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PATERSON RESOURCES LTD

ABN 45 115 593 005

HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2020

CONTENTS

Corporate Directory	3
Directors' Report	4
Auditor's Independence Declaration	17
Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21
Notes to the Consolidated Financial Statements	22
Directors' Declaration	26
Independent Auditor's Review Report	27

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CORPORATE DIRECTORY

Board of Directors

Nick Johansen
Matthew Bull
Kenneth Banks

Non-Executive Chairman
Executive Director
Non-Executive Director (appointed 11 December 2020)

Secretary

Ms Sarah Smith

Registered Office

Level 1, 1 Altona Street
West Perth WA 6005

Website: www.patersonresources.com.au

Stock Exchange Listing

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

Auditors

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

Solicitors

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

Bankers

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

Share Registry

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

Country of Incorporation

Paterson Resources Ltd is domiciled and incorporated in Australia

DIRECTORS' REPORT

Your Directors present their report for the consolidated entity consisting of Paterson Resources Ltd (formerly known as Hardey Resources Limited) ("PSL" or "the Company") and the entities it controlled ("the Group") for the half-year ended 31 December 2020.

It is recommended that the Directors' Report be read in conjunction with the annual financial statements for the year ended 30 June 2020 and considered together with any public announcement made by the Company during the Period and up to the date of this report.

DIRECTORS

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

Director	Position
Nick Johansen	Non-Executive Chairman
Matthew Bull	Executive Director
Kenneth Banks	Non-Executive Director (appointed 11 December 2020)
Brian Thomas	Non-Executive Director (resigned 11 December 2020)

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

The operating loss for the half-year ended 31 December 2020 was \$572,258 (31 December 2019: loss of \$447,242).

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.

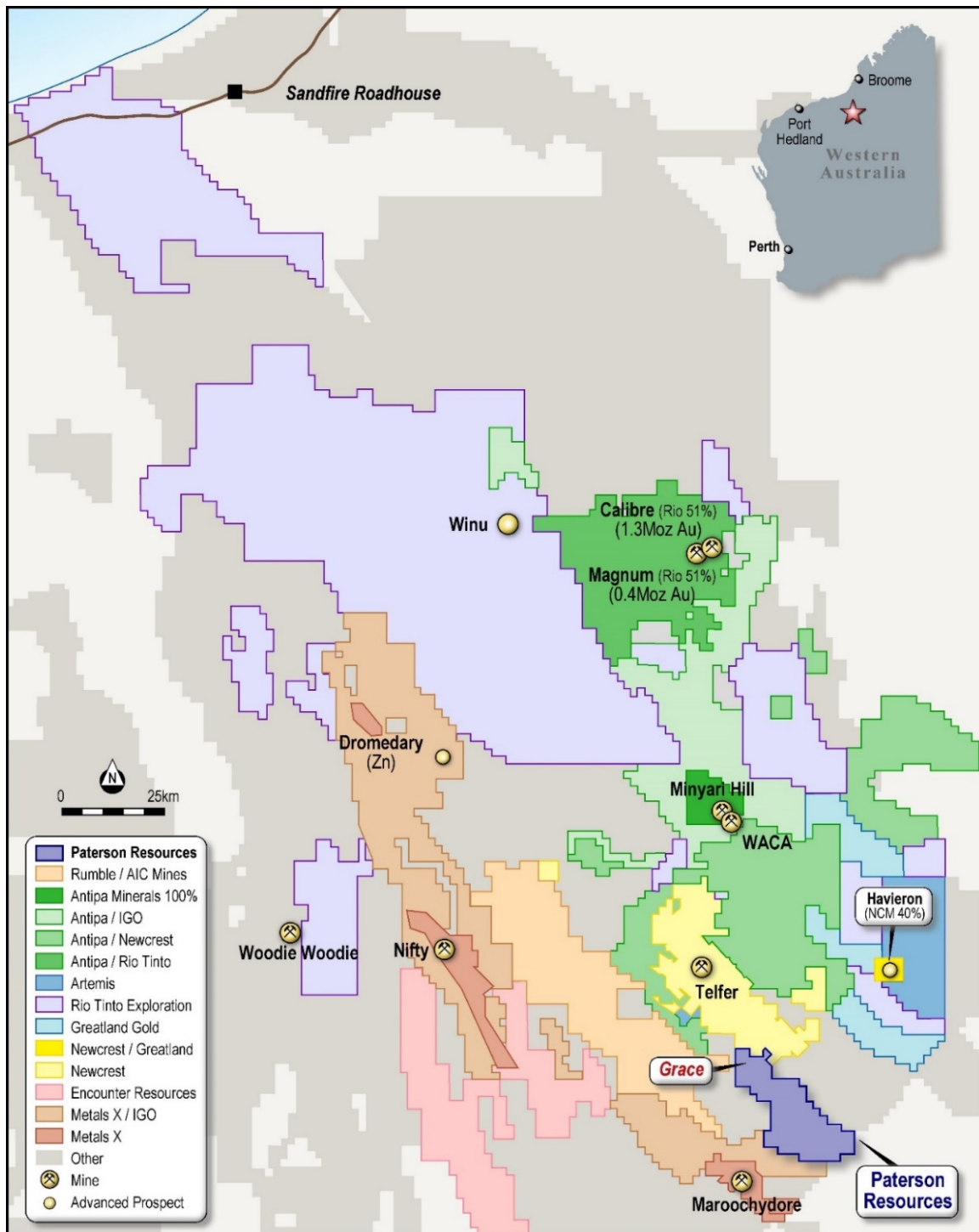


Figure 1: Grace Project Location Map

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

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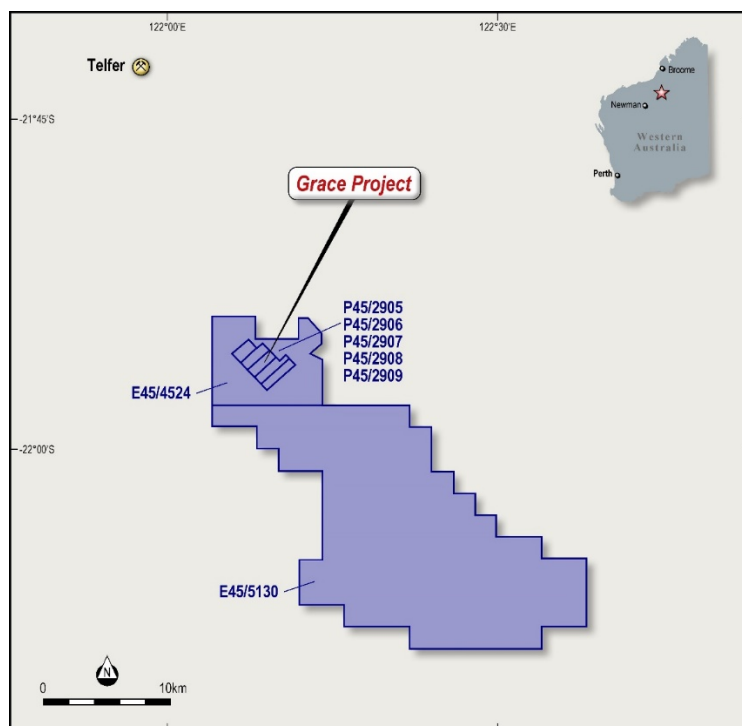


Figure 2: Grace Project Tenement Map

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 database.

