



# ANNUAL REPORT 2020

FOR THE YEAR ENDED 30 JUNE 2020

Fitzroy River

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# CORPORATE DIRECTORY

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## **DIRECTORS**

Malcolm McComas – Non-Executive Chairman

Susan Thomas – Non-Executive Director

Justin Clyne – Non-Executive Director

## **COMPANY SECRETARY**

Justin Clyne

## **REGISTERED OFFICE**

Suite 6.02, Level 6  
28 O'Connell Street  
SYDNEY NSW 2000

## **PRINCIPAL PLACE OF BUSINESS**

Suite 6.02, Level 6  
28 O'Connell Street  
SYDNEY NSW 2000

## **SHARE REGISTER**

Boardroom Pty Ltd  
Level 12, 225 George Street  
SYDNEY NSW 2000

## **AUDITOR**

Deloitte Touche Tohmatsu  
225 George Street  
SYDNEY NSW 2000

## **STOCK EXCHANGE LISTING**

Fitzroy River Corporation Limited shares are listed on the Australian Securities Exchange (ASX code: FZR)

## **WEBSITE**

[www.fitzroyriver.net.au](http://www.fitzroyriver.net.au)

# CHAIR'S LETTER

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Dear Shareholders,

During the 2020 financial year, Fitzroy River Corporation Limited (Fitzroy) completed a long term objective to acquire 100% of Royalco Resources Limited (RCO) which was previously a 48% associated investment. This was completed in January 2020 and RCO is now a wholly owned subsidiary. We borrowed \$5.0m to fund the acquisition and this debt facility has been reduced to \$2.5m today.

The expanded assets of Fitzroy now include a direct interest in the Weeks Royalty and a small number of pre-production mineral royalties, the two most significant of which are:

- The Bowdens silver-lead-zinc project in NSW being developed by Silver Mines (ASX:SVL); and
- The Blackwater gold project in New Zealand being developed by Federation Mining, an entity associated with Jim Askew and Mark Le Messurier.

Fitzroy's portfolio of royalties and investments in oil and gas production includes exposure to:

- Canning Basin (WA) through the Canning Basin and Lennard Shelf Royalty Deeds;
- Bass Strait (VIC) through a 1.0% interest in the Weeks Royalty;
- Gulf of Mexico (USA) through an investment in Byron Energy (ASX:BYE); and
- North Sea (UK) through an investment in the private unlisted Spark Exploration (Spark)

In April 2020, the oil price collapsed following a decline in Covid-19 related global demand, excess production and storage shortages that were related to futures contract maturity dates. The oil price has yet to recover to average prices received in FY19. As a result, we resolved to recognise the following substantial valuation adjustments at 30 June 2020:

- An impairment of \$1.64m in relation to the Weeks royalty (in addition to a \$2.29m impairment upon acquisition); and
- Revaluation (loss) on investments of \$2.88m in BYE and Spark.

Total royalty income of \$484k was 35% higher than FY19 (\$358k) but receipts were approximately \$155k lower than expected for the March and June quarters. Royalty income was generated from sales from the Ungani field in the Canning Basin under the Buru Energy Limited (ASX:BRU) royalty and from consolidation of the Weeks royalty following the acquisition of RCO. Total revenue for the year was \$502k, an increase of 28% (FY19: \$390k).

The operating costs of running the business increased during the year to \$877k (FY19: \$425k) due primarily to costs of the RCO acquisition. In addition, interest costs of \$312k were incurred on acquisition finance borrowings. The total comprehensive loss for the year was \$7.77m (FY19: \$1.11m loss) including a loss (net of tax) on the value of investments of \$1.94m (FY19: \$687k).

Net cash used in operating activities was significantly higher at \$529k when compared to \$40k net cash used in FY19. As a result of the impairments, revaluations and the loss incurred, total assets at 30 June were \$7.74m (FY19: \$11.88m) with net assets of \$4.03m (FY19: \$11.84m).

The Fitzroy Board continued to look at capital structure and prior to the RCO acquisition, the company bought back and cancelled a small number of shares under the 10% on-market buyback which concluded on 28 August 2019.

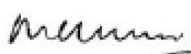
Looking forward, we expect FY21 and beyond to show a moderate improvement in the oil price as global demand recovers from the 2020 Covid-19 shock. In addition, we will be closely watching several of our pre-production assets as they move towards funding and production milestones. In summary, Fitzroy has:

- Revenues from the Canning Basin and Weeks royalties (subject to recent declines in oil prices and production volumes);
- Moderate operating costs adjusting for one-off acquisition costs;
- \$2.5m borrowings due November 2021;
- Listed and unlisted equity investments; and
- Several pre-production mineral royalties including the Bowden's and Blackwater projects that have been progressed materially during the year by their respective operators.

We expect these assets to generate positive returns for shareholders over the medium term.

I thank colleagues Susan Thomas and Justin Clyne for their considerable work on your behalf. I also thank you, our shareholders, for your continued interest and support.

Yours sincerely



**Malcolm McComas**  
Chairman

# DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Fitzroy River Corporation Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of or during the year ended 30 June 2020. During the year, the company acquired control of Royalco Resources Limited effective 21 December 2019 and accordingly has prepared consolidated financial statements at 30 June 2020. The comparative balances are for the company only.

## INFORMATION ON DIRECTORS

The following persons were directors of Fitzroy River Corporation Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

### MALCOLM MCCOMAS

Title	Non-Executive Chairman
Qualifications	BEC, LLB (Monash), SFFin, FAIDC
Experience and expertise	Mr McComas has extensive experience as a company director and was a former investment banker for 25 years during which he held leadership roles with County NatWest (now Citigroup) and Grant Samuel.
Other current directorships	Chairman of Pharmaxis Limited (ASX: PXS); Actinogen Medical Limited (ASX: ACW); and Core Lithium Limited (ASX:CXO).
Former directorships (last 3 years)	Royalco Resources Limited (ASX: RCO); and Saunders International Limited (ASX: SND)
Interest in shares	417,984 ordinary shares
Interest in options	Nil

### SUSAN THOMAS

Title	Non-Executive Director
Qualifications	B Comm, LLB (UNSW)
Experience and expertise	Mrs Thomas has expertise in technology and law in the financial services industry. Ms Thomas founded and was Managing Director of FlexiPlan Australia, an investment administration platform sold to MLC under the MLC/NAB.
Other current directorships	Temple and Webster Limited (ASX: TPW)
Former directorships (last 3 years)	Alexium International Group Limited (ASX: AJX) and Royalco Resources Limited (ASX: RCO)
Interest in shares	18,145,178 ordinary shares
Interest in options	Nil

