SAGON RESOURCES LIMITED

Annual Report 2019

Contents

Corporate Directory

Directors

Jeremy Robinson (Executive Director)

Shaun Hardcastle (Non-Executive Director)

Scott Patrizi (Non-Executive Director)

Registered and business address

Suite 23, 513 Hay Street

Subiaco WA 6008

Australia

Telephone: +61 8 6143 6720

Website: www.sagonresources.com.au

Company secretary

Oonagh Malone

Auditors

Walker Wayland WA Audit Pty Ltd

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Como WA 6152

Securities exchange

Australian Securities Exchange (ASX)

Code: SG1

Home office: Perth

Share registry

Automic Registry Services

126 Phillip Street

Sydney, New South Wales 2000

Telephone: 1300 288 664

Country of incorporation and domicile

Australia

Solicitors

Bellanhouse

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58 Mounts Bay Road

Perth, Western Australia 6000

Review of Operations

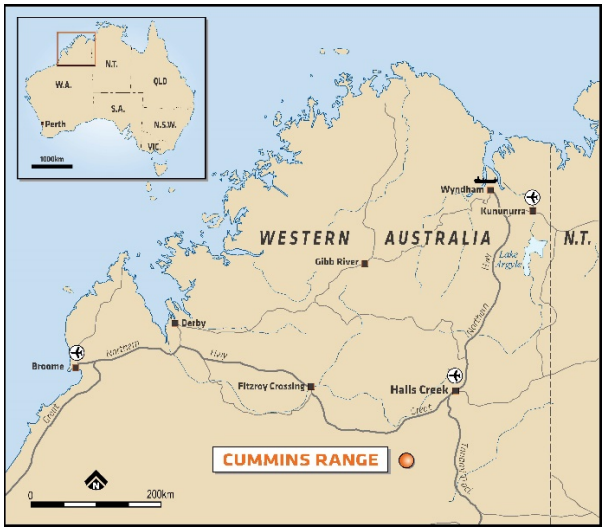
Following a strategic review of the Company's assets, the Company acquired the Cummins Range Rare Earths Project in September 2019.

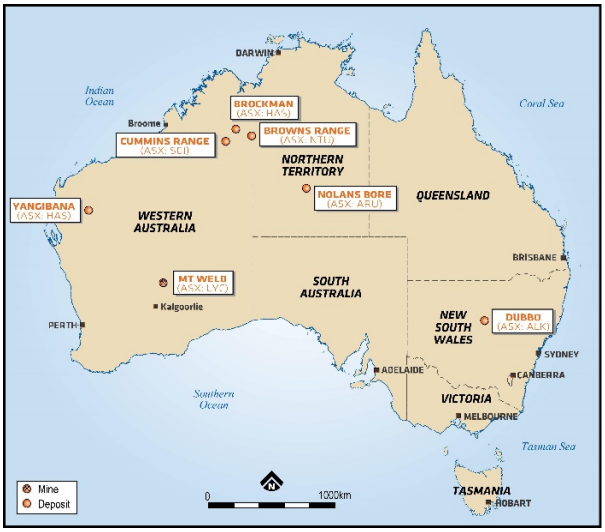
The Board is pleased to provide a review of operations across the Company's asset portfolio for the financial year 2019 and to date.

Cummins Range Rare Earths Project

Cummins Range is located 130km southwest of Halls Creek in the Kimberley Region of Western Australia (Figure 1) and is one of two known rare earth bearing carbonatites in Australia, with the other being Mt Weld owned by Lynas Corporation Ltd. Located in the Tier 1 rare earths mining jurisdiction of Western Australia, Cummins Range has the potential for high Neodymium and Praseodymium (**NdPr**) enrichment. NdPr are two critical rare elements integral to the manufacture of electric vehicles, wind turbines and military hardware.

With no active exploration since 2011, the Company plans to undertake a significant exploration and metallurgical drill program with an initial reverse circulation drill program of up to 5,000m to commence in late 2019.





Figures 1 and 2. Cummins Range Rare Earths Project, Western Australia and Rare Earth Project locations, Australia

JORC 2012 Resource

Following a review of historical data and geological modelling, Sagon was pleased to release its independently compiled, Maiden JORC 2012 Mineral Resource for Cummins Range on 14 October 2019.

The Maiden 2012 Inferred Mineral Resource for Cummins Range has been estimated at **13.0Mt at 1.13% Total Rare Earth Oxides** (**TREO**) comprising 147,000,000 kg TREO using a cut-off grade of 0.5% TREO.

Cummins Range Inferred Mineral JORC 2012 Resource		
Tonnes (Mt)	*Grade (TREO)*	*TREO (kg)*
13.0	**1.13%**	**147,300,000**

Sagon considers the mineralisation at Cummins Range to have significant potential for expansion. The Resource remain open along strike and at depth with significant scope to expand the Resource with no active exploration recorded since 2012.

The known Resource occupies a small portion of the Cummins Range Intrusive Complex that is approximately 2km by 2km offering significant potential for Resources growth. Rare Earth Oxide mineralisation at Cummins Range occurs in a sub-horizontal geometry within a deeply weathered regolith which is developed over carbonatite and pyroxenite rocks.

At Cummins Range, deep weathering is an important control on mineralisation and several "channels" or deeply weathered zones have been identified. Several of these channels remain open and passive seismic surveying offers the possibility of mapping these structures so they can be targeted by further exploration drilling. Passive seismic has been shown to be effective in mapping weathered surfaces and river channels in uranium exploration.

Figure 3 below illustrates the extent to which the Resource remains open along strike in multiple directions:

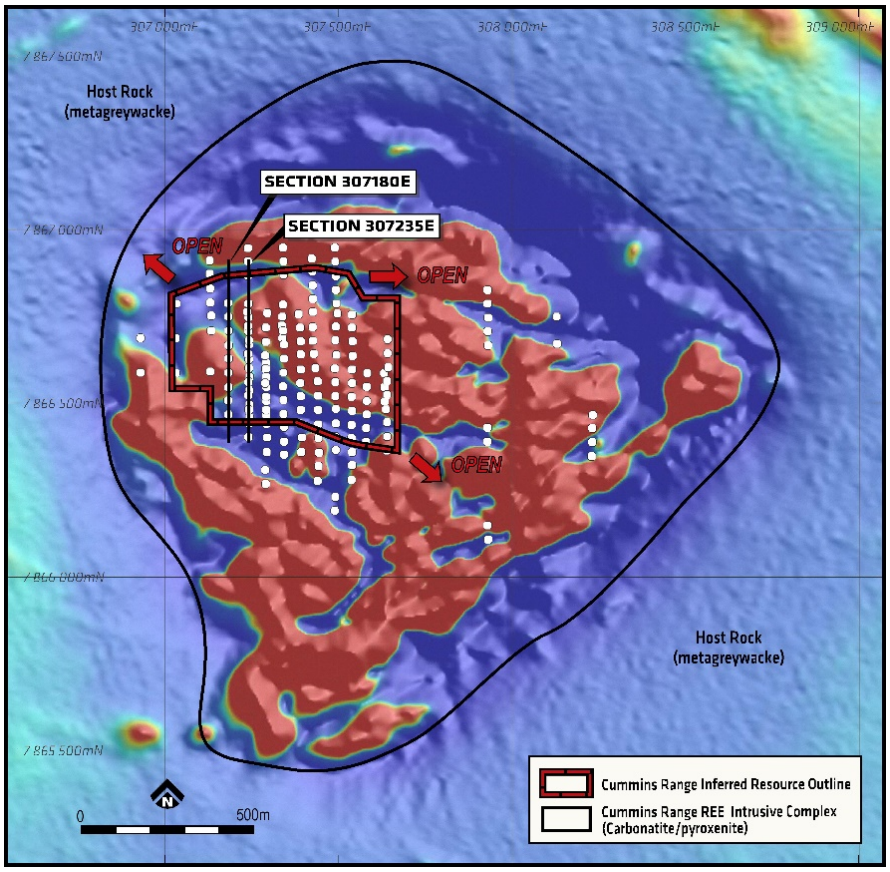


Figure 3. Cummins Range Intrusive Complex

Figure 4 below illustrates that the Resource remains open at depth:

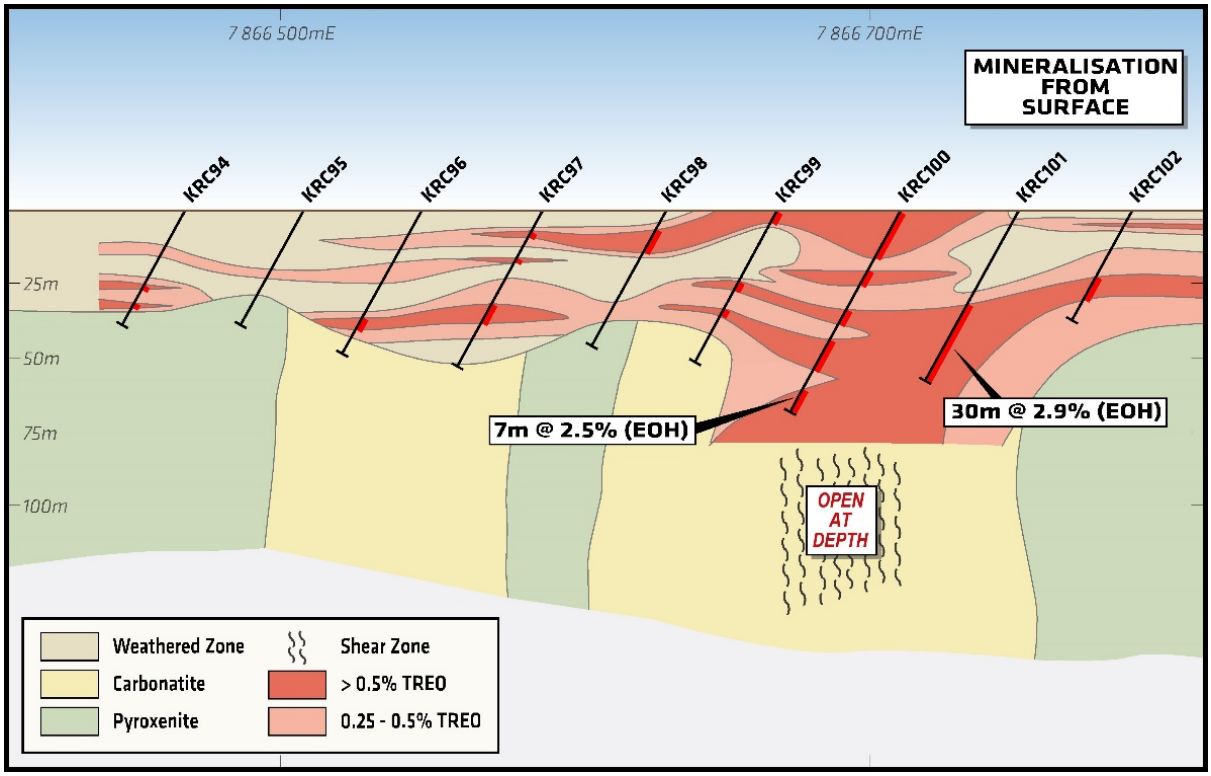


Figure 4. Cummins Range Cross Section 307180E

Stage 1 of the proposed drill program will include large diameter PQ drill core to provide samples for metallurgical test work and to better assess the grade of Cummins Range.

Sagon continues to collate and review all previous data and in conjunction, with the upcoming planned passive seismic survey, is expecting to identify better targets for extensional drilling around the known Resource.

The Resource has been compiled by leading Perth based mining and resource consultants Auralia Mining Consultants. It is based on historical drilling completed by previous operators in 2007 and 2011. These historical exploration results have been reviewed and are now reported in accordance with JORC 2012 standards.

The Resource is currently classified as Inferred due to density measurements taken by previous operators being restricted to the NW quadrant of the Resource and on general a 50m by 40m drill spacing. Further density measurements on the diamond drill core will be taken as part of the upcoming drill program to assist in upgrading part of the resource to the Indicated category following infill drilling planned for next year.

The Resource is likely amenable to simple low strip ratio open pit mining, it outcrops at surface, has dimensions of approximately 700m by 400m and on average is about 25m thick with mineralisation from surface in places to depth of only 75m as illustrated on the accompanying plans and cross sections.

Figure 5 below illustrates that the Resource outcrops at surface and has dimensions conducive to open pit mining:

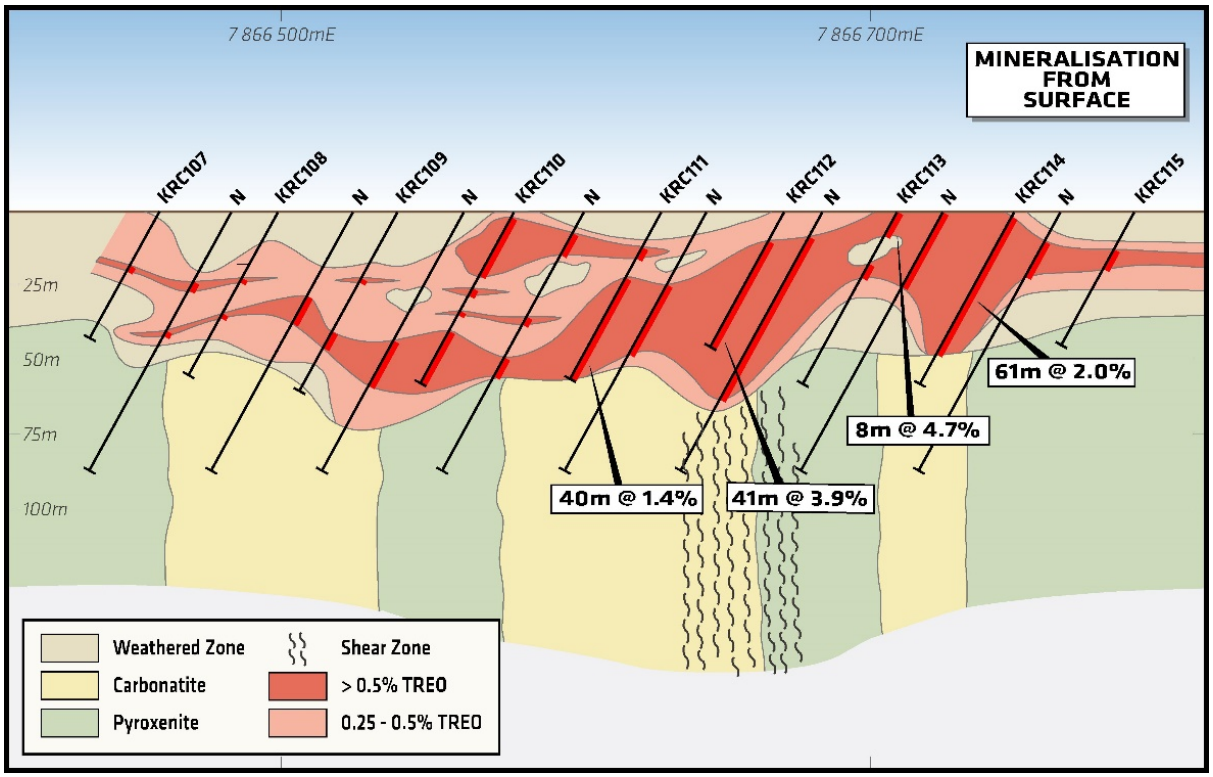


Figure 5 - Cummins Range Cross Section 307240E

Heritage Protection Agreement

Sagon announced on 14 October 2019 that it has entered into a Native Title Heritage Protection and Mineral Exploration Agreement with the Kimberley Land Council (**KLC**) in relation to Jaru Lands in the East Kimberley where the Cummins Range Rare Earths Project is located.

The agreement provides for a cooperative framework in which the Company can conduct exploration on the tenement (E80/5092) and any other tenements that are granted on Jaru Lands and provides for community benefits to the Jaru People including opportunities for employment.

NSW Copper Gold Projects

As part of its strategic review of assets, Sagon updated the market on its current strategy and reinvigorated focus on its NSW Copper Gold Projects in light of the recent and significant discovery made by Alkane Resources Limited (ASX: ALK) (**Alkane**) at their Boda Copper Gold porphyry prospect (refer to Alkane ASX announcement 9 September 2019).

Sagon holds 7 tenements in the region with extensive work programs been completed on the projects over the previous 10 years. While all 7 tenements are prospective for Cadia Valley style copper-gold porphyry deposits, the Cundumbul and Trundle Projects are of most interest and will be the immediate exploration focus of Sagon.

