



EHR RESOURCES LIMITED

ABN 33 160 017 390

2020 ANNUAL REPORT



Annual Report For the year ended 30 June 2020

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Corporate Directory

Board of Directors

Stephen Dennis	Non-Executive Chairman
Peter Ravenscroft	Managing Director and Chief Executive Officer
Jeremy King	Non-Executive Director
Michael O’Keeffe	Non-Executive Director
Marc Dorion	Non-Executive Director (appointed 5 July 2020)
Kim Truter	Non-Executive Director (appointed 22 September 2020)

Secretary

Ms Sarah Smith

Registered Office

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1 Altona Street
West Perth WA 6005

Telephone: 08 6559 1792
Website: www.ehr-resources.com

Stock Exchange Listing

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

Auditors

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

Solicitors

K & L Gates LLP
32/44 St Georges Terrace
Perth WA 6000

Bankers

Westpac Banking Corporation
Level 4, Brookfield Place, Tower Two
123 St Georges Terrace
Perth WA 6000

Share Registry

Automic Share Registry
Level 2, 267 St Georges Terrace
Perth WA 6000

Telephone: 1300 288 664

Chairman's Letter

Dear Shareholder,

On behalf of the EHR Board of Directors, I am pleased to present to you the Company's Annual Report for the 2020 financial year.

This was a transformational year repositioning the Company with a new strategic focus on the diamond sector, a new Managing Director to lead the strategy, a growing portfolio of world class diamond project investments, a successful capital raising, and the bolstering of our Board and management team. These developments have transformed EHR into an emerging diamond exploration and project development company, while still maintaining our interest in the La Victoria gold/silver project in Peru.

In the latter part of 2019, given the ongoing delays in permitting at La Victoria we decided to increase our efforts in the search for additional mineral resource projects to add shareholder value. We identified an opportunity to take ownership of a promising diamond exploration project in Quebec through the acquisition of Nanuk Diamonds Inc and announced this transaction in December 2019.

At the same time, we were pleased to appoint diamond industry expert Mr Peter Ravenscroft as a new Non-Executive Director. Mr Ravenscroft brings 40 years of experience in the international mining industry, with specific knowledge of diamonds, and a background in exploration, geostatistics, resource evaluation and mine planning.

Our strategy to become a key player in the diamond exploration and development sector was fleshed out in early 2020. EHR has a well-considered strategy to build a balanced portfolio of diamond projects where the careful allocation of funding can release latent value from the completion of evaluation activities that had previously stalled due to a lack of funding. This approach of project incubation will allow EHR to take substantial positions or control some of the world's best diamond projects at an optimal price, due to the current depressed cycle.

In March Mr Ravenscroft was appointed Managing Director and CEO to spearhead this new strategic direction, and by the end of the financial year we had already announced two outstanding transactions in the diamond sector and successfully raised A\$10.6 million of capital through a share placement to institutional investors, and a Share Purchase Plan for existing shareholders. These milestone achievements are discussed more fully in the Directors' Report that follows this letter.

In addition to Mr Ravenscroft's appointment, we made further changes to the Board after the financial year end to support the increasing focus on the diamond sector and to reflect the international nature of our growing portfolio. We were pleased to welcome Mr Marc Dorion to our Board in July. Mr Dorion is a partner in the Business Law Group of prominent Canadian law firm McCarthy Tétrault, based in Montreal, Québec, where he leads the natural resources group. We also welcomed Mr Kim Truter to the Board in September. Mr Truter was most recently the CEO of De Beers Canada from 2015 to 2019 and has extensive experience in developing large scale diamond projects and successful M&A. As EHR continues to expand its involvement in mineral projects across Canada, Mr Dorion's and Mr Truter's experience will be invaluable in guiding the Company's strategy.

Mr David Bradley resigned from the Board in July. Mr Bradley was a founding director when EHR was originally formed as Cott Oil and Gas in 2012 and provided great support to the Company in its transition from an oil and gas exploration company to a mineral resources company, now with an increasing focus on diamonds.

This has been an exciting year for EHR and our shareholders, despite the obvious impacts of the COVID-19 pandemic and the resulting economic slowdown. We have navigated these difficult times with caution and are emerging in a very strong position. We are continuing to build momentum in the new financial year as we build our management team and Board and continue our focus on additional opportunities.

The Board and I would like to thank all shareholders for your continued support, and we look forward to keeping you updated as we move forward.



Stephen Dennis
Chairman

Managing Directors' Report

Since my appointment to the role of Managing Director and CEO in early March, I have been delighted to see the progress we have made in advancing our diamond strategy.

The diamond sector has been severely underfunded for more than a decade and requires significant investment to respond to an increasing diamond supply shortfall forecast in the next 10 years. Our strategy centres around working closely with the world's best diamond explorers and investing in a select portfolio of projects, from early stage to more advanced exploration. Importantly, we seek to add value to our investments through the provision of capital and expertise to progress them to development.

We are patient counter-cyclical investors with a long-term view, taking advantage of high-quality opportunities presented by an undervalued sector.

The initial phase of our strategy has focused on establishing a portfolio of early stage and more advanced projects, securing the necessary funding to progress the development of these projects, and building out our management team and capabilities to continue executing our strategy.

Following the acquisition of Nanuk Diamonds, prior to my appointment as Managing Director and CEO, our diamond strategy has evolved. Details of what we have accomplished in this short period are provided in the Directors' Report, but the following highlights will provide an appreciation of what we have achieved:

1. Completion of earn-in transaction with North Arrow Minerals (TSXV: NAR) over the Naujaat diamond project:
 - This is an excellent cornerstone to our growing diamond portfolio and provides a pathway to a control position on what could be a significant new diamond mine in Canada.
 - It combines a world-class potential resource with an excellent partner with whom we hope to conclude further deals on some of their other diamond projects in the future.
 - It aligns with our strategy of seeking high-value diamond projects with stones of distinctive size or colour which will form a niche market in the changing world of diamond demand and supply.
2. Formation of Botswana Exploration Alliance with privately-owned company DiamExStrat Pty Ltd in Botswana:
 - This is focused on earlier-stage exploration in one of the world's best diamond jurisdictions, with a suite of high-quality targets already identified by our partners.
 - Again, we have selected an excellent partner with deep knowledge and experience of diamond exploration in Botswana, leveraging off several decades of hands-on experience with De Beers.
 - It provides us with a lower-cost opportunity to take ownership of potential discoveries, and offers enormous upside potential for our shareholders.
3. Successful capital raising of A\$10.6 million
 - An outstanding result in a depressed market following the impacts of the COVID-19 pandemic.
 - Introduction of a number of new investors fully aligned with our longer-term outlook and counter-cyclical, contrarian strategy.
 - The capital raising included a Share Purchase Plan to allow existing shareholders to participate at the same price as new institutional investors.
4. Expansion of the management team
 - The appointment of two high calibre executives to drive business development and relationships with partner companies, and to lead exploration and technical evaluation of future investment opportunities.

We will continue with this drive and enthusiasm to execute our exciting strategy as we transform EHR into a significant player in the world diamond industry. We look forward to providing further news on our progress over the coming year.

A handwritten signature in black ink, appearing to read 'P. Ravenscroft', written in a cursive style.

Peter Ravenscroft
Managing Director and Chief Executive Officer



DIRECTORS' REPORT



Directors' Report

The Directors of EHR Resources Limited (“EHR” or “the Company”) present their report, together with the financial statements on the consolidated entity consisting of EHR Resources Limited and its controlled entities (the “Group”) for the financial year ended 30 June 2020.

Directors

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

Stephen Dennis – Non-Executive Chairman

BCom, BLLB, GDipAppFin (Finsia)

Appointed 22 August 2012

Mr Dennis has been actively involved in the mining industry for over 35 years, having held senior management positions in a number of Australian resources companies. Mr Dennis was previously the Managing Director and Chief Executive Officer of CBH Resources Limited which is the Australian subsidiary of Toho Zinc Co., Ltd of Japan. Mr Dennis is currently a director of several ASX listed mineral resource companies.

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

- Non-Executive Chairman of Heron Resources Limited (current);
- Non-Executive Chairman of Rox Resources Limited (current);
- Non-Executive Chairman of Graphex Mining Limited (current);
- Non-Executive Chairman of Lead FX Inc. (current); and
- Non-Executive Chairman of Kalium Lakes Limited (current).

Peter Ravenscroft – Managing Director and Chief Executive Officer

BSc (Hons), MSc

Appointed 11 March 2020

Mr Ravenscroft brings 40 years of experience in the international mining industry, with specific knowledge of diamonds, and a background in exploration, geostatistics, resource evaluation and mine planning. He progressed from technical roles in De Beers and Anglo American in southern Africa to leadership positions in Rio Tinto in the UK, Australia and Canada. He has been involved in operations, projects and M&A in base metals, gold and iron ore across the Rio Tinto group, and was also for many years Rio Tinto’s leading expert on diamond resource evaluation. In an executive role with Cleveland Cliffs Inc., Mr Ravenscroft built a global exploration function focused on diversification through earn-in deals with junior partners and brought several successful projects to an advanced evaluation stage. More recently he has been an independent consultant providing strategic advisory services to a number of global clients, with a particular focus on the diamond sector in Canada. He has served as a non-executive director on a number of boards in Australia and Canada. Mr Ravenscroft has a Masters equivalent from the Paris School of Mines and is a Fellow of the AusIMM.

During the past three (3) years, Mr Ravenscroft has not held any directorships in other ASX listed companies.

Jeremy King – Non-Executive Director

LLB

Appointed 16 February 2016

Mr King is a corporate advisor and lawyer with over 15 years' experience in domestic and international legal, financial and corporate matters. Mr King spent several years in London where he worked with Allen & Overy LLP and Debevoise & Plimpton LLP and has extensive corporate experience, particularly in relation to cross-border private equity, leveraged buy-out acquisitions and acting for financial institutions and corporate issuers in respect of various equity capital raising.

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

- Executive Director of Red Mountain Mining Limited (current);
- Non-Executive Director ECS Botanics Holdings Ltd (formerly Axxis Technology Limited) (current);
- Non-Executive Director of Smart Parking Limited (current);
- Non-Executive Director of Transcendence Technologies Limited (current);
- Non-Executive Director of Sultan Resources Limited (current);
- Non-Executive Chairman of Aldoro Resources Limited (resigned November 2019);
- Non-Executive Director of Vanadium Resources Limited (resigned July 2019);
- Non-Executive Director of DTI Group Limited (resigned January 2019);
- Non-Executive Chairman of Pure Minerals Limited (resigned November 2018); and
- Non-Executive Director of Aquaint Capital Holdings Limited (resigned October 2017).