During the period, the company commenced exploration with the lodgement of programs of works (PoW's) with the Department of Mines Industry Regulation and Safety (DMIRS) to enable field crews to carry out the geophysical surveys and preparatory work for upcoming drilling programmes. As part of the process the Company also consulted with the representatives of the Martu People Traditional Owners, the Western Desert Lands Aboriginal Corporation, on requirements to enable the planned work to proceed.

The Company's geophysical consultants conducted extensive 3D inversion aeromagnetic modelling on compiled exploration database of aeromagnetic survey data covering the Grace Project in the immediate vicinity of the open gold mineralisation at the Grace deposit.

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-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 3). 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.

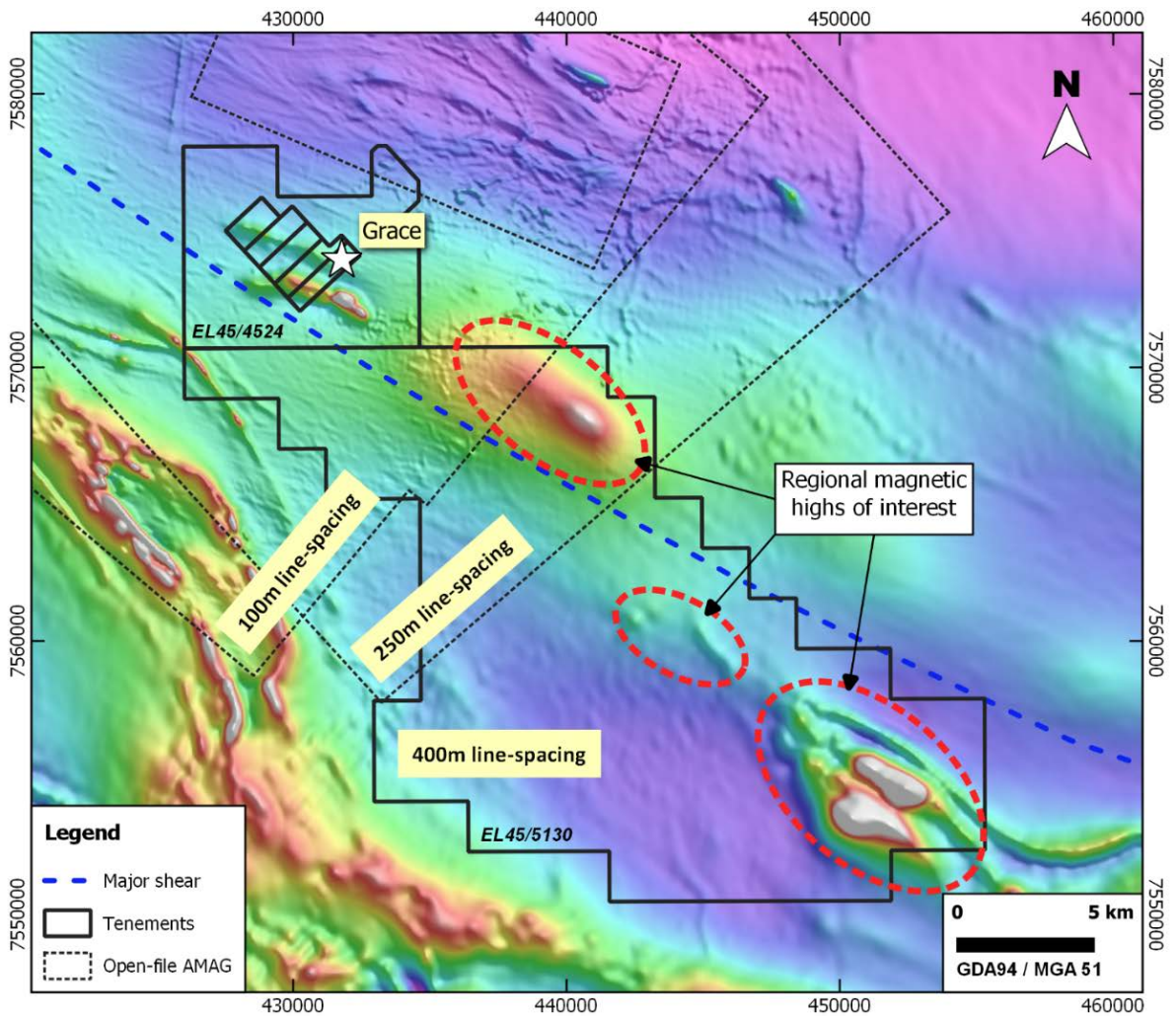


Figure 3: Grace Project Area Regional Aeromagnetics Merged aeromagnetic anomaly image (TMI reduced to the pole with NE sun angle) showing survey line spacing coverage for different survey areas ranging from 100m to 400m (dashed black outlines), and Paterson tenement outlines (black).

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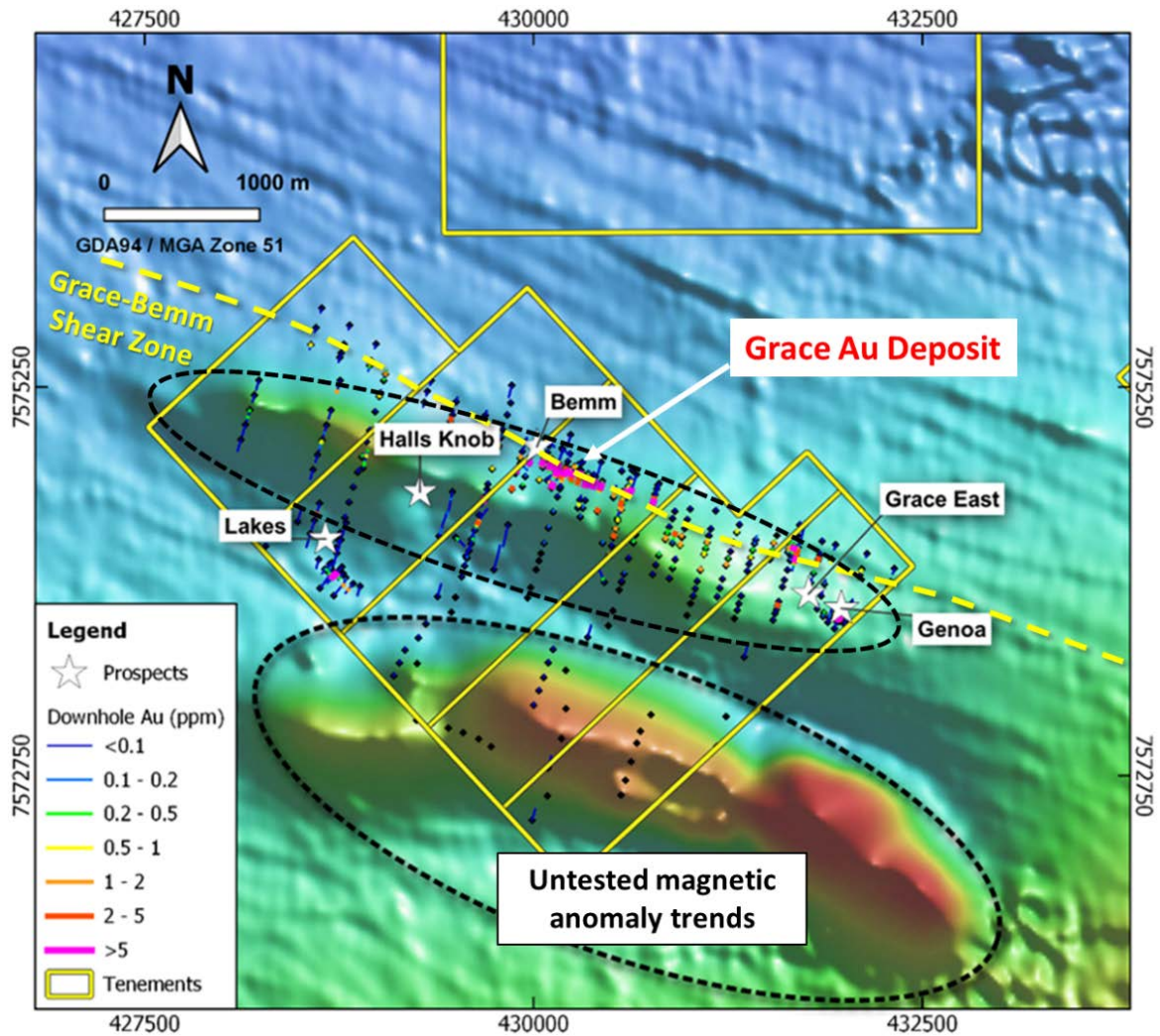