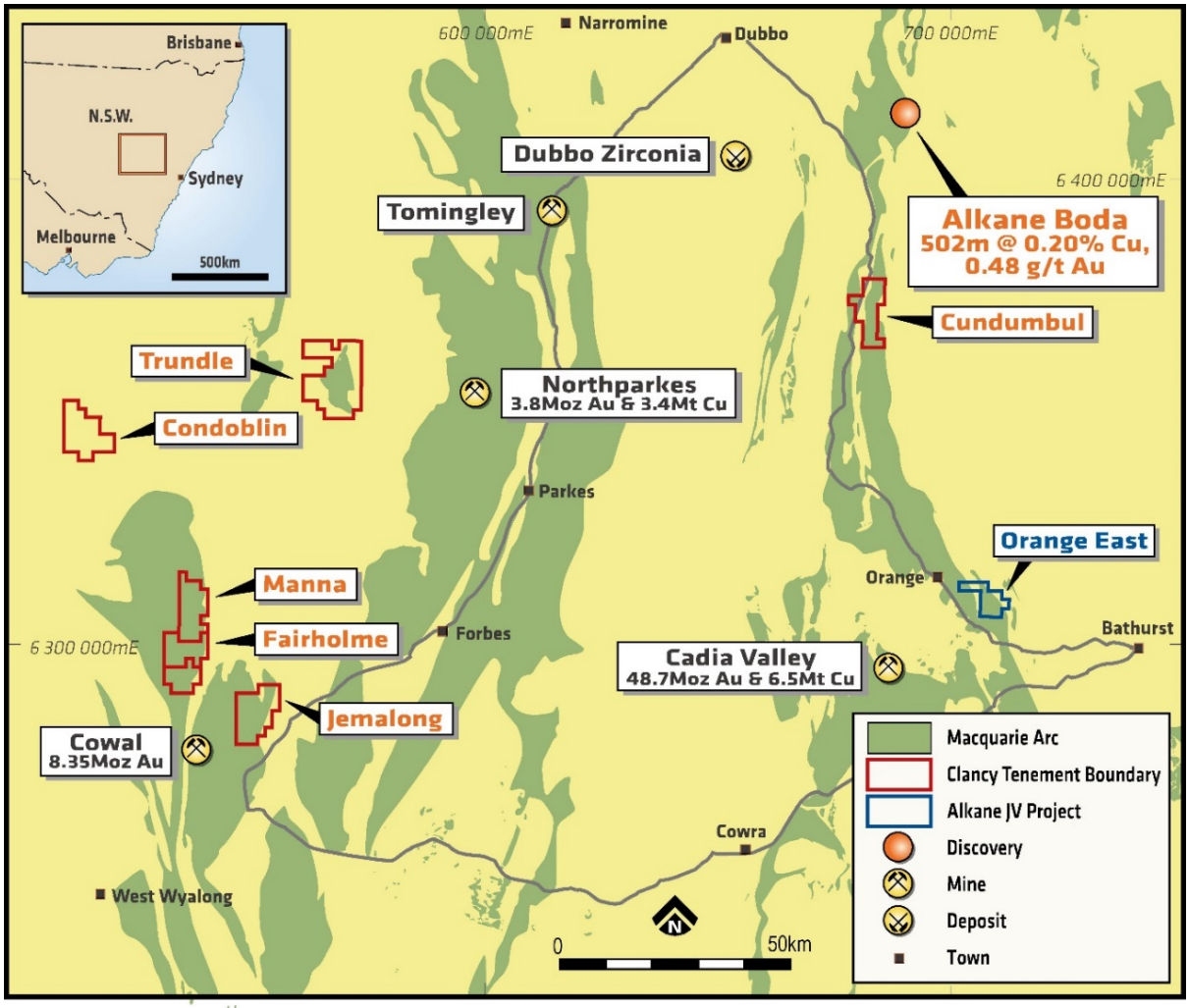


Figure 6 - Sagon NSW Copper Gold Projects

Trundle Block (EL8222)

Sagon's Trundle project lies 30km west of the China Molybdenum Group owned Northparkes porphyry copper-gold mine (3.8Moz Au and 3.4Mt Cu) within an inferred westerly rifted portion of the Ordovician Northparkes Igneous Complex.

Previous work undertaken by Newcrest within the Trundle project in the 1990s identified several porphyry prospects. Sagon (then 'Clancy Exploration Limited') completed RC drilling at the Trundle Park prospect which returned extensive skarn alteration with high grade copper and gold mineralisation including drill holes including:

- 56m at 0.88 g/t Au and 0.35% Cu from 34m, including
  - 2m at 20g/t Au and 6.97% Cu from 64m
- 58m at 0.44g/t Au and 0.17% Cu from 22m, including
  - 4m at 1.19g/t Au and 0.41% Cu from 28m
- 42m at 0.45g.t Au from 32m, including
  - 6m at 0.99g/t Au from 38m

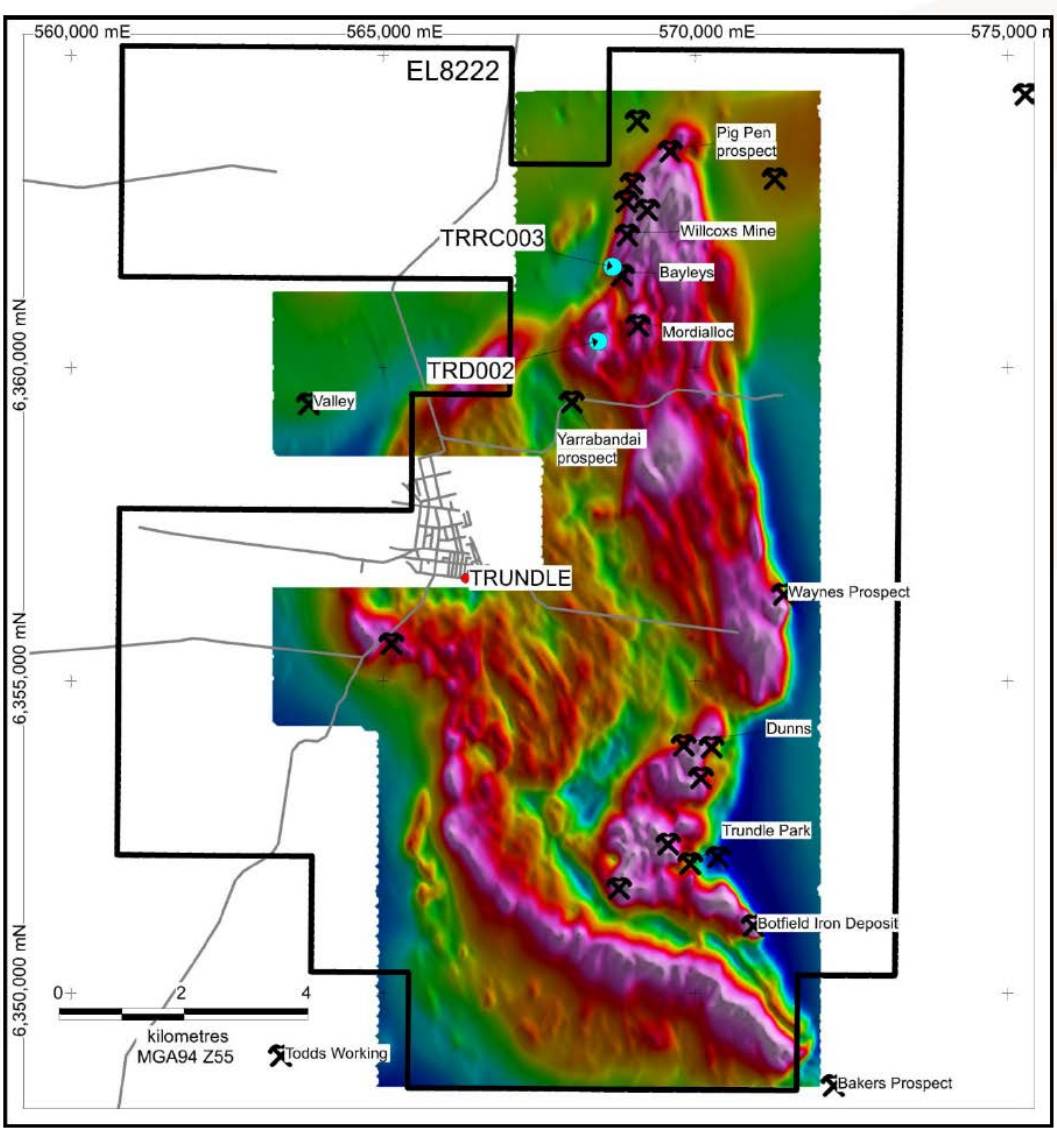


Figure 7. Sagon's Trundle Project

Further exploration in 2015 as part of the JV High Powered Exploration defined multiple Induced Polarisation "IP" geophysical targets of which one north of the Mordialloc target was drilled returning disseminated sulphides associated with an intrusion although no significant values were returned. Despite this a strong target remains at Mordialloc with a significant IP target lying adjacent to the contact of a coarse grained porphyry intrusion and andesite host rock where previous drilling by Calibre mining in 2010 that returned highly anomalous mineralisation (CTD: 48m at 0.12g/t Au and 0.14% Copper and 40ppm Molybdenum) which remains open downhole. The mineralisation is associated with quartz-sulphide sheeted veins and potassic alteration with a clay-phyllic alteration both suggestive that it is marginal to a porphyry source of which the IP target is interpreted to represent. This remains a major copper gold porphyry target.[1]

Cundumbul Block (EL6661)

The Cundumbul project lies in the central Molong High of the Ordovician Macquarie Arc which is host to the giant Cadia Copper Gold Porphyry Mine (48.7Moz of Gold and 6.5Mt of Copper) and the recently discovered Alkane Boda porphyry prospect only 20km to the North.

Previous work undertaken on the prospect funded by Mitsubishi Materials Company identified two key prospects on the tenement, known as Andrews and Bell. The most advanced of the projects, Bell, was drilled with RC and Diamond methods and intersected high grade Molybdenum mineralisation in multiple holes with the best intersection of 4m at 0.17% Molybdenum from 168m in CNRC010 in a heavily faulted area with extensive alteration and quartz pyrite veining, phyllic alteration and widespread elevated molybdenum. It is well known that porphyry deposits are zoned, and the classic porphyry model has this assemblage above the copper bearing porphyry source with accompanying higher temperature (potassic) alteration assemblages.

Deeper drilling is required at this prospect to asses zonation of the system. These indications coupled with the recent success of Alkane at the Boda prospect have greatly enhanced the potential of this prospect and it is now considered a major copper gold porphyry target.[2]

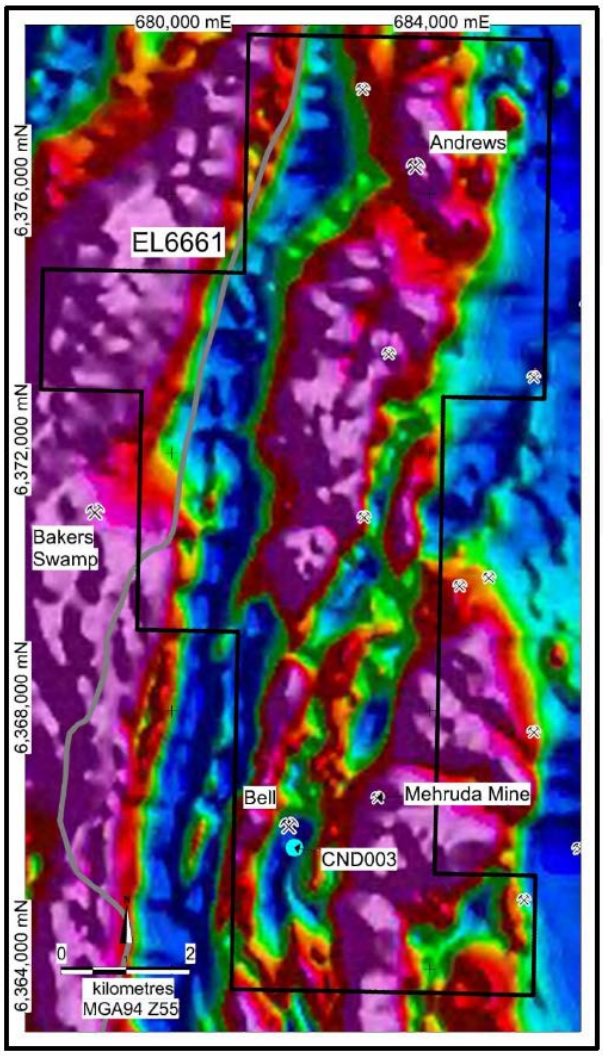


Figure 8. Cundumbul Tenement, NSW

[1] Refer to the announcement released by the Company on 28 February 2011 entitled "*Trundle Drilling Results – High grade gold and copper at Trundle Park*" for further information.

[2] Refer to the announcement released by the Company on 3 December 2014 entitled "*Molybdenum Discovered at the Cundumbul Project – Significant intercepts in the Molong Volcanic Belt, NSW*" for further information.

Other Tenements

Sagon also retains interests in the Fairholme Project (EL6552 and EL6915) 15km north of the Cowal Gold Mine owned by Evolution Mining Limited, Condobolin (EL7748), Orange East (EL8442) and Jemalong (EL8502) which are also currently under review.

Proposed Work Program

In light of the recent discovery by Alkane and a review of the historical exploration results reported for Trundle and Cundumbul, Sagon is focused on completing a review of its NSW tenure. As part of this review, Sagon is developing an exploration plan and anticipates commencing exploration activities including drilling at both Trundle and Cundumbul in the late 2019 and early 2020, subject to further review and receiving the relevant approvals and permitting.

Hong Kong Gold Project

On 7 December 2018, Clancy announced the completion of an agreement with Canadian listed Pacton Gold Inc (TSXV: PAC) (**Pacton**) which provided for Pacton to acquire a 70% equity interest in Clancy's Hong Kong Project in the Pilbara (Exploration Licence E47/3566 covering 40.15 km^2).

Under the agreement, Pacton will act as operator of the Hong Kong Project and must spend a minimum of CAD$500,000 on Hong Kong within two years of completion of the transaction. Clancy will be free carried with respect to joint venture expenditure until a decision to mine is made unanimously by both parties.

On 24 January 2019, Pacton announced the finalisation of its initial 2019 exploration program for its Egina Project in the Pilbara which includes the Hong Kong Project. Pacton's initial 2019 Egina exploration will consist of spot sampling of gravels with subsequent follow-up samples based on initial results. Pacton is able to undertake bulk sampling operations as a result of its 2018 strategic alliance with Artemis Resources, which includes access to the Artemis Radio Hill processing plant, now nearing completion.

The initial 2019 Egina exploration program will also include more detailed mapping and sampling of the gold-bearing Mesoarchean basaltic rocks, and their associated erosional gravels.

Moroccan Cobalt Project

On 25 October 2018, the Company announced the completion of Stage 1 of its acquisition of Atlas Managem S.A.R.L (**Atlas Managem**) by acquiring 20% of the fully paid issued capital in Atlas Managem. Under the agreement with Atlas Managem, the Company can acquire up to a 100% indirect interest in the 3 licences in Morocco prospective for cobalt through a staged acquisition of Atlas Managem.

Each of the licences is 16 km^2 in size, 2 of which (the Bou Amzil and Tizi Belhaj licences) are located immediately to the west and adjacent to the famous Bou Azzer Cobalt Mine. The third licence (the Imdere licence) is located approximately 20 km northwest of Bou Azzer. The adjacent Bou Azzer Cobalt Mine has Co-Ni Arsenide deposits with Au & Ag and is currently one of the world's only operating primary cobalt mines.

Following its strategic review of assets and with regard to the current cobalt price, the Board has elected not to progress with Stage 2 of the acquisition of Atlas Managem at this point and has ceased work on the Moroccan Cobalt Project.

Leogang Project, Austria

In mid-2017, the Company was granted exploration licences over the Leogang Cobalt-Nickel Project covering in the Salzburg and Kitzbuhel regions in western Austria. Subsequently, Cadence Minerals Plc acquired a 10% interest in the licences held by Clancy and both parties entered into a joint venture.

No material work was undertaken on the Leogang Project during the 2019 financial year and to date.

Competent Persons' Statements

The information in this announcement that relates to Mineral Resources for the Cummins Range Rare Earths Project was first reported by the Company to ASX on 15 October 2019. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements, and in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning that estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Information in this release that relates to Exploration Results for the NSW Copper Gold Projects is based on and fairly represents information and supporting documentation prepared by Mr Joe Treacy, a Member of the Australasian Institution of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Treacy is a consultant to Sagon Resources Limited and shareholder. Mr Treacy has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Treacy consents to the inclusion in this release of the matters based on his information in the form and context in which it appears. The Exploration Results in this announcement in relation to the Trundle Block (EL8222) and the Cundumbul Block (EL6661) were prepared and first disclosed under the JORC Code 2004. This information has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported on 28 February 2011 and 3 December 2014.

Corporate Governance

Sagon Resources Limited's Corporate Governance Statement for FY2019 is available on the Company's website www.sagonresources.com.au

Financial Statements

FY2019

DIRECTORS' REPORT

The Board of Directors has pleasure in presenting its report on the consolidated entity consisting of Sagon Resources Limited (Company or Sagon) and the entities (Group or Consolidated Entity) it controlled at the end of, or during, the year ended 30 June 2019. Subsequent to 30 June 2019, the Company undertook a consolidation of capital. Unless stated otherwise, references to shares, options and performance rights in this report are on a pre-consolidation basis.

1. Directors

The names and details of the Company's Directors in office at any time during the year to 30 June 2019 and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Jeremy Robinson, BComm
Executive Director – Appointed 27 September 2019
Mr Robinson is an experienced mining executive having held senior roles at Mungana Goldmines Limited and Apex Minerals Limited. Mr Robinson holds a Bachelor of Commerce from the University of Western Australia majoring in Corporate Finance, Investment Finance and Marketing.

Mr Shaun Hardcastle, LLB, BA
Non-Executive Director - Appointed 1 December 2017
Mr Hardcastle has over 10 years' experience as a corporate and finance lawyer and extensive experience in corporate governance, risk management and compliance. He has been involved in a broad range of cross-border and domestic transactions including joint ventures, corporate restructuring, project finance, resources and asset/equity sales and acquisitions. Mr Hardcastle has practiced law both in Australia and overseas and is a partner at Bellanhouse Lawyers. Mr Hardcastle is currently a non-executive director of ASX listed companies Bunji Corporation Limited (ASX: BCL), Hawkstone Mining Limited (ASX: HWK) and Schrole Group Limited (ASX: SCL).