Michael O'Keeffe – Non-Executive Director

B.App.Sc (Metallurgy)

Appointed 15 June 2017

Mr O'Keeffe is currently the Company's largest Shareholder and holds a 11.08% interest. Mr. O'Keeffe is well known within the resources industry world-wide. Mr. O'Keeffe was the Managing Director of Glencore Australia Limited from 1995-2004 and was Executive Chairman of Riversdale Mining Limited prior to that company being acquired by Rio Tinto PLC in 2011. Mr O'Keeffe is currently the Chairman and Chief Executive Officer of Champion Iron Limited which operates an iron-ore project in Canada.

During the past three years, Mr O'Keeffe held the following directorships in other ASX listed companies:

- Executive Chairman of Champion Iron Limited (current); and
- Non-Executive Director of Mont Royal Resources Limited (current).

Marc Dorion – Non-Executive Director*Appointed 5 July 2020*

Mr Dorion is a partner in the Business Law Group of prominent Canadian law firm McCarthy Tétrault, based in Montreal, where he supervises the natural resources group in Québec. He received his LLL from the Université de Sherbrooke, Quebec, Canada then did post graduate studies in corporate taxation at Osgoode Hall Law School, York University. His practice focuses on development, financing, construction and operation of major projects in the natural resources, energy, infrastructure and industrial sectors. He received the titles of Advocate Emeritus from the Quebec Bar and also of Queen's Counsel.

During the past three (3) years, Mr Dorion has not held any directorships in other ASX listed companies.

Kim Truter – Non-Executive Director*Appointed 22 September 2020*

Mr Truter was most recently the Chief Executive Officer of De Beers Canada from 2015 to 2019. During his tenure he led the successful completion and ramp-up to full production of the \$1bn Gahcho Kué diamond project in Canada, as well as the value-adding acquisition of the former Peregrine Diamonds assets. He was also a member of the De Beers Group executive team, driving global business performance across operations, sales, and marketing.

Previously, Mr Truter served as Chief Operating Officer of Rio Tinto Diamonds, managing their global portfolio in Australia, Canada and Zimbabwe. He also served as Managing Director of Argyle Diamond Mines Pty Limited in Australia and as the President and Chief Operating Officer of Diavik Diamond Mines Inc in Canada.

Mr Truter brings over 30 years of mining experience in both surface and underground operations and large-scale project development across multiple geographies. He has substantial diamond experience, providing executive global leadership in Canada, Australia and Africa; often in complex, remote and challenging operating environments. He has worked extensively with communities and governments to ensure that local benefits are sustainably established. His proven leadership capabilities include a very strong dedication to safety, productivity and financial performance improvement.

During the past three (3) years, Mr Truter has not held any directorships in other ASX listed companies.

David Bradley – Non-Executive Director

MBA, BSc (Hons)

Resigned 5 July 2020

Mr Bradley is an energy industry commercial specialist with over 30 years of business development experience including senior management roles with El Paso Corporation, Epic Energy, and senior managing consulting roles with Wood McKenzie as well as privately advising a broad range of upstream, midstream and downstream energy players in developing and executing commercialisation strategies and business development initiatives. Experience includes significant merger and acquisition coordination roles realising over \$2 billion in completed transactions. Mr. Bradley recently organized the successful acquisition of Exmouth Power Pty Ltd along with Fengate Capital Management Group – a Toronto based Super fund. Mr. Bradley is current Managing Director of the Exmouth Power business, and as well remains involved in general energy consulting as Managing Director of Gas Transport Solutions, and as Non-Executive Director on a number of unlisted companies.

During the past three (3) years, Mr Bradley has not held any directorships in other ASX listed companies.

Company Secretary**Sarah Smith***Appointed 20 November 2015*

Sarah Smith is an employee of Mirador Corporate, where she specialises in corporate advisory, company secretarial and financial management services. Sarah has over 8 years' experience in the provision of company secretarial and financial management services for ASX listed companies, capital raisings and IPOs, due diligence reviews and ASX and ASIC compliance. Sarah is a Chartered Accountant and has acted as the Company Secretary of a number of ASX listed companies.

Interests in Shares and Options of The Company and Related Bodies Corporate

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

Director	Ordinary Shares	Unlisted Share Options
Mr Stephen Dennis	5,189,957	2,500,000
Mr Peter Ravenscroft	4,375,000	2,500,000
Mr Jeremy King	2,913,122	2,500,000
Mr Michael O’Keeffe	25,075,594	2,500,000
Mr David Bradley (resigned 5 July 2020)	1,713,278	2,500,000
Mr Marc Dorion (appointed 5 July 2020)	12,541,667	-
Mr Kim Truter (appointed 22 September 2020)	-	-
Total	51,808,618	12,500,000

Principal Activities

During the financial year the Company expanded its mineral resource strategy to focus on exploration and development projects in the diamond sector. Three new diamond exploration projects were brought into the portfolio, while activity at the 18% owned La Victoria Gold/Silver project in Peru was delayed by local permitting issues.

Review of Operations

Nanuk Diamond Project

Acquisition

In November 2019, the Company entered into an agreement to acquire 100% of Nanuk Diamonds Inc (Nanuk Diamonds) from Prospect AG Trading Pty Limited, a company associated with Mr Michael O’Keeffe, a director of EHX, and 9064-6316 Quebec Inc, together the “Vendors”.

The total consideration for the purchase of Nanuk Diamonds was A\$1m which was satisfied by the issue of 20 million fully paid ordinary shares in the Company, at a deemed issue price of A\$0.05 per share payable by the issue of 10 million shares to each of the Vendors as each of them owned a 50% interest in Nanuk Diamonds.

As Mr O’Keeffe is a director of the Company and a substantial shareholder with an interest of 11.08% at the time of the acquisition, shareholder approval was required in accordance with Listing Rule 10.1 as a condition precedent to the acquisition. The Company received shareholder approval for the acquisition at a General Meeting held on 9 March 2020.

About Nanuk Diamonds

Nanuk Diamonds is the holding company and 100% owner of 625 mineral claims located East of the Ungava Bay in Northern Quebec (Figure 1). The 274 sq.km area contains several occurrences of diamond-bearing kimberlitic dykes that were originally found in the early 2000’s but were left unexplored for the last 15 years.

Nanuk Diamonds' mineral claims are located in the area in which Twin Mining Corporation’s Torngat Project was active from 1999 to 2001 where bulk and infill samples from different parts of the dyke system were collected totalling more than 350 tonnes which yielded close to 2,000 diamonds, including approximately 300 macrodiamonds. Other companies owned claims in the area and found kimberlite dykes, but little was done besides geophysics and the collection of small samples. From 2005 until 2017, no further work was done.

In 2017, Nanuk Diamonds acquired 570 claims in order to reassess the Torngat Project's potential by integrating data from previous owners and exploring for new kimberlites. A remote sensing survey identified several prospective areas which were confirmed by mapping and sampling in 2019. In 2019, 118 mineral claims with little potential were dropped and 173 additional prospective mineral claims were added.

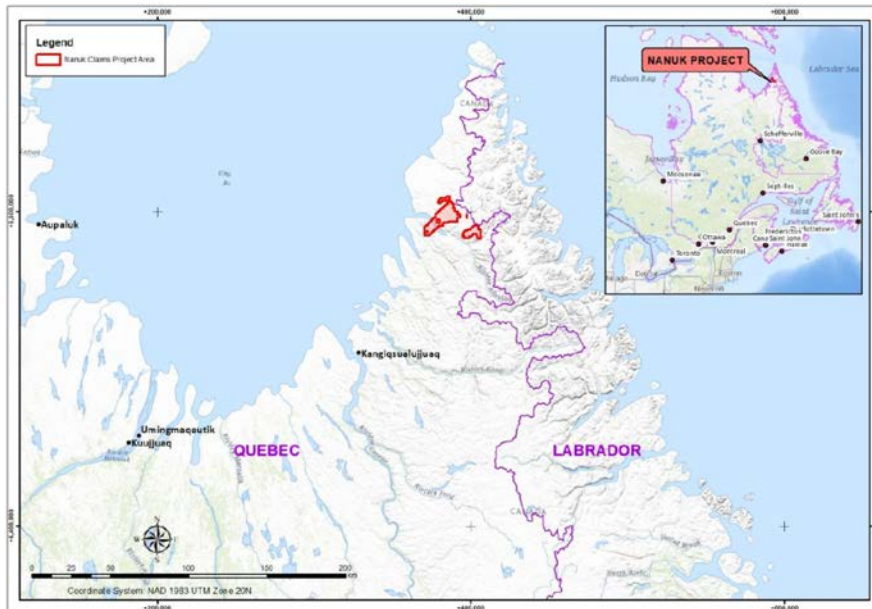


Figure 1 – Location of Nanuk Diamonds Mineral Claims

Activity Update

A reconnaissance sampling campaign from outcrop, boulder and rock debris was conducted by IOS Services Géoscientifiques Inc. in 2019, during which 17 ultramafic lamprophyre dykes were visited and 9 of these were sampled for microdiamond recovery. Seven of these samples were found to contain microdiamonds with a total of 268 microdiamonds recovered.

On 16 June 2020, the Company announced that it had received results from the 2019/20 exploration program. These results are being evaluated and will form the basis of future exploration work programs to be conducted at Nanuk.

Naujaat Diamond Project

Acquisition

On 2 June 2020, the Company announced that it had entered into a Phase One Option Agreement with North Arrow Minerals Inc. (TSXV: NAR; “North Arrow”) over the Naujaat diamond project in the Nunavut territory of Canada (Figure 2). The agreement provides EHR with the option to earn a 40% interest in the project in return for funding of C\$5.6 million for a preliminary bulk sample of 1,500 – 2,000 tonnes to be extracted in 2021. The agreement has been structured to provide financial flexibility with an upfront payment of C\$0.3 million, and the balance of funds to be provided by 1 April 2021.