Figure 4: Grace Prospect Interpreted Regional Shears, Historic Drill Collars & IP Lines Overlaying Aeromagnetics. Grace magnetic anomaly image (TMI reduced to the magnetic pole and NE sun angle) showing a moderate strength anomaly trend following the Grace-Bemm shear zone in the north and a much stronger 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).

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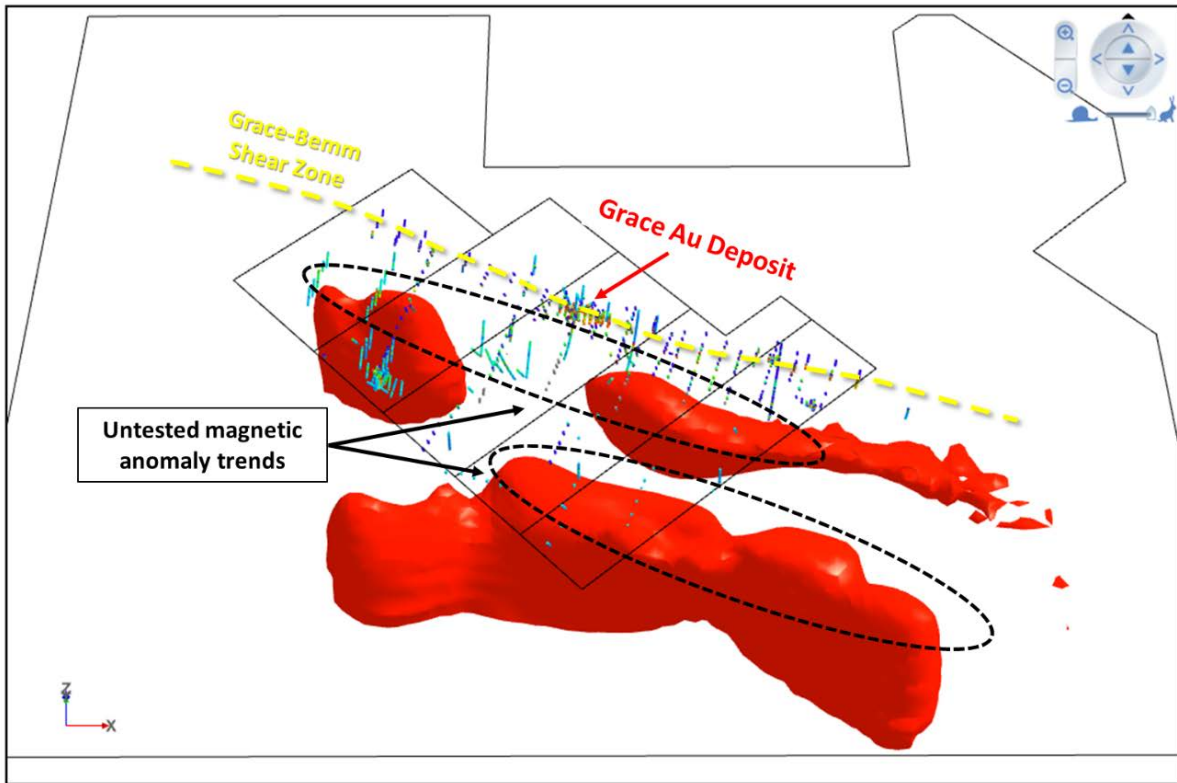


Figure 5: 3D view looking north from above on magnetic inversion modelling results, where magnetic source bodies are in red, also shown are Paterson tenement outlines (black), drilling coloured by increasing gold grade, and Grace-Bemm Shear Zone.

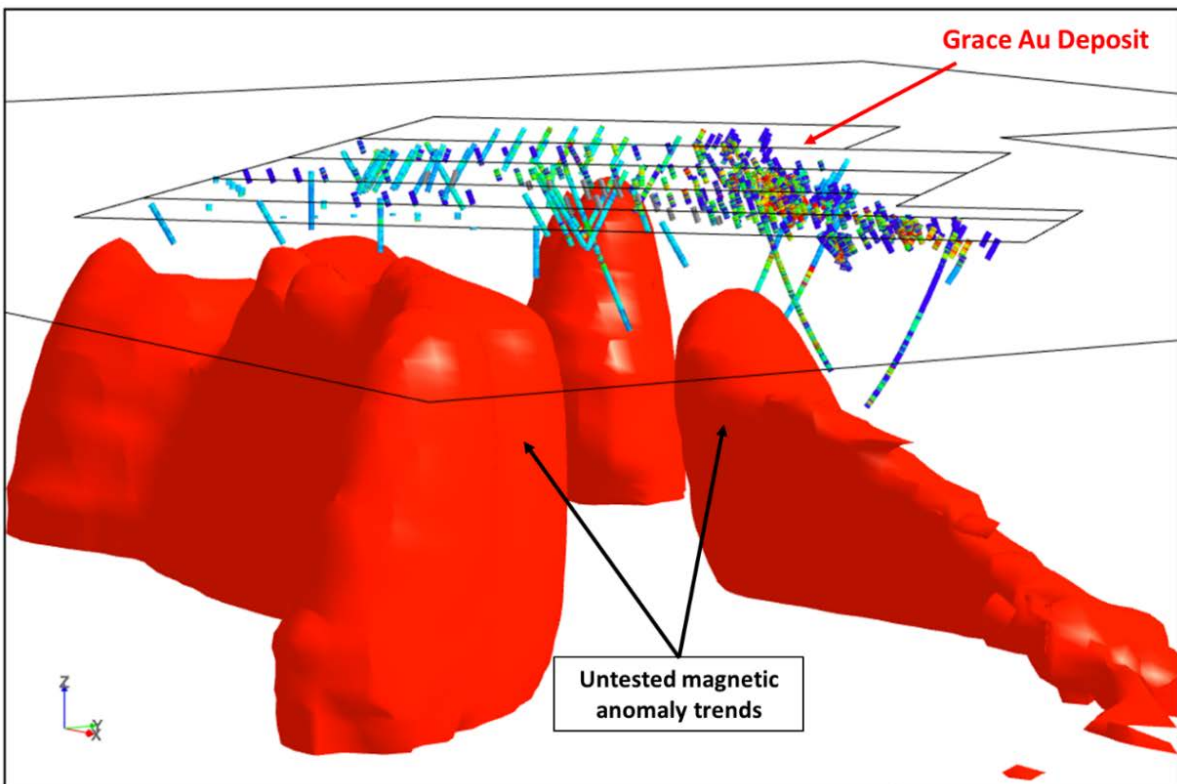


Figure 6: 3D view looking to the west on magnetic modelling results, where magnetic source bodies are in red, also shown are Paterson tenement outlines (black), and drilling coloured by increasing gold grade.