Mr Scott Patrizi, BComm
Non-Executive Director - Appointed 7 July 2016
Mr Patrizi is a corporate finance professional having been previously employed with Deloitte Touche Tohmatsu in Perth. Mr Patrizi holds a Bachelor of Commerce from the University of Western Australia. During his time at Deloitte, Mr Patrizi worked across a range of industries including mining, oil and gas, healthcare, education and private equity providing merger and acquisition, valuation and due diligence services. Prior to Deloitte, Mr Patrizi worked for Argonaut Limited, a full service advisory, stockbroking & research and investment house focused on clients in the natural resources sector, where he gained significant equity capital market experience. Mr Patrizi is currently executive director of Caprice Resources Ltd (ASX: CRS). Mr Patrizi was also previously executive director of Matador Mining Ltd (ASX: MZZ) until 3 July 2018 and Elixir Energy Ltd (formerly Elixir Petroleum Ltd) (ASX: EXR) until 6 May 2019.

Mr David Scoggin, BA
Non-Executive Director - Appointed 31 March 2016; Resigned 27 September 2019
Mr Scoggin is a native of Santa Barbara, California and received his Bachelor of Arts from Princeton University, majoring in international relations and finance. He started his career in Tokyo and Hong Kong working as a proprietary trader for both Credit Agricole Indosuez and ING Barings. In 2000, he relocated to Australia where he started a 12-year period as a portfolio manager/senior trader managing hedge funds for Susquehanna International Group and Evolution Financial Group. He specializes in risk assessment, mergers and acquisition analysis, and has held several corporate advisory roles.

Mr David Lenigas, BAppSc (Mining Engineering)
Executive Chairman - Appointed 15 June 2017; Resigned 8 March 2019
(previously Non-Executive Chairman from 15 June 2017 to 3 August 2018)
Mr Lenigas is an experienced mining engineer with significant natural resources and corporate experience. In recent years, Mr Lenigas was the Executive Chairman of London listed lithium investment company Rare Earth Minerals Plc (now called Cadence Minerals Plc (AIM: KDNC)). He is currently a non-executive director of Canadian listed Australian company Macarthur Minerals Limited (TSX-V: MMS), whose major shareholder is Cadence Minerals Plc. Mr Lenigas is currently the Executive Chairman of Artemis Resources Limited (ASX: ARV), Doriemis Plc (ISDX: DOR) LGC Capital Ltd (TSX-V: QBA), and AfriAg Plc (ISDX: AFRI) and a non-executive director of Auroch Minerals Limited (ASX: AUO) and Southern Hemisphere Mining Limited (ASX: SUH). Mr Lenigas was also the previous Executive Chairman of London listed UK Oil & Gas Investments Plc, the company that discovered the oil at London's Gatwick Airport and the Executive Chairman of the Pan-African conglomerate Lonrho Plc.

DIRECTORS' REPORT

2. Company Secretary

Ms Oonagh Malone – Appointed 1 February 2018
Ms Malone is a principal of a corporate advisory firm which provides company secretarial and administrative services. She has over 10 years' experience in administrative and company secretarial roles for listed companies and is a member of the Governance Institute of Australia. She currently acts as company secretary for ASX-listed Caprice Resources Limited, Carbine Resources Limited, European Cobalt Limited, Hawkstone Mining Limited, New Century Resources Limited and Bunji Corporation Limited. She is a non-executive director of Hawkstone Mining Limited and Carbine Resources Limited.

3. Principal Activities

The principal activities during the year of the entities within the consolidated entity were mineral exploration.

4. Review of financial performance

The net consolidated loss from continuing operations for the year ended 30 June 2019, after income tax, amounted to $2,209,009 (2018: $1,276,041).

During the year ended 30 June 2019, total expenses amounted to $2,934,449 (2018: $1,771,681). Unrestricted cash and cash equivalents amounted to $427,318 as at 30 June 2019 (30 June 2018: $470,269).

5. Dividends

No dividend has been declared or paid by the Company since the end of the previous financial year and the Directors do not at present recommend a dividend.

6. Review of Operations

During the year, the Company:

- completed the first stage of the Moroccan cobalt licence acquisition by acquiring an initial 20% interest in Atlas Managem S.A.R.L, which holds three Moroccan licences. The Board is currently reviewing its strategy and options for the Morocco Cobalt Project and at this point, has elected not to progress with Stage 2 of the acquisition of Atlas Managem;
- disposed of a 70% equity interest in the Hong Kong Gold Project in the Pilbara to Pacton Gold Inc and entered into a joint venture agreement with Pacton Gold Inc in relation to its remaining 30% interest; and
- sold the net smelter royalties granted to the Company over the Myall Project, Wellington North Project, Parkes East Project and Moorefield Projects to Magmatic Resources Limited.

7. Likely Developments and Expected Results

Other than as referred to in this report, further information as to likely developments in the operations of the Company and likely results of those operations in future financial years would, in the opinion of the directors, be speculative.

8. Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs during the financial year ending 30 June 2019, other than as follows:

- the Company completed a share placement which raised $750,000 (before costs) via the issue of 250,000,000 ordinary shares, with a free attaching option, at an issue price of $0.003 per share;
- the Company disposed of a 70% equity interest in the Hong Kong Gold Project in the Pilbara to Pacton Gold Inc;
- Mr David Lenigas resigned as Executive Chairman of the Company.

DIRECTORS' REPORT

9. Significant Events After Balance Date

Subsequent to 30 June 2019, the Company:

- undertook a consolidation of capital on the basis that every 25 ordinary shares were consolidated into 1 ordinary share. All options and performance rights on issue were also adjusted on this basis;
- changed its name to Sagon Resources Limited and its ASX code to SG1;
- appointed Jeremy Robinson as an Executive Director and accepted the resignation of David Scoggin;
- completed the acquisition of 100% of the issued capital of RareX Pty Ltd ("RareX"). RareX holds an exclusive option to acquire 100% of the Cummins Range Rare Earth Project from Element 25 Limited (ASX: E25) ("E25") ("E25 Option") and issued the vendors of RareX 60 million shares (on a post-consolidated basis) ("Consideration Shares") and 25 million options (on a post-consolidated basis) exercisable at $0.025 each and expiring on 27 September 2021;
- exercised the E25 Option via payment of $500,000 in cash to E25 and the issue of 13,338,261 ordinary shares (on a post-consolidation basis) (escrowed for 6 months) at a deemed issue price of $0.0375 per share. The other material terms of the agreement with E25 are:
  - Within 12 months of exercising the E25 Option, Sagon will either, at Sagon's election:
    - make a further $500,000 cash payment to E25, plus issue $500,000 worth of shares (at a deemed issue price equal to the 30-day VWAP, subject to a minimum price of $0.017 per share on a post-consolidation basis); or
    - make a $1 million cash payment to E25.
  - Within 36 months of exercising the E25 Option, and subject to the completion of a positive bankable feasibility study, Sagon will either, at Sagon's election, pay or issue $1,000,000 in cash or shares or a combination thereof to a total value of $1,000,000. Any shares issued will be issued at a deemed issue price equal to the 30-day VWAP, subject to a minimum price of $0.017 per share on a post-consolidation basis. If the positive bankable feasibility study is not completed within this 36 month period, Sagon will instead grant E25 a 1% net smelter return royalty on future production from the Cummins Range Project, capped at $1 million;
- completed a share placement which raised $1,170,000 (before costs) via the issue of 68,823,540 ordinary shares (on a post-consolidation basis) at an issue price of $0.017 per share;
- issued 7,958,824 ordinary shares (on a post consolidation basis) to creditors (including directors) in lieu of cash payment at a deemed price of $0.017 per share;
- issued 15,000,000 options (on a post-consolidation basis) to Jeremy Robinson exercisable at $0.025 each and expiring on 27 September 2022.

10. Indemnity and Insurance for Group Officers and Auditor

To the extent permitted by law, the Company indemnifies every person who is or has been:

- an Officer against any liability to any person (other than the Company or a related entity) incurred while acting in that capacity and in good faith; and
- an Officer or auditor of the Company, against costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters.

The Company has in respect of any person who is or has been a director or officer of the Company paid a premium in respect of a contract insuring all directors and officers against a liability. The Company maintains insurance policies for the benefit of the relevant director or officer for the term of their appointment and for a period of seven years after retirement or resignation.

The Company has entered into a Deed of Indemnity, Access and Insurance with each of its Directors and the Company Secretary. Under the Deeds of Indemnity, Access and Insurance the Company will indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Deeds of Indemnity, Access and Insurance also provide for the right to access Board papers and other Company records.

To the extent permitted by law, the Company has agreed to indemnify its auditor, Walker Wayland WA Audit Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify either Walker Wayland WA Audit Pty Ltd during, or since the end of, the financial year.

DIRECTORS' REPORT

11. Remuneration Report – Audited

This report details the nature and amount of remuneration for each director of Sagon Resources Limited and the Group, and for the executives receiving the highest remuneration in accordance with the requirements of Section 300A of the Corporations Act 2001 and its Regulations. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Act. This remuneration report forms a part of the Directors' Report.

For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Remuneration Policy

The remuneration policy of Sagon Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The board of Sagon Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity, as well as align interests of directors, executives and shareholders.

In previous years' shares were issued to directors, employees and consultants pursuant to the Company's Employee Share Option and Loan Plan (Plan). No shares were issued in the year ended 30 June 2019. The Board believes that shares are an effective remuneration tool which preserves the cash reserves of the Company whilst providing valuable remuneration.

A participant in the Plan must not sell, transfer, assign, mortgage, charge or otherwise encumber a Share issued under the Plan until the later of the following (to the extent applicable):

- the repayment in full of any loan advanced by the Company to the participant contemporaneously with the issue of Shares under the Plan;
- the expiry of any service continuity period specified by the Company at the time of issue of the Shares; and
- the satisfaction of any performance criteria specified by the Company at the time of issue of the Shares.

If an eligible employee ceases to be an eligible employee of the Company during the period of restriction the Company may buy-back the Plan Shares the subject of the restriction at a price equal to the issue price or the market price at the Board's discretion.

Loans were advanced to the directors, executives and employees to pay the cash consideration for the Plan Shares. During the term of any such loan, dividends paid in respect of the Plan Shares in relation to which the Company made the loan will be retained by the Company as interest paid by the borrower on the loan. The borrower must repay the loan to the Company on the earlier of 5 years from the date of allotment of the Plan Shares to which the loan relates, or the date the borrower ceases to be employed by the Company. In such an event, the borrower is required to make available to the Company their Plan Shares to settle the loan. This will result in the Company meeting the loss on the loan so that the loan is effectively linked to the value of the Shares.

During the year ended 30 June 2018 the remaining Plan Shares were sold by the Company and the proceeds used to settle the outstanding loans in relation to those shares following the resignation of an eligible employee. As at 30 June 2019, there were no remaining Plan Shares and nil loans (2018: nil).

During the year ended 30 June 2018, a total of 50,000,000 options were issued to a director and consultant of the Company. These were not issued pursuant to the Plan.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the Board.
- All executives receive a base salary (which is based on factors such as length of service and experience).
- The Board reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

All remuneration paid to directors and executives is valued at the cost to the Company and is expensed over the appropriate vesting period. Shares issued under the Employee Share Plan are valued using the Binomial Tree methodology.

Non-Executive Directors

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Currently there is a maximum aggregate sum of $200,000 per annum, which is to be divided between the non-executive directors in the proportions agreed between them or, failing agreement, equally.

Company performance, shareholder wealth and director and executive remuneration

Shares have been issued to directors and executives to encourage the alignment of personal and shareholder interests in prior years. Options have been issued to directors to encourage the alignment of personal and shareholder interests in the current year.

Executive and non-executive directors, other key management personnel and other senior employees have been granted ordinary shares and options. The recipients of shares and options are responsible for growing the Company and increasing shareholder value. If they achieve this goal the value of the shares and options granted to them will also increase. Therefore, the shares and options provide an incentive to the recipients to remain with the Company and to continue to work to enhance the Company's value.

There is no policy in place which limits exposure to risk in relation to those securities in the Company which constitute an element of directors' remuneration and which are linked to satisfaction of Company performance conditions.

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2019:

Consolidated Entity:

	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
Revenue	$725,440	$495,640	$20,741	$48,527	$272,499
Net loss before tax	($2,209,009)	($1,276,041)	($998,614)	($1,296,630)	($955,446)
Net loss after tax	($2,209,009)	($1,276,041)	($998,614)	($1,296,630)	($955,446)
Share price at end of year	0.1 cents	0.4 cents	0.2 cents	0.2 cents	1.5 cents
Basic loss per share	(0.06 cents)	(0.04 cents)	(0.04 cents)	(0.2 cents)	(0.5 cents)
Diluted loss per share	(0.06 cents)	(0.04 cents)	(0.04 cents)	(0.2 cents)	(0.5 cents)

Note: No dividends have been declared or paid since the Company was listed.

Key Management Personnel Remuneration Policy

The remuneration structure for key management personnel, as determined by the Board, is based on a number of factors, including length of service, particular experience of the individual concerned and their role within the organisation.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

Key Management Personnel Remuneration:

Remuneration for the year ended 30 June 2019

Key Management Person	Short-term benefits			Long Term benefits	Post-employment benefits	Long term incentives	Total
	Salary or Fees Paid or Payable	Consulting Fees	Non Monetary Benefits	Long Service Leave	Superannuation	Share-based payments	
	$	$	$	$	$	$	$
S Hardcastle	36,000	-	-	-	-	33,807	**69,807**
S Patrizi	36,000	-	-	-	-	33,807	**69,807**
D Scoggin	36,000	-	-	-	-	16,226	**52,226**
O Malone	30,000	-	-	-	-	-	**30,000**
D Lenigas[1]	77,145	-	-	-	-	-	**77,145**
	215,145	**-**	**-**	**-**	**-**	**83,840**	**298,985**

[1] D Lenigas resigned as a director on 8 March 2019.

Remuneration for the year ended 30 June 2018

Key Management Person	Short-term benefits			Long Term benefits	Post-employment benefits	Long term incentives	Total
	Salary or Fees	Consulting Fees	Non Monetary Benefits	Long Service Leave	Superannuation	Share-based payments	
	$	$	$	$	$	$	$
D Lenigas	60,000	-	-	-	-	-	**60,000**
D Scoggin	36,000	-	-	-	-	-	**36,000**
S Patrizi	36,000	-	-	-	-	96,000	**132,000**
S Hardcastle[1]	21,000	-	-	-	-	92,000	**113,000**
O Malone[2]	12,500	-	-	-	-	-	**12,500**
E Cranston[3]	15,000	-	-	-	-	-	**15,000**
R Caren[4]	36,500	-	-	-	-	-	**36,500**
	217,000	**-**	**-**	**-**	**-**	**188,000**	**405,000**

[1] S Hardcastle was appointed as a director on 1 December 2017.
[2] O Malone was appointed as company secretary on 1 February 2018.
[3] E Cranston resigned as a director on 1 December 2017.
[4] R Caren resigned as company secretary on 1 February 2018.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

Options

No options were issued to directors and key management personnel as part of their remuneration during the year ended 30 June 2019. No options were exercised or forfeited during the year.

Options were issued during the year ended 30 June 2018 as shown below.

Director	Option series	Grant date	No. of options	Fair value per option ($)	Total fair value of options issued ($)
S Hardcastle	Exercise price $0.07	1/12/2017	20,000,000	0.0046	92,000
S Patrizi	Exercise price $0.065	30/01/2018	30,000,000	0.0032	96,000
			50,000,000		188,000

Performance Rights

Performance rights were issued to directors and key management personnel as part of their remuneration during the year ended 30 June 2019 (2018: nil) as shown below.

Director	Class	Grant date	No. of performance rights	Fair value per performance right ($)	Total fair value of performance rights issued ($)
S Hardcastle	A	20/8/2018	6,250,000	0.003000	18,750
	B	20/8/2018	6,250,000	0.000612	5,738
	C	20/8/2018	6,250,000	0.000526	4,931
	D	20/8/2018	6,250,000	0.000468	4,388
			25,000,000		33,807
S Patrizi	A	20/8/2018	6,250,000	0.003000	18,750
	B	20/8/2018	6,250,000	0.000612	5,738
	C	20/8/2018	6,250,000	0.000526	4,931
	D	20/8/2018	6,250,000	0.000468	4,388
			25,000,000		33,807
D Scoggin	A	20/8/2018	3,000,000	0.003000	9,000
	B	20/8/2018	3,000,000	0.000612	2,754
	C	20/8/2018	3,000,000	0.000526	2,367
	D	20/8/2018	3,000,000	0.000468	2,105
			12,000,000		16,226
D Lenigas[1]	A	20/8/2018	100,000,000	-	-
	B	20/8/2018	100,000,000	-	-
	C	20/8/2018	100,000,000	-	-
	D	20/8/2018	100,000,000	-	-
			400,000,000		-
Total			462,000,000		83,840

[1] D Lenigas resigned as a director on 8 March 2019 following which the Board determined that the milestones of the performance rights issued to Mr Lenigas were incapable of satisfaction due to the Mr Lenigas no longer being engaged by the Company. The rights lapsed prior to 30 June 2019 and were valued at a fair value of nil. Accordingly, no amount has been recognised for the performance rights issued to Mr Lenigas in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019.

On 3 August 2018, shareholders approved the issue of 462,000,000 performance rights to the Directors as shown in the above table. These performance rights were issued on 20 August 2018 for nil consideration. Classes B, C and D of the performance rights expire 3 years from their issue date on 20 August 2021. On meeting vesting conditions, the performance rights will each convert into one ordinary share with no further consideration.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

The Board considers that the performance rights are a cost effective and efficient reward for the Company to make to appropriately incentivise the continued performance of the management, and are consistent with the strategic goals and targets of the Company.