### JUSTIN CLYNE

Title	Non-Executive Director
Qualifications	LLM (UNSW), ACIS, AGIA, MAICD
Experience and expertise	Justin is a qualified Chartered Company Secretary and Member of the Australian Institute of Company Directors. Justin Clyne was admitted as a Solicitor of the Supreme Court of New South Wales and High Court of Australia in 1996 before gaining admission as a Barrister in 1998. He had 15 years of experience in the legal profession acting for a number of the country's largest corporations, initially in the areas of corporate and commercial law before dedicating himself full-time to the provision of corporate advisory and company secretarial services. Justin has been a director and/or secretary of a number of public listed and unlisted companies. He has significant experience and knowledge in international law, the Corporations Act, the ASX Listing Rules and corporate regulatory requirements generally.
Other current directorships	Nil
Former directorships (last 3 years)	Nil
Interest in shares	Nil
Interest in options	Nil

# DIRECTORS' REPORT

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'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity are as an oil and gas and mineral investment holding company with a focus on non-operational assets such as royalties, free carried interests and equity investments. The consolidated entity's focus is a number of areas including but not limited to:

- The Canning Superbasin in Western Australia;
- Bass Strait through the 1% interest in the Weeks Royalty;
- The Gulf of Mexico through the company's investment in Byron Energy Limited (ASX:BYE);
- A right to a royalty or payment on decision to mine (at the election of Federation Mining) in respect of the Blackwater Gold Project in New Zealand;
- A right to a royalty over the Bowden's Silver Mine in NSW; and
- The UK North Sea through its investment in the unlisted entity Spark Exploration Pty Ltd.

The consolidated entity's activities are generally passive in nature and its royalty income is dependent on the activities and quantum of oil sales by third parties and the receipt of dividends, if any, from its investments.

## DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

## REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$5,830,000 (30 June 2019: \$432,000).

The most significant activity in the financial year to 30 June 2020, was the successful completion of the on market takeover for all of the shares in Royalco which Fitzroy did not already own. Prior to announcing the offer on 14 November, 2019, Fitzroy owned approx. 47.76% of the shares in Royalco.

On 17 February 2020, Fitzroy announced the completion of the acquisition process, and Royalco is now a wholly owned subsidiary.

As part of the acquisition funding, Fitzroy secured a loan of \$5,000,000 for 12 months. The term of the loan was extended so that it now matures on 14 November, 2021. \$1,500,000 million was repaid prior to 30 June 2020 and since that time a further \$1.0 million has been repaid, reducing the total amount outstanding under the loan facility to \$2,500,000.

In August 2019, the Company concluded its second on-market buyback of shares. During the course of the buyback, a total of 2,087,458 shares were bought back for a total consideration of \$391,360 with 191,447 of those shares bought back in the 2020 financial year.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, the company obtained control of the formerly ASX listed Royalco Resources Limited (ASX: RCO) effective 21 December 2019, which was then converted to a private company, Royalco Resources Pty Ltd, on 12 June 2020 following application to ASIC. Accordingly, Fitzroy has prepared consolidated financial statements incorporating Royalco as at 30 June 2020.

During the year the company bought back 191,447 fully paid ordinary shares at a cost of \$35,418.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

# DIRECTORS' REPORT – REMUNERATION REPORT

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since 30 June 2020, the consolidated entity has sold 3,500,000 shares in Byron Energy Limited receiving a total of \$713,452. At 30 June 2020, these shares were valued at \$490,000.

Since 30 June 2020, the consolidated entity opted to repay \$1 million of its borrowings reducing the total amount outstanding under the loan facility to \$2.5 million.

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

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

## ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

DIRECTORS' NAME	FULL BOARD	
	Attended	Held
Malcolm McComas	10	10
Susan Thomas	10	10
Justin Clyne	8	8

Held: represents the number of meetings the director was entitled to attend to attend during the financial year. Justin Clyne was excluded from 2 meetings due to a conflict of interest as the company secretary of Royalco.

## REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

# DIRECTORS' REPORT – REMUNERATION REPORT

## Principles used to determine the nature and amount of remuneration

The principles of the company's executive strategy and supporting incentive programs and frameworks are to:

- align rewards to business outcomes that deliver value to shareholders;
- drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

The consolidated entity does not have any employees. Non-executive directors are expected to assist with the company's affairs from time to time on an as required basis, performing extra or special services on discrete matters, and under the overall supervision of the full board of directors. Their appointment letters reflects this.

The remuneration structure that has been adopted by the company involves paying relatively low fees in respect of board fees, with the expectation, that if additional executive work is required from the directors (for example during the takeover) that the board member will be paid fees for additional work. During the year, no bonuses, options or incentives were paid.

The Board assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board.

From 1 January 2018, fees for non-executive directors are \$10,000 per quarter (plus GST) and \$15,000 per quarter (plus GST) for the chairman. An aggregate limit of \$300,000 in directors' fees for the purposes of clause 7.5 of the constitution was set by shareholders in 2006. This limit does not include fees for company secretarial services for executive services.

## Company performance and link to remuneration

The company does not have any employees. Board fees are a fixed annual amount and not linked to the performance of the company. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

## Use of remuneration consultants

The company has not engaged remuneration consultants.

## Voting and comments made at the company's 13 November 2019 Annual General Meeting (AGM)

The company received 99.54% of votes cast in favour of the resolution to adopt the Company's remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

## Details of remuneration

### Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

2020 CONSOLIDATED	SHORT TERM BENEFITS			POST- EMPLOY- MENT BENEFITS	LONG-TERM BENEFITS	SHARE- BASED PAYMENTS	Total \$
	Cash salary and fees \$	Cash bonus \$	Non- monetary \$	Super- annuation \$	Long service leave \$	Equity- settled \$	
<b>Non-Executive Directors</b>							
Malcolm McComas*	96,667	-	-	-	-	-	96,667
Susan Thomas**	85,000	-	-	-	-	-	85,000
Justin Clyne***	101,667	-	-	-	-	-	101,667
	<b>283,334</b>	-	-	-	-	-	<b>283,334</b>



# DIRECTORS' REPORT – REMUNERATION REPORT

\* Fees paid to Malcolm McComas include \$30,000 for additional work performed during the acquisition of Royalco Resources Limited and \$6,667 in his capacity as director of that company after it was acquired.

\*\* Fees paid to Susan Thomas include \$30,000 for additional work performed during the acquisition of Royalco Resources Limited and \$15,000 in her capacity as director of that company after it was acquired.

\*\*\* Fees paid during the year to Justin Clyne include company secretarial fees of \$40,000 (2018: \$60,000). In addition, he was paid \$15,000 by Royalco Resources Limited for additional work performed during the acquisition of Royalco and \$6,667 by Royalco in his capacity as company secretary of that company after it was acquired.