About Naujaat

The world class Naujaat project represents the largest undeveloped diamond property in Canada that is not under the control of a major mining company. First discovered by BHP in the early 2000's, it was divested as part of BHP's corporate refocus on iron ore, coal and petroleum operations later that decade. North Arrow acquired the project in 2013, and subsequent evaluation has focused on the potential value contribution from an exceptional population of uniquely coloured Fancy Vivid Orangey-Yellow stones. This is a specific and rare colour which has been certified by the Gemological Institute of America (GIA), and these diamonds today are expected to sell at high premiums to white diamond prices, upon which the historic project economics were mostly based.

The bulk sampling that has previously been completed at Naujaat has not recovered a large enough parcel of diamonds to establish conclusively the value of the coloured stones, particularly their continuity into larger size classes, but the Phase One bulk sample is expected to provide this information.



Figure 2 – Location of Naujaat Project

Activity Update

The Company has also made a preliminary proposal in a Letter of Intent to earn an additional 20% undivided interest in the project through a Phase Two Earn-in Option Agreement, the terms of which the two parties have agreed to use their best endeavours to finalise. The Phase Two agreement will include a larger bulk sample to establish diamond price to a prefeasibility study level of precision.

The upfront payment of C\$0.3 million was made on signing the Phase One Option agreement, and these funds will be used by the project operator North Arrow to pre-order fuel, sample bags and other supplies to ship to the project site in the third quarter of 2020, ready for the commencement of the bulk sampling program in 2021. This preparatory work is projected to save significant costs through lower current fuel prices and by using sea transportation, rather than more expensive air transportation that would have been required later.

Botswana Exploration Alliance

Transaction

On 9 June 2020, the Company entered into an Exploration Alliance Agreement (“Alliance”) with Diamond Exploration Strategies Ltd (“DES”), a privately-owned company focused on diamond exploration in Botswana. Under the terms of the Alliance, EHR will provide funding of US\$1.5 million over three years to finance exploration activities, earning 50% ownership of any discoveries made. The Alliance is initially over five areas that have existing prospecting licenses (Figure 3) and will extend to cover other prospective areas in Botswana that may be identified.

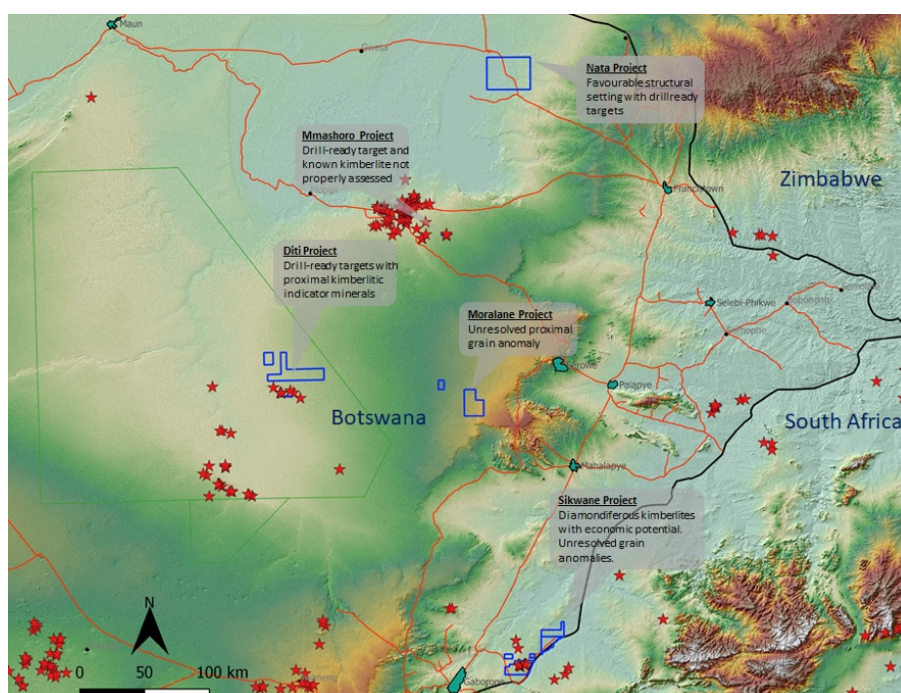


Figure 3 – Location of Botswana Exploration Alliance Project Areas

Alliance Operation

Using the well-proven project generator model, DES will perform all exploration activities using Alliance funding. If a discovery is made as a result of these activities and accepted by the joint technical committee as a designated project, the project will be initially owned 50% by EHR and 50% by DES, otherwise the project will remain owned by DES. EHR has the option to sole fund a Scoping Study on a designated project to earn-in to a 70% ownership interest, with a further option to reach a 90% ownership interest by sole funding a Feasibility Study.

Alliance funding will be US\$0.3 million for the first twelve months of the agreement, with subsequent annual funding of US\$0.6 million for the succeeding two years. EHR will fund the first year from current cash resources and will fund subsequent years from future financing activities.

La Victoria Gold and Silver Project

Acquisition

EHR is currently earning up to a 25% interest in the La Victoria Gold-Silver Project in northern Peru through a multi-stage farm-in agreement with its TSX-V listed joint venture partner, Eoro Resources Limited (Eoro). In December 2017, EHR completed the first stage of the farm-in by contributing C\$2 million to exploration, and as a result earned an initial 10% interest in the Project.

In March 2018, Eloro and EHR restructured their arrangements for the Stage 2 Earn-in Period by dividing Stage 2 into two components, Stage 2A and Stage 2B. Under these restructured arrangements, EHR committed in Stage 2A to spend C\$1.6m on exploration to earn an additional 8% interest in the Project. Stage 2A was completed during the December 2018 quarter with the Company then holding an 18% interest in the Project. Following completion of Stage 2A, EHR may elect to proceed with Stage 2B, whereby EHR would earn a further 7% interest in the Project by spending an additional C\$1.4million on exploration. Under the current arrangements with Eloro, EHR is not required to make any final decision in relation to proceeding with Stage 2B until drilling permits are issued for the proposed San Markito exploration program (refer below).

Activity Update

During the financial year, Eloro continued to progress land access and land rental negotiations with the local community in the Pallasca District, Ancash Department, Peru, where the San Markito target is located. In order for a drilling campaign to commence at San Markito, drill permits must first be obtained which are required to be underpinned by a process of local community engagement and support. Once requisite approvals for San Markito are obtained, it is planned to commence a 5 hole diamond drilling program comprising 2,000 meters within the target area.

The approval process has been significantly affected by the COVID-19 pandemic during the year, with local access being severely restricted. EHR remains enthusiastic about the technical potential of this project and fully plans to participate in the drilling program when COVID-19 restrictions are eased and drill permits are granted.

Corporate

Board and Executive Appointments

On 6 December 2019, the Company announced the appointment of Mr Peter Ravenscroft as a Non-Executive Director, concurrent with EHR's entry into the diamond sector with the acquisition of Nanuk Diamonds.

On 11 March 2020, the Company announced the appointment of Mr Ravenscroft as Managing Director and Chief Executive Officer. Following shareholder approval at the 9 March 2020 General Meeting of shareholders, the Company issued 2,500,000 Unlisted Options (exercisable at \$0.07 on or before 19 March 2022) to Mr Ravenscroft as part of his incentive package following his appointment to the Board.

Capital Raising

During the year, the Company announced that it had received commitments to raise A\$10 million (before costs) via a new share placement to institutional and sophisticated investors (Placement). The issue price of the new shares was set at 9.6 cents per share, and the Placement was to be conducted in two tranches.

Tranche 1

On 29 June 2020, the Company issued 36,666,997 new shares at 9.6 cents per share to raise approximately A\$3.52 million (Tranche 1 Shares) in accordance with the Company's existing placement capacity. 22,000,198 new shares were issued pursuant to its 15% placement capacity under ASX Listing Rule 7.1, and 14,666,799 new shares were issued pursuant to its additional 10% placement capacity under ASX Listing Rule 7.1A.

Tranche 2

Subject to shareholder approval at an Extraordinary General Meeting (EGM) to be held on 4 August 2020, the Company proposed to issue 67,499,670 new shares at 9.6 cents per share to raise approximately A\$6.48 million. Subsequent to year end, Tranche 2 Placement Shares and Placement Shares to participating Directors were approved by shareholders at the EGM.

Share Purchase Plan

In addition, EHR commenced a Share Purchase Plan (SPP) for up to an additional A\$2 million, through the issue of up to 20,833,333 new shares, to allow eligible existing shareholders an opportunity to participate in the capital raising at the same price as the Placement. The SPP was subsequently completed in July 2020 and raised A\$592,314 (before issue costs) from the issue of 6,169,936 new shares.

Impact of COVID-19

The onset of the COVID-19 pandemic unfortunately coincided with the launch of the Company's diamond strategy. The immediate impact on market sentiment necessitated a period of watchful consolidation of our planned activities, and curtailment of exploration activities in Quebec and Peru meant deferral of planned expenditure on these projects. In addition, the period of the Phase One earn-in at the Naujaat Project was extended by 12 months due to inability to perform any site-based activities during COVID-19 restrictions.

The Company has continued to operate prudently and has implemented required measures to minimise spread of the virus, ensure the safety and wellbeing of employees, and maintain business continuity.

Financial Performance

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

	30-June-20 \$	30-June-19 \$
Cash and cash equivalents	4,342,785 ⁽ⁱ⁾	2,532,718
Net Assets	4,195,646	2,462,379
Revenue	80,121	59,140
Net loss after tax	(3,201,605)	(1,327,120)

(i) Subsequent to year-end, the Company completed a two tranche Placement and a Share Purchase Plan. Total funds raised from the two Placement tranches and the Share Purchase Plan was \$10,592,314 (before issue costs).

Dividends

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

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

Significant Changes in the State of Affairs

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

Matters Subsequent to The Reporting Period

As the impact of the COVID-19 pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is still evolving 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.

Shareholders approved the Company's Option Plan and Director Option Terms at an Extraordinary General Meeting held on 2 July 2020.

On 3 July 2020, the Company issued 1,250,000 fully paid ordinary shares at a deemed issue price of \$0.10 per share to Mr Peter Ravenscroft, Managing Director of EHX, as part of his remuneration package in accordance with an Executive Services Agreement. The issue of the share was approved by shareholders at the Company's Extraordinary General Meeting held on 2 July 2020.

On 5 July 2020, Mr Marc Dorion was appointed as a Non-Executive Director of the Company. On the same day, Mr David Bradley tendered his resignation as a Non-Executive Director of the Company.