The performance rights issued to the Directors will vest on meeting the following performance conditions before the expiry date:

Class	Vesting Condition - vesting will occur:	Number
A	12 months after the date that shareholders approve the acquisition of the Moroccan Cobalt licences, provided that the holder does not resign from the Company's board (Board) before the vesting date. The shareholders approved the acquisition on 3 August 2018.	115,500,000
B	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.01 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	115,500,000
C	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.015 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	115,500,000
D	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.02 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	115,500,000

The movement during the reporting period in the number of ordinary shares of Sagon Resources Limited held directly, indirectly or beneficially, by each specified director and each specified executive, including their personally related entities is as follows:

(i) SHARES – 30 June 2019

	Held at 1 July 2018	Acquired	Disposed	Other	Held at 30 June 2019 or date of resignation
Director					
S Hardcastle	-	-	-	-	-
S Patrizi	-	-	-	-	-
D Scoggin	-	`	-	-	-
D Lenigas[1]	-	-	-	-	-
Company Secretary					
O Malone	-	4,000,000	-	-	4,000,000
	-	4,000,000	-	-	4,000,000

[1] D Lenigas resigned as a director on 8 March 2019.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

(ii) SHARES – 30 June 2018

	Held at 1 July 2017	Acquired	Disposed	Other	Held at 30 June 2018 or date of resignation
Director					
D Lenigas	-	-	-	-	-
D Scoggin	-	`	-	-	-
S Patrizi	-	-	-	-	-
S Hardcastle[1]	-	-	-	-	-
E Cranston[3]	100,000,000	-	-	-	100,000,000
Company Secretary					
O Malone[2]	-	-	-	-	-
R Caren[4]	3,791,464	-	-	-	3,791,464
	103,791,464	-	-	-	103,791,464

1 S Hardcastle was appointed as a director on 1 December 2017.
2 O Malone was appointed as company secretary on 1 February 2018.
3 E Cranston resigned as a director on 1 December 2017.
4 R Caren resigned as company secretary on 1 February 2018.

The movement during the reporting period in the number of options over ordinary shares of Sagon Resources Limited held directly, indirectly or beneficially, by each specified director and each specified executive, including their personally related entities is as follows:

(iii) OPTIONS – 30 June 2019

	Held at 1 July 2018	Granted	Exercised	Expired/ Forfeited/ Other	Held at 30 June 2019 or date of resignation
Director					
S Hardcastle	20,000,000	-	-	-	20,000,000
S Patrizi	30,000,000	-	-	-	30,000,000
D Scoggin	-	-	-	-	-
D Lenigas[1]	100,000,000	-	-	-	100,000,000
Company Secretary					
O Malone	-	-	-	-	-
	150,000,000	-	-	-	150,000,000

1 D Lenigas resigned as a director on 8 March 2019.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

(iv) OPTIONS – 30 June 2018

	Held at 1 July 2017	Granted	Exercised	Expired/ Forfeited/ Other	Held at 30 June 2018 or date of resignation
Director					
D Lenigas	100,000,000	-	-	-	100,000,000
D Scoggin	-	-	-	-	-
S Patrizi	-	30,000,000	-	-	30,000,000
S Hardcastle[1]	-	20,000,000	-	-	20,000,000
E Cranston[3]	100,000,000	-	-	-	100,000,000
Company Secretary					
O Malone[2]	-	-	-	-	-
R Caren[4]	41,105,844	-	-	-	41,105,844
	241,105,844	50,000,000	-	-	291,105,844

1 S Hardcastle was appointed as a director on 1 December 2017.
2 O Malone was appointed as company secretary on 1 February 2018.
3 E Cranston resigned as a director on 1 December 2017.
4 R Caren resigned as company secretary on 1 February 2018.

The movement during the reporting period in the number of performance rights of Sagon Resources Limited held directly, indirectly or beneficially, by each specified director and each specified executive, including their personally related entities is as follows:

(v) PERFORMANCE RIGHTS – 30 June 2019

	Held at 1 July 2018	Granted	Converted	Expired/ Forfeited/ Other	Held at 30 June 2019
Director					
S Hardcastle	-	25,000,000	-	-	25,000,000
S Patrizi	-	25,000,000	-	-	25,000,000
D Scoggin	-	12,000,000	-	-	12,000,000
D Lenigas[1]	-	400,000,000	-	(400,000,000)	-
Company Secretary					
O Malone	-	-	-	-	-
	-	462,000,000	-	-	62,000,000

1 D Lenigas resigned as a director on 8 March 2019.

There were no performance rights held by key management personnel at 30 June 2018.

Details of share-based payments in existence during the year ended 30 June 2019 are disclosed in this Directors' Report and Notes 16, 24 and 25 to the Annual Financial Statements.

Contracts with Directors and Key Management Personnel

There are no contracts in place with directors as at the date of this report.

DIRECTORS' REPORT

11. Remuneration Report – Audited (continued)

Employee Share Plan

Pursuant to an employee share plan offer dated 25 October 2012, the Company provided limited recourse loans to eligible employees and consultants to purchase shares under the plan ("Plan Shares"). Pursuant to loan agreements, the loans become repayable once the employee/consultant ceases to be an eligible employee of or consultant to the Company. If the loan is not repaid within one month of the date of this notice, the Company may sell the Plan Shares in accordance with loan agreement for the benefit of the Company.

The sale proceeds will be deemed to have satisfied the outstanding loan amount in relation to those Plan Shares in full, and the eligible employee or consultant will have no further liability to the Company in respect of the loan and the Company will have no further recourse in relation to the loan. The Company has given the required notices to the employees and consultants who have ceased to be eligible, and is in a position to sell the Plan Shares.

During the year ended 30 June 2018, the remaining Plan Shares were sold by the Company and the proceeds used to settle the outstanding limited recourse loans in relation to those shares following the resignation of an eligible employee. As at 30 June 2019, there were no remaining Plan Shares on issue and nil limited recourse loans (2018: nil).

As at 30 June 2019, no key management personnel held Plan Shares.

[END OF REMUNERATION REPORT]

12. Auditor Independence and Non-Audit Services

The Group's current auditor, Walker Wayland WA Audit Pty Ltd, did not perform any services in addition to its statutory audit services (2018: nil).

The Board of Directors is satisfied that the provision of non-audit services by the previous external auditor did not compromise the auditor independence requirements of the act due to the following reasons:

1) all material non-audit services have been reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor;
2) none of the services undermines the general principles relating to auditor's independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing and auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing economic risks and rewards.

13. Auditor's Independence Declaration

The auditor's independence declaration for the reporting period ended 30 June 2019 has been received and can be found on page 14.

14. Share Options

At the date of this report 7,200,000 post-consolidation (2018: 2,032,866,179 pre-consolidation) options to acquire ordinary shares in Sagon Resources Limited were on issue.

Share-based payments and options issued to directors, consultants and eligible employees, are disclosed in this Directors' Report and Notes 16, 24 and 25 to the Annual Financial Statement.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

DIRECTORS' REPORT

15. Directors' Meetings

The number of meetings of Directors (including meetings of committees of directors) held during the year ended 30 June 2019 and the number of meetings attended by each director was as follows:

Director	Directors' Meetings Eligible to Attend	Directors' Meetings Attended
D Scoggin	2	1
S Patrizi	2	2
S Hardcastle	2	2
D Lenigas	2	2

16. Risk Management

The Company takes a proactive approach to risk management including monitoring actual performance against budgets and forecast and monitoring investment performance. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the consolidated entity's objectives and activities are aligned with the risks and opportunities identified by the Board.

17. Environmental Regulations and Performance

The Company is required to carry out the exploration and evaluation of its mining tenements in accordance with various State Government Acts and Regulations.

In regard to environmental considerations, the Company is required to obtain approval from various State regulatory authorities before any exploration requiring ground disturbance, is carried out. It is normally a condition of such regulatory approval that any area of ground disturbed during the Company's activities is rehabilitated in accordance with various guidelines. There have been no significant breaches of these guidelines.

This report is made in accordance with a resolution of the Directors.

Scott Patrizi
Non-Executive Director
Dated this 27th September 2019

walkerwayland
audit

Auditor's Independence Declaration Under Section 307C of The Corporations Act 2001 to The Directors of Sagon Resources Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

John Dorazio FCA
Director
Level 3, 1 Preston Street, COMO WA 6152

Dated this 27th day of September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
		2019	2018
	Notes		$
Income			
Other income	4	133,961	39,854
Sale of tenements	5	591,479	455,786
Total income		725,440	495,640
Expenses			
Administration expenses		(275,828)	(265,623)
Consultants and management expenses	6	(310,695)	(232,674)
Depreciation and amortisation	6	(4,146)	(4,157)
Legal expenses		(203,543)	(179,618)
Share-based payment expense	25	(98,840)	(608,000)
Exploration expenses		(452,099)	(303,335)
Loss on sale of investments		(595,080)	-
Fair value decrease in financial assets		(415,512)	(178,274)
Foreign exchange gain/(loss)		(2,053)	-
Impairment	12	(576,653)	-
Total expenses		(2,934,449)	(1,771,681)
Loss before income tax		(2,209,009)	(1,276,041)
Income tax expense		-	-
Loss attributable to the owners of Sagon Resources Limited		(2,209,009)	(1,276,041)
Expense			
Other comprehensive loss			
Foreign currency translation reserve		(1,567)	-
Other comprehensive loss net of tax		-	-
Total comprehensive loss attributable to owners of the parent		(2,210,576)	(1,276,041)
Loss per share			
- basic and diluted		(0.06) cents	(0.04) cents

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
		2019	2018
	Notes	$	$
ASSETS			
Current Assets			
Cash and cash equivalents	9	427,318	470,269
Restricted cash asset	9	-	133,847
Trade and other receivables	10	283,140	46,885
Financial assets at fair value through profit or loss	12	307,737	-
Total Current Assets		1,018,195	651,001
Non-current Assets			
Exploration and evaluation costs	11	505,032	1,683,440
Financial assets at fair value	12	-	277,512
Plant and equipment	13	-	4,146
Total Non-current Assets		505,032	1,965,098
TOTAL ASSETS		1,523,227	2,616,099
LIABILITIES			
Current Liabilities			
Trade and other payables	14	165,869	97,272
Total Current Liabilities		165,869	97,272
TOTAL LIABILITIES		165,869	97,272
NET ASSETS		1,357,358	2,518,827
EQUITY			
Contributed equity	15	20,405,948	19,455,681
Reserves	16	2,376,360	2,279,087
Accumulated losses		(21,424,950)	(19,215,941)
TOTAL EQUITY		1,357,358	2,518,827

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Contributed equity	Options reserve	Share- based payment reserve	Foreign currency translation reserve	Accumulated losses	Total equity
		$	$	$	$	$	$
At 1 July 2018		19,455,681	2,279,087	-	-	(19,215,941)	2,518,827
Currency translation differences				-	(1,567)	-	(1,567)
Total comprehensive income for the period, net of tax		-	-	-	-	(2,209,009)	(2,209,009)
Issue of share capital	15	1,010,006	-	-	-	-	1,010,006
Transaction costs on share issues	15	(59,739)	-	-	-	-	(59,739)
Share-based payment expense	25	-	15,000	83,840	-	-	98,840
At 30 June 2019		20,405,948	2,294,087	83,840	(1,567)	(21,424,950)	1,357,358
At 1 July 2017		17,425,639	2,091,087	-	-	(17,939,900)	1,576,826
Total comprehensive income for the period, net of tax		-	-	-	-	(1,276,041)	(1,276,041)
Issue of share capital	15	1,620,714	-	-	-	-	1,620,714
Transaction costs on share issues	15	(10,672)	-	-	-	-	(10,672)
Share-based payment expense	25	420,000	188,000	-	-	-	608,000
At 30 June 2018		19,455,681	2,279,087	-	-	(19,215,941)	2,518,827

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
		2019	2018
	Notes	$	$
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,179,479)	(957,787)
Interest received		2,563	12,319
NET CASH FLOWS USED IN OPERATING ACTIVITIES	17	(1,176,916)	(945,468)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		30,000	-
Payments for exploration expenditure		(49,886)	-
Payments for acquisition of tenements		(247,084)	(63,440)
Proceeds from disposal of tenements		208,200	-
Proceeds from sale of investments		357,287	26,054
Proceeds from disposal of royalty		100,000	-
Payment of security deposits		(90,000)	-
Proceeds from release of restricted cash		135,173	
NET CASH FLOWS FROM INVESTING ACTIVITIES		443,690	(37,386)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from share issue	15	750,006	714
Share issue transaction costs	15	(59,739)	(10,672)
NET CASH FLOWS FROM FINANCING ACTIVITIES		690,267	(9,958)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(42,959)	(992,812)
Cash and cash equivalents at beginning of period		470,269	1,463,081
Effect of movement in exchange rate		8	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9	427,318	470,269

The accompanying notes form part of these financial statements.

NOTES TO ACCOUNTS

1. CORPORATE INFORMATION

The financial statements of Sagon Resources Limited (the Company or the Group) for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 27th September 2019. Sagon Resources Limited is a for profit entity. Sagon Resources Limited (the parent) is a company limited by shares, incorporated in Australia, and whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for Sagon Resources Limited as an individual entity and the consolidated entity consisting of Sagon Resources Limited and its controlled entities.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. These financial statements have also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value. These financial statements are presented in Australian dollars.

Going concern
As at 30 June 2019, the Group had working capital of $852,326 (2018: $553,729) and returned a loss attributable to owners of $2,209,009 (2018: $1,276,041). The ability of the Group to continue as a going concern is dependent upon the future successful raising of the necessary funding through equity and/or debt and the successful exploitation of the Group's tenements.

The Directors believe it is appropriate to prepare the Financial Statements on a going concern basis because the Directors have appropriate plans to raise additional funds if required.

These Financial Statements have been prepared on the basis that the Group can meet its commitments as and when they fall due and can therefore continue normal business activities and the realisation of its assets and settlement of its liabilities can occur in the ordinary course of business.

In the event the Group is not able to achieve the above requirements, there is uncertainty whether the Group will continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in its financial report.

(b) Statement of Compliance

These financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

(c) New accounting standards and interpretations

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of AASB 9 Financial Instruments from 1 July 2018 has not affected balances of the Group because no financial instrument held by the Group is recognised or measured differently by this standard. Although the shares in listed investments disclosed in Note 12 are now classified as being measured at fair value through profit or loss, this change in language has had no effect on reported balances. The Group has no expected credit losses on financial instruments. Future effects of the implementation of this standard will mostly depend on any form of hedging by the Group.

The adoption of AASB 15 Revenue from Contracts with Customers from 1 July 2018 has not affected balances of the Group because no revenue or potential revenue of the Group is recognised or measured differently by this standard. Future effects of the implementation of this standard will mostly depend on the wording and effect of relevant contracts.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Group.

Accounting Standards issued but not yet effective

The following Australian Accounting Standards and Interpretations that have recently been issued but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2019. None of the standards issued and not yet effective are expected to have a significant impact to the financial statements. Those that are relevant to the Group are outlined below:

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (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 will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019. The Group does not expect the implementation of this standard to have any effect on reported balances for the year ending 30 June 2020 because the only potentially relevant lease is a short-term lease over office premises that the Group is choosing to treat as a short term lease in accordance with transitional provisions of this standard. Future effects of the implementation of this standard will depend on details in future agreements.

For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Company will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Company.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(e) Investment in joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

The Group can elect to contribute to ongoing exploration costs in proportion to its interests or dilute (a farm-out arrangement). If contributions are made during the reporting period, they are accounted for as exploration expenditure. Once the joint arrangement partner had earned its interest, the Company recovers expenditure equivalent to the other joint arrangement partner's interest.

The Group does not record any expenditure made by the farminee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements. Any cash consideration received directly from the farminee is credited against costs previously incurred in relation to the whole interest.

When the Group, acting as an operator, receives reimbursement of direct costs recharged to the joint operation, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint operation and therefore have no effect on profit or loss.

In many cases, the Group also incurs certain general overhead expenses in carrying out activities on behalf of the joint operation. As these costs can often not be specifically identified, joint operation agreements allow the operator to recover the general overhead expenses incurred by charging an overhead fee that is based on a fixed percentage of the total costs incurred for the year, often in the form of a management fee. Although the purpose of this recharge is very similar to the reimbursement of direct costs, the Group is not acting as an agent in this case. Therefore, the general overhead expenses and the overhead fee are recognised in profit or loss as an expense and income, respectively.

(f) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair value of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(g) Segment reporting

Management has assessed that the Group's reportable business segments under the quantitative criteria set out in AASB 8 *Segment Reporting* and has determined that no additional operating segments disclosures are required.

AASB 8 requires the 'management approach' to the identification, measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments.

In its adoption of the 'management approach' to segment reporting, the Group has identified that it continues to operate as a gold, copper and base metals explorer and developer, in a single reportable business segment, under one segment manager, in one geographical location being Australia, consistent with the prior year. The information disclosed in the financial statements is the same information utilised internally by the chief operating decision maker. Accordingly, no additional quantitative or qualitative disclosures are required.

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of not more than 3 months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. The consolidated entity does not have any bank overdraft facilities.

Where the Company calls cash in advance from its joint venture partners, the cash is recognised as an asset with an offsetting liability for the amount of expenses not yet incurred on the relevant joint venture project at balance date. The liability is then released to the profit and loss as the expenditure is incurred.

Restricted cash represents the cash funds held in term deposit accounts for exploration licenses for a period longer than 3 months but shorter than 12 months. The Department of Trade and Investment, Regional Infrastructure and Services requires the Company to lodge a security deposit in respect of each of its exploration leases granted over tenements held in the Company's name. These funds are held as a Deed of Security Deposit Bond entered into on behalf of the Company by a financial institution. The amount of restricted cash required to be held as a security deposit varies from time to time depending on the requirements of the tenements leased. The deposits must remain in place until the Company determines that the relevant exploration lease should be relinquished.

(i) Trade and other receivables

Trade receivables are generally paid on 30-day settlement terms and are recognised and carried at original invoice amount less an allowance for impairment. Trade receivables are non-interest bearing.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision would be recognised when legal notice has been sent and a reply not received within 30 days.