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From this reprocessing of the geophysical data the Government of Western Australia Department of Mines, Industry Regulation and Safety (DMIRS) awarded the company a co-funded drilling grant of \$200,000 under the Exploration Incentive Scheme (EIS). The EIS funds will be used to drill a deep 900m diamond hole South east of the current Grace Mineral Resource into a large magnetic anomaly, below a broad zone of anomalous gold mineralisation at the Grace/Bemm prospect. (figure 7) The magnetic target is approximately 2.5km in length and extends below and along strike from the oxide Grace Mineral Resources. No drilling to significant depth has previously been undertaken to properly test for the source of this northern magnetic anomaly trend. (figure 8)

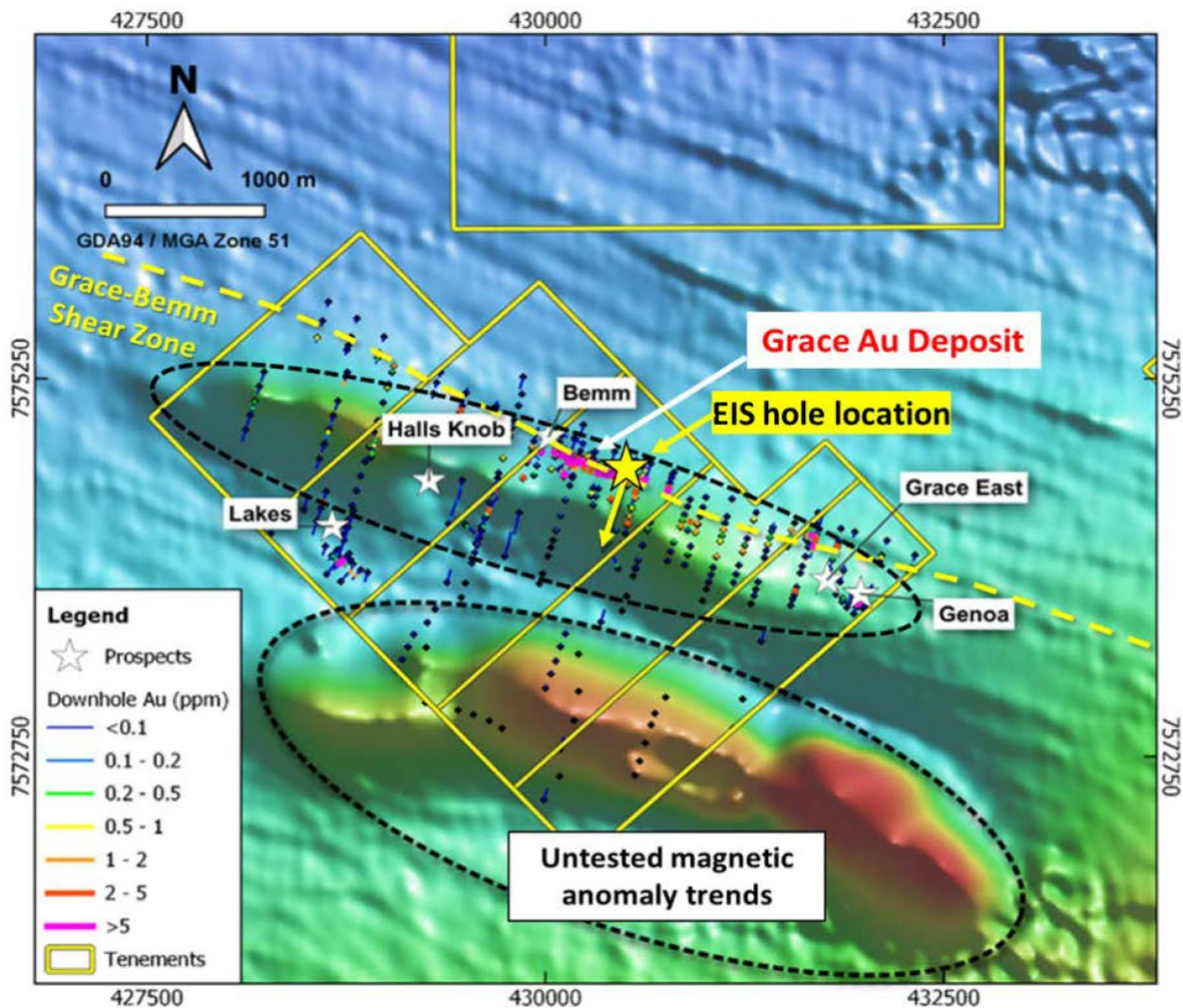


Figure 7: Magnetic intensity map covering the Grace and Bemm Shear zone trend, showing two large untested magnetic anomaly trends, the location of the proposed EIS co funded deep diamond drillhole, historical gold drilling, and the outline of the Company’s 100% owned mineral prospecting tenements.

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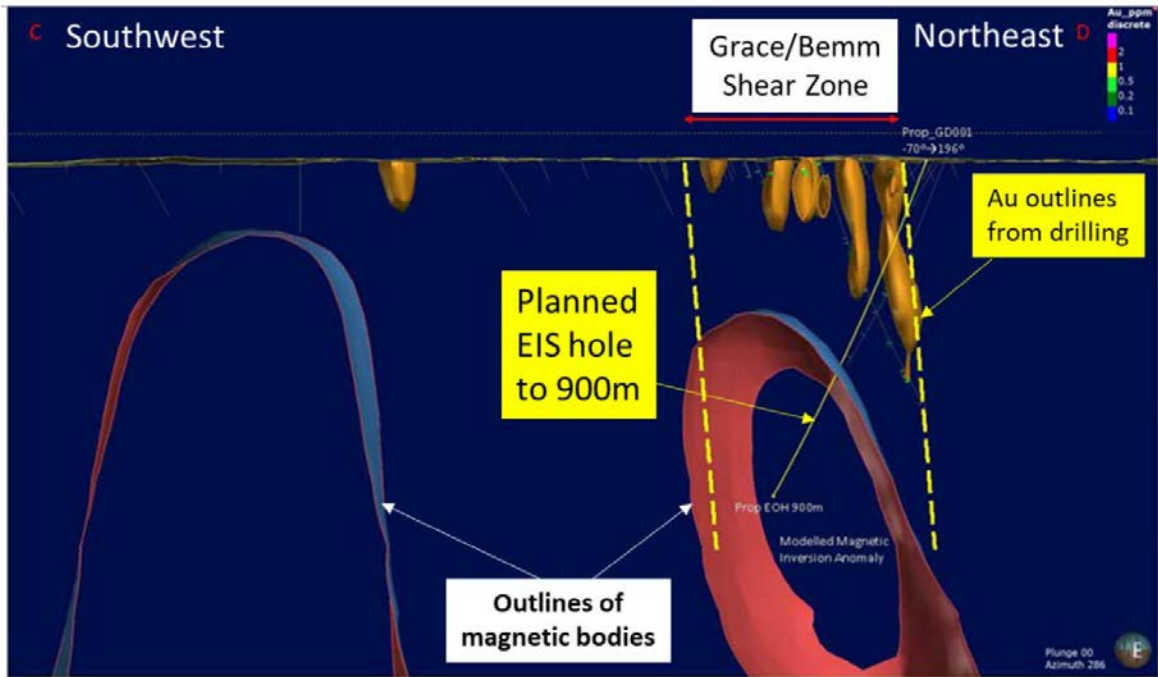


Figure 8: Cross section showing the planned EIS co-funded deep drillhole crossing the Grace/Bemm shear zone to test the source of the northern magnetic anomaly trend, which sits below anomalous Au and Cu from historical drilling.