On 6 August 2020, the Company issued 67,499,670 shares at an issue price at \$0.096 per share for the second tranche of the Share Placement. Tranche 2 Placement Shares were approved by shareholders at the Company's Extraordinary General Meeting on 4 August 2020. On the same day, the Company issued 6,169,936 shares at an issue price of \$0.096 per share as part of the Share Purchase Plan. The total funds raised from the two Placement tranches and the Share Purchase Plan was \$10,592,314 (before issue costs).

On 19 August 2020, EHR notified North Arrow Minerals Inc (TSXV: NAR) ("North Arrow") of the Company's unconditional commitment to fund the Phase One Earn-In Option Agreement ("the Agreement") over Naujaat. After EHR made an initial C\$300,000 payment in June 2020, the Agreement was contingent on the Company being able to secure financing for the required remaining C\$5.3 million earn-in before 1 April 2021. EHR recently completed a successful capital raise that has enabled this commitment to be made.

On 20 August 2020, the Company issued 2,500,000 unquoted options (exercise price of \$0.12 and expiring on 31 July 2023) to a consultant as part of a remuneration package. The options are subject to 24 months voluntary escrow.

On 20 August 2020, the Company issued 500,000 fully paid ordinary shares at an exercise price of \$0.07 per share upon the exercise of unlisted options by a consultant previously engaged by the Company.

On 10 September 2020, the Company issued 2,500,000 unquoted options (exercise price of \$0.12 and expiring on 31 August 2023) to a consultant as part of a remuneration package. The options are subject to 24 months voluntary escrow.

On 22 September 2020, the Company appointed Mr Kim Truter as a Non-Executive Director, with immediate effect.

Other than the above, there has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

Likely Developments and Expected Results

The enhancements to the Company strategy and the initial project investments made are seen as important building blocks for the longer term. While the sampling program at Naujaat will only show results towards the end of 2021, we expect to receive drilling results in Botswana through our Exploration Alliance Agreement with Diamond Exploration Strategies Ltd in the near term. Both of these projects, if successful, could represent transformational growth opportunities for EHR, and we are actively examining opportunities to add further strength to the portfolio through ongoing M&A transactions. We also continue to be hopeful of progress on the La Victoria project in Peru, which provides the Company with good exposure to the current global interest in gold.

Directors' Meetings

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

Director	Number Eligible to Attend	Number Attended
Mr Stephen Dennis	4	4
Mr Peter Ravenscroft	3	3
Mr Jeremy King	4	4
Mr Michael O'Keeffe	4	4
Mr David Bradley	4	4

Mr Ravenscroft was appointed as a Non-Executive Director on 9 December 2019 and Managing Director and CEO on 11 March 2020.

Mr Bradley resigned as Non-Executive Director on 5 July 2020.

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

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

Remuneration Report (AUDITED)

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

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

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

At the 2019 AGM, 96.90% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Key Management Personnel Disclosed in this Report

Key Management Personnel ('KMP') of the Group during the financial year were:

Mr Stephen Dennis	Non-Executive Chairman
Mr Peter Ravenscroft	Managing Director and Chief Executive Officer
Mr Jeremy King	Non-Executive Director
Mr Michael O'Keeffe	Non-Executive Director
Mr David Bradley	Non-Executive Director (resigned 5 July 2020)

Changes since the end of reporting period

Mr Marc Dorion	Non-Executive Director (appointed 5 July 2020)
Mr Kim Truter	Non-Executive Director (appointed 22 September 2020)
Mr David Bradley	Non-Executive Director (resigned 5 July 2020)

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

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

- A Remuneration Philosophy
- B Remuneration Governance, Structure and Approvals
- C Remuneration and Performance
- D Details of Remuneration
- E Contractual Agreements
- F Share-based Compensation
- G Equity Instruments Issued on Exercise of Remuneration Options
- H Loans with KMP
- I Other Transactions with KMP
- J Additional Information

A Remuneration Philosophy

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. During the financial year, KMP of the Group comprise the Board of Directors and the Managing Director/Chief Executive Officer.

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

No remuneration consultants were employed during the financial year.

B Remuneration Governance, Structure and Approvals

Remuneration of Directors is currently set by the Board. The nature and amount of remuneration is collectively considered by the Board with reference to relevant employment conditions and fees commensurate to a company of similar size and level of activity, with the overall objective of ensuring maximum stakeholder benefit from the retention of high performing Directors.

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

- The over-arching executive remuneration framework;

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

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

Non-Executive Remuneration Structure

The remuneration of Non-Executive Directors consists of Directors' fees, payable in arrears. The current maximum total aggregate fixed sum per annum that may be paid to Non-Executive Directors in accordance with the Company's Constitution is A\$350,000 which may be varied by ordinary resolution of the Shareholders in a General Meeting.

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors. In accordance with the Company's Constitution, the Directors may at any time, subject to the Listing Rules, adopt any scheme or plan which they consider to be in the interests of the Company and which is designed to provide superannuation benefits for both present and future Non-Executive Directors, and they may from time to time vary this scheme or plan.

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

Remuneration may also include an invitation to participate in share-based incentive programmes in accordance with Company policy.

Executive Remuneration Structure

The nature and amount of remuneration of executives are assessed on a periodic basis with the overall objective of ensuring maximum stakeholder benefit from the retention of high-performance individuals.

The main objectives sought when reviewing executive remuneration is that the Company has:

- Coherent remuneration policies and practices to attract and retain Executives;
- Executives who will create value for shareholders;
- Competitive remuneration offered benchmarked against the external market; and
- Fair and responsible rewards to Executives having regard to the performance of the Group, the performance of the Executives and the general pay environment.

Mr Peter Ravenscroft was appointed as Managing Director and Chief Executive Officer on 11 March 2020. Mr Ravenscroft's remuneration is detailed in Table 1 and his contractual arrangement is disclosed in "Section E – Contractual Arrangements".

C Remuneration and Performance

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

	30-Jun-20	30-Jun-19
Revenue (\$)	80,121	59,140
Net (loss) after tax (\$)	(3,201,605)	(1,327,120)
EPS (\$)	(2.42)	(1.05)
Share price	0.096	0.035

Relationship between Remuneration and Company Performance

Given the current phase of the Company's development, the Board does not consider corporate earnings to be an appropriate measure when determining the nature and amount of remuneration of KMP.

The remuneration framework for key management personnel may consist of the following components:

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

The combination of these comprises the KMP's total remuneration.

a) Fixed Remuneration – Base Salary

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

Key management personnel are offered a competitive base salary that comprises the fixed component of pay and rewards. External remuneration consultants may provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. No external advice was taken this year. Base salary for key management personnel is reviewed annually to ensure the executives' pay is competitive with the market. The pay of key management personnel is also reviewed on promotion. There is no guaranteed pay increase included in any key management personnel's contract.

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

Discretionary cash bonuses may be paid to key management personnel, subject to the requisite Board and shareholder approvals where applicable. Cash bonus payments paid to key management personnel are detailed in Table 1 and "Section I – Other transactions with KMP".

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

Options may be issued at the Board's discretion. The Board is of the opinion that the expiry date and exercise price of the options currently on issue to the Directors and Executives is a sufficient, long-term incentive to reward Directors and Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth.

Following shareholder approval at the 9 March 2020 Extraordinary General Meeting of Shareholders, the Company issued 2,500,000 Unlisted Options (exercisable at \$0.07 on or before 19 March 2022) to Mr Ravenscroft as part of his incentive package following his appointment to the Board. Refer to Note 15 for the option valuation.

Other than options disclosed in section D of the Remuneration Report, there have been no other options issued to employees during the financial year.

D Details of Remuneration

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

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

	Short-term Employee Benefits			Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other	Superannuation	Options	
30 June 2020	\$	\$	\$	\$	\$	\$
Directors						
Mr Stephen Dennis	59,698	-	60,000 ⁽ⁱⁱ⁾	5,671	-	125,369
Mr Peter Ravenscroft	131,452	-	-	9,500	115,274 ⁽ⁱ⁾	256,226
Mr Jeremy King	44,677	-	40,000 ⁽ⁱⁱⁱ⁾	4,244	-	88,922
Mr David Bradley	44,677	-	-	4,244	-	48,921
Mr Michael O’Keeffe	44,677	-	-	4,244	-	48,922
Total	325,181	-	100,000	27,904	115,274	568,359

- (i) Following shareholder approval at the 9 March 2020 General Meeting of shareholders, the Company issued 2,500,000 Unlisted Options (exercisable at \$0.07 on or before 19 March 2022) to Mr Ravenscroft as part of his incentive package following his appointment to the Board. Refer to Note 15 for the option valuation.
- (ii) An amount of \$60,000 has been paid to Mr Dennis relating to additional consulting services provided during the year.
- (iii) An amount of \$40,000 has been paid to Mirador Corporate Pty Ltd, an entity of which Mr Jeremy King is a Director, relating to additional consulting services provided to the Company for the Nanuk Diamonds Inc. Acquisition.

	Short-term Employee Benefits			Post-Employment	Share Based Payments	Total
	Salary & fees	Non-monetary benefits	Other	Superannuation	Options	
30 June 2019	\$	\$	\$	\$	\$	\$
Directors						
Mr Stephen Dennis	55,000	-	-	5,225	-	60,225
Mr Jeremy King	40,000 ⁽ⁱ⁾	-	-	3,800	-	43,800
Mr David Bradley	40,000 ⁽ⁱⁱ⁾	-	-	3,800	-	43,800
Mr Michael O’Keeffe	40,000	-	-	3,800	-	43,800
Total	175,000	-	-	16,625	-	191,625

- (i) An amount of \$40,000 has been paid to Bushwood Nominees Pty Ltd relating to Mr King’s Directors Fees.
- (ii) An amount of \$40,000 has been paid to Gas Transport Solutions Pty Ltd relating to Mr Bradley’s Directors Fees.