2019 PARENT	SHORT TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	
<b>Non-Executive Directors</b>							
Malcolm McComas	60,000	-	-	-	-	-	60,000
Susan Thomas	40,000	-	-	-	-	-	40,000
Justin Clyne*	80,000	-	-	-	-	-	80,000
	<b>180,000</b>	-	-	-	-	-	<b>180,000</b>

\* Fees paid during the year to Mr Justin Clyne include company secretarial fees of \$40,000 (2018: \$60,000).

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	FIXED REMUNERATION		AT RISK: STI		AT RISK: LTI	
	2020 Consolidated	2019 Parent	2020 Consolidated	2019 Parent	2020 Consolidated	2019 Parent
<b>Non-Executive Directors</b>						
Malcolm McComas	100%	100%	-	-	-	-
Susan Thomas	100%	100%	-	-	-	-
Justin Clyne	100%	100%	-	-	-	-

## Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

NAME	TITLE	TERM OF AGREEMENT	NOTICE PERIOD	BASE FEE
Malcolm McComas	Non-Executive Chairman	Re-election every 3 years	1 month	\$60,000 (from 1 Jan 2018)
Susan Thomas	Non-Executive Director	Re-election every 3 years	1 month	\$40,000 (from 1 Jan 2018)
Justin Clyne	Non-Executive Director & Company Secretary	Re-election every 3 years	3 months	\$80,000 (from 1 Jan 2018) which includes \$40,000 for company secretary services

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

# DIRECTORS' REPORT – REMUNERATION REPORT

## Share-based compensation

### Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

### Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2020.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020.

## Additional information

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

	2020	2019	2018	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(loss) after income tax	(5,830)	(432)	479	(794)	(691)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2020	2019	2018	2017	2016
Share price at financial year end (\$)	0.14	0.19	0.26	0.16	0.19
Basic earnings per share (cents per share)	(6.75)	(0.50)	0.54	(0.87)	(0.76)

## Additional disclosures relating to key management personnel

### Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

ORDINARY SHARES					
	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Malcolm McComas	297,984	-	120,000	-	417,984
Susan Thomas	18,145,178	-	-	-	18,145,178
	<b>18,443,162</b>	<b>-</b>	<b>120,000</b>	<b>-</b>	<b>18,563,162</b>

### Loans to key management personnel and their related parties

There were no loans made during the year to any key management personnel.

This concludes the remuneration report, which has been audited.

## SHARES UNDER OPTION

There were no unissued ordinary shares of Fitzroy River Corporation Limited under option outstanding at the date of this report.

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Fitzroy River Corporation Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

# DIRECTORS' REPORT

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## INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

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

## INDEMNITY AND INSURANCE OF AUDITOR

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

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

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

## NON-AUDIT SERVICES

There were no non-audit services provided during the financial year by the auditor.

## OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF DELOITTE TOUCHE TOHMATSU

There are no officers of the company who are former partners of Deloitte Touche Tohmatsu.

## ROUNDING OF AMOUNTS

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

## AUDITOR

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



Director: .....

Malcolm McComas  
Non-Executive Chairman

23 September 2020

# AUDITORS' INDEPENDENCE DECLARATION

**Deloitte.**

Deloitte Touche Tohmatsu  
ABN 74 490 121 060  
Grosvenor Place  
225 George Street  
Sydney, NSW, 2000  
Australia

Phone: +61 2 9322 7000  
www.deloitte.com.au

The Board of Directors  
Fitzroy River Corporation Limited  
Suite 6.02, Level 6  
28 O'Connell Street  
Sydney NSW 2000

23 September 2020

Dear Board Members

**Fitzroy River Corporation Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Fitzroy River Corporation Limited.

As lead audit partner for the audit of the financial statements of Fitzroy River Corporation Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Cheryl Kennedy  
Partner  
Chartered Accountants

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Member of Deloitte Asia Pacific Limited and the Deloitte organisation.



# CORPORATE GOVERNANCE STATEMENT

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The board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Fitzroy River Corporation Limited (the “company”) has adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The company’s Corporate Governance Statement for the financial year ending 30 June 2020 will be released to the ASX in conjunction with the company’s full annual report in October 2020 and placed on the company’s website at the same time.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		2020 CONSOLIDATED	2019 PARENT
	Notes	\$'000	\$'000
<b>Revenue</b>			
Interest revenue calculated using the effective interest method		18	32
Royalty income		484	358
<b>Expenses</b>			
Professional and consultancy fees		(260)	(109)
Directors and company secretarial fees		(283)	(201)
Impairment of intangible assets	11	(3,923)	-
Share of net loss from associate accounted for using the equity method	8	(64)	(119)
Impairment of investment in associate	8	(17)	(124)
Fair value loss on warrants over unlisted equity securities		(83)	(44)
Amortisation of royalty rights	11	(224)	-
Other expenses		(334)	(115)
Finance costs		(312)	-
<b>Loss before income tax expense</b>		<b>(4,998)</b>	<b>(322)</b>
Income tax expense	5	(832)	(110)
<b>Loss after income tax expense for the year attributable to the owners of Fitzroy River Corporation Limited</b>		<b>(5,830)</b>	<b>(432)</b>
<b>Other comprehensive loss:</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax	9	(1,942)	(687)
Other comprehensive loss for the year, net of tax		(1,942)	(687)
<b>Total comprehensive loss for the year attributable to the owners of Fitzroy River Corporation Limited</b>		<b>(7,772)</b>	<b>(1,119)</b>

		2020 CONSOLIDATED	2019 PARENT
	Notes	Cents	Cents
Basic loss per share	28	(6.75)	(0.50)
Diluted earnings per share	28	(6.75)	(0.50)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2020