A 46km line km of Gradient Array Induced Polarisation (GIAP) surveying completed covering 4.5km strike length over the gold mineralised Grace and Bemm Shear Zones. (figure 9) Data processing and targeting by the Company’s geophysical consultants Resource Potentials in Perth, with results clearly showing anomaly trends related to the gold mineralized shear zones that have been missed by historic drilling.

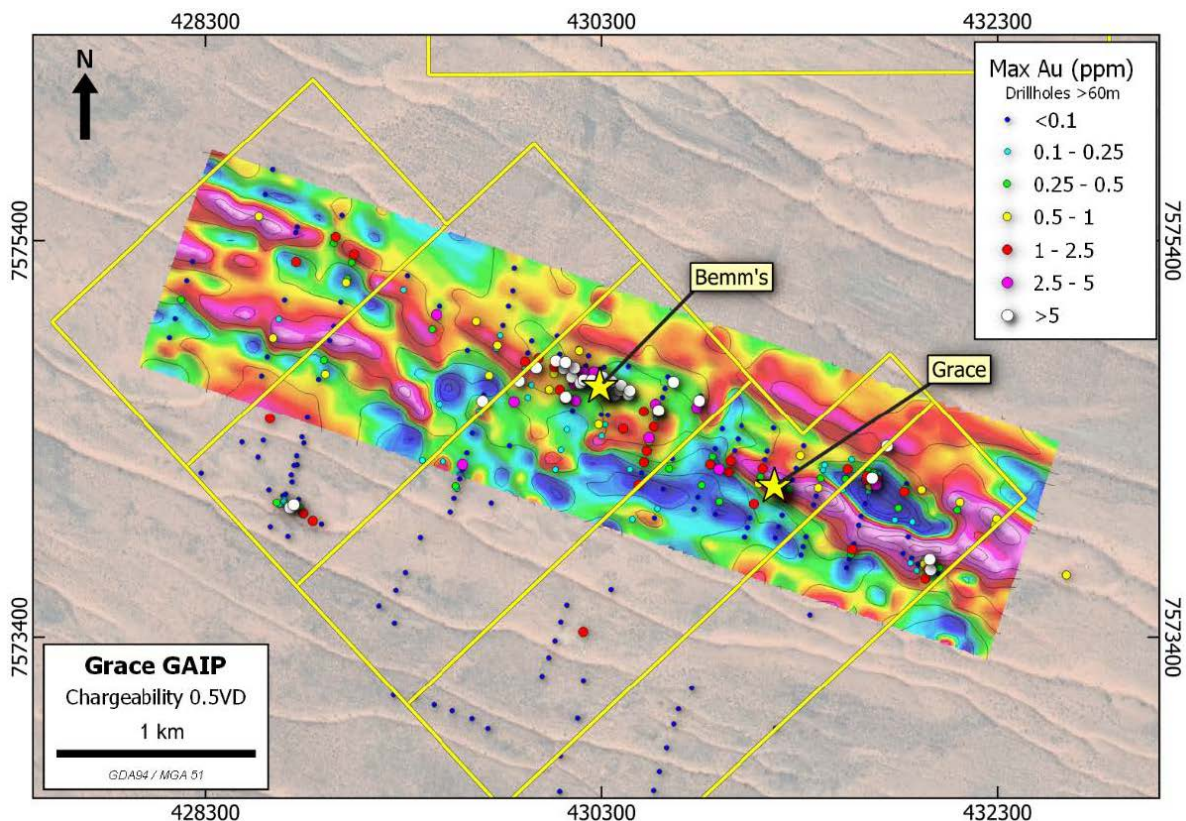


Figure 9: Preliminary GIAP chargeability 0.5VD filtered data grid over the Grace and Bemm Shear zone trend, showing maximum gold assays plotted at drillhole collar locations.

Completion of VTEM airborne electromagnetic survey covering 192 survey line km over the Grace Prospect. Data processing and targeting by the Company’s geophysical consultants Resource Potentials in Perth, with the raw electromagnetic anomaly data, indicating zones of elevated conductivity representing deep weathering or sulphide target areas for drilling below shallow historical drilling in the new target areas. (figure 10)

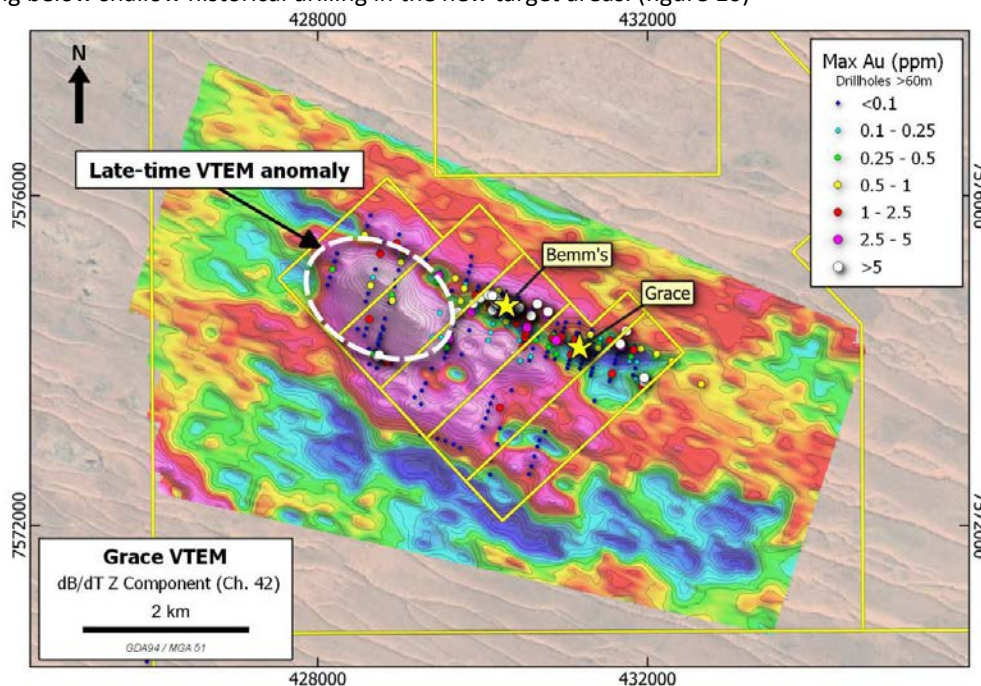


Figure 10: VTEM electromagnetic anomaly image of ‘late-time’ Z-coil receiver response as raw data grid from a recently completed survey over the Grace and Bemm shear zones showing maximum gold assays plotted at drill collar locations. A conductive target zone has been identified in the raw VTEM data and is highlighted by a dashed circle.