(j) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs.

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.

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.

(i) Recognition and Derecognition
All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the consolidated entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

(ii) *Loans and receivables*
Loans and receivables including loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at the transaction price minus principal repayments and minus any allowance for impairment or uncollectability. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. Loans and receivables are included with receivables in current assets in the statement of financial position, except for those with maturities greater than 12 months after balance date, which are classified as non-current. Loans and receivables with maturities greater than 12 months are carried at amortised cost using the effective interest rate method.

(iii) Financial assets carried at cost
Investments are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Group's financial statements. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(k) Plant and Equipment

Plant and equipment is stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight line and diminishing value methods to allocate the cost of the specific assets over their estimated useful lives. The expected useful lives are detailed in Note 13.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The directors have determined that items of plant and equipment do not generate independent cash inflows and that the business of the consolidated entity is, in its entirety, a cash-generating unit. The recoverable amount of plant and equipment is thus determined to be its fair value less costs to sell.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the statement of comprehensive income as an expense.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is consolidated entity policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(l) Trade and other payables

Trade payables and other payables are carried at the transaction price minus principal repayments. They represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Provisions and employee benefits

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free corporate bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled with 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in the current provision for the employee benefits. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. For annual leave, expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(ii) Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 currencies that match, as closely as possible, the estimated future cash outflows.

(n) Share-based payment transactions

(i) Equity settled transactions

The consolidated entity provides benefits to its directors, employees and consultants in the form of share-based payments, whereby directors and employees render services in exchange for options to acquire shares, rights over shares (equity-settled transactions) and shares issued pursuant to the Company's Employee Share and Loan Plan ("Plan"). The consolidated entity has also issued ordinary shares and unlisted options as consideration to vendors for the acquisition of exploration licences and drilling services.

The cost of these equity-settled transactions is measured by reference to the fair value to the Company of the equity instruments at the date at which they were granted in the case of options and shares issued under the Plan for directors, employees and consultants; and the closing share price on, or just before, either the date of entering into, or executing, an exploration licence purchase agreement in the case of options and shares issued to tenement vendors as consideration for the settlement price. The fair value of the unlisted options and shares issued under the Plan is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised as an expense, together with a corresponding increase in equity over the period in which the vesting and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant directors and employees become fully entitled to the options (the vesting date) or shares issued under the Plan.

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income reflects:

(i) the grant date fair value of the options and shares issued under the Plan;

(ii) the current best estimate of the number of options and shares issued under the Plan that will ultimately vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of vesting conditions being met, based on best available information at balance date; and

(iii) the extent to which the vesting period has expired.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The dilutive effect, if any, of outstanding options and shares issued under the Plan is reflected as additional share dilution in the computation of diluted earnings per share.

(o) Issued Capital

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.

(p) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Rendering of Services*

Where the work performed in relation to a joint venture or other contract outcome can be reliably measured:

- right to receive compensation for the services provided and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours performed to date as a percentage of total estimated labour hours in relation to a joint venture or for each contract. Where it is probable that a loss will arise in relation to a joint venture or from a contract, the excess of total costs over revenue is recognised as an expense immediately.

Where the contract outcome cannot be reliably measured:

- revenue is recognised only to the extent that the costs that have been incurred are recoverable.

Unearned income is recognised in respect of progress billings and advances on exploration contracts in progress, received in advance, or not represented by work done or reimbursable expenditure incurred, under joint venture arrangements. Such income is recognised and brought to account over time as it is earned.

(ii) *Interest revenue*

Revenue is recognised as interest accrued using the effective interest method. This is a method of calculating the amortised costs of a financial asset and allocating the interest revenue over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of Goods and Services Tax ("GST").

(q) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets, liabilities and their carrying amounts for financial statements purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax consolidation legislation

Sagon Resources Limited and its wholly-owned Australian controlled entity formed a tax consolidated group on 1 July 2008. However, they continue to account for their own current and deferred tax amounts. The consolidated entity has applied the stand alone taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to its own current and deferred tax amounts, Sagon Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the tax consolidated group have not entered into a tax funding agreement and as no current tax assets or liabilities or deferred tax assets are recognised in relation to tax losses or unused tax credits, no contributions or distributions are required to be made under AASB Int 1052 Tax Consolidation Accounting.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

(r) Earnings per share

Basic earnings per share is calculated as profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Exploration Expenditure

Exploration and evaluation costs are accumulated and accounted for separately on an area of interest basis. An area of interest is represented by an exploration project, which may include multiple tenements within a single geographic region.

For each area of interest, the company makes an election regarding its treatment of exploration and evaluation expenditure and whether it will be charged to the income statement as incurred, under the expense category “exploration expenditure,” or capitalised as an exploration and evaluation asset.

NOTES TO ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An exploration and evaluation can only be recognised in relation to an area of interest if the following conditions are satisfied:

a) the rights to tenure of the area of interest are current; and
b) at least one of the following conditions is also met:
   (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
   (ii) exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration and evaluation expenditures are recorded as an exploration asset at cost less impairment charges. All capitalised exploration and evaluation expenditure are monitored for indicators of impairment. Where an impairment indicator is identified, an assessment is performed for each area of interest to which the exploration and evaluation expenditure is attributed. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

Exploration expenditure in relation to the joint operations managed by the consolidated entity is funded by the jointly controlled operation partner. The consolidated entity makes a cash call for expenditure at the beginning of each quarter for these joint operations on the basis of forecast expenditure. The consolidated entity recognises exploration expenditure reimbursed in advance at year end in the event that cash has been received in advance of expenditure. Exploration expenditure in respect of these joint operations is classified in the statement of comprehensive income within the income or expense category "Net joint venture reimbursed expenses".

(t) Financial Liabilities and Equity Instruments Issued by the Consolidated Entity

(i) Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

(ii) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

(iii) Financial liabilities
Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or 'other financial liabilities'.

(iv) Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financially liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

NOTES TO ACCOUNTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates and judgements

(i) Impairment – general

The Company assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions. No impairment is recognised for the Hong Kong Gold Project because the Company has an ongoing right to explore over the project with substantive ongoing exploration planned, the Company has not decided to discontinue exploration in the project area, and insufficient data exists that could indicate that the carrying amount of the project is unlikely to be recovered in full from successful development or by sale.

(ii) Share-based payment transaction

The Consolidated entity measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in Note 25.

4. OTHER INCOME

	Consolidated	
	2019	2018
	$	$
Interest received	3,961	13,800
Profit/(loss) on sale of fixed assets	30,000	26,054
Gain on sale of royalty	100,000	-
	133,961	39,854

5. SALE OF TENEMENTS

	Consolidated	
	2019	2018
	$	$
Sale of 70% interest in Hong Kong Gold Project[(i)]	591,479	-
Sale of 10% interest in Leogang Cobalt Nickel Project[(ii)]	-	455,786
	591,479	455,786

(i) During the 2019 year, Pacton Gold Inc ("Pacton") acquired a 70% equity interest in Clancy's Hong Kong Project in the Pilbara (Exploration Licence E47/3566).

	$
Cash consideration	208,200
Fair value of Pacton shares received as consideration	1,561,687
Total Consideration	1,769,887
Less: carrying value of 70% interest in Hong Kong Project	(1,178,408)
Gain on sale of tenement	591,479

(ii) During the 2018 year, Cadence Minerals Plc ("Cadence") elected to proceed with the exercise of an option to acquire an initial 10% interest in the Leogang Cobalt Nickel Project in Austria. Under the terms of the agreement Sagon was issued 73,750,000 Cadence ordinary shares having a fair value at the date of the transaction of $455,786.

NOTES TO ACCOUNTS

6. OTHER EXPENSES

	Consolidated	
	2019	2018
	$	$
(a) Consultants and management expense		
Consultants	95,550	15,674
Directors' fees - executive	71,662	-
Directors' fees – non-executive	113,483	168,000
Company secretarial fees	30,000	49,000
	310,695	232,674
(b) Depreciation and amortisation included in income statement		
Depreciation of plant & equipment	4,146	4,157
	4,146	4,157

7. INCOME TAX

	Consolidated	
	2019	2018
	$	$
(a) Income tax expense		
The major components of income tax expense are:		
Statement of profit or loss and other comprehensive income		
Current income tax		
Current income tax charge/(benefit)	-	-
Adjustments in respect of current income tax of previous years	-	-
Deferred income tax	-	-
Relating to origination and reversal of temporary differences	-	-
Income tax expense/(benefit) reported in statement of profit or loss and other comprehensive income	-	-
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged or credited directly to equity	-	-
Unrealised loss on available-for-sale financial assets	-	-
Income tax benefit reported in equity	-	-
(c) Numerical reconciliation of accounting profit to tax expense		
A reconciliation between tax expense and the accounting profit before income tax multiplied by the consolidated entity's applicable income tax rate is as follows:		
Accounting loss before income tax	(2,209,009)	(1,276,041)
At the consolidated entity's statutory income tax rate of 27.5% (2018: 27.5%)	(607,477)	(350,911)
Non-deductible items	114,516	49,162
Share-based payments	27,181	167,200
Unrealised loss on investments	114,266	-
Impairment	158,580	-
Capital raising expenditure	(21,845)	(14,494)
Increase in unrecognised deferred tax assets	214,779	149,043
	-	-

NOTES TO ACCOUNTS

7. INCOME TAX (continued)

	Consolidated	
	2019	2018
	$	$
(d) Current tax assets and liabilities		
Current tax liability	-	-

(e) Recognised deferred tax assets and liabilities

The Group has not recognised any deferred tax assets or liabilities during the year (2018: Nil).

(f) Tax losses

The Group has Australian revenue tax losses for which no deferred tax asset is recognised on the statement of financial position of $18,024,371 (2018: $16,257,759) which are available indefinitely for offset against future taxable income subject to continuing to meet the relevant statutory tests.

The Group has Australian capital tax losses for which no deferred tax asset is recognised on the statement of financial position of $310,113 (2018: $310,113) which are available indefinitely for offset against future taxable capital gains subject to continuing to meet the relevant statutory tests.

(g) Unrecognised temporary differences

As at 30 June 2019, the Group has other temporary differences (excluding tax differences relating to tax losses) for which no deferred tax asset is recognised in the statement of financial position of $69,196 (2018: $46,520). None of these unrecognised temporary differences relate to investments in subsidiaries, associates or joint ventures.

(h) Tax consolidation

Members of the tax consolidated group and the tax sharing agreement

Sagon Resources Limited and its 100% owned Australian resident subsidiary were both subsidiaries in a tax-consolidated group with Geoinformatics Exploration Australia Pty Ltd as the head entity until 2 July 2007. A new tax-consolidated group was formed on 1 July 2008 with Sagon Resources Limited as Head Entity. Members of the new tax-consolidated group have not yet entered into a tax sharing agreement.

8. EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share computations.

	Consolidated	
	2019	2018
	$	$
(a) Earnings used in calculating earnings per share		
For basic and diluted earnings per share		
Loss from continuing operations after tax for the year	(2,209,009)	(1,276,041)
(b) Weighted average number of shares		
Weighted average number of shares used in calculation of basic earnings per share	3,429,181,743	2,910,249,628
Weighted average number of shares used in calculation of diluted earnings per share	3,429,181,743	2,910,249,628
(c) Earnings per share		
Basic loss per share	(0.06 cents)	(0.04 cents)
Diluted loss per share	(0.06 cents)	(0.04 cents)

NOTES TO ACCOUNTS

9. CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	2018
	$	$
Cash at bank	427,318	470,269
	427,318	470,269

As at 30 June 2019, the Company has nil restricted cash (2018: $133,847) which is included as a Restricted Cash Asset in the Statement of Financial Position, held at Westpac Banking Corporation which has been provided as set-off security in respect of a bank guarantee facility provided in turn for exploration license security purposes. The bank guarantee facility was closed during the year and the term deposit funds were released.

Financing facilities available
Other than the aforementioned bank guarantee facility, at balance date, the Company did not have any financing facilities available.

10. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2019	2018
	$	$
Sundry debtors	175,618	5,839
Security and tenement deposits	90,000	-
Accrued income	198	126
GST input tax refundable	8,057	31,231
Prepayments	9,267	9,689
	283,140	46,885

Fair value and credit risk
Due to the short term nature of the receivables, their carrying value is assumed to approximate their fair value. GST input tax refundable is receivable from the Commonwealth of Australia and is therefore viewed as having low credit risk. Accrued income is receivable from National Australia Bank and is therefore viewed as having low credit risk.

11. EXPLORATION AND EVALUATION ASSETS

		Consolidated	
		2019	2018
	Notes	$	$
Hong Kong Gold Project			
Opening balance		1,683,440	-
Tenement acquisition costs	(i)	-	1,620,000
Stamp duty on acquisition of tenement		-	63,440
Less: Disposal of 70% interest (Note 5)		(1,178,408)	-
	(ii)	505,032	1,683,440
Moroccan Cobalt Project			
Opening balance		-	-
Capitalised exploration costs		50,251	-
Less: Impairment		(50,251)	-
		-	-
		505,032	1,683,440

(i) Fair value of 270,000,000 shares in Sagon Resources Ltd issued as consideration for the acquisition of the Hong Kong Gold Project on 1 December 2017.
(ii) The balance carried forward represents the acquisition costs of the Hong Kong Gold Project which is in the exploration and evaluation phase. Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

NOTES TO ACCOUNTS

12. FINANCIAL ASSETS AT FAIR VALUE

	Consolidated	
	2019	2018
	$	$
Financial assets at fair value through profit or loss		
Current		
Shares in listed corporations, at fair value		
- Cadence Minerals PLC (7,000,000 shares)	13,911	-
- Pacton Gold Inc (1,687,113 shares; 2018: nil)	293,826	-
	307,737	-
Non-Current		
Shares in listed corporations, at fair value		
- Cadence Minerals PLC (2018: 73,750,000 shares)	-	277,512
Investment in Atlas Managem Sarl (20% interest)	507,084	-
Less: Impairment	(507,084)	-
	-	277,512
Impairment expense in Statement of Profit or Loss and Other Comprehensive Income		
Impairment of Moroccan cobalt licences capitalised exploration costs	49,853	-
Impairment of investment in Atlas Managem Sarl	507,084	-
Impairment of Moroccan VAT receivable	19,716	-
	576,653	-

The shares in Cadence Minerals PLC were received as consideration for the disposal of 10% of the Leogang Cobalt Nickel Project in Austria (refer Note 5). The market value of the shares as at 30 June 2019 is based on a closing price of Cadence shares of GBP0.00110 (2018: GBP0.00212) and an exchange rate of 1AUD = 0.5535GBP (2018: 0.5634GBP).

The shares in Pacton Gold Inc were received as consideration for the disposal of 70% of the Hong Kong Gold Project in Western Australia (refer Note 5). The market value of the shares as at 30 June 2019 is based on a closing price of Pacton shares of CAD0.16 and an exchange rate of 1AUD = 0.9187CAD.

During the year, the Company commenced the sale of the shares in Cadence Minerals PLC and Pacton Gold Inc. The balance of shares remaining at 30 June 2019 is shown above. Accordingly, as at 30 June 2019, these shares have been accounted for as a current financial asset at fair value through profit or loss.

13. PLANT AND EQUIPMENT

	Consolidated	
	2019	2018
	$	$
Original Cost		
Computer Equipment		
At 1 July	16,628	16,628
Additions	-	-
Disposals	-	-
At 30 June	16,628	16,628
Plant and Equipment		
At 1 July	43,718	43,718
Additions	-	-
Disposals	(43,718)	-
At 30 June	-	43,718
Total Plant and Equipment		
At 1 July	60,346	60,346
Additions	-	-
Disposals	(43,718)	-
At 30 June	16,628	60,346

NOTES TO ACCOUNTS

13. PLANT AND EQUIPMENT (continued)

	Consolidated	
	2019	2018
	$	$
Accumulated Depreciation		
Computer Equipment		
At 1 July	12,482	8,325
Depreciation charge for period	4,146	4,157
Accumulated depreciation on disposals	-	-
At 30 June	16,628	12,482
Plant and Equipment		
At 1 July	43,718	43,718
Depreciation charge for period	-	-
Accumulated depreciation on disposals	(43,718)	-
At 30 June	-	43,718
Total Accumulated Depreciation		
At 1 July	56,200	52,043
Depreciation charge for period	4,146	4,157
Accumulated depreciation on disposals	(43,718)	-
At 30 June	16,628	56,200
Total Plant and Equipment		
Original cost	16,628	60,346
Accumulated depreciation	(16,628)	(56,200)
Net carrying amount	-	4,146

(i) The useful life of the assets was estimated as follows:

Sundry equipment:	5 to 15 years
Computer equipment:	4 years
Motor vehicles:	5 to 8 years
Furniture and Fittings:	5 to 15 years
Library:	7 years
Leasehold improvements:	Over the remainder of the lease term up to 2 years

(ii) No assets have been pledged as security for borrowings.

14. TRADE AND OTHER PAYABLES

		Consolidated	
		2019	2018
	Notes	$	$
Trade payables	(i) – (ii)	96,673	50,752
Accrued expenses		69,196	46,520
		165,869	97,272

Terms and conditions:

(i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

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

NOTES TO ACCOUNTS

15. ISSUED CAPITAL

		Consolidated	
		2019	2018
	Notes	$	$
Ordinary shares	(a)	20,405,948	19,455,681

(a) Ordinary shares

Issued and fully paid ordinary shares carry one vote per share and carry the right to dividends. Subsequent to 30 June 2019, the company undertook a consolidation of capital. Unless stated otherwise, references to shares, options and performance rights in these financial statements are on a pre-consolidation basis.