		2020 CONSOLIDATED	2019 PARENT
	Notes	\$'000	\$'000
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	6	624	1,251
Trade and other receivables	7	181	79
Other		30	22
<b>Total current assets</b>		<b>835</b>	<b>1,352</b>
Non-current assets			
Investments accounted for using the equity method	8	-	4,034
Financial assets at fair value through other comprehensive income	9	3,038	6,358
Derivative financial instruments	10	55	138
Intangibles	11	3,816	-
<b>Total non-current assets</b>		<b>6,909</b>	<b>10,530</b>
<b>Total assets</b>		<b>7,744</b>	<b>11,882</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables	12	92	41
Other	13	118	-
<b>Total current liabilities</b>		<b>210</b>	<b>41</b>
Non-current liabilities			
Borrowings	14	3,500	-
<b>Total non-current liabilities</b>		<b>3,500</b>	<b>-</b>
<b>Total liabilities</b>		<b>3,710</b>	<b>41</b>
<b>Net assets</b>		<b>4,034</b>	<b>11,841</b>
<b>EQUITY</b>			
Issued capital	15	41,378	41,413
Reserves	16	472	2,414
Accumulated losses		(37,816)	(31,986)
<b>Total equity</b>		<b>4,034</b>	<b>11,841</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 July 2018</b>	<b>41,769</b>	<b>3,480</b>	<b>(31,933)</b>	<b>13,316</b>
Transfer upon adoption of AASB 9, net of tax	-	(379)	379	-
<b>Balance at 1 July 2018 – restated</b>	<b>41,769</b>	<b>3,101</b>	<b>(31,554)</b>	<b>13,316</b>
Loss after income tax expense for the year	-	-	(432)	(432)
Other comprehensive loss for the year, net of tax	-	(687)	-	(687)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(687)</b>	<b>(432)</b>	<b>(1,119)</b>
<i>Transactions with owners in their capacity as owners:</i>				
Share buy back	(356)	-	-	(356)
<b>Balance at 30 June 2019</b>	<b>41,413</b>	<b>2,414</b>	<b>(31,986)</b>	<b>11,841</b>
<b>Balance at 1 July 2019</b>	<b>41,413</b>	<b>2,414</b>	<b>(31,986)</b>	<b>11,841</b>
Loss after income tax expense for the year	-	-	(5,830)	(5,830)
Other comprehensive loss for the year, net of tax	-	(1,942)	-	(1,942)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(1,942)</b>	<b>(5,830)</b>	<b>(7,772)</b>
<i>Transactions with owners in their capacity as owners:</i>				
Share buy back	(35)	-	-	(35)
<b>Balance at 30 June 2020</b>	<b>41,378</b>	<b>472</b>	<b>(37,816)</b>	<b>4,034</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

		2020 CONSOLIDATED	2019 PARENT
	Notes	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees (inclusive of GST)		(828)	(426)
Interest received		18	32
Interest and other finance costs paid		(283)	-
Royalties received		564	354
<b>Net cash used in operating activities</b>	27	<b>(529)</b>	<b>(40)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for investments		(23)	(695)
Cash paid to gain control of Royalco Resources Limited (net of cash acquired)	13	(4,097)	-
Proceeds from disposal of investments		569	-
<b>Net cash used in investing activities</b>		<b>(3,551)</b>	<b>(695)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		5,000	-
Payments for share buy-backs		(47)	(344)
Repayment of borrowings		(1,500)	-
<b>Net cash from/(used in) financing activities</b>		<b>3,453</b>	<b>(344)</b>
Net decrease in cash and cash equivalents		(627)	(1,079)
Cash and cash equivalents at the beginning of the financial year		1,251	2,330
<b>Cash and cash equivalents at the end of the financial year</b>	6	<b>624</b>	<b>1,251</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

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## GENERAL INFORMATION

The financial statements cover Fitzroy River Corporation Limited as a consolidated entity consisting of Fitzroy River Corporation Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Fitzroy River Corporation Limited's functional and presentation currency.

Fitzroy River Corporation Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 6.02, Level 6  
28 O'Connell Street  
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 September 2020. The directors have the power to amend and reissue the financial statements.

## 1. 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.

During the year the company acquired control of Royalco Resources Limited effective 21 December 2019, and accordingly has prepared consolidated financial statements at 30 June 2020. The comparative balances are for the company only.

### New or amended Accounting Standards and Interpretations adopted

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

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

New and revised Standards, Amendments thereof, and Interpretations effective for the current reporting period that are relevant to the company include:

#### AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The impact of its adoption has not been material because the consolidated entity does not hold leases.

### Going concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated entity has incurred net losses after tax of \$5.83M and net cash outflows from operating activities of \$529k for the year ended 30 June 2020. The loss for the period includes a non-cash impairment of \$3.92M in relation to intangible assets.

The directors have reviewed the cashflow forecasts and believe that there are reasonable grounds that the consolidated entity will be able to continue as a going concern due to the following factors:

- The consolidated entity received income through the receipt of royalty payments from Buru Energy Limited in relation to royalties over some of Buru's production areas in the Canning Basin and expect to receive ongoing royalties;

# NOTES TO THE FINANCIAL STATEMENTS

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- Subsequent to the acquisition of Royalgo Resources Limited, the consolidated entity has received income from the Weeks Royalty; and
- The consolidated entity has the ability to realise its financial assets.

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

## **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets.

### *Critical accounting estimates*

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

## **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 24.

## **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Fitzroy River Corporation Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Fitzroy River Corporation Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

## **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

# NOTES TO THE FINANCIAL STATEMENTS

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## Revenue recognition

The consolidated entity recognises revenue as follows:

### *Royalty revenue*

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided this it is probable the economic benefits will flow to the group and the amount can be reliably measured). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty agreements that are based on production, sales and other measures, are recognised by reference to the underlying agreement.

### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method.

### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

## Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

## Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Trade and other receivables

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

## Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

# NOTES TO THE FINANCIAL STATEMENTS

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## **Associates**

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## **Investments and other financial assets**

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

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

### *Financial assets at fair value through other comprehensive income*

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

### *Financial assets at amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

### *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.

### *Impairment of financial assets*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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## **Intangible assets**

Intangible assets acquired as part of an asset acquisition, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### **Royalty rights**

Royalty rights acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

# NOTES TO THE FINANCIAL STATEMENTS

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## 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.

## Earnings per share

### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Fitzroy River Corporation Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

## Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business effective 1 January 2020
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material effective 1 January 2020
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework effective 1 January 2020
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform effective 1 January 2020
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia effective 1 January 2020
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current effective 1 January 2022
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments effective 1 January 2022



# NOTES TO THE FINANCIAL STATEMENTS

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## 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

### *Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. A net deferred tax asset has not been recognised in the current period because its realisation of the consolidated entity's tax losses has not been deemed probable.

### *Investment in Royalco Resources Limited*

On 14 November 2019, the company announced its intention to make an off-market take over for all of the shares in Royalco Resources Limited (Royalco) that it did not own. Prior to making the offer, the company held 47.76% of the Royalco shares on issue and accounted for the investment using the equity accounting method. The total shares to be acquired was 27,539,260 at a cost of \$6,609,422.

At the time of the acquisition, Royalco held a small portfolio of royalty assets with only one of them, the Weeks royalty, generating revenue. For this reason, the Fitzroy Board determined that Royalco was not carrying on a business as defined in AASB 3 Business Combinations and therefore have accounted for the transaction as an asset acquisition rather than a business combination.

As noted above, the company's investment in Royalco comprised two elements, the existing investment in Royalco accounted for using the equity method and the cash payable. An independent accountant was engaged to assist in determining the fair value of the Company's investment in Royalco as at 21 December when control was gained.