The Grace deposit has been drilled along 450-500m of strike and 90m across strike to an average depth of 73m. High grade shallow oxide gold mineralisation commences from surface and in general transported cover. The historic drilling has allowed the calculation of an inferred mineral resource of 1.59mt @ 1.35g/t Au for 69,000ozs outlined in table 1 (*PSL ASX Announcement 22 May 2020 – Entitlement Issue Prospectus)

Class	Type	Tonnes (Mt)	Au (g/t)	Ounces
Inferred	Oxide / Transitional	1.59	1.35	69
	TOTAL	1.59	1.35	69

Table 1: Grace Mineral resource statement (*PSL ASX Announcement 22 May 2020 – Entitlement Issue Prospectus)

The best intercepts for historic drilling in the Grace Project include:

- 10.0m @ 20.95 g/t Au from 6.0m - GPB0801 (RAB)
- 33.0m @ 1.55 g/t Au from 53.0m - GR124502 (RC)
- 12.0m @ 14.38 g/t Au from 56.0m - GR037 (RC)
- 3.1m @ 8.28 g/t Au from 17.1m - GPC9106 (DDH)
- 22.0m @ 1.31 g/t Au from 71.0m - GR124002 (RC)
- 6.0m @ 5.61 g/t Au from 34.0m - GR128001 (RC)
- 4.0m @ 7.04 g/t Au from 38.0m - GR124501 (RC)
- 16.0m @ 2.64 g/t Au from 34.0m - BR8-5 (RAB)
- 4.0m @ 5.13 g/t Au from 30.0m - HK3-4 (RAB)

(PSL Entitlement Issue Prospectus – ASX Ann 22 May 2020)

Pilbara Gold Exploration Projects – Pilbara Western Australia

During the half-year period, planning for soil geochemical sampling and validation of rock chip sampling programs to identify further drill targets at the Cheela Project. These are scheduled for completion in the Q1 2021 with drilling to follow in Q2 2021.

Burraga Copper Gold Project – Lachlan Fold Belt, NSW

Field activity on the Burraga project commenced with relogging of RC drilling at the Lloyds Copper Project and reconnaissance of access to the project areas. Paterson is reviewing the drilling data from this project to develop an updated exploration model to build on the current Inferred Resource of 1.68mt @ 0.9% Cu already identified, (refer ASX release “Burraga Copper Project Resource Estimate” 23 June 2015). Relogging has shown the copper mineralisation is associated with zones of silicious alteration, further work such as spectral scanning on historic drilling may be warranted.

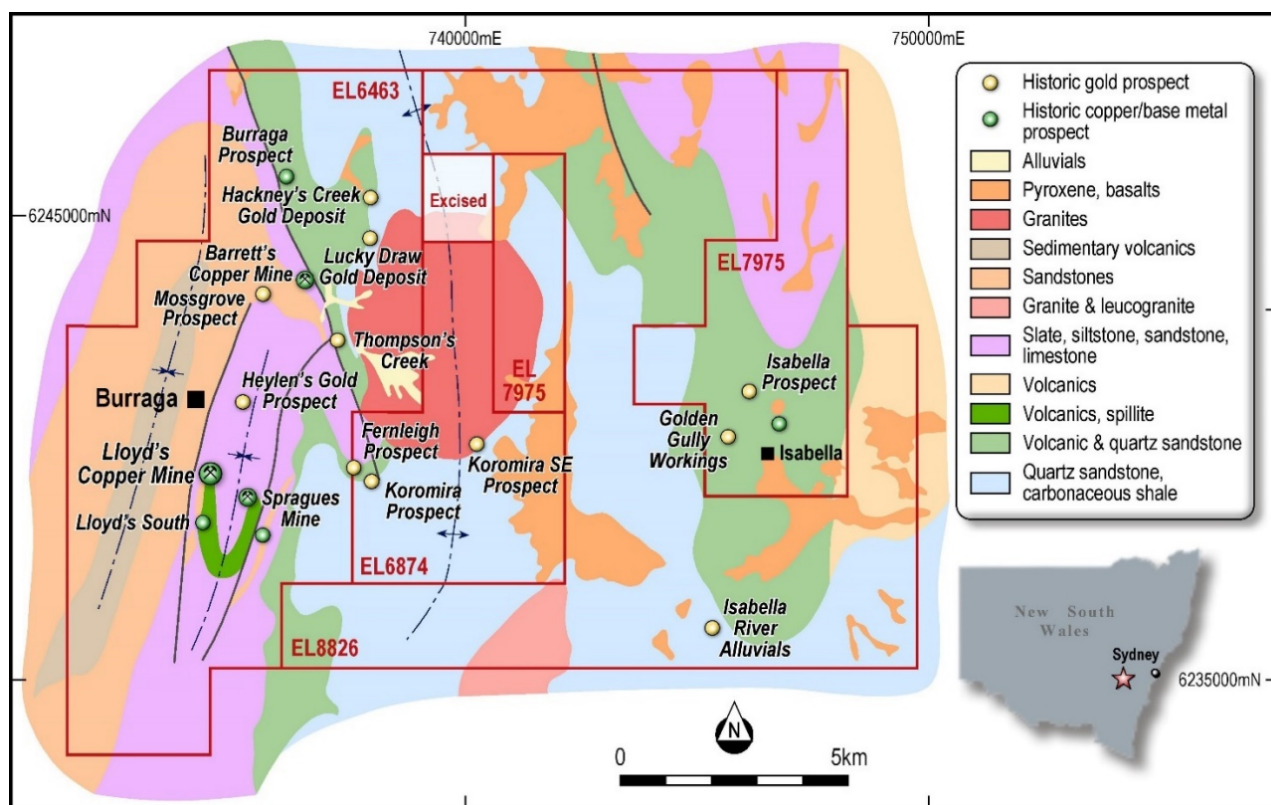


Figure 11: Burraga Project Area

The ongoing review and collection of historic exploration data from by previous explorers has highlighted several undrilled geochemical anomalies similar to the Lucky Draw and Hackneys Creek deposits which are characterised by elevated bismuth stream sampling anomalies in the project area as well as low tenor gold anomalies. Limited drilling at one of the prospect Isabella intercepted high grade near surface mineralisation which was not followed up.

Historic exploration data for Isabella Prospect shows a significant stream sediment bismuth anomaly above 3ppm cut-off over an area of 3km by 700m. Limited shallow drilling typically 30-40m in depth conducted in 1989 and 1990 by RGC returned encouraging near surface intervals including;

- IRC008 2m @10.1g/t Au from 14 to 16m
- IRC020 7m @ 5.24g/t Au from 3 to 10m
- IRC021 7m@4.76g/t Au from 14m to 21m

As part of the comprehensive geological report for the technical section of the recently released entitlement issue prospectus (PSL ASX Ann 22 May 2020 *) was a re-statement of the Lloyd’s copper gold resource (Table 2) and also a Gold Resources Estimate for the Lucky Draw and Hackney’s Creek gold prospects (Table 3).