		Consolidated			
		2019		2018	
		No. of shares	$	No. of shares	$
Movement in ordinary shares on issue					
As at 1 July		3,124,385,675	19,455,681	2,714,207,075	17,425,639
Add:	Shares issued via placement	250,000,000	750,000	-	-
	Shares issued under cleansing prospectus	1,000	3	-	-
	Shares issued as part consideration for staged acquisition of Atlas Managem Sarl	130,000,000	260,000	-	-
	Shares issued under cleansing prospectus	1,000	3	-	-
	Shares issued as consideration for the acquisition of Hong Kong Gold Project	-	-	270,000,000	1,620,000
	Shares issued on exercise of options	-	-	178,500	714
	Shares issued as compensation to joint venture partner in relation to Austrian tenements	-	-	140,000,000	420,000
	Shares issued under cleansing prospectus	-	-	100	-
Less:	Transaction costs on share issues	-	(59,739)	-	(10,672)
As at 30 June		3,504,387,675	20,405,948	3,124,385,675	19,455,681

(b) Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain appropriate returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures an appropriate cost of capital available for the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in the year ended 30 June 2019 and no dividends are expected to be paid in the 2019/20 financial year.

The consolidated entity is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and actual expenditures against budget on a monthly basis.

NOTES TO ACCOUNTS

16. RESERVES

	Consolidated	
	2019	2018
	$	$
Options reserve	2,294,087	2,279,087
Share-based payment reserve	83,840	-
Foreign currency translation reserve	(1,567)	-
	2,376,360	2,279,087
(a) Movement in reserves		
Options reserve		
Balance at beginning of the financial year	2,279,087	2,091,087
Fair value of options issued	15,000	188,000
Balance at end of financial year	2,294,087	2,279,087
Share-based payment reserve		
Balance at beginning of the financial year	-	-
Fair value of performance rights issued	83,840	-
Balance at end of financial year	83,840	-
Foreign currency translation reserve		
Balance at beginning of the financial year	-	-
Currency translation differences	(1,567)	-
Balance at end of financial year	(1,567)	-

(b) Nature and purpose of reserves

The options reserve records the value of share options issued to the Company's directors, employees, consultants and brokers as well as the vendors of drilling services and tenements.
The share-based payments reserve records the value of performance rights issued to the Company's directors.
The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

(c) Movement in options

	Notes	Exercise price	On issue at 1 July 2018	Granted	Exercised	Cancelled/ expired/ forfeited	On issue at 30 June 2019
Options expiring on 9 May 2019		$0.004	12,812,720	-	-	12,812,720	-
Options expiring on 9 May 2019		$0.004	687,616,007	-	-	687,616,007	-
Options expiring on 9 May 2019		$0.004	687,615,952	-	-	687,615,952	-
Options expiring on 9 May 2019		$0.004	350,000,000	-	-	350,000,000	-
Options expiring on 9 May 2019	(i)	$0.004	-	125,000,000	-	125,000,000	-
Options expiring on 31 May 2020	(ii)	$0.004	120,000,000	-	-	-	120,000,000
Options expiring on 30 Nov 2020	(iii)	$0.007	20,000,000	-	-	-	20,000,000
Options expiring on 31 Dec 2020	(iv)	$0.0065	30,000,000	-	-	-	30,000,000
Options expiring on 31 Dec 2020	(v)	$0.005	-	10,000,000	-	-	10,000,000
			1,907,866,179	135,000,000	-	1,862,866,179	180,000,000

NOTES TO ACCOUNTS

16. RESERVES (continued)

All option granted have been valued according to the Binomial Tree model other than the free option granted (see (i) below). All options vested fully on the grant date.

(i) Free options issued pursuant to a placement in August 2018.
(ii) Issued to consultant and director in June 2017.
(iii) Issued to a director in December 2017.
(iv) Issued to a director in January 2018.
(v) Issued to a consultant in October 2018.

(d) Movement in performance rights

	Note	Exercise price	On issue at 1 July 2018	Granted during the year	Vested during the year	Cancelled/ expired/ forfeited (iii)	On issue at 30 June 2019
Class A	(i)	$0.000	-	115,500,000	-	(100,000,000)	15,500,000
Class B	(i)	$0.000	-	115,500,000	-	(100,000,000)	15,500,000
Class C	(i)	$0.000	-	115,500,000	-	(100,000,000)	15,500,000
Class D	(i)	$0.000	-	115,500,000	-	(100,000,000)	15,500,000
Class E	(ii)	$0.000	-	20,000,000	-	(20,000,000)	-
Class F	(ii)	$0.000	-	30,000,000	-	(30,000,000)	-
			-	512,000,000	-	(450,000,000)	62,000,000

(i) Performance rights issued to Directors.
(ii) Performance rights issued to consultant.
(iii) The Board determined that the milestones of the 400,000,000 performance rights issued to Mr Lenigas and the 50,000,000 performance rights issued to a consultant were incapable of satisfaction due to Mr Lenigas and the consultant no longer being engaged by the Company. The rights lapsed prior to 30 June 2019.

Class	Vesting Condition - vesting will occur:	Number
A	12 months after the date that shareholders approve the acquisition of the Moroccan Cobalt licences, provided that the holder does not resign from the Company's board (Board) before the vesting date. The shareholders approved the acquisition on 3 August 2018.	115,500,000
B	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.01 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	115,500,000
C	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.015 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	115,500,000
D	12 months after the date that the 10 day VWAP for the shares on the ASX is A$0.02 or higher within 3 years from the date of issue, provided that the holder does not resign from the Board before the vesting date	115,500,000
E	On completion of formal transfer of legal title to the Bou Amzil Extension to the Company	20,000,000
F	On receipt of all requisite government approvals for a drill program and commencement of that drill program on the Company's existing interests in Morocco	30,000,000

NOTES TO ACCOUNTS

17. STATEMENT OF CASH FLOWS RECONCILIATION

	Consolidated	
	2019	2018
	$	$
(a) Reconciliation of the net loss after tax to net cash flows from operations		
Loss from ordinary activities after income tax	(2,209,009)	(1,276,041)
Adjustments for:		
Depreciation	4,146	4,157
Impairment of exploration assets	576,652	-
Profit on disposal of property, plant and equipment	(30,000)	-
Loss/(gain) on disposal of investments	595,080	(26,054)
Gain on sale of tenements	(591,479)	(277,512)
Equity settled share-based payments	98,840	608,000
Gain on sale of royalty	(100,000)	-
Unrealised loss on investments	415,512	-
Costs associated with disposal of investments	(12,036)	-
Foreign exchange gain	(1,536)	-
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	9,294	(27,800)
Decrease in other assets	(975)	2,583
Decrease in trade and other payables	68,595	47,199
Net cash flow used in operating activities	(1,176,916)	(945,468)

	Consolidated	
	2019	2018
	$	$
(b) Bank guarantee facility		
Bank guarantee facility	-	130,000
Amount utilised	-	(130,000)
	-	-

The bank guarantee facility was provided by a financial institution for exploration licence security purposes. During the year, the exploration licence security was replaced with a security deposit. The bank guarantees were extinguished and the term deposit securing the bank guarantees was released.

18. INTEREST IN JOINTLY CONTROLLED OPERATIONS

As at 30 June 2019, the Group had the following significant interest in a joint venture:

(i) In January 2016 the Company entered into a farm-in agreement with Alkane Resources Limited ("Alkane") on the Orange East project.
(ii) Under the terms of the agreement, Alkane has the right to earn 60% of the Orange East project by spending $500,000 on exploration over three years.
(iii) Alkane can earn a further 20% interest (80% total) by spending an additional $500,000 on exploration over the subsequent two years. Alkane will manage the exploration program.
(iv) After the farm-in phase is completed, Sagon will have the right to contribute its 20% share of costs or dilute according to standard industry provisions.
(v) If Sagon's interest dilutes to 5%, it will convert to a 2% Net Smelter Return Royalty.

NOTES TO ACCOUNTS

19. SEGMENT INFORMATION

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker (CODM), which has been identified by the Group as the Board of directors.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

At 30 June 2019, the Group had the following segments:

	Operating Profit/(Loss)		Total Assets		Total Liabilities	
	30/6/2019 $	30/6/2018 $	30/6/2019 $	30/6/2018 $	30/6/2019 $	30/6/2018 $
Gold (Western Australia)	570,396	(1,768)	505,032	1,683,440	-	-
Cobalt/Nickel (Austria)	(2,769)	(4,678)	-	-	-	-
Cobalt (Morocco)	(960,746)	(255,588)	971	-	(472)	-
Copper/Gold (New South Wales)	(35,960)	(57,473)	-	-	-	-
Corporate	(1,779,930)	(956,534)	1,017,224	932,659	(165,397)	(97,272)
	(2,209,009)	(1,276,041)	1,523,227	2,616,099	(165,869)	(97,272)

20. COMMITMENTS

	Consolidated	
	2019 $	2018 $
Estimated commitments for which no provisions were included in the financial statements are as follows:		
(a) Exploration Expenditure Commitments:		
Payable		
- not later than one year	593,826	547,291
- later than one year and not later than five years	408,305	899,003
	1,002,131	1,446,294

Included in overall commitments calculations are estimates of the Company's expected commitments in respect of its sole funded exploration licences.

All the exploration expenditure commitments are non-binding, in respect of outstanding expenditure commitments, in that the Company or its joint venture partners have the option to relinquish and lose these licences or their contractual commitments at any stage, at the cost of its cumulative expenditures up to the point of relinquishment.

Refer to Note 18 for details of Jointly Controlled Operations.

(b) Operating Lease Commitments

The Company has no operating lease commitments.

NOTES TO ACCOUNTS

20. COMMITMENTS (continued)

(c) Contractual Commitments

The Company entered an agreement to acquire up to 100% of three cobalt licences in Morocco.

As at the balance date, the Company had acquired a 20% interest in these cobalt licences via the completion of the first stage of the acquisition by acquiring an initial 20% interest in Atlas Managem S.A.R.L, which holds three Moroccan licences. The Board is currently reviewing its strategy and options for the Morocco Cobalt Project and at this point, has elected not to progress with Stage 2 of the acquisition of Atlas Managem.

The remaining stages of the acquisition, which at this time the Directors have elected not to proceed with, are as follows:

- ("Stage 2"): payment of US$200,000 and issue of 120 million fully paid ordinary shares in Sagon within 6 months and 5 days from the completion of Stage 1, in consideration for a further 20% interest;
- ("Stage 3"): payment of US$200,000 and issue of 120 million fully paid ordinary shares in Sagon within 6 months and 5 days from the completion of Stage 2, in consideration for a further 20% interest;
- ("Stage 4"): payment of US$200,000 and issue of 120 million fully paid ordinary shares in Sagon within 6 months and 5 days from the completion of Stage 3, in consideration for a further 20% interest; and
- ("Stage 5"): payment of US$200,000 and issue of 120 million fully paid ordinary shares in Sagon within 6 months and 5 days from the completion of Stage 4, in consideration for a further 20% interest, such that Sagon (or a subsidiary of Sagon) will have acquired or been issued a 100% interest at the completion of Stage 5.

21. CONTINGENT LIABILITIES

1. In accordance with normal industry practice the consolidated entity has entered into joint venture operations and farm-in agreements with other parties for the purpose of exploring and developing its mineral interests in New South Wales. If a party to a joint venture defaults and does not contribute its share of joint venture obligations, then the other joint venture partners are liable to meet those obligations. In this event the interest in the tenements held by the defaulting party may be redistributed to the remaining joint venture partners. A contingent liability exists in respect of contributions due to be paid by farm-in partners of the economic entity to some of its joint ventures. However, no material losses are anticipated in respect of any of these contingencies as expenditure commitments, if not recovered from joint venture partners, can be terminated through exploration licence relinquishment at any stage.

2. During the year ended 30 June 2017, the Company acquired the Leogang Cobalt-Nickel Sulphide Project in Austria. In the event that Sagon elects to mine the Leogang Project a further $300,000 “finder’s fee” will be payable, in a mix of cash and shares.

NOTES TO ACCOUNTS

22. RELATED PARTY DISCLOSURES

(a) Ultimate parent

The ultimate Australian parent entity and the ultimate parent of the consolidated entity is Sagon Resources Limited.

(b) Subsidiaries

The subsidiaries of Sagon Resources Limited are listed in the following table:

Name	Nature of investment	Country of incorporation	% Equity interest		Investment $	
			2019	2018	2019	2018
Geoinformatics Exploration Tasmania Pty Ltd	Ordinary shares	Australia	100	100	1	1
Leogang Austria Pty Ltd	Ordinary shares	Australia	100	100	10	10
Ste Clancy Morocco Sarl	Ordinary shares	Morocco	100	-	15	-

(c) Transactions with related parties

The following table provides the total amount of transactions (GST exclusive where GST applies) entered into with related parties for the relevant financial year. The transactions have all been undertaken on an arms' length basis.

	Consolidated	
	2019	2018
Purchase of goods and services	$	$
Director fees billed by the Agneii Family Trust, a trust controlled by a director, Scott Patrizi	36,000	36,000
Director fees billed by the Rod Dog Pty Ltd, a company controlled by a director, Shaun Hardcastle	36,000	3,000
Director fees billed by the Bellanhouse Legal, a related party of Shaun Hardcastle	-	18,000
Legal fees billed by the Bellanhouse Legal, a related party of Shaun Hardcastle	71,004	139,356
Fees for company secretarial services billed by Malone Corporate Services Pty Ltd, a company controlled by Company Secretary, Oonagh Malone	30,000	12,500
Fees for company secretarial services billed by Dabinett Corporate Pty Ltd, a company controlled by Company Secretary, Rowan Caren	-	43,000

	Consolidated	
	2019	2018
	$	$
Amounts owed in respect of related party transactions included in the trade creditors and accruals balance at 30 June 2019 and 30 June 2018 are as follows:		
Director fees billed by David Lenigas	22,630	-
Director fees billed by David Scoggin	21,000	3,000
Director fees billed by the Agneii Family Trust, a trust controlled by a director, Scott Patrizi	12,000	-
Director fees billed by the Rod Dog Pty Ltd, a company controlled by a director, Shaun Hardcastle	12,000	3,000
Legal fees billed by Bellanhouse Legal, a related party of Shaun Hardcastle	4,140	4,415
Fees for company secretarial services billed by Malone Corporate Services Pty Ltd, a company controlled by Company Secretary, Oonagh Malone	10,000	-

NOTES TO ACCOUNTS

23. SUBSEQUENT EVENTS

Subsequent to 30 June 2019:

- undertook a consolidation of capital on the basis that every 25 ordinary shares were consolidated into 1 ordinary share. All options and performance rights on issue were also adjusted on this basis;
- changed its name to Sagon Resources Limited and its ASX code to SG1;
- appointed Jeremy Robinson as an Executive Director and accepted the resignation of David Scoggin;
- completed the acquisition of 100% of the issued capital of RareX Pty Ltd ("RareX"). RareX holds an exclusive option to acquire 100% of the Cummins Range Rare Earth Project from Element 25 Limited (ASX: E25) ("E25") ("E25 Option") and issued the vendors of RareX 60 million shares (on a post-consolidated basis) ("Consideration Shares") and 25 million options (on a post-consolidated basis) exercisable at $0.025 each and expiring on 27 September 2021;
- exercised the E25 Option via payment of $500,000 in cash to E25 and the issue of 13,338,261 ordinary shares (on a post-consolidation basis) (escrowed for 6 months) at a deemed issue price of $0.0375 per share. The other material terms of the agreement with E25 are:
  - Within 12 months of exercising the E25 Option, Sagon will either, at Sagon's election:
    - make a further $500,000 cash payment to E25, plus issue $500,000 worth of shares (at a deemed issue price equal to the 30-day VWAP, subject to a minimum price of $0.017 per share on a post-consolidation basis); or
    - make a $1 million cash payment to E25.
  - Within 36 months of exercising the E25 Option, and subject to the completion of a positive bankable feasibility study, Sagon will either, at Sagon's election, pay or issue $1,000,000 in cash or shares or a combination thereof to a total value of $1,000,000. Any shares issued will be issued at a deemed issue price equal to the 30-day VWAP, subject to a minimum price of $0.017 per share on a post-consolidation basis. If the positive bankable feasibility study is not completed within this 36 month period, Sagon will instead grant E25 a 1% net smelter return royalty on future production from the Cummins Range Project, capped at $1 million;
- completed a share placement which raised $1,170,000 (before costs) via the issue of 68,823,540 ordinary shares (on a post-consolidation basis) at an issue price of $0.017 per share;
- issued 7,958,824 ordinary shares (on a post consolidation basis) to creditors (including directors) in lieu of cash payment at a deemed price of $0.017 per share;
- issued 15,000,000 options (on a post-consolidation basis) to Jeremy Robinson exercisable at $0.025 each and expiring on 27 September 2022.

24. DIRECTORS AND KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

The names of the Company's directors in office at any time during the financial year are as follows. Directors were in office for the entire period unless otherwise stated.

D Scoggin	Director (Non-Executive)	
S Patrizi	Director (Non-Executive)	
S Hardcastle	Director (Non-Executive)	
D Lenigas	Chairman (Executive)	Resigned 8 March 2019
O Malone	Company Secretary)	

24. DIRECTORS AND KEY MANAGEMENT PERSONNEL (continued)

(b) Compensation for Key Management Personnel

	Consolidated	
	2019	2018
	$	$
Short-term employee benefits	215,145	217,000
Share-based payments	83,840	188,000
Total Compensation	298,985	405,000

NOTES TO ACCOUNTS

25. SHARE-BASED PAYMENT EXPENSE

(a) Recognised share-based payments expenses

The expense recognised for the expensing of employee and consultant services received is shown in the table below:

	Consolidated	
	2019	2018
	$	$
Recognised in the Statement of Profit or Loss and Other Comprehensive Income		
Expense recognised for directors' services received		
Expense arising from equity-settled share-based payment transactions – directors	83,840	188,000
	83,840	188,000
Equity payment recognised for consulting fees		
Equity-settled share-based payment transactions – options issued for consideration for facilitation of acquisition and ongoing consultancy services	15,000	-
	15,000	-
Equity payment recognised for compensation to joint venture partner		
Equity-settled share-based payment transactions – shares issued as compensation to joint venture partner	-	420,000
	-	420,000
Total recognised in the Statement of Profit or Loss and Other Comprehensive Income	98,840	608,000

(b) Weighted average remaining contractual life

The weighted average remaining contractual life of the options on issue is 1.11 years (2018: 0.97 years).