At the date of acquisition the board reviewed the values of the of the net assets and royalty rights acquired and the allocation of the consideration to the relative fair values of the assets acquired, including the Weeks royalty. The other royalty rights acquired are not over currently producing assets, and none of the holders of those assets over which Royalco has a royalty, has announced definite plans to go into production. For this reason, an impairment of \$2,284,000 has been recognised. Refer to note 11.

### *Investment in Spark Exploration Pty Ltd*

The investment in Spark Exploration Pty Ltd (Spark) has two components being warrants and fully paid ordinary shares. The shares and warrants are remeasured to fair value at each reporting period with the fair value of the warrants calculated using a Black-Scholes model. The investment was made in December 2018.

Spark is a private company. The company's asset borders an asset held by Hurricane Energy PLC (HUR), an entity listed on the London Stock Exchange. Movements in HUR's share price are the best indicator available of the fair value of Spark. During the year, HUR had significant changes in management which also impacted on its share price, meaning that some of the reduction in its share price could be attributed to that issue. The company estimates that 50% of the reduction could be attributed to that issue. This was also supported by the movements in the FTSE Oil and Gas index over the period. Refer to note 9 and note 10.

### *Weeks royalty carrying value*

The COVID-19 pandemic has had a significant impact on oil and gas prices, meaning that there were indicators of impairment at 30 June 2020. For this reason, the company engaged external experts to assist with estimating the expected production volumes of the Bass Strait oil and gas fields, as well as future commodity prices. These inputs were used in a discounted cash flow analysis, applying a discount rate of 7% on the forecast future cash flows net of tax, resulting in impairment of \$1,639,000. Refer to note 11.



# NOTES TO THE FINANCIAL STATEMENTS

## 3. IMPACT OF COVID 19 PANDEMIC

During the period ended 30 June 2020, COVID-19 was declared a pandemic by the World Health Organisation. The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Since its outbreak, governments worldwide have set up measures to contain the pandemic. Many countries have required entities to limit or suspend business operations and have also implemented travel restrictions and quarantine measures. Monetary and fiscal stimulus packages have also been introduced in some countries. As the COVID-19 outbreak continues to evolve, the estimated financial impact cannot be fully determined at this time. The impact which COVID 19 has had on the consolidated entity is set out below.

The pandemic has had a significant impact on oil and gas commodity prices which have had a significant impact on the consolidated entity's financial performance during the current year. In the six months since 1 January 2020, the consolidated entity has recognised the following valuation adjustments that can be primarily attributed to COVID:

- An impairment of \$1,639,000 has been recognised in relation the consolidated entity's investment in the Weeks royalty;
- Revaluation decrements totalling \$2,244,000, net of tax, have been recognised through other comprehensive income in relation to financial assets;
- A fair value loss of \$77,000 has been recognised through the profit and loss in relation to derivative financial instruments; and
- Total royalty income is approximately \$155,000 lower than expected for the March and June quarters.

The impact of COVID-19 on the consolidated entity's corporate operations has not been material due to their scale and nature of operations. The consolidated entity has not received any government support of stimulus.

## 4. OPERATING SEGMENTS

### Identification of reportable operating segments

The consolidated entity is organised into one operating segment: management of resources based royalties and investments. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources.

## 5. INCOME TAX

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(4,998)	(322)
Tax at the statutory tax rate of 30%	(1,499)	(97)
<i>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</i>		
• Effect of timing and permanent differences	1,357	-
• Tax losses not recognised	63	207
• Derecognition of deferred tax assets previously brought to account	911	-
<b>Income tax expense</b>	<b>832</b>	<b>110</b>
	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	6,465	690
<b>Potential tax benefit @ 30%</b>	<b>1,940</b>	<b>207</b>

# NOTES TO THE FINANCIAL STATEMENTS

A deferred tax asset has not been recognised during the current year, based on the directors' assessment that sufficient future taxable profits are not probable.

## Deferred tax asset

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	1,939	894
Property, plant and equipment	2	-
Borrowings costs	26	-
Royalty rights	597	-
Exploration expenditure	92	-
Investment in associate	-	301
Accrual and other payables	13	9
Blackhole expenditure	11	16
Set off against deferred tax liability	(102)	(1,013)
Deferred tax not recognised as realisation not probable	(2,617)	(207)
Prepayments	39	-
<b>Deferred tax asset</b>	<b>-</b>	<b>-</b>

## Deferred tax liability

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Equity securities at fair value	67	1,013
Accrued royalty receivable	35	-
Set off against deferred tax asset	(102)	(1,013)
<b>Deferred tax liability</b>	<b>-</b>	<b>-</b>

## 6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Cash at bank	624	1,251

# NOTES TO THE FINANCIAL STATEMENTS

## 7. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Accrued royalty	145	70
GST receivable	36	9
	<b>181</b>	<b>79</b>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

## 8. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Investment in associate	-	4,034

### Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2020 CONSOLIDATED	2019 PARENT
		%	%
Royalco Resource Limited	Australia	100.00	47.76

During the financial year the company gained control of Royalco Resources Limited and it has now been accounted for in the consolidated entity. Refer to note 2.

# NOTES TO THE FINANCIAL STATEMENTS

The summarised financial information of Royalco Resources Limited is outlined below:

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
<i>Summarised statement of financial position</i>		
Current assets	-	2,652
Non-current assets	-	5,879
<b>Total assets</b>	<b>-</b>	<b>8,531</b>
Current liabilities	-	119
Total liabilities	-	119
<b>Net assets</b>	<b>-</b>	<b>8,412</b>
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	-	805
Expenses	-	(1,053)
Loss before income tax	-	(248)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>-</b>	<b>(248)</b>
<i>Reconciliation of the consolidated entity's carrying amount</i>		
Opening carrying amount	4,034	4,277
Share of loss after income tax	(64)	(119)
Impairment	(17)	(124)
Amount derecognised upon taking control of Royalco Resources Limited	(3,953)	-
<b>Closing carrying amount</b>	<b>-</b>	<b>4,034</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 9. NON-CURRENT ASSETS – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Listed equity securities – at fair value	2,666	5,783
Unlisted equity securities – at fair value	372	575
	<b>3,038</b>	<b>6,358</b>

### Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	6,358	6,827
Additions	23	512
Disposals	(569)	-
Revaluations	(2,774)	(981)
<b>Closing fair value</b>	<b>3,038</b>	<b>6,358</b>

Refer to note 19 for further information on fair value measurement.

During the prior year, the company paid US\$500,000 (AU\$694,666) for 1,677,236 fully paid ordinary shares (a 1.43% stake) and 922,480 warrants in Spark Exploration Pty Ltd, an unlisted Australian company. Refer to note 10 for details.