Model		Tonnes	Cu (%)	Au (g/t)	Ag (g/t)	Zn (%)	Cu Metal (t)
Lloyds (0.3% Cu cut-off)	Measured	80,000	1.0	0.1	5	0.2	800
	Indicated	910,000	0.8	0.1	7	0.2	7,130
	Inferred	320,000	0.7	0.1	5	0.1	2,200
	Total	1,310,000	0.8	0.1	6	0.2	10,090
Tailings	Indicated	280,000	1.2	0.3	9	0.2	3,490
Slag Heaps	Inferred	90,000	1.3	0.2	7	0.7	1,170
Burruga Combined	Measured	80,000	1.0	0.1	5	0.2	800
	Indicated	1,280,000	0.9	0.1	7	0.2	11,520
	Inferred	320,000	0.7	0.1	5	0.1	2,200
	Total	1,680,000	0.9	0.1	7	0.2	15,120

Table 2. Lloyds Copper Mineral Resources by model and resource category

Gold Mineral Resources (above 0.5 g/t Au cutoff)				
		Tonnes	g/t Au	Au Metal Oz's
Hackney's Creek	Measured			
	Indicated			
	Inferred	2,210,000	1.4	102,300
	Total	2,210,000	1.4	102,300
Lucky Draw	Measured			
	Indicated			
	Inferred	470,000	2.1	31,700
	Total	470,000	2.1	31,700
Gold Total	Measured			
	Indicated			
	Inferred	2,680,000	1.6	134,000
	Total	2,680,000	1.6	134,000

Table 3. Lucky Draw and Hackney's Creek Mineral Resources by model and resource category

(* - The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcement. All material assumptions and technical parameters pertaining to the resource estimate continue to apply and have not materially changed)

Access agreements with the landholders within the project area are ongoing. Once finalised infill and orientation soil and stream surveys will be commenced in Q1 2021. As soon as all approvals and agreements are in place diamond drilling is planned at Hackneys Creek.

The diamond drilling is designed to validate the existing drill assay data used in the inferred resource estimation at Hackneys Creek by twinning approximately 6 holes. A further 10 diamond drill holes recommended to validate the existing drill assay data at the remnant Lucky Draw inferred resource. Validation of this drill data along with the collection of additional geological and structural information will enable the upgrading of the current resource from inferred to a higher category.

The most promising intercepts returned from past drilling carried out by RGC Exploration at Hackneys Creek that were included in the inferred resource estimation are:

- **21.3m @ 9.19 g/t Au from 89m, including 4m @ 40.38 g/t Au from hole LDD309**
- **33.6m @ 2.27 g/t Au from 71.4m, including 5m @ 5.83 g/t Au from hole LXD283**
- **25.0m @ 3.57 g/t Au from 20m, including 4m @ 7.48 g/t Au from hole LXD359**
- **2.0m @ 11.25 g/t Au from 28m from hole LXD 282**
- **16.0m @ 3.30 g/t Au from 34m from hole LRC 353**

(* The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcements. All material assumptions and technical parameters pertaining to the resource estimate continue to apply and have not materially changed.)

Corporate

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.

On 18 September 2020, the Company completed the Placement and issued 142,857,143 fully paid ordinary shares (on a pre-consolidation basis) at an issue price of \$0.0035 per share, raising \$500,000.

On 16 October 2020, the Company completed its Share Purchase Plan (SPP) which provided shareholders the opportunity to purchase additional shares in the Company at the same price and on the same terms as the September 2020 Placement. The SPP offer allowed eligible shareholders to subscribe for up to \$30,000 worth of shares at the determined issue price per Share (SPP Shares) being \$0.0035, together with one (1) free attaching option for every one (1) SPP Share subscribed for and issued (SPP Options).

The SPP was intended to raise a total of \$1,500,000, however the Company reserved the right to accept oversubscriptions, and the SPP closed oversubscribed on 9th October 2020 with the Company receiving applications for a total of 502,178,606 shares (on a pre-consolidation basis). PSL accepted the oversubscription funds of \$257,625 as announced to ASX on 15 October 2020. Allotment of the SPP shares occurred on 16 October 2020. The Company sought and received shareholder approval for the SPP Options at its Annual General Meeting (AGM) held on 11 December 2020, and the SPP Options as well as the free attaching Options to the September 2020 Placement were issued on 22 December 2020.

Following shareholder approval at the AGM, the Company issued 4,000,000 performance rights (on a post-consolidation basis) to Mr Matthew Bull. The vesting of the Performance Rights is subject to the achievement of the following performance milestones, which is to be determined by the Board in its discretion:

- (a) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of \$0.090 over any 20 consecutive day period on which shares are traded on ASX, expiring 3 years after issue; and
- (b) 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of \$0.135 over any 20 consecutive day period on which shares are traded on ASX, expiring 4 years after issue.

On 11 December 2020, Mr Brian Thomas tendered his resignation as a Director of the Company effective from the conclusion of the 2020 AGM on 11 December 2020. On the same day, Mr Kenneth Banks was appointed as a Non-Executive Director of the Company.

On 18 December 2020, the Company completed its 1:15 Share Consolidation following the grant of shareholder approval at its Annual General Meeting.

AUDITOR'S INDEPENDENCE DECLARATION

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

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

On behalf of the directors



Nick Johansen
Non-Executive Chairman
15 March 2021

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RSM Australia Partners

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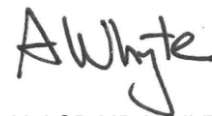
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Paterson Resources Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Perth, WA
Dated: 15 March 2021

RSM
RSM AUSTRALIA PARTNERS



ALASDAIR WHYTE
Partner

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2020

	31-Dec-20	31-Dec-19
	\$	\$
Revenue from continuing operations		
Other income	578	425
Administrative expenses	(120,515)	(158,313)
Compliance and regulatory expenses	(120,518)	(51,636)
Corporate advisory and consulting fees	(36,000)	(4,618)
Depreciation	(4,433)	(3,221)
Employee benefit expenses	(155,642)	(127,500)
Exploration consulting fees	(20,420)	(17,924)
Finance costs	(10,116)	(1,925)
Fair value gain/(loss) on financial assets	2,463	(149)
Legal fees	(22,840)	(40,584)
Marketing and investor relations	(74,500)	(272)
Occupancy costs	(4,620)	(4,710)
Loss on disposal of fixed asset	-	(16,348)
Share-based payments expense	6 (2,384)	(12,728)
Other expenses	(3,311)	(7,739)
Loss before income tax expense	(572,258)	(447,242)
Income tax expense	-	-
Loss after income tax for the period	(572,258)	(447,242)
Other comprehensive income	-	-
Total comprehensive loss for the period attributable to members of Paterson Resources Ltd	(572,258)	(447,242)
Loss per share for the period attributable to the members of Paterson Resources Ltd:		
Basic and diluted loss per share (cents)	(0.21)	(0.03)

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	31-Dec-20 \$	30-June-20 \$
ASSETS			
Current Assets			
Cash and cash equivalents		3,298,183	1,955,989
Trade and other receivables		193,126	173,042
Total Current Assets		3,491,309	2,129,031
Non-Current Assets			
Plant and equipment		1,201	5,633
Financial assets at fair value through profit or loss		3,209	746
Deferred exploration and evaluation expenditure	3	17,636,101	17,211,185
Total Non-Current Assets		17,640,511	17,217,564
TOTAL ASSETS		21,131,820	19,346,595
LIABILITIES			
Current Liabilities			
Trade and other payables		199,731	317,189
Other current liabilities		134,173	19,241
Total Current Liabilities		333,904	336,430
TOTAL LIABILITIES		333,904	336,430
NET ASSETS		20,797,916	19,010,165
EQUITY			
Contributed equity	4	32,961,364	30,453,739
Reserves	5	5,675,026	5,822,642
Accumulated losses		(17,838,474)	(17,266,216)
TOTAL EQUITY		20,797,916	19,010,165

