**	**30,453,739**
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**		**1,678,477,092**	**28,271,719**

(i) In the prior year, the Company issued 1,287,500,000 shares. Of this balance, 970,838,738 shares are 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.

(c) Options on issue as at 30 June 2020

Class	Date of Expiry	Exercise Price	Number Under Option
Unlisted Options	1-Oct-20	$0.044	3,401,578
Unlisted Options	19-Aug-20	$0.060	45,525,000
			48,926,578

(d) Capital risk management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

Notes to the Consolidated Financial Statements

NOTE 12 CONTRIBUTED EQUITY (Continued)

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

Given the stage of the Company's development there are no formal targets set for return on capital. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The net equity of the Company is equivalent to capital. Net capital is obtained through capital raisings on the Australian Securities Exchange ("ASX").

Accounting Policy

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the Company reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

NOTE 13 RESERVES	**2020** **$**	**2019** **$**
Share-based payments	**5,672,642**	5,647,185
Convertible note reserve	**150,000**	-
	5,822,642	5,647,185
<u>Movement reconciliation</u>		
Balance at the beginning of the year	**5,647,185**	5,505,711
Options vested during the year	**25,457**	25,457
Performance shares issued during the period	**-**	-
Listed options during the period	**-**	116,017 (i)
Balance at the end of the year	**5,672,642**	5,647,185
Balance at the beginning of the year	**-**	-
Convertible notes issues	**150,000**	-
Balance at the end of the year	**150,000**	-

During the year, 100,000 convertible notes at $1 each were issued to Nick Johansen.
During the year, 50,000 convertible notes at $1 each were issued to Matthew Bull.
The above convertible notes have 12% interest p.a. attached.

Share-based payment reserve
The share-based payment reserve is used to record the value of share-based payments provided to outside parties, and share-based remuneration provided to employees and directors.

(i) In the prior year, the Company received proceeds of $116,017 from the Blumenthal Parties as part of the Remediation Proposal.

Convertible note reserve
The convertible note reserve is used to recognise the fair value of the convertible notes issued.

Notes to the Consolidated Financial Statements

NOTE 14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future cash flow forecasts.

Risk management is carried out by Management and overseen by the Board of Directors with assistance from suitably qualified external advisors.

The main risks arising for the Group are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The carrying values of the Group's financial instruments are as follows:

	2020 $	2019 $
Financial Assets		
Cash and cash equivalents	**1,955,989**	508,225
Trade and other receivables	**173,042**	206,457
Financial assets at fair value through profit or loss	**746**	1,343
	2,129,777	716,025
Financial Liabilities		
Trade and other payables	**336,430**	570,105
	336,430	570,105

(a) Market risk

(i) Foreign exchange risk

The Group was not significantly exposed to foreign currency risk fluctuations.

(ii) Interest rate risk

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The Group's exposure to this risk relates primarily to the Group's cash and any cash on deposit. The Group does not use derivatives to mitigate these exposures. The Group manages its exposure to interest rate risk by holding certain amounts of cash in fixed and floating interest rate facilities. At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2020		2019	
	Weighted average interest rate (i)	**Balance $**	Weighted average interest rate	Balance $
Cash and cash equivalents	**0.002%**	**1,955,989**	0.640%	508,225

(i) This interest rate represents the average interest rate for the period.

Sensitivity

Within the analysis, consideration is given to potential renewals of existing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 1% increase and 1% decrease in rates is based on reasonably expected possible changes over a financial year, using the observed range of historical rates for the preceding five-year period.

At 30 June 2020, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax losses and equity would have been affected as follows:

Notes to the Consolidated Financial Statements

NOTE 14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Judgements of reasonably possible movements:	**Profit higher/(lower)** **2020** **$**	**2019** **$**
+ 1.0% (100 basis points)	**19,560**	5,082
- 1.0% (100 basis points)	**(19,560)**	(5,082)

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default of the counterparty, with maximum exposure equal to the carrying amount of the financial assets.

The Group's policy is to trade only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms will be subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

	6 months **$**	**6-12 months** **$**	**1-5 years** **$**	**> 5 years** **$**	**Total** **$**
2020					
Trade and other payables	**336,430**	**-**	**-**	**-**	**336,430**
2019					
Trade and other payables	570,105	-	-	-	570,105

Accounting Policy

Investments and other financial assets

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

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

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Notes to the Consolidated Financial Statements

NOTE 14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

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

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

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

NOTE 15 RELATED PARTY DISCLOSURE

(a) Key Management Personnel Compensation

Details relating to key management personnel, including remuneration paid, are below.