Refer to note 2 for details of valuation assessment done in relation to unlisted equity investments.

## 10. NON-CURRENT ASSETS – DERIVATIVE FINANCIAL INSTRUMENTS

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Warrants over unlisted equity securities	55	138

Refer to note 19 for further information on fair value measurement.

As noted in note 9, the company received 922,480 warrants as part of its investment in Spark Exploration Pty Ltd. The warrants have the following terms:

- 3 year expiry term;
- exercise price which is a 55% premium on the value at grant date; and
- the options have various conditions and upon occurrence of these conditions, the options become exercisable. However, if none of them are met, the options can be exercised 34 months after grant date.

The fair value of the options has been determined using a Black Scholes model at 30 June 2020. During the year, a fair value loss of \$83,000 has been recognised in relation to these warrants. Refer to note 2.

# NOTES TO THE FINANCIAL STATEMENTS

## 11. NON-CURRENT ASSETS – INTANGIBLES

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Royalty rights – at fair value	7,963	-
Less: Accumulated amortisation	(224)	-
Less: Impairment	(3,923)	-
	<b>3,816</b>	<b>-</b>

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	ROYALTY RIGHTS	TOTAL
	\$'000	\$'000
Balance at 1 July 2018	-	-
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>-</b>
Additions	7,963	7,963
Impairment recognised at time of acquisition	(2,284)	(2,284)
Further impairment recognised	(1,639)	(1,639)
Amortisation expense	(224)	(224)
<b>Balance at 30 June 2020</b>	<b>3,816</b>	<b>3,816</b>

Refer to note 2 for details on impairments recognised.

The Weeks royalty asset has an estimated remaining useful life of 12.8 years.

## 12. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Trade payables	19	-
Interest payable	29	-
Other payables	44	41
	<b>92</b>	<b>41</b>

Refer to note 18 for further information on financial instruments.

## 13. CURRENT LIABILITIES – OTHER

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Consideration for Royalco Resources Limited acquisition	118	-

# NOTES TO THE FINANCIAL STATEMENTS

Of the \$6,609,422 payable for the acquisition, total payments of \$6,490,931 have been made in relation this amount up to 30 June 2020. Refer to note 2. Since 1 July 2020, further payments totalling \$76,735 have been made in relation to this liability.

The net paid in the statement of cash flows is made up of the following:

Total cash payable	6,609,442
Less amount still payable	(118,491)
Less cash acquired from Royalco Resources Limited	(2,393,839)
	<b>4,097,112</b>

## 14. NON-CURRENT LIABILITIES – BORROWINGS

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Borrowings payable	3,500	-

Refer to note 18 for further information on financial instruments.

### *Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Borrowings payable	3,500	-

Interest is payable monthly at 10% per annum and the loan terminates on 14 November 2021. Accrued interest has been included in the above balance. A security interest has been registered over all the company's present and after-acquired property

## 15. EQUITY – ISSUED CAPITAL

	2020 CONSOLIDATED	2019 PARENT	2020 CONSOLIDATED	2019 PARENT
	Shares	Shares	\$'000	\$'000
Ordinary shares – fully paid	86,363,401	86,554,848	41,378	41,413

### *Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### *Share buy-back*

During the year, the company bought back 191,447 fully paid ordinary shares at a cost of \$35,418 (2019: 1,896,011 fully paid ordinary shares at a cost of \$356,143).

# NOTES TO THE FINANCIAL STATEMENTS

## Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2019.

## 16. EQUITY – RESERVES

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Financial assets at fair value through other comprehensive income reserve	472	2,414

### Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

### Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	FIN ASSETS AT FAIR VALUE	TOTAL
	\$'000	\$'000
Balance at 1 July 2018	3,480	3,480
Change in fair value, net of tax	(687)	(687)
Transfer on adoption of AASB 9, net of tax	(379)	(379)
<b>Balance at 30 June 2019</b>	<b>2,414</b>	<b>2,414</b>
Change in fair value, net of tax	(1,942)	(1,942)
<b>Balance at 30 June 2020</b>	<b>472</b>	<b>472</b>

## 17. EQUITY – DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.



# NOTES TO THE FINANCIAL STATEMENTS

## 18. FINANCIAL INSTRUMENTS

### Financial risk management objectives

The board of directors has overall responsibility for the establishment of the consolidated entity's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities.

The consolidated entity does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the consolidated entity is exposed are described below.

### Market risk

#### Foreign currency risk

The consolidated entity is exposed to foreign currency risk in relation to its investment in Spark Exploration Pty Ltd refer to note 9 and related warrants.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	ASSETS		LIABILITIES	
	2020 CONSOLIDATED	2019 PARENT	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000	\$'000	\$'000
US dollars	427	713	-	-

2020 CONSOLIDATED	AUD STRENGTHENED			AUD WEAKENED		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
US dollars	20%	85	85	20%	(85)	(85)

2019 PARENT	AUD STRENGTHENED			AUD WEAKENED		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
US dollars	20%	142	142	20%	(142)	(142)

#### Equity price risk

The consolidated entity holds investments in listed and unlisted entities, and as such these are subject to varying valuations based on its current market price. The COVID-19 pandemic has seen extreme volatility in equity markets and oil prices which has resulted in significant decline in value in relation the consolidated entity's investments.

#### Interest rate risk

The consolidated entity is not exposed to material interest rate risk.

#### Credit risk

The consolidated entity is not exposed to significant credit risk. It receives royalties from two sources, both of which have a long established pattern of paying in full and in line with agreed terms.

# NOTES TO THE FINANCIAL STATEMENTS

## Liquidity risk

Liquidity risk is the risk that the consolidated entity might be unable to meet its obligations. The consolidated entity manages its liquidity needs by maintaining adequate cash through the monitoring of future cash flow forecasts of all its operations, which reflect management's expectations if the settlement of financial assets and liabilities.

## Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2020 CONSOLIDATED						
	Weighted average interest rate %	1 year or less \$'000	Between 1 & 2 years \$'000	Between 2 & 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	19	-	-	-	19
Other payables	-	44	-	-	-	44
Interest payables	-	29	-	-	-	29
Consideration for Royalco Resources Limited acquisition	-	118	-	-	-	118
<i>Interest-bearing – fixed rate</i>						
Borrowings payable	10.00%	-	3,500	-	-	3,500
<b>Total non-derivatives</b>		<b>210</b>	<b>3,500</b>	<b>-</b>	<b>-</b>	<b>3,710</b>

2019 PARENT						
	Weighted average interest rate %	1 year or less \$'000	Between 1 & 2 years \$'000	Between 2 & 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Other payables	-	41	-	-	-	41
<b>Total non-derivatives</b>		<b>41</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41</b>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## 19. FAIR VALUE MEASUREMENT

### Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

# NOTES TO THE FINANCIAL STATEMENTS

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

2020 CONSOLIDATED	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$'000	\$'000	\$'000	\$'000
<i>Assets</i>				
Listed equity securities – at fair value	2,666	-	-	2,666
Unlisted equity securities – at fair value	-	-	372	372
Warrants over unlisted equity securities	-	-	55	55
<b>Total assets</b>	<b>2,666</b>	<b>-</b>	<b>427</b>	<b>3,093</b>

2019 PARENT	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	\$'000	\$'000	\$'000	\$'000
<i>Assets</i>				
Listed equity securities – at fair value	5,783	-	-	5,783
Unlisted equity securities – at fair value	-	-	575	575
Warrants over unlisted equity securities	-	-	138	138
<b>Total assets</b>	<b>5,783</b>	<b>-</b>	<b>713</b>	<b>6,496</b>

There were no transfers between levels during the financial year.

### Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	WARRANTS	EQUITY	TOTAL
	\$'000	\$'000	\$'000
Balance at 1 July 2018	-	-	-
Losses recognised in profit or loss	(44)	-	(44)
Gains recognised in other comprehensive income	-	62	62
Additions	182	513	695
<b>Balance at 30 June 2019</b>	<b>138</b>	<b>575</b>	<b>713</b>
Losses recognised in profit or loss	(83)	-	(83)
Losses recognised in other comprehensive loss	-	(203)	(203)
<b>Balance at 30 June 2020</b>	<b>55</b>	<b>372</b>	<b>427</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 20. KEY MANAGEMENT PERSONNEL DISCLOSURES

### *Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Short-term employee benefits	283,334	180,000

## 21. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
<i>Audit services – Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	55,000	41,700

## 22. RELATED PARTY TRANSACTIONS

The consolidated entity had no contingent liabilities at 30 June 2020 and 30 June 2019.

## 23. RELATED PARTY TRANSACTIONS

### *Subsidiaries*

Interests in subsidiaries are set out in note 25.

### *Associates*

Interests in associates are set out in note 8.

### *Key management personnel*

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.

### *Transactions with related parties*

There were no transactions with related parties during the current and previous financial year.

### *Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

### *Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## 24. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

### Statement of profit or loss and other comprehensive income

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Loss after income tax	(1,640)	(432)
<b>Total comprehensive loss</b>	<b>(1,640)</b>	<b>(432)</b>

### Statement of financial position

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
<b>Total current assets</b>	<b>667</b>	<b>1,352</b>
<b>Total assets</b>	<b>14,323</b>	<b>11,882</b>
<b>Total current liabilities</b>	<b>2,599</b>	<b>41</b>
<b>Total liabilities</b>	<b>6,099</b>	<b>41</b>
Equity		
Issued capital	41,378	41,413
Financial assets at fair value through other comprehensive income reserve	471	2,414
Accumulated losses	(33,625)	(31,986)
<b>Total equity</b>	<b>8,224</b>	<b>11,841</b>

### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

### Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

# NOTES TO THE FINANCIAL STATEMENTS

## 25. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

NAME	PRINCIPAL PLACE OF BUSINESS /COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2020 CONSOLIDATED	2019 PARENT
		%	%
Royalco Resource Limited	Australia	100.00	47.76
Ginto Minerals Pty Ltd	Australia	100.00	47.76
Royalco Resources (No1) Pty Ltd	Australia	100.00	47.76

During the year, the company completed the acquisition of 100% of the issued capital in Royalco Resources Limited (now Royalco Resources Pty Ltd) and its subsidiaries, and from that time it has been consolidated into the company's financial statements. The investment was accounted for using the equity method of accounting prior to the completion of the acquisition.

## 26. EVENTS AFTER THE REPORTING PERIOD

Since 30 June 2020, the consolidated entity has sold 3,500,000 shares in Byron Energy Limited receiving a total of \$713,452. At 30 June 2020, these shares were valued at \$490,000.

Since 30 June 2020, the consolidated entity opted to repay \$1 million of its borrowings reducing the total amount outstanding under the loan facility to \$2.5 million.

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

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## 27. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Loss after income tax expense for the year	(5,830)	(432)
<i>Adjustments for:</i>		
Depreciation and amortisation	224	-
Impairment of intangibles	3,923	-
Income tax expense/(benefit)	832	110
Impairment of investment in associate	17	124
Share of loss – associate	64	119
Fair value loss on warrants over unlisted equity securities	83	44
<i>Change in operating assets and liabilities:</i>		
Decrease/(increase) in trade and other receivables	94	(2)
Decrease/(increase) in other operating assets	28	(4)
Increase in trade and other payables	36	1
<b>Net cash used in operating activities</b>	<b>(529)</b>	<b>(40)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 28. EARNING / (LOSS) PER SHARE

	2020 CONSOLIDATED	2019 PARENT
	\$'000	\$'000
Loss after income tax attributable to the owners of Fitzroy River Corporation Limited	(5,830)	(432)
	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share	86,376,598	86,554,848
Weighted average number of ordinary shares used in calculating earnings/(loss) per share	86,376,598	86,554,848
	CENTS	CENTS
Basic loss per share	(6.75)	(0.50)
Diluted earnings per share	(6.75)	(0.50)

# DIRECTORS' DECLARATION

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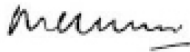
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



Director: .....

Malcolm McComas

23 September 2020



# INDEPENDENT AUDITOR'S REPORT



Deloitte Touche Tohmatsu  
ABN 74 490 121 060  
Grosvenor Place  
225 George Street  
Sydney, NSW, 2000  
Australia

Phone: +61 2 9322 7000  
www.deloitte.com.au

## Independent Auditor's Report to the Members of Fitzroy River Corporation Limited

### Report on the Audit of the Financial Report

#### *Opinion*

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

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for 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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