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

31 December 2020	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
At 1 July 2020	30,453,739	5,822,642	(17,266,216)	19,010,165
Loss for the period	-	-	(572,258)	(572,258)
Total comprehensive loss for the period after tax	-	-	(572,258)	(572,258)
Transactions with owners in their capacity as owners:				
Issue of shares (Note 4)	2,357,625	-	-	2,357,625
Conversion of convertible notes (Note 5)	150,000	(150,000)	-	-
Share-based payments (Note 6)	-	2,384	-	2,384
Balance at 31 December 2020	32,961,364	5,675,026	(17,838,474)	20,797,916
31 December 2019				
	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
At 1 July 2019	28,271,719	5,647,185	(16,695,329)	17,223,575
Loss for the period	-	-	(447,242)	(447,242)
Total comprehensive loss for the period after tax	-	-	(447,242)	(447,242)
Transactions with owners in their capacity as owners:				
Share-based payments (Note 6)	-	12,728	-	12,728
Balance at 31 December 2019	28,271,719	5,659,913	(17,142,571)	16,789,061

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

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2020

	31-Dec-20	31-Dec-19
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(731,949)	(407,927)
Interest received	578	427
Interest paid	(17,500)	-
Net cash used in operating activities	(748,871)	(407,500)
Cash flows from investing activities		
Payment for exploration and evaluation expenditure	(397,810)	(161,633)
Net cash used in investing activities	(397,810)	(161,633)
Cash flows from financing activities		
Cash received from less than markertable parcel share sale facility yet to be returned to shareholders	131,250	-
Proceeds from issue of shares	2,357,625	-
Proceeds from convertible note	-	100,000
Net cash from financing activities	2,488,875	100,000
Net increase in cash and cash equivalents	1,342,194	(469,133)
Cash and cash equivalents at beginning of the period	1,955,989	508,225
Cash and cash equivalents at end of the period	3,298,183	39,092

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

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

(b) New or amended Accounting Standards and Interpretations adopted

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

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

NOTE 2 SEGMENT INFORMATION

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

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

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

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

Notes to the Consolidated Financial Statements

NOTE 3 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31-Dec-20	30-Jun-20
	\$	\$
Carrying amount of exploration and evaluation expenditure	17,636,101	17,211,185
At the beginning of the year	17,211,185	17,051,252
Exploration expenditure incurred	424,916	250,327
Impairment	-	(90,394)
At the end of the year	17,636,101	17,211,185

NOTE 4 CONTRIBUTED EQUITY**(a) Issued and fully paid**

	31-Dec-20		30-Jun-20	
	No.	\$	No.	\$
Ordinary shares	317,036,381	32,961,364	3,860,497,312	30,453,739

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	No.	\$
At 1 July 2020	Opening Balance		3,860,497,312	30,453,739
18 December 2020	Placement	0.0035	142,857,143	500,000
16 October 2020	Share Purchase Plan	0.0035	502,178,606	1,757,625
4 December 2020	Conversion of 150,000 Convertible Notes	0.0010	150,000,000	150,000
18 December 2020	1:15 Share Consolidation	-	(4,345,163,347)	-
21 December 2020	Placement - Director Participation	0.015	6,666,667	100,000
	Less capital raising costs	-	-	-
At 31 December 2020	Closing Balance		317,036,381	32,961,364
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

Notes to the Consolidated Financial Statements

NOTE 5 RESERVES

	31-Dec-20	30-Jun-20
	\$	\$
Share-based payments reserve	5,675,026	5,672,642
Convertible note reserve	-	150,000
	5,675,026	5,822,642

Movement reconciliation**Share-based payments reserve**

Balance at the beginning of the period	5,672,642	5,647,185
Options vested during the year	-	25,457
Performance rights issued during the period	2,384	-
Balance at the end of the period	5,675,026	5,672,642

Convertible note reserve

Balance at the beginning of the period	150,000	-
Convertible notes issued	-	150,000
Conversion of convertible notes during the period	(150,000)	-
Balance at the end of the period	-	150,000

NOTE 6 SHARE-BASED PAYMENTS

	31-Dec-20	31-Dec-19
	\$	\$
(a) Recognised share-based payment transactions		
Performance rights vested during the period	2,384	-
Options vested during the period	-	12,728
	2,384	12,728

Following shareholder approval at the AGM held on 11 December 2020, the Company issued 4,000,000 performance rights (on a post-consolidation basis) to Mr Matthew Bull. The vesting of the Performance Rights is subject to the achievement of the following performance milestones, which is to be determined by the Board in its discretion:

- 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of \$0.090 over any 20 consecutive day period on which shares are traded on ASX, expiring 3 years after issue; and
- 2,000,000 Performance Rights will vest upon the Company's Shares achieving a VWAP of \$0.135 over any 20 consecutive day period on which shares are traded on ASX, expiring 4 years after issue.

The performance rights issued to Matthew Bull have market based vesting conditions and have been valued using a barrier up-and-in trinomial option pricing model with a Parisian barrier adjustment.. The model and assumptions are shown in the table below:

	Tranche 1	Tranche 2
Share Price at Grant Date	\$0.045	\$0.045
Exercise Price	Nil	Nil
Volatility (up to date of issue)	110%	110%
Grant Date	11-12-20	11-12-20
Vesting Date	11-12-23	11-12-24
Risk-free Rate	0.10%	0.35%
Dividend yield	Nil	Nil
Number of Rights Granted	2,000,000	2,000,000
Value per Right	\$0.038	\$0.038
Total Fair Value of Rights	\$76,000	\$76,000
Amount recognised during the half year	\$1,362	\$1,022

Notes to the Consolidated Financial Statements

NOTE 7 DIVIDENDS

No dividend has been declared or paid during the half-year ended 31 December 2020 (30 June 2020: Nil), and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2020.

NOTE 8 CONTINGENCIES

There have been no changes to contingent liabilities or assets since 30 June 2020.

NOTE 9 COMMITMENTS

There have been no changes to commitments since 30 June 2020.

NOTE 10 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing for the Group up to 31 December 2020, 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 20 January 2021, the Company completed the less than marketable parcel share sale facility. A total of 1,684 shareholders with an aggregate of 3,531,438 shares (on a post-consolidation basis, or 52,971,570 shares on a pre-consolidation basis) participated in the Facility. The shares were sold at a price of \$0.0375 per share (on a post-consolidation basis, or \$0.0025 per share on a pre-consolidation basis).

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

DIRECTORS' DECLARATION

In the directors' opinion:

1. The financial statements and notes thereto of the Group, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - a. Complying with Australian Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year then ended on that date.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Nick Johansen
Non-Executive Chairman
15 March 2021

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Paterson Resources Limited, which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paterson Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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


Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Perth, WA
Dated: 15 March 2021

RSM
RSM AUSTRALIA PARTNERS


ALASDAIR WHYTE
Partner

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