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

Table 2 – Relative proportion of fixed vs variable remuneration expense

Name	Fixed Remuneration		At Risk – STI (%)		At Risk – LTI (%)	
	2020	2019	2020	2019	2020	2019
Directors						
Mr Stephen Dennis	52%	100%	48%	-	-	-
Mr Peter Ravenscroft	55%	-	-	-	45%	-
Mr Jeremy King	55%	100%	45%	-	-	-
Mr Michael O’Keeffe	100%	100%	-	-	-	-
Mr David Bradley	100%	100%	-	-	-	-

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

30 June 2020	Balance at 01/07/2019	Granted as Remuneration	On Exercise of Options	Net Change – Other	Balance at 30/06/2020
Directors					
Mr Stephen Dennis	4,669,123	-	-	-	4,669,123
Mr Peter Ravenscroft	-	-	-	-	-
Mr Jeremy King	2,913,122	-	-	-	2,913,122
Mr Michael O’Keeffe	14,033,927	-	-	10,000,000 ⁽ⁱ⁾	24,033,927
Mr David Bradley	1,713,278	-	-	-	1,713,278
Total	23,329,450	-	-	10,000,000	33,329,450

(i) Shares issued on 19 March 2020 as consideration under a share sale agreement to acquire 100% of the issued capital of Nanuk Diamonds Inc.

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

30 June 2020	Balance at 01/07/2019	Issued as Remuneration	Exercised	Balance at 30/06/2020	Vested & Exercisable
Directors					
Mr Stephen Dennis	2,500,000	-	-	2,500,000	2,500,000
Mr Peter Ravenscroft	-	2,500,000 ⁽ⁱ⁾	-	2,500,000	2,500,000
Mr Jeremy King	2,500,000	-	-	2,500,000	2,500,000
Mr David Bradley	2,500,000	-	-	2,500,000	2,500,000
Mr Michael O’Keeffe	2,500,000	-	-	2,500,000	2,500,000
Total	10,000,000	2,500,000	-	12,500,000	12,500,000

(i) Following shareholder approval at the 9 March 2020 Extraordinary General Meeting of Shareholders, the Company issued 2,500,000 Unlisted Options (exercisable at \$0.07 on or before 19 March 2022) to Mr Ravenscroft as part of his incentive package following his appointment to the Board. Refer to Note 15 for the option valuation.

E Contractual Arrangements

Executive Director Arrangements

- **Mr Peter Ravenscroft – Managing Director and Chief Executive Officer**
 - Contract: Commenced on 11 March 2020
 - Base Salary: \$300,000 (plus statutory superannuation)
 - Sign-on Equity Incentive (i): 1,250,000 ordinary shares
 - Short Term Incentive (“STI”) (i): Maximum STI, Year 1- 3 million zero priced 3-year options, subject to PI’s.
 - After Year 1 - Maximum STI equivalent to 50% of Base Salary (payable in cash and/or equity).

- Long Term Incentive (“LTI”) (i): Maximum LTI, Year1- 3 million zero priced 5-year options subject to KPI’s.
 - After Year 1 - LTI maximum to be agreed (payable in equity only), subject to KPI’s.
 - Termination: After 12 months, 3 months’ notice by either Executive or Company. Change of Control (“COC”) – for termination within 12 months COC, payment equivalent to 12 months Base Salary.
- (i) Subject to shareholder approval which was subsequently obtained at the Company’s Extraordinary General Meeting held on July 3, 2020.

Non-Executive Director Arrangements

- **Mr Stephen Dennis – Non-Executive Chairman**
 - Contract: Commenced on 22 August 2012
 - Remuneration 1 July 2020 to 8 March 2020: \$55,000 per annum (plus statutory superannuation)
 - Remuneration from 9 March 2020 to 30 June 2020: \$70,000 per annum (plus statutory superannuation)
 - Term: See Note 1 below for details pertaining to re-appointment and termination.
- **Mr Jeremy King – Non-Executive Director**
 - Contract: Commenced on 16 February 2016
 - Remuneration 1 July 2020 to 8 March 2020: \$40,000 per annum (plus statutory superannuation)
 - Remuneration from 9 March 2020 to 30 June 2020: \$55,000 per annum (plus statutory superannuation)
 - Term: See Note 1 below for details pertaining to re-appointment and termination.
- **Mr Michael O’Keeffe – Non-Executive Director**
 - Contract: Commenced on 25 June 2017
 - Remuneration 1 July 2020 to 8 March 2020: \$40,000 per annum (plus statutory superannuation)
 - Remuneration from 9 March 2020 to 30 June 2020: \$55,000 per annum (plus statutory superannuation)
 - Term: See Note 1 below for details pertaining to re-appointment and termination.
- **Mr David Bradley – Non-Executive Director**
 - Contract: Commenced on 22 August 2012
 - Remuneration 1 July 2020 to 8 March 2020: \$40,000 per annum (plus statutory superannuation)
 - Remuneration from 9 March 2020 to 30 June 2020: \$55,000 per annum (plus statutory superannuation)
 - Term: See Note 1 below for details pertaining to re-appointment and termination.

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

F Share-based Compensation

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

Options

Following shareholder approval at the 9 March 2020 General Meeting of shareholders, the Company issued 2,500,000 Unlisted Options (exercisable at \$0.07 on or before 19 March 2022) to Mr Ravenscroft as part of his incentive package following his appointment to the Board. Refer to Note 15 for the option valuation.

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

Shares

Short and Long-term Incentives

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

G Equity Instruments Issued on Exercise of Remuneration Options

No remuneration options were exercised during the financial year.

H Loans with KMP

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

I Other Transactions with KMP

During the financial year, the Company incurred fees of \$116,640 for company secretarial and accounting services paid/is payable to Mirador Corporate Pty Ltd ("Mirador") (a company of which Mr Jeremy King is a Director). An amount of \$40,000 has been paid to Mirador relating to additional consulting services provided to the Company during the year as disclosed in Section D of the Remuneration Report.

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

	2020 \$
Mirador Corporate Pty Ltd ⁽ⁱ⁾	14,240
Bushwood Nominees Pty Ltd ⁽ⁱ⁾	13,750
Gas Transport Solutions Pty Ltd ⁽ⁱⁱ⁾	13,750
Mr Stephen Dennis	17,500
Mr Michael O'Keeffe	13,750

(i) Entity related to Jeremy King

(ii) Entity related to David Bradley

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

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

J Additional Information

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

	2020 \$	2019 \$	2018 \$	2017 \$	2016 \$
Revenue	80,121	59,140	70,173	23,641	2,757,809
EBITDA	(3,281,726)	(1,386,260)	(4,793,265)	(1,459,042)	1,785,524
EBIT	(3,281,726)	(1,386,260)	(4,793,265)	(1,459,042)	1,785,524
Profit/(Loss) after income tax	(3,201,605)	(1,327,120)	(4,723,092)	(1,459,042)	1,785,216
Share Price (\$)	0.096	0.035	0.08	0.07	0.04
EPS (cents per share)	(2.42)	(1.05)	(4.35)	(1.90)	2.32

[End of Audited Remuneration Report]

Indemnification and Insurance of Officers and Auditors

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

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

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

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

Environmental Regulations

The Company is not currently subject to any specific environmental regulation. There have not been any known significant breaches of any environmental regulations during the year under review and up until the date of this report.

Proceedings on Behalf of the Company

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

Auditor

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

Officers of the Company Who Are Former Partners of RSM Australia Partners

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

Auditor's Independence Declaration

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

Shares Under Option

At the date of this report there were the following unissued ordinary shares for which options are outstanding:

- 10,500,000 options expiring 30 June 2021, exercisable at \$0.07
- 2,500,000 options expiring 19 March 2023, exercisable \$0.07
- 2,500,000 options expiring 31 July 2023, exercisable \$0.12
- 2,500,000 options expiring 31 August 2023, exercisable \$0.12

Shares Issued on The Exercise of Options

On 20 August 2020, the Company issued 500,000 fully paid ordinary shares at an issue price of \$0.07 per share upon the exercise of unlisted options by a previous consultant to the Company.

Other than the above, there were no other ordinary shares issued during the year ended 30 June 2020 and up to the date of this report on the exercise of options.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 18 to the financial statements.

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

- All non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

This report is signed in accordance with a resolution of Board of Directors.



Stephen Dennis
Non-Executive Chairman

30 September 2020



RSM Australia Partners

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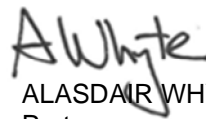
www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of EHR Resources Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM
RSM AUSTRALIA PARTNERS


ALASDAIR WHYTE
Partner

Perth, WA
Dated: 30 September 2020

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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation



FINANCIAL STATEMENTS



Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue from continuing operations			
Other income	4	80,121	59,140
Expenses			
Administrative expenses	5(a)	(308,691)	(173,932)
Compliance and regulatory expenses		(49,455)	(50,119)
Consultancy and legal expenses	5(b)	(305,736)	(102,682)
Employee benefit expenses		(248,085)	(190,318)
Exploration expenditure expense		(2,176,543)	(803,611)
Investor relations expense		(18,909)	(15,000)
Share-based payment expense	15	(115,274)	(26,693)
Other expenses		(43,124)	(23,905)
Foreign currency gains/(losses)		(15,909)	-
Loss from continuing operations before income tax		(3,201,605)	(1,327,120)
Income tax expense	6	-	-
Loss from continuing operations after income tax		(3,201,605)	(1,327,120)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(40,033)	11,222
Other comprehensive income for the year, net of tax		(40,033)	11,222
Total comprehensive loss attributable to the members of EHR Resources Limited		(3,241,638)	(1,315,898)
Loss per share for the year attributable to the members EHR Resources Limited:			
Basic loss per share (cents)	7	(2.42)	(1.05)
Diluted loss per share (cents)	7	(2.42)	(1.05)

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

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	4,342,785	2,532,718
Trade and other receivables	9	69,205	23,065
Total current assets		4,411,990	2,555,783
Total assets		4,411,990	2,555,783
LIABILITIES			
Current liabilities			
Trade and other payables	10	216,344	93,404
Total current liabilities		216,344	93,404
Total liabilities		216,344	93,404
Net assets		4,195,646	2,462,379
EQUITY			
Contributed equity	11	17,070,620	12,210,989
Reserves	12	1,403,003	1,327,762
Accumulated losses		(14,277,977)	(11,076,372)
Total equity		4,195,646	2,462,379