	2020 $	2019 $
Short-term benefits	**229,000**	261,000
Post-employment benefits	-	3,800
Share-based payments	-	5,435
	229,000	270,235

(b) Transactions with related parties
During the financial year, the Company incurred:

- Fees of $31,112 (2019: $6,600) to Mr Brian Thomas for geological consulting services provided to the Company.
- Interest expenses of $5,737 to Mr. Nick Johansen for convertible note loan provided to the Company.
- Interest expenses of $2,869 to Mr. Matthew Bull for convertible note loan provided to the Company

All transactions were made on normal commercial terms and conditions and at market rates.

There were no other transactions with KMP during the year ended 30 June 2020.

Notes to the Consolidated Financial Statements

NOTE 15 RELATED PARTY DISCLOSURE (Continued)

At 30 June 2020, the Group has an outstanding payable to key management personnel and their related parties as follows:

	2020 $	2019 $
Nick Johansen	**135,737**	5,000
Brian Thomas	**15,000**	9,130
Matthew Bull	**67,869**	-
John Hannaford (resigned)	-	10,000
David Izzard (resigned)	-	5,000
Scott Paterson (resigned)	-	8,735

NOTE 16 SHARE-BASED PAYMENTS

	2020 $	2019 $
(a) Recognised share-based payment transactions		
Options vested during the year	**25,457**	25,457
Issue of shares	-	110,005
	25,457	135,462
Reconciliation:		
Recognised as share-based payment expenses in Statement of Profit or Loss and Other Comprehensive Income	**25,457**	135,462
	25,457	135,462

(b) Summary of options during the year:

2020 Grant Date	Expiry Date	Exercise Price	Balance at the Start of the Year	Granted	Exercised	Expired/ Forfeited/ Other	Balance at the End of the Year
19/08/2016	01/10/2020	$0.04	3,401,578	-	-	-	3,401,578
19/08/2016	19/08/2020	$0.06	12,500,000	-	-	-	12,500,000
29/09/2016	19/08/2020	$0.06	33,025,000	-	-	-	33,025,000
21/07/2017 (i)	30/04/2020	$0.02	163,000,000	-	-	(163,000,000)	-
25/08/2017 (i)	30/04/2020	$0.02	1,828,592	-	-	(1,828,592)	-
17/11/2017 (i)	30/04/2020	$0.02	166,666,665	-	-	(166,666,665)	-
21/11/2017	30/04/2020	$0.02	138,888,889	-	-	(138,888,889)	-
07/05/2018 (i)	30/04/2020	$0.02	317,043,587	-	-	(317,043,587)	-
16/05/2018 (i)	30/04/2020	$0.02	25,456,613	-	-	(25,456,613)	-
15/03/2019(ii)	30/04/2020	$0.02	117,269,751	-	-	(117,269,751)	-
			979,080,675	**-**	**-**	**(930,154,097)**	**48,926,578**
Weighted average exercise price			$0.06	-	-	-	$0.06

Notes to the Consolidated Financial Statements

NOTE 16 SHARE-BASED PAYMENTS (Continued)

2019							
Grant Date	Expiry Date	Exercise Price	Balance at the Start of the Year	Granted	Exercised	Expired/ Forfeited/ Other	Balance at the End of the Year
19/08/2016	01/10/2020	$0.04	3,401,578	-	-	-	3,401,578
19/08/2016	19/08/2020	$0.06	12,500,000	-	-	-	12,500,000
29/09/2016	19/08/2020	$0.06	33,025,000	-	-	-	33,025,000
21/07/2017 [(i)]	30/04/2020	$0.02	163,000,000	-	-	-	163,000,000
25/08/2017 [(i)]	30/04/2020	$0.02	1,828,592	-	-	-	1,828,592
17/11/2017 [(i)]	30/04/2020	$0.02	166,666,665	-	-	-	166,666,665
21/11/2017	30/04/2020	$0.02	138,888,889	-	-	-	138,888,889
07/05/2018 [(i)]	30/04/2020	$0.02	317,043,587	-	-	-	317,043,587
16/05/2018 [(i)]	30/04/2020	$0.02	25,456,613	-	-	-	25,456,613
15/03/2019[(ii)]	30/04/2020	$0.02	-	117,269,751			117,269,751
			861,810,924	**117,269,751**	**-**	**-**	**979,080,675**
Weighted average exercise price			$0.02	$0.02	-	-	$0.02

(i) These are free attaching options as part of placement.
(ii) Issued for capital raising.