(c) Range of exercise price

The range of the exercise prices of the options on issue is $0.004 - $0.007 (2018: $0.004 - $0.007).

(d) Weighted average fair value

The fair value of the options issued as share-based payments during the year was $0.0031 per option (2018: $0.0038 per option).

(e) Weighted average share price

The weighted average price per share in relation to shares issued during the year was $0.00266 (2018: $0.00498).

NOTES TO ACCOUNTS

25. SHARE-BASED PAYMENT EXPENSE (continued)

(f) Option valuation

During the year ended 30 June 2019, the following share-based payments were made which have been accounted for in the option reserve:

(1) The following options, which were issued to a consultant and vested immediately, were recorded at their fair value in the option reserve. The options have been valued by the Directors using the Black-Scholes option pricing model based on the following:

	Consultant Options
Underlying value of the security	$0.002
Exercise price	$0.005
Valuation date	24 October 2018
Expiry date	24 October 2020
Life of Options in years	2 years
Volatility	190.13%
Risk free rate	2.06%
Number of Options	10,000,000
Valuation per Option	$0.0015
Valuation	$15,000

During the year ended 30 June 2018, the following share-based payments were made:

(1) Shares issued as compensation to joint venture partner in relation to Austrian tenements: 140,000,000 ordinary fully paid shares were issued at a fair value of $0.003 per share being the closing price on ASX on the date of issue. The total fair value of the shares issued was $420,000.

(2) The following options, which were issued to Directors and vested immediately, were recorded at their fair value in the share-based payment reserve. The options have been valued by the Directors using the Black-Scholes option pricing model based on the following:

	Director Options #1	Director Options #2
Underlying value of the security	$0.006	$0.004
Exercise price	$0.007	$0.0065
Valuation date	1 December 2017	30 January 2018
Expiry date	30 November 2020	31 December 2020
Life of Options in years	3 years	2.92 years
Volatility	142.34%	161.96%
Risk free rate	1.94%	2.22%
Number of Options	20,000,000	30,000,000
Valuation per Option	$0.0046	$0.0032
Valuation	$92,000	$96,000

(g) Performance rights valuation

During the year ended 30 June 2019, the following share-based payments were made which have been accounted for in the share-based payments reserve:

(1) The following performance rights, which were issued to Directors, were recorded at their fair value in the share-based payment reserve. The performance rights have been valued by the Directors at the closing share price on the grant date, less discounts to reflect the effects of any market based vesting conditions as detailed in the below table. The expected vesting period for each performance right for performance based vesting conditions is the period until expiry of the performance right.

NOTES TO ACCOUNTS

25. SHARE-BASED PAYMENT EXPENSE (continued)

Recipient	Class	Grant date	Expiry date	No. of performance rights outstanding at 30 June 2019	Share price at grant date ($)	Discount applied to share price at grant date to reflect market based vesting conditions	Fair value per performance right ($)	Total fair value of performance rights issued ($)
S Hardcastle	A	20/8/2018	20/8/2019	6,250,000	0.003	0.0%	0.003000	18,750
	B	20/8/2018	20/8/2021	6,250,000	0.003	69.4%	0.000612	5,738
	C	20/8/2018	20/8/2021	6,250,000	0.003	73.7%	0.000526	4,931
	D	20/8/2018	20/8/2021	6,250,000	0.003	76.6%	0.000468	4,388
				25,000,000				33,807
S Patrizi	A	20/8/2018	20/8/2019	6,250,000	0.003	0.0%	0.003000	18,750
	B	20/8/2018	20/8/2021	6,250,000	0.003	69.4%	0.000612	5,738
	C	20/8/2018	20/8/2021	6,250,000	0.003	73.7%	0.000526	4,931
	D	20/8/2018	20/8/2021	6,250,000	0.003	76.6%	0.000468	4,388
				25,000,000				33,807
D Scoggin	A	20/8/2018	20/8/2019	3,000,000	0.003	0.0%	0.003000	9,000
	B	20/8/2018	20/8/2021	3,000,000	0.003	69.4%	0.000612	2,754
	C	20/8/2018	20/8/2021	3,000,000	0.003	73.7%	0.000526	2,367
	D	20/8/2018	20/8/2021	3,000,000	0.003	76.6%	0.000468	2,105
				12,000,000				16,226
Total				62,000,000				83,840

In addition to the above performance rights, 400,000,000 performance rights were issued to Mr D Lenigas on 20 August 2018 and 50,000,000 performance rights were issued to a consultant on 18 January 2019. The Board determined that the milestones of the performance rights issued to Mr Lenigas and the consultant were incapable of satisfaction due to Mr Lenigas and the consultant no longer being engaged by the Company. The rights lapsed prior to 30 June 2019 and were valued at a fair value of nil. Accordingly, no amount has been recognised for these performance rights in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019.

26. AUDITOR'S REMUNERATION

The auditor of Sagon Resources Limited was Walker Wayland WA Audit Pty Ltd.

	Consolidated	
	2019 $	2018 $
Amounts received or due and receivable by Walker Wayland WA Audit Pty Ltd (formerly Hall Chadwick WA Audit Pty Ltd) for:		
- an audit or review of the financial statements of the entity and its controlled entity	19,500	18,250
- other services in relation to the entity and its controlled entity	-	-
	19,500	18,250

NOTES TO ACCOUNTS

27. INFORMATION RELATING TO SAGON RESOURCES LIMITED ('the Parent Entity')

	2019 $	2018 $
ASSETS		
Current Assets	1,017,122	650,895
Non-current Assets	505,033	1,965,204
TOTAL ASSETS	1,522,155	2,616,099
LIABILITIES		
Current Liabilities	165,552	97,272
Non-current Liabilities	-	-
TOTAL LIABILITIES	165,552	97,272
NET ASSETS	1,356,603	2,518,827
EQUITY		
Issued capital	20,865,949	19,915,681
Reserves	2,377,927	2,279,087
Accumulated losses	(21,887,273)	(19,675,941)
TOTAL EQUITY	1,356,603	2,518,827
Loss of the parent entity	(2,215,282)	(1,279,993)
Total comprehensive loss of the parent entity	(2,215,282)	(1,279,993)

Contingent liabilities of the parent entity: Nil.

	2019 $	2018 $
Reserves included in the parent entity:		
Options reserve	2,294,087	2,279,087
Share-based payment reserve	83,840	-
	2,377,927	2,279,087

Commitments for the acquisition of property, plant and equipment by the parent entity: Nil.

28. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to finance the consolidated entity's operations. The consolidated entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the consolidated entity's policy that no trading in financial instruments shall be undertaken.

For all financial instruments of the Company, the carrying value approximates the fair value.

The main risk arising from the consolidated entity's financial instruments is cash flow interest rate risk. Other minor risks are either summarised below or disclosed at Note 10 in the case of credit risk and Note 15 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

NOTES TO ACCOUNTS

28. FINANCIAL INSTRUMENTS, RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Cash Flow Interest Rate Risk

The consolidated entity's exposure to the risks of changes in market interest rates relates primarily to the consolidated entity's short-term deposits with a floating interest rate. These financial assets with variable rates expose the consolidated entity to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates. The sensitivity to the movement in interest rates for the likely range of outcomes is immaterial.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted, resulting in a decrease or increase in overall income.

(b) Liquidity risk

The consolidated entity manages liquidity risk by maintaining sufficient cash reserves and through the continuous monitoring of budgeted and actual cash flows. Further, the consolidated entity only invests surplus cash with major financial institutions.

Contracted maturities of payables:

	Consolidated	
	2019	2018
	$	$
Payable		
- less than 6 months	165,869	97,272
- 6 to 12 months	-	-
- 1 to 5 years	-	-
- later than 5 years	-	-
Total	165,869	97,272

(c) Commodity price risk

The consolidated entity has no direct commodity exposures.

(d) Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Given the current level of transactions denominated in foreign currency, the Directors consider foreign current risk not material.

(e) Carrying values of financial instruments not recognised at fair value

Due to their short term nature, the carrying value of financial assets and financial liabilities, not recognised at fair value, recorded in the financial statements approximates their respective fair values, determined in accordance with accounting policies disclosed in Note 2 of the financial statements.

DIRECTORS' DECLARATION

The Directors of Sagon Resources Limited declare that:

1. In the opinion of the Directors:

   (a) the attached financial statements and the notes thereto of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2019 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards;

   (b) the attached financial statements and the notes thereto of the Company and of the consolidated entity are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2019.

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

On behalf of the Board

Scott Patrizi
Non-Executive Director
Dated this 27th September 2019

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Independent Auditor's Report
To the Members of Sagon Resources Limited

REPORT ON THE AUDIT OF THE CONSOLIDTED FINANCIAL REPORT

Opinion

We have audited the financial report of Sagon Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of 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:

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

b) 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.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to the following matter. As a result of the matters disclosed in Note 1a) "Going Concern" of the financial report, there is a material uncertainty whether the group can continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. The ability of the group to continue as a going concern is dependent upon its ability to generate additional funding through further capital raising and the successful exploitation of its tenements.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Exploration and Evaluation Assets (Note 11) (AASB 6)	
Exploration and Evaluation Assets had a net carrying value of $505,032 at 30 June 2019 (2018: $1,683,440). This represents the remaining interest in a Hong Kong Gold Project which is in exploration and evaluation phase. This interest has been capitalised and represents a significant asset of the company, as such we consider it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of this asset may exceed its recoverable amount	*Audit procedures include amongst others the following:* • Obtain evidence that the company has valid rights to explore in the areas represented by the capitalised exploration and evaluation asset by obtaining independent searches of a sample of company's tenement holdings; • Ensure criteria of AASB 6 are met to be able to carry the asset at its recorded amount; • Enquire with management, review budgets and management minutes to ensure that there planned expenditure on further exploration for and evaluation of the mineral resources are planned; • Reviewed managements impairment assessment for reasonableness
Share Based Payments (Note 16 and 26) (AASB 2)	
The company has issued 62,000,000 performance rights to directors of the company and 10,000,000 options excisable at $0.005 to a consultant of the company as compensation. Share based payments has been considered as a key audit matter; due to the high level of judgement required in evaluating the value.	*Audit procedures include amongst other the following:* • obtaining and reviewing managements valuation model including the reasonableness of all inputs into the model; • reviewing the company's share price movements to assess volatility; • review and discuss the disclosures in the financial statements with management.

Information Other than the Financial Report and Auditor's Report Thereon

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 2019 but does not include the financial report and our 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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 12 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Sagon Resources Limited for the year ended 30 June 2019 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.

Walker Wayland WA Audit Pty Ltd

WALKER WAYLAND WA AUDIT PTY LTD

John Dorazio FCA
Director
Level 3, 1 Preston Street, COMO WA 6152

Dated this 27th day of September 2019.

ASX Additional Information

Shareholder Information

The following information is based on share registry information processed up to 25 October 2019.

Distribution of Fully Paid Ordinary Shares

The number of holders, by size of holding, for fully paid ordinary shares in the Company is:

Spread of Holders	Number of Holders	Number of Shares
1 – 1,000	236	84,129
1,001 – 5,000	250	774,902
5,001 – 10,000	192	1,468,126
10,001 – 100,000	431	15,451,790
100,001 and over	193	293,970,672
Total	**1,302**	**311,749,619**

There are 651 holders of unmarketable parcels comprising a total of 2,057,157 ordinary shares amounting to 0.66% of issued capital.

Twenty Largest Holders of Shares

	Shareholder	Number Held	% of Issued Shares
1	Evan's Leap Holdings Pty Ltd	19,632,353	6.30
2	Cale Consulting Pty Ltd	15,000,000	4.81
3	Merrill Lynch (Australia) Nominees Pty Limited	14,073,087	4.51
4	Element 25 Limited	13,338,261	4.28
5	Troca Enterprises Pty Ltd	11,017,793	3.53
6	Ocean View WA Pty Ltd	9,900,000	3.18
7	Mr Jeremy Kim Robinson	8,250,000	2.65
8	CS Fourth Nominees Pty Limited	7,712,940	2.47
9	Maverick Exploration Pty Ltd	7,382,353	2.37
10	Brispot Nominees Pty Ltd	6,978,698	2.24
11	Mr Mark John Bahen & Mrs Margaret Patricia Bahen	6,617,648	2.12
12	Hammerhead Holdings Pty Ltd	6,000,000	1.92
13	Mr Stephen John Dobson	5,819,609	1.87
14	Mr Kim Robinson	5,814,706	1.87
15	Cadence Minerals Plc	5,600,000	1.80
16	Kingslane Pty Ltd	5,294,118	1.70
17	Blu Bone Pty Ltd	5,250,000	1.68
18	Flue Holdings Pty Ltd	5,000,000	1.60
19	Kobia Holdings Pty Ltd	4,850,000	1.56
20	Motte & Bailey Pty Ltd	4,557,182	1.46
Total		**168,088,748**	**53.92**

There are 311,749,619 ordinary fully paid shares currently listed and trading on the Australian Securities Exchange. There is no current on-market buy back taking place.

Voting Rights - Fully Paid Ordinary Shares

Every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, and on a poll, one vote for each fully paid share.

Unquoted Equity Securities

Quantity	Class
4,800,000	Options exercisable at $0.10 each on or before 31 May 2020
400,000	Options exercisable at $0.125 each on or before 24 October 2020
800,000	Options exercisable at $0.175 each on or before 30 November 2020
1,200,000	Options exercisable at $0.1625 each on or before 30 December 2020
25,000,000	Options exercisable at $0.025 each on or before 27 September 2021
5,000,000	Options exercisable at $0.025 each on or before 27 September 2022 vesting on 6 months employment and 20 day VWAP exceeding $0.05
5,000,000	Options exercisable at $0.025 each on or before 27 September 2022 vesting on 6 months employment and 20 day VWAP exceeding $0.10
5,000,000	Options exercisable at $0.025 each on or before 27 September 2022 vesting on 6 months employment and 20 day VWAP exceeding $0.15
500,000	Performance rights vesting 12 months after the date that the 10 day VWAP is $0.25 or higher within 3 years of the issue date provided the holder does not resign from the Board before the vesting date
500,000	Performance rights vesting 12 months after the date that the 10 day VWAP is $0.375 or higher within 3 years of the issue date provided the holder does not resign from the Board before the vesting date
500,000	Performance rights vesting 12 months after the date that the 10 day VWAP is $0.50 or higher within 3 years of the issue date provided the holder does not resign from the Board before the vesting date

Holders of Unquoted Securities Holding More than 20% of Each Class

Class	Holder	Number
Options exercisable at $0.10 each on or before 31 May 2020	Mr David Anthony Lenigas	4,000,000
Options exercisable at $0.125 each on or before 24 October 2020	Contacio Cove Pty Ltd	400,000
Options exercisable at $0.175 each on or before 30 November 2020	CYM Holdings Pty Ltd	800,000
Options exercisable at $0.1625 each on or before 30 December 2020	Valtellin Pty Ltd	1,200,000
Options exercisable at $0.025 each on or before 27 September 2021	Mr Jeremy Kim Robinson	5,000,000
Options exercisable at $0.025 each on or before 27 September 2022 vesting on 6 months employment and 20 day VWAP exceeding $0.05	Mr Jeremy Kim Robinson	5,000,000
Options exercisable at $0.025 each on or before 27 September 2022 vesting on 6 months employment and 20 day VWAP exceeding $0.10	Mr Jeremy Kim Robinson	5,000,000
Options exercisable at $0.025 each on or before 27 September 2022 vesting on 6 months employment and 20 day VWAP exceeding $0.15	Cale Consulting Pty Ltd Golden Triangle Capital Pty Ltd	5,000,000 5,000,000
Performance rights vesting 12 months after the date that the 10 day VWAP is $0.25 or higher within 3 years of the issue date provided the holder does not resign from the Board before the vesting date	Rod Dog Pty Ltd Valtellin Pty Ltd	500,000 500,000
Performance rights vesting 12 months after the date that the 10 day VWAP is $0.375 or higher within 3 years of the issue date provided the holder does not resign from the Board before the vesting date	Rod Dog Pty Ltd Valtellin Pty Ltd	500,000 500,000
Performance rights vesting 12 months after the date that the 10 day VWAP is $0.50 or higher within 3 years of the issue date provided the holder does not resign from the Board before the vesting date	Rod Dog Pty Ltd Valtellin Pty Ltd	500,000 500,000

Schedule of Mining Tenements

Australian Tenement Schedule				
State	Project	Lease No	Clancy interest	Note
WA	Cummins Range	E 80/5092	100%	
WA	Hong Kong	EL 47/3566	30%	
NSW	Condobolin	EL 7748	100%	
NSW	Cundumbul	EL 6661	100%	
NSW	Fairholme	EL 6552	100%	
NSW	Fairholme	EL 6915	100%	
NSW	Orange East	EL 8442	100%	Alkane earning 60%
NSW	Trundle	EL 8222	100%	
NSW	Jemalong	EL 8502	100%	