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

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2020

	Issued Capital	Share-based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
At 1 July 2019	12,210,989	1,357,213	(29,451)	(11,076,372)	2,462,379
Loss for the year	-	-	-	(3,201,605)	(3,201,605)
Other comprehensive income	-	-	(40,033)	-	(40,033)
Total comprehensive loss for the year after tax	-	-	(40,033)	(3,201,605)	(3,241,638)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of share capital	5,040,032	-	-	-	5,040,032
Share issue costs	(180,401)	-	-	-	(180,401)
Share-based payments	-	115,274	-	-	115,274
At 30 June 2020	17,070,620	1,472,487	(69,484)	(14,277,977)	4,195,646
At 1 July 2018	12,210,989	1,330,520	(40,673)	(9,749,252)	3,751,584
Loss for the year	-	-	-	(1,327,120)	(1,327,120)
Other comprehensive income	-	-	11,222	-	11,222
Total comprehensive loss for the year after tax	-	-	11,222	(1,327,120)	(1,315,898)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	26,693	-	-	26,693
At 30 June 2019	12,210,989	1,357,213	(29,451)	(11,076,372)	2,462,379

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

Consolidated Statement of Cash Flows

For the Financial Year ended 30 June 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Payments to suppliers and employees		(902,672)	(563,479)
Payments for exploration and evaluation expenditure		(679,013)	(803,611)
Interest received		30,121	59,139
Net cash used in operating activities	8(a)	(1,551,564)	(1,307,951)
Cash flows from investing activities			
Cash acquired from acquisition of subsidiary	22	22,000	-
Net cash outflow from investing activities		22,000	-
Cash flows from financing activities			
Proceeds from unissued shares		3,520,032	-
Share issue costs		(180,401)	-
Net cash from financing activities		3,339,631	-
Net (decrease) in cash and cash equivalents		1,810,067	(1,307,951)
Cash and cash equivalents at the beginning of the year		2,532,718	3,840,669
Cash and cash equivalents at the end of the year	8	4,342,785	2,532,718

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

Notes to the Consolidated Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

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

b) Basis of Preparation

Statement of compliance

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

The annual report was authorised for issue by the Board of Directors on 30 September 2020.

Basis of measurement

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 20.

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

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

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

AASB 16 Leases

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

Impact of adoption

The Group has adopted AASB 16 from 1 July 2019 using the retrospective modified approach and as such the comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2019.

New standards and interpretations not yet mandatory or early adopted

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

(a) AASB 2018-6: Amendments to the Australia Accounting Standards – Definition of a business

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

(b) Conceptual Framework for Financial Reporting (Conceptual Framework)

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

Significant Judgements and Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

(c) Comparatives

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

(d) Principles of Consolidation**Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of EHR Resources Limited ('Company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. EHR Resources Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more

than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

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

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

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

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

e) **Foreign Currency Translation**

Functional and presentation currency

Items included in the financial statements of each of the consolidated entity's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Australian dollars, which is EHR Resources Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Consolidated entity companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position account presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of profit or loss and other comprehensive income account are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming

part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

f) **Exploration and evaluation expenditure**

Exploration and evaluation expenditure incurred is expensed at the end of the reporting period unless it relates to a project that the Group has determined economically viable in which case it is carried forward to the extent that it is expected to be recouped through the successful development of the area, or by its sale.

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

g) **Current and Non-Current classification**

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

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

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

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

h) **Dividends**

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

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND ASSUMPTIONS

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

Share based payments

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

NOTE 3 SEGMENT INFORMATION

The Group require operating segments to be identified on the basis of internal reports above components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segments and to assess their performance. On this basis, the Group reportable segments under AASB Operating Segments are as follows:

- EHR del Peru ("Peru") which includes the Group's gold mineral exploration in Peru.
- Nanuk Diamonds Inc ("Canada") which includes the Group's diamond exploration in Canada.
- Botswana Alliance ("Botswana") which includes the Group's diamond exploration in Botswana.

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in Note 1.

Information regarding the Group's reportable segments is presented below.

	Peru	Canada	Botswana	Other	Total
	\$	\$	\$	\$	\$
2020					
Other income	-	-	-	80,121	80,121
Exploration expenditure	(40,548)	(1,789,974)	(346,021)	-	(2,176,543)
Share based payments expense	-	-	-	(115,274)	(115,274)
Administration and other expense	(14,617)	-	-	(975,292)	(989,909)
Loss before income tax	(55,165)	(1,789,974)	(346,021)	(1,010,445)	(3,201,605)
Income tax expense	-	-	-	-	-
Loss after income tax for the year	(55,165)	(1,789,974)	(346,021)	(1,010,445)	(3,201,605)
Total assets	4,690	35,743	-	4,371,557	4,411,990
Total liabilities	-	-	-	216,344	216,344
	Peru	Canada	Botswana	Other	Total
	\$	\$	\$	\$	\$
2019					
Other income	-	-	-	59,140	59,140
Exploration expenditure	(803,611)	-	-	-	(803,611)
Share based payments expense	-	-	-	(26,693)	(26,693)
Administration and other expense	-	-	-	(555,956)	(555,956)
Loss before income tax	(803,611)	-	-	(523,509)	(1,327,120)
Income tax expense	-	-	-	-	-
Loss after income tax for the year	(803,611)	-	-	(523,509)	(1,327,120)
Total assets	8,278	-	-	2,547,505	2,555,783
Total liabilities	-	-	-	93,404	93,404

NOTE 4 REVENUE

	2020	2019
	\$	\$
Other income		
Interest income	30,121	59,140
Australian Taxation Office ("ATO") Cash Flow Boost	50,000	-
	80,121	59,140

Accounting Policy*Revenue from contracts with customers*

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

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

Interest Income

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

All revenue is stated net of the amount of goods and services tax.

NOTE 5 EXPENSES

	2020	2019
	\$	\$
(a) Administrative expenses		
Accounting, audit and company secretarial fees	181,424	142,175
Travel expenses	92,823	27,375
General and administration expenses	34,444	4,382
	308,691	173,932
(b) Consultancy and legal expenses		
Consulting fees	100,000	-
Corporate advisory fees	(10,000)	55,000
Legal fees	215,736	47,682
	305,736	102,682

NOTE 6 INCOME TAX

	2020	2019
	\$	\$
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Income tax expense reported in the statement of profit or loss and other comprehensive income	-	-
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
(Loss) / profit before income tax expense	(3,201,605)	(1,327,120)
Prima facie tax benefit on loss before income tax at 30% (2019: 30%)	(960,482)	(398,136)
Increase income tax expense due to:		
Non-deductible expenses	238,686	234,366
Timing differences not recognised	385,431	(18,672)
Tax losses not brought to account	336,364	182,442
Tax effect of derivation of non-assessable income	-	-
Income tax expense/(benefit)	-	-
(c) Deferred tax assets not brought to account are:		
Accruals/provisions	8,762	10,247
Business related costs	16,202	14,364
Tax losses	1,862,148	1,525,784
Capitalised expenditure	415,608	-
Capital raising	82,369	58,609
Set-off against deferred tax liabilities	(3,440)	(3,270)
Total deferred tax assets not brought to account	2,381,650	1,605,734
(d) Deferred tax liabilities not recognised		
Prepayments	3,440	3,270
Set-off against deferred tax assets	(3,440)	(3,270)
Total unrecognised deferred tax liabilities	-	-

The benefit for tax losses will only be obtained if:

- (i) The Group derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) The Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- (iii) There are no changes in tax legislation in Australia which will adversely affect the Group in realising the benefit from the deductions for the losses.

At 30 June 2020, there is no recognised or unrecognised deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiary as the Group has no liability for additional taxation should such amounts be remitted.

Accounting Policy

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

Current Tax

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

Deferred Tax

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

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

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

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

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

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

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

NOTE 7 LOSS PER SHARE

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

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

	2020 \$	2019 \$
Net loss for the year	<u>(3,201,605)</u>	<u>(1,327,120)</u>
Weighted average number of ordinary shares for basic and diluted loss per share.	132,505,874	126,666,986
Options on issue are not considered dilutive to the earnings per share as the Company is in a loss-making position.		
Continuing operations		
Basic and diluted loss per share (cents)	<u>(2.42)</u>	<u>(1.05)</u>

Accounting Policy

Basic earnings per share

Basic earnings per share are calculated by dividing:

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

Diluted earnings per share

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

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

NOTE 8 CASH AND CASH EQUIVALENTS

	2020 \$	2019 \$
Cash at bank and in hand	3,842,785	532,718
Short-term deposits	500,000	2,000,000
	<u>4,342,785</u>	<u>2,532,718</u>

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made in varying periods between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

The Group's exposure to interest rate and credit risks is disclosed in Note 13.

(a) Reconciliation of net loss after tax to net cash flows from operations		
Loss for the financial year	(3,201,605)	(1,327,120)
<i>Adjustments for:</i>		
Consideration shares issued for asset acquisition	1,520,000	-
Foreign currency	(40,034)	11,222
Share-based payments	115,274	26,693
Impairment of other asset	8,637	-
<i>Changes in assets and liabilities</i>		
Trade and other receivables	(46,134)	16,119
Trade and other payables	92,304	(34,865)
Net cash used in operating activities	(1,551,564)	(1,307,951)
(b) Non-cash investing and financing activities		
<i>Adjustments for:</i>		
Consideration shares issued for asset acquisition	1,520,000	-

Accounting Policy

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

NOTE 9 TRADE AND OTHER RECEIVABLES

	2020	2019
	\$	\$
GST receivable	46,346	12,165
Other deposits and receivables	22,859	10,900
	69,205	23,065

a) Allowance for expected credit loss

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

Accounting Policy*Trade and Other Receivables*

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

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

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

Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or 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 taxation authority is included as a current asset or liability in the Consolidated Statement of Financial Position.

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

Impairment of Assets

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

NOTE 10 TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Trade payables	133,852	41,527
Accrued expenses	50,370	47,735
Other payables	32,122	4,142
	216,344	93,404

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

Accounting Policy

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

NOTE 11 CONTRIBUTED EQUITY

(a) Issued and fully paid

	2020		2019	
	No.	\$	No.	\$
Ordinary shares	183,334,983	17,070,620	126,667,986	12,210,989

Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the company in proportion to the number and amount paid on the share hold.

(b) Movement reconciliation	Number	\$
At 1 July 2019	126,667,986	12,210,989
Consideration shares to acquire 100% of the issued capital of Nanuk Diamonds Inc	20,000,000	1,520,000
Placement - Tranche 1	36,666,997	3,520,032
Share issue costs	-	(180,401)
At 30 June 2020	183,334,983	17,070,620
At 1 July 2018	126,667,986	12,210,989
At 30 June 2019	126,667,986	12,210,989

Accounting Policy

Ordinary shares are classified as equity.