NOTE 17 COMMITMENTS

(a) Tenement Commitments

	2020 $	2019 $
In relation to the WA tenements, the Group must meet the following tenement expenditure commitments to maintain them in good standing until they are joint ventured, sold, reduced, relinquished, exceptions from expenditure are applied or are otherwise disposed of. The commitments that are not provided for in the financial statements are:		
- Within one year	**515,683**	**537,945**
- Later than one but not later than five years	**838,411**	**-**
	1,354,094	**537,945**

NOTE 18 CONTINGENCIES

<u>Contingent liabilities</u>
An aggregate claim of $412,487 (2019: Nil) has been made by the former Directors or their associates. The Company is disputing the validity of these claims and have no intention to settle the claims. The Company considers it to be probable that any further action will result in its favour and has therefore not recognised a provision in relation to this claim. Of the aggregate amount of $412,487, $295,602 (exclusive of GST) was previously expensed to the Statement of Profit or Loss and Other Comprehensive Income and $85,000 (exclusive of GST) was previously capitalised as exploration expenditure.

<u>Contingent assets</u>
There are no contingent assets as at 30 June 2020 (2019: Nil).

Notes to the Consolidated Financial Statements

NOTE 19 AUDITOR'S REMUNERATION

	2020 $	2019 $
Amounts received or due and receivable by RSM Australia Partners for:		
Audit or review of the financial statements	**33,000**	32,000
Other services – RSM Australia Pty Ltd		
- Independent Accountant's Report	**10,000**	-
	43,000	32,000

NOTE 20 INVESTMENT IN CONTROLLED ENTITIES

	Principal Activities	Country of Incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Orange Hills Resources Limited	Exploration	Australia	**100**	100
Burraga Copper Pty Ltd	Exploration	Australia	**100**	100
BC Exploration Pty Ltd	Exploration	Australia	**100**	100
Malang Resources Pty Ltd	Exploration	Australia	**90**	90
ACN 603 462 513 Pty Ltd	Exploration	Australia	**100**	100
Old Lloyds Mine Pty Ltd	Exploration	Australia	**100**	100

NOTE 21 ACCUMULATED LOSSES

	2020 $	2019 $
Balance at beginning of the year	**(16,695,329)**	(13,845,945)
(Loss) after income tax for the year	**(570,887)**	(2,849,384)
Balance at end of the year	**(17,266,216)**	(16,695,329)

NOTE 22 PARENT ENTITY

Assets		
Current assets	**2,124,728**	690,041
Non-current assets	**17,217,899**	17,102,033
Total assets	**19,342,627**	17,792,074
Liabilities		
Current liabilities	**332,462**	568,499
Total liabilities	**332,462**	568,499
Equity		
Contributed equity	**45,307,558**	43,125,538
Reserves	**5,948,522**	5,773,065
Accumulated losses	**(32,245,915)**	(31,675,028)
Total equity	**19,010,165**	17,223,575
Loss for the year	**(570,887)**	(2,849,384)
Total comprehensive loss	**(570,887)**	(2,849,384)

Notes to the Consolidated Financial Statements

Contingent liabilities
The parent entity has a contingent liability at 30 June 2020 as disclosed in Note 18. The parent entity had no contingent liabilities as at 30 June 2019.

Capital commitments - Plant and equipment
The parent entity had no capital commitments for plant and equipment as at 30 June 2020 and 30 June 2019.

Exploration commitments
The parent entity had exploration commitments as disclosed in Note 17.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in the financial statements, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in joint ventures are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 23 EVENTS AFTER THE REPORTING DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 21 July 2020, the Company's securities were reinstated to trading on ASX following the satisfaction by PSL of ASX's conditions for reinstatement.

On 11 September 2020, PSL was placed in voluntary suspension pending an announcement regarding a capital raising.