Austrian Tenement Schedule - Leogang - Clancy First Priority			
Designation	Reference Meridian	Cadastral Municipalities	
		Centre in the Cadastral Municipality	Other Cadastral Municipality Concerned
51/17/S (CLY-LEOG-003)	M 31	Schwarzleo	
56/17/S (CLY-LEOG-008)	M 31	Schwarzleo	Sonnberg, Pirzbichl
57/17/S (CLY-LEOG-009)	M 31	Schwarzleo	Grießen
58/17/S (CLY-LEOG-010)	M 31	Schwarzleo	Grießen
64/17/S (CLY-LEOG-016)	M 31	Schwarzleo	Grießen
68/17/S (CLY-LEOG-020)	M 31	Grießen	
71/17/S (CLY-LEOG-023)	M 31	Grießen	
74/17/S (CLY-LEOG-026)	M 31	Grießen	Hoch filzen
78/17/S (CLY-LEOG-030)	M 31	Schwarzleo	
79/17/S (CLY-LEOG-031)	M 31	Schwarzleo	Saalbach
80/17/S (CLY-LEOG-032)	M 31	Schwarzleo	Saalbach
81/17/S (CLY-LEOG-033)	M 31	Schwarzleo	Grießen, Hoch filzen, Fieberbrunn
82/17/S (CLY-LEOG-034)	M 31	Schwarzleo	Saalbach
83/17/S (CLY-LEOG-035)	M 31	Schwarzleo	Fieberbrunn
84/17/S (CLY-LEOG-036)	M 31	Schwarzleo	Fieberbrunn, Saalbach
85/17/S (CLY-LEOG-037)	M 31	Fieberbrunn	
86/17/S (CLY-LEOG-038)	M 31	Fieberbrunn	Hoch filzen
87/17/S (CLY-LEOG-039)	M 31	Fieberbrunn	
88/17/S (CLY-LEOG-040)	M 31	Fieberbrunn	
89/17/S (CLY-LEOG-041)	M 31	Fieberbrunn	
90/17/S (CLY-LEOG-042)	M 31	Fieberbrunn	Saalbach
91/17/S (CLY-LEOG-043)	M 31	Fieberbrunn	
92/17/S (CLY-LEOG-044)	M 31	Fieberbrunn	
93/17/S (CLY-LEOG-045)	M 31	Fieberbrunn	
94/17/S (CLY-LEOG-046)	M 31	Fieberbrunn	
95/17/S (CLY-LEOG-047)	M 31	Fieberbrunn	Saalbach
96/17/S (CLY-LEOG-048)	M 31	Fieberbrunn	
98/17/S (CLY-LEOG-050)	M 31	Fieberbrunn	
99/17/S (CLY-LEOG-051)	M 31	Fieberbrunn	Saalbach
101/17/S (CLY-LEOG-053)	M 31	Fieberbrunn	
103/17/S (CLY-LEOG-055)	M 31	Fieberbrunn	
104/17/S (CLY-LEOG-056)	M 31	Fieberbrunn	
105/17/S (CLY-LEOG-057)	M 31	Fieberbrunn	
106/17/S (CLY-LEOG-058)	M 31	Fieberbrunn	
107/17/S (CLY-LEOG-059)	M 31	Fieberbrunn	
108/17/S (CLY-LEOG-060)	M 31	Fieberbrunn	
109/17/S (CLY-LEOG-061)	M 31	Fieberbrunn	
110/17/S (CLY-LEOG-062)	M 31	Fieberbrunn	
111/17/S (CLY-LEOG-063)	M 31	Fieberbrunn	
112/17/S (CLY-LEOG-064)	M 31	Fieberbrunn	
114/17/S (CLY-LEOG-066)	M 31	Fieberbrunn	
115/17/S (CLY-LEOG-067)	M 31	Fieberbrunn	

116/17/S (CLY-LEOG-068)	M 31	Fieberbrunn	
117/17/S (CLY-LEOG-069)	M 31	Fieberbrunn	
118/17/S (CLY-LEOG-070)	M 31	Fieberbrunn	
119/17/S (CLY-LEOG-071)	M 31	Fieberbrunn	
120/17/S (CLY-LEOG-072)	M 31	Fieberbrunn	
121/17/S (CLY-LEOG-073)	M 31	Fieberbrunn	
122/17/S (CLY-LEOG-074)	M 31	Fieberbrunn	
123/17/S (CLY-LEOG-075)	M 31	Fieberbrunn	
124/17/S (CLY-LEOG-076)	M 31	Fieberbrunn	
125/17/S (CLY-LEOG-077)	M 31	Fieberbrunn	
126/17/S (CLY-LEOG-078)	M 31	Fieberbrunn	
127/17/S (CLY-LEOG-079)	M 31	Fieberbrunn	
128/17/S (CLY-LEOG-080)	M 31	Fieberbrunn	
129/17/S (CLY-LEOG-081)	M 31	Fieberbrunn	
130/17/S (CLY-LEOG-082)	M 31	Fieberbrunn	
131/17/S (CLY-LEOG-083)	M 31	Fieberbrunn	
132/17/S (CLY-LEOG-084)	M 31	Fieberbrunn	
133/17/S (CLY-LEOG-085)	M 31	Fieberbrunn	
134/17/S (CLY-LEOG-086)	M 31	Fieberbrunn	
135/17/S (CLY-LEOG-087)	M 31	Fieberbrunn	
136/17/S (CLY-LEOG-088)	M 31	Fieberbrunn	
137/17/S (CLY-LEOG-089)	M 31	Fieberbrunn	Aurach
138/17/S (CLY-LEOG-090)	M 31	Fieberbrunn	Aurach
139/17/S (CLY-LEOG-091)	M 31	Fieberbrunn	
140/17/S (CLY-LEOG-092)	M 31	Fieberbrunn	
141/17/S (CLY-LEOG-093)	M 31	Fieberbrunn	Saalbach
142/17/S (CLY-LEOG-094)	M 31	Fieberbrunn	
143/17/S (CLY-LEOG-095)	M 31	Hochfilzen	Grießen
144/17/S (CLY-LEOG-096)	M 31	Hochfilzen	Grießen
145/17/S (CLY-LEOG-097)	M 31	Fieberbrunn	Saalbach
146/17/S (CLY-LEOG-098)	M 31	Fieberbrunn	
147/17/S (CLY-LEOG-099)	M 31	Fieberbrunn	
148/17/S (CLY-LEOG-1OO)	M 31	Fieberbrunn	

Austrian Tenement Schedule - Kitzbuhel - Clancy First Priority			
Designation	Reference Meridian	Cadastral Municipalities	
		Centre in the Cadastral Municipality	Other Cadastral Municipality Concerned
38/17/T (CLY- KITZ-001)	M 31	Fieberbrunn	
39/17/T (CLY- KITZ -002)	M 31	Fieberbrunn	
40/17/T (CLY- KITZ -003)	M 31	Fieberbrunn	
41/17/T (CLY- KITZ -004)	M 31	Fieberbrunn	
42/17/T (CLY- KITZ-005)	M 31	Fieberbrunn	
43/17/T (CLY- KITZ-006)	M 31	Fieberbrunn	
44/17/T (CLY- KITZ -007)	M 31	Fieberbrunn	
45/17/T (CLY- KITZ -008)	M 31	Fieberbrunn	
46/17/T (CLY- KITZ -009)	M 31	Fieberbrunn	
47/17/T (CLY- KITZ-010)	M 31	Fieberbrunn	
48/17/T (CLY- KITZ -011)	M 31	Fieberbrunn	
49/17/T (CLY- KITZ-012)	M 31	Fieberbrunn	
50/17/T (CLY- KITZ-013)	M 31	Fieberbrunn	
51/17/T (CLY- KITZ-014)	M 31	Fieberbrunn	
52/17/T (CLY- KITZ -015)	M 31	Fieberbrunn	
53/17/T (CLY- KITZ -016)	M 31	Fieberbrunn	
54/17/T (CLY- KITZ -017)	M 31	Fieberbrunn	
55/17/T (CLY- KITZ -018)	M 31	Fieberbrunn	
56/17/T (CLY- KITZ-019)	M 31	Fieberbrunn	
57/17/T (CLY- KITZ-020)	M 31	Fieberbrunn	
58/17/T (CLY- KITZ-021)	M 31	Fieberbrunn	
59/17/T (CLY- KITZ-022)	M 31	Fieberbrunn	
60/17/T (CLY- KZTZ-023)	M 31	Fieberbrunn	Aurach

61/17/T (CLY- KITZ-024)	M 31	Fieberbrunn	Aurach
62/17/T (CLY-KITZ-025)	M 31	Fieberbrunn	Aurach
63/17/T (CLY-KITZ-026)	M 31	Fieberbrunn	Aurach
64/17/T (CLY-KITZ-027)	M 31	Fieberbrunn	Aurach
65/17/T (CLY-KITZ-028)	M 31	Fieberbrunn	
66/17/T (CLY-KITZ-029)	M 31	Fieberbrunn	
67/17/T (CLY-KITZ-030)	M 31	Fieberbrunn	
68/17/T (CLY-KITZ-031)	M 31	Fieberbrunn	Aurach
69/17/T (CLY-KITZ-032)	M 31	Fieberbrunn	Aurach
70/17/T (CLY-KITZ-033)	M 31	Aurach	
71/17/T (CLY-KITZ-034)	M 31	Fieberbrunn	
72/17/T (CLY-KITZ-035)	M 31	Fieberbrunn	
73/17/T (CLY-KITZ-036)	M 31	Fieberbrunn	
74/17/T (CLY-KITZ-037)	M 31	Fieberbrunn	
75/17/T (CLY-KITZ-038)	M 31	Fieberbrunn	
76/17/T (CLY-KITZ-039)	M 31	Fieberbrunn	
77/17/T (CLY-KITZ-040)	M 31	Fieberbrunn	
78/17/T (CLY-KITZ-041)	M 31	Kitzbühel Land	Fieberbrunn
79/17/T (CLY-KITZ-042)	M 31	Kitzbühel Land	Fieberbrunn
80/17/T (CLY-KITZ-043)	M 31	Fieberbrunn	
81/17/T (CLY-KITZ-044)	M 31	Fieberbrunn	
82/17/T (CLY-KITZ-045)	M 31	Fieberbrunn	
83/17/T (CLY-KITZ-046)	M 31	Kitzbühel Land	Fieberbrunn
84/17/T (CLY-KITZ-047)	M 31	Kitzbühel Land	
85/17/T (CLY-KITZ-048)	M 31	Kitzbühel Land	Fieberbrunn
86/17/T (CLY-KITZ-049)	M 31	Kitzbühel Land	Fieberbrunn
87/17/T (CLY-KITZ-050)	M 31	Fieberbrunn	
88/17/T (CLY-KITZ-051)	M 31	Kitzbühel Land	Fieberbrunn, Aurach
89/17/T (CLY-KITZ-052)	M 31	Aurach	
90/17/T (CLY-KITZ-053)	M 31	Aurach	
91/17/T (CLY-KITZ-054)	M 31	Kitzbühel Land	Aurach
92/17/T (CLY-KITZ-055)	M 31	Aurach	
93/17/T (CLY-KITZ-056)	M 31	Aurach	
94/17/T (CLY-KITZ-057)	M 31	Kitzbühel Land	Aurach
95/17/T (CLY-KITZ-058)	M 31	Aurach	
96/17/T (CLY-KITZ-059)	M 31	Kitzbühel Land	Aurach
97/17/T (CLY-KITZ-060)	M 31	Kitzbühel Land	Aurach
98/17/T (CLY-KITZ-061)	M 31	Kitzbühel Land	Aurach
99/17/T (CLY-KITZ-062)	M 31	Kitzbühel Land	
100/17/T (CLY-KITZ-063)	M 31	Kitzbühel Land	
101/17/T (CLY-KITZ-064)	M 31	Kitzbühel Land	Aurach
102/17/T (CLY-KITZ-065)	M 31	Aurach	
103/17/T (CLY-KITZ-066)	M 31	Kitzbühel Land	Aurach
104/17/T (CLY-KITZ-067)	M 31	Kitzbühel Land	
105/17/T (CLY-KITZ-068)	M 31	Kitzbühel Land	Aurach
106/17/T (CLY-KITZ-069)	M 31	Kitzbühel Land	Aurach
107/17/T (CLY-KITZ-070)	M 31	Kitzbühel Land	
108/17/T (CLY-KITZ-071)	M 31	Kitzbühel Land	
109/17/T (CLY-KITZ-072)	M 31	Kitzbühel Land	
110/17/T (CLY-KITZ-073)	M 31	Kitzbühel Land	
111/17/T (CLY-KITZ-074)	M 31	Kitzbühel Land	
112/17/T (CLY-KITZ-075)	M 31	Kitzbühel Land	
113/17/T (CLY-KITZ-076)	M 31	Kitzbühel Land	
114/17/T (CLY-KITZ-077)	M 31	Kitzbühel Land	
115/17/T (CLY-KITZ-078)	M 31	Kitzbühel Land	
116/17/T (CLY-KITZ-079)	M 31	Kitzbühel Land	
117/17/T (CLY-KITZ-080)	M 31	Kitzbühel Land	
118/17/T (CLY-KITZ-081)	M 31	Kitzbühel Land	
119/17/T (CLY-KITZ-082)	M 31	St. Johann in Tirol	Kitzbühel Land
121/17/T (CLY-KITZ-084)	M 31	Kitzbühel Land	Fieberbrunn
122/17/T (CLY-KITZ-085)	M 31	St. Johann in Tirol	Kitzbühel Land
123/17/T (CLY-KITZ-086)	M 31	St. Johann in Tirol	Kitzbühel Land
124/17/T (CLY-KITZ-087)	M 31	St. Johann in Tirol	Kitzbühel Land, Fieberbrunn

125/17/T (CLY-KITZ-088)	M 31	St. Johann in Tirol	
126/17/T (CLY-KITZ-089)	M 31	St. Johann in Tirol	
127/17/T (CLY-KITZ-090)	M 31	St. Johann in Tirol	
128/17/T (CLY-KITZ-091)	M 31	St. Johann in Tirol	
129/17/T (CLY-KITZ-092)	M 31	St. Johann in Tirol	
130/17/T (CLY-KITZ-093)	M 31	St. Johann in Tirol	Kitzbühel Land
131/17/T (CLY-KITZ-094)	M 31	St. Johann in Tirol	
132/17/T (CLY-KITZ-095)	M 31	St. Johann in Tirol	
133/17/T (CLY-KITZ-096)	M 31	St. Johann in Tirol	
135/17/T (CLY-KITZ-098)	M 31	Kitzbühel Land	
137/17/T (CLY-KITZ-100)	M 31	Aurach	

Austrian Tenement Schedule - Leogang - Clancy Second Priority in at least 50% of the licence area

Designation	Reference Meridian	Cadastral Municipalities	
		Centre in the Cadastral Municipality	Other Cadastral Municipality Concerned
49/17/S (CLY-LEOG-001)	M 31	Schwarzleo	Sonnberg
50/17/S (CLY-LEOG-002)	M 31	Schwarzleo	
52/17/S (CLY-LEOG-004)	M 31	Schwarzleo	
53/17/S (CLY-LEOG-005)	M 31	Schwarzleo	
54/17/S (CLY-LEOG-006)	M 31	Schwarzleo	
55/17/S (CLY-LEOG-007)	M 31	Schwarzleo	
59/17/S (CLY-LEOG-011)	M 31	Schwarzleo	
60/17/S (CLY-LEOG-012)	M 31	Schwarzleo	
61/17/S (CLY-LEOG-013)	M 31	Schwarzleo	Grießen
62/17/S (CLY-LEOG-014)	M 31	Schwarzleo	
63/17/S (CLY-LEOG-015)	M 31	Schwarzleo	
65/17/S (CLY-LEOG-017)	M 31	Schwarzleo	Grießen
66/17/S (CLY-LEOG-018)	M 31	Schwarzleo	
67/17/S (CLY-LEOG-019)	M 31	Schwarzleo	
69/17/S (CLY-LEOG-021)	M 31	Schwarzleo	
70/17/S (CLY-LEOG-022)	M 31	Schwarzleo	Grießen
72/17/S (CLY-LEOG-024)	M 31	Schwarzleo	
73/17/S (CLY-LEOG-025)	M 31	Schwarzleo	Grießen
75/17/S (CLY-LEOG-027)	M 31	Schwarzleo	
76/17/S (CLY-LEOG-028)	M 31	Schwarzleo	
77/17/S (CLY-LEOG-029)	M 31	Schwarzleo	
97/17/S (CLY-LEOG-049)	M 31	Fieberbrunn	
100/17/S (CLY-LEOG-052)	M 31	Fieberbrunn	
102/17/S (CLY-LEOG-054)	M 31	Fieberbrunn	
113/17/S (CLY-LEOG-065)	M 31	Fieberbrunn	

Austrian Tenement Schedule - Kitzbuhel - Clancy Second Priority in at least 50% of licence area

Designation	Reference Meridian	Cadastral Municipalities	
		Centre in the Cadastral Municipality	Other Cadastral Municipality Concerned
120/17/T (CLY-KITZ-083)	M 31	Kitzbühel Land	
134/17/T (CLY-KITZ-097)	M 31	St. Johann in Tirol	Kitzbühel Land
136/17/T (CLY-KITZ-099)	M 31	Kitzbühel Land	

Moroccan Tenement Schedule

Licence Name	Licence No	Clancy interest	Note
Tizi Belhaj	234 08 79	20%	Earning up to 100%
Bou Amzil	233 88 04	20%	Earning up to 100%
Imdere	233 94 05	20%	Earning up to 100%
Bou Amzil Extension	PR 384 22 26	-	100% on completion

Company Secretary

Ms Oonagh Malone

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Telephone: +61 8 6143 6720

Share Registry

Automic Registry Services
126 Phillip Street
Sydney NSW 2000
Telephone: 1300 992 916