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

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

NOTE 12 RESERVES

	2020	2019
	\$	\$
Share-based payments	1,472,487	1,357,213
Foreign currency translation reserve	(69,484)	(29,451)
	1,403,003	1,327,762
Movement reconciliation		
Share-based payments reserve		
Balance at the beginning of the year	1,357,213	1,330,520
Equity settled share-based payment transactions (Note 15)	115,274	26,693
Balance at the end of the year	1,472,487	1,357,213
Foreign currency translation reserve		
Balance at the beginning of the year	(29,451)	(40,673)
Effect of translation of foreign currency operations to group presentation	(40,033)	11,222
Balance at the end of the year	(69,484)	(29,451)

Share-based payment reserve

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

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

NOTE 13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

	2020 \$	2019 \$
Financial Assets		
Cash and cash equivalents	4,342,785	2,532,718
Trade and other receivables	69,205	23,065
	4,411,990	2,555,783
Financial Liabilities		
Trade and other payables	216,344	93,404
	216,344	93,404

a) Market risk

(i) Foreign exchange risk

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

(ii) Interest rate risk

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

	2020		2019	
	Weighted average interest rate ⁽ⁱ⁾	Balance \$	Weighted average interest rate	Balance \$
Cash and cash equivalents	0.21%	4,342,785	1.96%	2,532,718

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

Sensitivity

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

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

<i>Judgements of reasonably possible movements:</i>	Profit higher/(lower)	
	2020	2019
	\$	\$
+ 1.0% (100 basis points)	30,399	17,729
- 1.0% (100 basis points)	(30,399)	(17,729)

b) Credit risk

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

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

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group except for cash and cash equivalents and other financial assets held in reputable major banks in Peru.

c) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities:

	6 months	6-12 months	1-5 years	> 5 years	Total
	\$	\$	\$	\$	\$
2020					
Trade and other payables	216,344	-	-	-	216,344
2019					
Trade and other payables	93,404	-	-	-	93,404

d) Capital risk management

The Group's objectives when managing capital are to:

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

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

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

Accounting Policy*Investments and other financial assets*

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

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through other comprehensive income

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

Impairment of financial assets

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

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured

on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

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

NOTE 14 RELATED PARTY DISCLOSURE

a) Key Management Personnel Compensation

Compensation

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

	2020 \$	2019 \$
Short-term benefits	425,181	175,000
Post-employment benefits	27,904	16,625
Share-based payments	115,274	-
	568,359	191,625

b) Transactions with related parties

During the financial year, the Company incurred fees of \$116,640 (2019: \$108,675) for company secretarial and accounting services paid/is payable to Mirador Corporate Pty Ltd ("Mirador") (a company of which Jeremy King is a Director). An amount of \$40,000 has been paid to Mirador relating to additional consulting services provided to the Company for the Nanuk Diamonds Inc's acquisition as disclosed in Section D of the Remuneration Report.

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

Mirador Corporate Pty Ltd (i)	14,240	8,400
Bushwood Nominees Pty Ltd (i)	13,750	10,000
Gas Transport Solutions Pty Ltd (ii)	13,750	10,000
Stephen Dennis	17,500	13,750
Michael O'Keeffe	13,750	10,000

(i) Entity related to Jeremy King

(ii) Entity related to David Bradley

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

NOTE 15 SHARE-BASED PAYMENTS

a) Recognised share-based payment transactions

	2020 \$	2019 \$
Options issued to Directors ⁽ⁱ⁾	115,274	-
Options issued to consultants ⁽ⁱ⁾	-	26,693
	115,274	26,693

i) Options issued to Directors

Following shareholder approval at the 9 March 2020 General Meeting of shareholders, the Company issued 2,500,000 Unlisted Options (exercisable at \$0.07 on or before 19 March 2022) to Mr Ravenscroft as part of his incentive package following his appointment to the EHX Board.

b) Summary of options

Options	Grant Date	Date of Expiry	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year
Directors	15-06-17	30-06-21	\$0.07	10,000,000	-	-	-	10,000,000
Consultant	01-08-17	22-08-20	\$0.07	500,000	-	-	-	500,000
Consultant	15-06-18	30-06-21	\$0.07	500,000	-	-	-	500,000
Director	09-03-20	19-03-23	\$0.07	-	2,500,000	-	-	2,500,000
				11,000,000	2,500,000			13,500,000
Weighted average exercise price			\$0.07					

The options issued to the Mr Peter Ravenscroft, Director, of the Company, have been valued using the Black-Scholes model. The model and assumptions are shown in the table below:

Black-Scholes Option Pricing Model	
	Directors
Grant Date	09-03-20
Expiry Date	19-03-23
Strike (Exercise) Price	\$0.07
Underlying Share Price (at date of issue)	\$0.083
Risk-free Rate (at date of issue)	0.38%
Volatility	80%
Number of Options Issued	2,500,000
Dividend Yield	0%
Probability	100%
Black-Scholes Valuation	\$0.046
Total Fair Value of Options	\$115,274

Accounting Policy

Equity-settled and cash-settled share-based compensation benefits are provided to Key Management Personnel and employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using an appropriate valuation model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying an appropriate valuation model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

NOTE 16 COMMITMENTS

On 30 March 2017, the Company signed a definitive farm-in agreement with Eoro Resources Ltd, whereby the Company can acquire up to 25% interest in La Victoria Gold Project (“the Project”) by completing up to CAD 5 million by 31 December 2018. This agreement was amended through a Revised Agreement entered into on 1 March 2018 (and announced on 2 March 2018), the effect of which is to divide the original Stage 2 earn-in phase into two separate stages, Stage 2A and Stage 2B. Below are the exploration expenditure commitments for the Group in relation to this project.

Stage	Earn-in Interest	Earn-in Period	Earn-in Amount (CAD\$)	Amount incurred at 30 June 2020	Outstanding amount at 30 June 2020
Stage 1 ⁽ⁱ⁾	10%	30 March 2017 – 30 October 2017	CAD \$2 million	CAD \$2 million	-
Stage 2A	8%	On or before 30 June 2018 ⁽ⁱⁱ⁾	CAD \$1.6 million	CAD \$1.6 million	-
Stage 2B	7%	On or before 31 December 2018 ⁽ⁱⁱⁱ⁾	CAD \$1.4 million	-	CAD \$1.4 million

(i) In December 2017, the Company completed the required to earn a 10% interest in the Project.

- (ii) In December 2018, the Company completed the required to earn a further 8% interest in the Project. Under the current arrangements with Eloro, EHR is not required to make any final decision in relation to proceeding with Stage 2B until drilling permits are issued for the proposed San Markito exploration program. Currently, EHR are contributing 18% of project costs towards the La Victoria Project.

In June 2020, the Company entered into an Exploration Alliance Agreement (“Alliance”) with Diamond Exploration Strategies Ltd (“DES”), a privately owned company focused on diamond exploration in Botswana. Under the terms of the Alliance, EHR will provide funding of US\$1,5 million over three years to finance exploration activities, earning 50% ownership of any discoveries made, with US\$0.3 million in the first 12 months funded by existing cash reserves.

On 19 August 2020, EHR has notified North Arrow Minerals Inc (TSXV: NAR) (“North Arrow”) of the Company’s unconditional commitment to fund the Phase One Earn-In Option Agreement (“the Agreement”) over Naujaat. After EHR made an initial CAD\$300,000 payment in June 2020, the Agreement was contingent on the Company being able to secure financing for the required remaining CAD\$5.3 million earn-in before 1 April 2021. EHR recently completed a successful capital raise that has enabled this commitment to be made, and payments will be made in accordance with a cash-call defined in the Phase 1 Cash Call Schedule below.

North Arrow – Phase 1 Cash Call Schedule	
Funding Date	Amount to be Advanced
April 1, 2021	CAD\$1,000,000
June 1, 2021	CAD\$1,500,000
August 1, 2021	CAD\$1,500,000
September 1, 2021	CAD\$750,000
November 2021	CAD\$550,000
	Total: CAD\$5,300,000

NOTE 17 CONTINGENCIES

All purchases in Peru are subject to the payment of the Impuesto General a las Ventas (“IGV”) which is a General Sales Tax. Eloro Resources Ltd is entitled to claim back the IGV tax it has paid on all Peruvian purchases which, if successfully claimed, can then be recovered by EHR. As at 30 June 2020, the potential IGV tax receivable is approximately US\$352,080 (2019: US\$350,807). A receivable has not been recognised at 30 June 2020 as receipt of the amount is dependent upon Eloro and the Company meeting the IGV required refund and the assessment of the relevant taxation authorities in Peru.

NOTE 18 AUDITOR’S REMUNERATION

	2020 \$	2019 \$
Amounts received or due and receivable by RSM Australia:		
Audit and review of the annual and half-year financial report	33,500	29,500
Other services - RSM Australia:		
- Taxation services	4,000	4,000
- Independent Expert’s Report	20,000	-
	53,500	33,500
Other service- RSM Canada		
- Tax compliance services	7,284	-
	7,284	-

NOTE 19 INVESTMENT IN CONTROLLED ENTITIES

	Principal Activities	Country of Incorporation	Ownership interest	
			2020 %	2019 %
Cottesloe Oil and Gas Pty Ltd	Exploration	Australia	100	100
EHR Del Peru S.A.C.	Exploration	Peru	100	100
Nanuk Diamonds Inc.	Exploration	Canada	100	-

NOTE 20 PARENT ENTITY

	2020 \$	2019 \$
Assets		
Current assets	4,371,556	2,547,505
Non-current assets	38,949	15,164
Total assets	4,410,505	2,562,669
Liabilities		
Current liabilities	214,860	100,290
Total liabilities	214,860	100,290
Equity		
Contributed equity	17,070,620	12,210,989
Reserves	1,472,485	1,357,211
Accumulated losses	(14,347,459)	(11,105,821)
Total equity	4,195,646	2,462,379
Loss for the year	(3,241,638)	(1,315,898)
Total comprehensive loss	(3,241,638)	(1,315,898)

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.

Exploration commitments

The parent entity had exploration commitments as disclosed in Note 16.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed through the report, except for the following:

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

NOTE 21 EVENTS AFTER THE REPORTING DATE

As the impact of the COVID-19 pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is still evolving 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.

Shareholders approved the Company's Option Plan and Director Option Terms at the General Meeting held on 2 July 2020.