On 14 September 2020, PSL was reinstated to Official Quotation following a capital raising announcement. The Company has received firm commitments to raise approximately A$500,000 before expenses, by way of a placement of 142,857,143 shares to sophisticated and professional investors ("Placement") together with one (1) free attaching option for every one (1) Placement Share subscribed for ("Placement Options"). The Placement Shares will be issued at A$0.0035 per Share, representing a 12.5% discount to the last traded price of $0.004 on 8 September 2020, being the last trading day prior to the Company's trading halt. The Placement Options will have an exercise price of $0.007 and will expire on 30 September 2023.

In addition to the Placement, the Company intends to conduct a Share Purchase Plan ("SPP") up to a maximum of $1.5 million to provide shareholders the opportunity to purchase additional shares in the Company at the same price on the same terms as the Placement. The SPP offer will allow eligible shareholders to subscribe for up to $30,000 worth of shares at the determined issue price per Share being $0.0035, together with one (1) free attaching option for every one (1) SPP Share subscribed for and issued. At this stage, the maximum gross raised under the SPP will be capped at a total of $1,500,000, though the Company reserves the right to change this cap at its discretion by an announcement to ASX.

The Company has established a share sale facility ("Facility") of ordinary shares for holders of Less than Marketable Parcels of the Company's shares. A Less than Marketable Parcel of $0.004 on the Record Date. This represents 70,332,830 shares held by 2,020 shareholders.

On 18 September 2020, the Company completed the Placement and issued 142,857,143 fully paid ordinary shares at an issue price of $0.0035 per share.

Other than the above there has not been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;

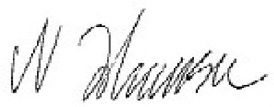
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Nick Johansen
Non-Executive Chairman
29 September 2020

RSM Australia Partners

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

Opinion

We have audited the financial report of Paterson Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
Exploration and Evaluation Expenditure Refer to Note 10 in the financial statements	
The Group has capitalised exploration and evaluation expenditure with a carrying value of $17,211,185 as at 30 June 2020. We considered this to be a key audit matter due to the significant management judgments involved in assessing the carrying value of the asset including: • Determination of whether the exploration and evaluation expenditure can be associated with finding specific mineral resources and the basis on which that expenditure is allocated to an area of interest; • Assessing whether any indicators of impairment are present and if so, judgement applied to determine and quantify any impairment loss; and • Assessing whether exploration activities have reached a stage at which the existence of economically recoverable reserves may be determined.	Our audit procedures included: • Ensuring that the right to tenure of the area of interest was current; • Agreeing a sample of additions to supporting documentation and ensuring the amounts are capital in nature and relate to the area of interest; • Enquiring with management and reviewing budgets and other documentation as evidence that active and significant operations in, or relation to, the area of interest will be continued in the future; • Assessing and evaluating management's assessment that no indicators of impairment existed at the reporting date; and • Through discussions with the management and review of the Board Minutes, ASX announcements and other relevant documentation, assessing management's determination that exploration activities have not yet progressed to the stage where the existence or otherwise of economically recoverable reserves may be determined.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

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

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

Responsibilities

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

RSM

RSM AUSTRALIA PARTNERS

AWhyte

ALASDAIR WHYTE
Partner

Perth, WA
Dated: 29 September 2020

Corporate Governance Statement

The Board of Directors of Paterson Resources Ltd is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Company complies with each of the recommendations set out in the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ("the ASX Principles"). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, are in place.

The Company's Corporate Governance Statement and policies can be found on its website at www.patersonresources.com.au.

ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is current as of 17 September 2020.

1. Fully paid ordinary shares

- There is a total of 3,860,497,312 fully paid ordinary shares on issue which are listed on the ASX.
- The number of holders of fully paid ordinary shares is 3,777.
- Holders of fully paid ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company.
- There are no preference shares on issue.

2. Distribution of fully paid ordinary shareholders is as follows:

Range	Number of holders	Number of shares	% of Issued Capital
1 - 1,000	639	135,060	0.00
1,001 - 5,000	63	140,543	0.00
5,001 - 125,000	1,359	75,308,031	1.95
125,001 Over	1,716	3,784,913,678	98.04
Total	**3,777**	**3,860,497,312**	**100.00**

3. Holders of non-marketable parcels

Holders of non-marketable parcels are deemed to be those whose shareholding is valued at less than $500.