# INDEPENDENT AUDITOR'S REPORT



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Accounting for acquisition of control</b></p> <p>In December 2019, the Group acquired control of Royalco Resources Limited ("RCO") as disclosed in Note 2.</p> <p>Accounting for acquisitions is a complex and a judgmental exercise, requiring the directors to determine:</p> <ul style="list-style-type: none"> <li>o the appropriate accounting treatment in accordance with Australian Accounting Standards. In this case accounting for the transaction as an asset acquisition rather than a business combination; and</li> <li>o the relative fair values of the assets of the acquiree to which the purchase consideration was attributed.</li> </ul>	<p>Our included procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Understanding the process that the directors followed to account for the acquisition of control of RCO;</li> <li>• Obtaining a detailed understanding of the terms and conditions of the takeover to enable us to assess management's accounting treatment including the determination of the acquisition of control of RCO as an asset acquisition; and</li> <li>• With the assistance of our valuation specialists, challenging the value attributed to the intangible assets acquired, in particular the value attributed to the Weeks Royalty.</li> </ul> <p>We also assessed the appropriateness of the disclosures included in Notes 2 and 11 to the financial statements.</p>
<p><b>Recoverability of intangible assets</b></p> <p>As at 30 June 2020, the Group recognised intangible assets, which comprise of the Weeks royalty, as disclosed in Note 11.</p> <p>As disclosed in Note 2 significant judgements and estimates related to future commodity prices and production levels on the Bass Strait oil and gas fields, were made in determining the recoverable amount of the Weeks royalty.</p> <p>The directors' assessment of the recoverable amount of the royalty asset has resulted in an impairment charge of \$1,639,000 being recognised in the statement of profit or loss.</p>	<p>In conjunction with our valuation specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing the directors' methodology for determining the recoverable value of the Weeks royalty right, including reviewing the valuation report prepared by their expert and assessing the competency and objectivity of the expert;</li> <li>• Comparing the discount rate used by management to an independently calculated discount rate</li> <li>• Comparing the long-term oil price assumptions to available market data</li> <li>• Reviewing and challenging the Group's sensitivity analysis on the discount rates and long term production volumes; and</li> <li>• Testing the mathematical accuracy of the impairment model.</li> </ul> <p>We also assessed the appropriateness of the disclosures included in Notes 2 and 11 to the financial statements.</p>

## Other Information

The directors are responsible for the other information. The other information comprises the Corporate Directory, Directors' Report and ASX Additional Information, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Chairman's Letter, which is expected to be made available to us after that date.

# INDEPENDENT AUDITOR'S REPORT

## **Deloitte.**

Our opinion on the financial report does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairman's Letter, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

### *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 has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

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

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

# INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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, actions taken to eliminate threats of safeguards applied.

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 4 to 7 of the Directors' Report for the year ended 30 June 2020.

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

### *Responsibilities*

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

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Cheryl Kennedy  
Partner  
Chartered Accountants  
Sydney, 23 September 2020

# ASX ADDITIONAL INFORMATION

Additional information required pursuant to ASX Listing Rule 4.10 and not disclosed elsewhere in this report is set out below. The information is effective as at 18 September, 2020.

## Substantial Shareholders

The names of substantial shareholders in Fitzroy River Corporation Limited and the number of equity securities to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholder notices given to Fitzroy River Corporation Limited, are set out below.

NAME OF SUBSTANTIAL HOLDER WITHIN THE MEANING OF SECTION 671B OF THE CORPORATIONS ACT	DATE	NUMBER OF SHARES IN WHICH THE SUBSTANTIAL HOLDER HOLDS A RELEVANT INTEREST	% OF TOTAL SHARES ON ISSUE
Noontide Investments Ltd	3 September 2020	9,750,896	11.20%
Rocket Science Pty Ltd atf The Trojan Capital Fund	17 September 2019	7,785,386	9.01%
Sandon Capital	17 September 2019	8,740,954	10.10%
Flexiplan Management Pty Ltd (Susan Thomas PSF A/C)	8 March 2016	18,145,178	21.01%
Australasia Resources Limited	16 October 2013	10,050,000	11.64%

## Voting Rights

The voting rights attached to shares are set out below:

### Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

## Distribution Schedule of Shareholders

Range	Total Holders	Shares	% of Shares
1 - 1,000	171	54,902	0.060
1,001 - 5,000	207	569,901	0.660
5,001 - 10,000	156	1,292,538	1.500
10,001 - 100,000	215	7,267,177	8.410
100,001 and over	71	77,178,883	89.370
<b>Totals</b>	<b>820</b>	<b>86,363,401</b>	<b>100.000</b>

## Unmarketable Parcels

There are 333 shareholders with an unmarketable parcel of shares being a holding of less than 4,167 shares each for a combined total of 408,503 shares. This is based on a closing price of \$0.12 per share as at 17 September, 2020 and represents 0.473% of the shares on issue on that day.

# ASX ADDITIONAL INFORMATION

## Top 20 Shareholders

ORDINARY SHARES		
Twenty (20) largest shareholders	Number held	% of total shares issued
Flexiplan Management Pty Ltd (Susan Thomas Super Fund A/C)	18,045,178	20.894%
BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient DRP)	10,541,113	12.206%
J P Morgan Nominees Australia Pty Limited	10,496,996	12.154%
One Managed Invst Funds Ltd (1 A/C)	8,740,954	10.121%
Citicorp Nominees Pty Limited	3,990,448	4.621%
JH Nominees Australia Pty Ltd (Harry Family Super Fund A/C)	3,185,386	3.688%
Rocket Science Pty Ltd (The Trojan Capital Fund A/C)	2,400,000	2.779%
Norfolk Enchants Pty Ltd (Trojan Retirement Fund A/C)	2,200,000	2.547%
WB Nominees Limited	1,375,000	1.592%
BNP Paribas Noms Pty Ltd (DRP)	815,238	0.944%
Mr Russell John Bath & Mrs Dianne Margaret Bath (Bath Super Fund A/C)	750,000	0.868%
Mr Kenneth Bruce Willimott	608,200	0.704%
HSBC Custody Nominees (Australia) Limited	549,354	0.636%
Mrs Suzanne Ferrier (Ferrier Family A/C)	537,200	0.622%
Check-Kian Low	500,000	0.579%
Angreal Pty Ltd <The Folded Light A/C>	500,000	0.579%
Mrs Roma Marion Church & Mr Ronald Jack Church	496,828	0.575%
Mr Leonard Moore	481,250	0.557%
Custodial Services Limited (Beneficiaries Holding A/C)	400,000	0.463%
Classified Com Pty Ltd	400,000	0.463%
<b>Total Top 20</b>	<b>67,013,145</b>	<b>77.595%</b>
<b>Total Balance of Holders</b>	<b>19,350,256</b>	<b>22.405%</b>
<b>Total Shares</b>	<b>86,363,401</b>	<b>100.000%</b>

## Buy-back

There is no current on-market buy back.

There are no unquoted or escrowed securities.

The Company is listed on the Australian Securities Exchange under the code 'FZR'.

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Fitzroy River

**Fitzroy River Corporation Ltd**

Suite 6.02, Level 6, 28 O'Connell Street  
SYDNEY NSW 2000

**Telephone:** + 61 2 9048 8856

**Email:** [enquiries@fitzroyriver.net.au](mailto:enquiries@fitzroyriver.net.au)

**Website:** [www.fitzroyriver.net.au](http://www.fitzroyriver.net.au)

**Postal Address:** GPO BOX 4626, SYDNEY NSW 2001

ABN: 75 075 760 655