There are 2,182 shareholders who hold less than a marketable parcel of shares, amount to 2.41% of issued capital.

4. Substantial shareholders of ordinary fully paid shares

There are no substantial holders who have notified the Company in accordance with Section 671B of the Corporations Act 2001.

5. Share buy-backs

The Company has established a share sale facility (“Facility”) of ordinary shares for holders of Less than Marketable Parcels of the Company’s shares. A Less than Marketable Parcel of $0.004 on the Record Date. The Company is offering this sale to assist holders of Less than Marketable Parcels to sell their shares without have to use a broker or pay brokerage.

6. Voting rights of Shareholders

All fully paid ordinary shareholders are entitled to vote at any meeting of the members of the Company and their voting rights are on:

- Show of hands – one vote per shareholders; and
- Poll – one vote per fully paid ordinary share.

ASX Additional Information

7. Major Shareholders

The Top 20 largest fully paid ordinary shareholders together held 35.13% of the securities in this class and are listed below:

	Holder Name	Number Held	Percentage
1	MR SURAJ PREMJI SANGHANI	160,000,000	4.14
2	MR DAVID VIGOLO <VIGOLO FAMILY A/C>	160,000,000	4.14
3	GOTHA STREET CAPITAL PTY LTD <BLUE SKY NO 2 A/C>	100,000,000	2.59
4	MOVERLY SUPERANNUATION PTY LTD <MOVERLY SUPER FUND A/C>	90,000,000	2.33
5	MS ZUOJIA DU	80,000,000	2.07
6	EASY CONNECT GROUP PTY LTD	80,000,000	2.07
7	MR NICHOLAS EDWARD BULL	69,543,134	1.80
8	98 INVESTMENTS PTY LTD	60,900,000	1.58
9	MR RAMIN AFNANI	50,250,000	1.30
10	AURORA VENTURES PTY LIMITED	50,000,000	1.30
11	BOWMAN GATE PTY LTD <THE DISCOVERY A/C>	50,000,000	1.30
12	MR TERRY LESLIE GALLAGHER	50,000,000	1.30
13	MR RIYAZ GAJRA	49,768,001	1.29
14	MONARCH ASSET MANAGEMENT P/L <PRICE SUPER>	48,000,000	1.24
15	RIVERVIEW CORPORATION PTY LTD	46,910,000	1.22
16	MR SHOUZHI ZHANG	45,200,000	1.17
17	MACQUARIE ANIMAL GROUP PTY LTD <MAG A/C>	43,000,000	1.11
18	CUTTING EDGE DEVELOPMENTS PTY LTD <BUSTIN FAMILY A/C>	42,700,000	1.11
19	MR PETER PRESTON ANDREWS + MRS KELLY ANDREWS <GRUMPY SUPER FUND A/C>	40,000,000	1.04
20	BRUCE INTERNATIONAL PTY LTD	40,000,000	1.04
Total: Top 20 holders of ORDINARY FULLY PAID SHARES		**1,356,271,135**	**35.13**

8. Unlisted Options

- 3,401,578 unquoted options with an exercise price of $0.044 and an expiry 1 October 2020.

9. Tax Status

The Company is treated as a public company for taxation purposes.

10. Franking Credits

The Company has no franking credits.

11. Business Objectives

The Company confirms that it is has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

ASX Additional Information

12. Tenement Schedule

The following table sets out the tenement information as required by ASX Listing Rule 5.3.3

Project Name	Location	Tenement Licences	Interest held by Group
Bellary	WA	E47/3578	100%
Hamersley	WA	E47/3827	100%
Elsie North	WA	E45/5020	100%
Cheela	WA	E08/2880	100%
Grace	WA	E45/4524	100%
Grace	WA	P45/2905	100%
Grace	WA	P45/2906	100%
Grace	WA	P45/2907	100%
Grace	WA	P45/2908	100%
Grace	WA	P45/2909	100%
Grace	WA	E45/5130	100%
Horseshoe South	WA	E52/2569	100%
Burraga	NSW	EL6463	100%
Burraga	NSW	EL6874	100%
Burraga	NSW	EL7975	100%
Burraga	NSW	EL8826	100%