On 3 July 2020, the Company issued 1,250,000 fully paid ordinary shares at a deemed issue price of \$0.10 per share to Mr Peter Ravenscroft, Managing Director of EHX, as part of his remuneration package in accordance with an Executive Services Agreement. The issue of the share was approved by shareholders at the Company's General Meeting held on 2 July 2020.

On 5 July 2020, Mr Marc Dorion was appointed as a Non-Executive Director of the Company. On the same day, Mr David Bradley tendered his resignation as a Non-Executive Director of the Company.

On 6 August 2020, the Company issued 67,499,670 shares at an issue price at \$0.096 per share for the second tranche of the Share Placement. Tranche 2 Placement Shares were approved by shareholders at the Company's Extraordinary General Meeting on 4 August 2020. On the same day, the Company issued 6,169,936 shares at an issue price of \$0.096 per share as part of the Share Purchase Plan. The total funds raised from the two Placement tranches and the Share Purchase Plan was \$10,592,314 (before issue costs).

On 19 August 2020, EHR has notified North Arrow Minerals Inc (TSXV: NAR) ("North Arrow") of the Company's unconditional commitment to fund the Phase One Earn-In Option Agreement ("the Agreement") over Naujaat. After EHR made an initial CAD\$300,000 payment in June 2020, the Agreement was contingent on the Company being able to secure financing for the required remaining CAD\$5.3 million earn-in before 1 April 2021. EHR recently completed a successful capital raise that has enabled this commitment to be made.

On 20 August 2020, the Company issued 2,500,000 unquoted options (exercise price of \$0.12 and expiring on 31 July 2023) to a consultant as part of a remuneration package. The options are subject to 24 months voluntary escrow.

On 20 August 2020, the Company issued 500,000 fully paid ordinary shares at an exercise price of \$0.07 per share upon the exercise of unlisted options.

On 10 September 2020, the Company issued 2,500,000 unquoted options (exercise price of \$0.12 and expiring on 31 August 2023) to a consultant as part of a remuneration package. The options are subject to 24 months voluntary escrow.

On 22 September 2020, the Company appointed Mr Kim Truter as a Non-Executive Director, with immediate effect.

Other than the above, there has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group.

NOTE 22 ACQUISITION OF NANUK DIAMONDS INC

On 17 March 2020, the Company successfully completed its acquisition of 100% interest in Nanuk Diamonds Inc. (“Acquisition”) and issued Nanuk Diamonds Inc. shareholders a total of 20,000,000 fully paid ordinary shares at fair value of \$0.076 per share to acquire all outstanding shares in Nanuk Diamonds Inc.

	2020 \$
Purchase consideration – non-cash	<u>1,520,000</u>
Fair value of net assets acquired are as follows:	
Cash and cash equivalents	22,000
Other receivables	<u>17,374</u>
Total assets	<u>39,374</u>
Exploration and evaluation expense	<u>1,480,626</u>

Accounting Policy

Asset Acquisition not constituting a Business

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset or expensed in according to the group accounting policy.

Directors' Declaration

In the Directors' opinion:

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

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

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

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'Stephen Dennis', is written over a light blue horizontal line.

Stephen Dennis
Non-Executive Chairman

30 September 2020

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

Opinion

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

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

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

Basis for Opinion

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

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

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

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Key Audit Matters

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

Key Audit Matter	How our audit addressed this matter
Acquisition of Nanuk Diamonds Inc. Refer to Note 22 in the financial statements	
<p>During the year, the Group completed its acquisition of 100% interest in Nanuk Diamonds Inc. for a consideration of \$1,520,000.</p> <p>The accounting for this acquisition is a key audit matter because it involved the exercise of judgment in relation to:</p> <ul style="list-style-type: none"> • Determining whether the transaction is a business combination or an asset acquisition, based on whether the definition of a business in <i>AASB 3 Business Combinations</i> was met; • Determining the fair value of the consideration paid; and • Determining the acquisition date. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Reviewing the share sale agreement identifying key terms and conditions; • Evaluating management's determination that the acquisition did not meet the definition of a business within <i>AASB 3 Business Combinations</i> and therefore was an asset acquisition as opposed to a business combination; • Evaluating the assumptions and methodology in management's determination of the fair value assets and liabilities acquired; • Assessing management's determination of the fair value of consideration paid and the acquisition date; and • Assessing the appropriateness of the disclosures in the financial report.
Exploration Expenditure Refer to Statement of Profit or Loss and Other Comprehensive Income, Note 1(f) and Note 22.	
<p>The Group has incurred exploration expenditure of \$2,176,543 for the year ended 30 June 2020, which has been recognised as an expense to the statement of profit or loss and other comprehensive income in accordance with the Group's accounting policy. Exploration expenditure is comprised of \$695,917 to earn an interest in its projects and \$1,480,626 attributed to the acquisition of Nanuk Diamonds Inc.</p> <p>Exploration expenditure is a key audit matter as it is the most significant expense in the statement of profit or loss and other comprehensive income.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Reviewing the key terms and conditions of the joint venture agreements; • Obtaining confirmation from the joint venture partners that cash calls transferred/paid have been expended on activities that would qualify as exploration activities in accordance with the joint venture agreements and the Group's earned interest in its projects at the reporting date; • Performing substantive testing on exploration expenditure expense on a sample basis; • Assessing whether the Group's accounting policy for exploration expenditure is in accordance with Australian Accounting Standards; and • Assessing the adequacy of the disclosures in the financial report.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report


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

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

Responsibilities

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

Perth, WA
Dated: 30 September 2020

RSM
RSM AUSTRALIA PARTNERS

ALASDAIR WHYTE
Partner

Corporate Governance Statement

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

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

The Company's Corporate Governance Statement and policies can be found on its website at www.ehr-resources.com.



ADDITIONAL ASX INFORMATION



ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this Annual Report is as follows. The information is current as of 18 September 2020.

1. Fully paid ordinary shares

- There is a total of 258,754,589 fully paid ordinary shares on issue which are listed on the ASX.
- The number of holders of fully paid ordinary shares is 914.
- Holders of fully paid ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company.
- There are no preference shares on issue.

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

Range	Number of holders	Number of shares	% of Issued Capital
1 - 1,000	48	3,936	0.00%
1,001 - 5,000	68	290,083	0.11%
5,001 - 10,000	161	1,363,795	0.53%
10,001 - 100,000	412	15,966,330	6.17%
100,001 Over	225	241,130,445	93.19%
Total	914	258,754,589	100.00%

3. Holders of non-marketable parcels

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

There are 128 shareholders who hold less than a marketable parcel of shares, amount to 0.14% of issued capital.

4. Substantial shareholders of ordinary fully paid shares

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Holding Balance	% of Issued Capital
MICHAEL O'KEEFFE	25,075,594	9.69%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	14,470,000	5.59%
HSBC & FRAYNE	14,239,536	5.50%

5. Restricted Securities

- 10,000,000 fully paid ordinary shares subject to 12 months escrow.

6. Share buy-backs

There is currently no on-market buyback program for any of EHR Resources' listed securities.

7. Voting rights of Shareholders

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

- Show of hands – one vote per shareholders; and

- Poll – one vote per fully paid ordinary share.

8. Major Shareholders

The Top 20 largest fully paid ordinary shareholders together held 53.99% of the securities in this class and are listed below:

	Holder Name	Number Held	Percentage
1	MICHAEL O'KEEFFE	25,075,594	9.69%
2	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	14,470,000	5.59%
3	HSBC & Frayne	14,239,536	5.50%
4	MARC DORION	12,541,667	4.85%
5	SANDY DOG PTY LTD <THE SANDY DOG UNIT A/C>	9,375,000	3.62%
6	ANDREW DIMSEY	7,387,884	2.86%
7	STEPHEN DENNIS	5,189,957	2.01%
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,040,600	1.95%
9	SANDY DOG PTY LTD <CHAS STEWART NO 2 FAM A/C>	4,949,928	1.91%
10	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	4,756,808	1.84%
11	BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	4,614,704	1.78%
12	PETER RAVENSCROFT	4,375,000	1.69%
13	DR SALIM CASSIM	4,166,667	1.61%
14	BLUE CRYSTAL PTY LTD <JULIAN FAMILY A/C>	4,166,667	1.61%
15	SANDY DOG PTY LTD <CAMPBELL STEW NO 2 FAM A/C>	3,814,921	1.47%
16	METECH SUPER PTY LTD <METECH NO 2 SUPER FUND A/C>	3,300,000	1.28%
17	ZERO NOMINEES PTY LTD	3,125,000	1.21%
18	METECH SUPER PTY LTD <METECH NO2 SUPER A/C>	3,125,000	1.21%
19	SANDY DOG PTY LTD	3,081,250	1.19%
20	JEREMY KING	2,913,122	1.16%
Total: Top 20 holders of ORDINARY FULLY PAID SHARES		139,709,305	53.99%

9. Unlisted Options

- 10,500,000 unquoted options with an exercise price of \$0.07 and an expiry date of 30 June 2021, escrowed for 2 years.
- 2,500,000 unquoted options with an exercise price of \$0.07 and an expiry date of 19 March 2023.
- 1,250,000 unquoted options with an exercise price of \$0.12 and an expiry date of 31 July 2023.
- 1,250,000 unquoted options with an exercise price of \$0.12 and an expiry date of 31 July 2023. Vesting on 1 August 2021.
- 1,250,000 unquoted options with an exercise price of \$0.12 and an expiry date of 31 August 2023.
- 1,250,000 unquoted options with an exercise price of \$0.12 and an expiry date of 21 August 2023. Vesting on 1 September 2021.

10. Tax Status

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

11. Franking Credits

The Company has no franking credits.

12. Business Objectives

EHR Resources Limited has used cash and cash equivalents held at the time of re-compliance in a way consistent with its stated business objectives.

13. Securities Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited under Security Code EHX.

14. Registered Office

Suite 2, Level 1, 1 Altona Street
West Perth WA 6005

Telephone: 08 6559 1792
Website: www.ehr-resources.com

15. Company Secretary

Ms Sarah Smith

16. Share Registry

Automatic Share Registry
Level 2, 267 St Georges Terrace
Perth WA 6000

Telephone: 1300 288 664

17. Group Assets

Project	Location	Area	Nature of Interest	Holder	Interest at beginning of year	Interest at end of year
La Victoria Project	Peru	~80km ²	Farm-in Agreement	Eloro Resources Limited	18%	18%
Nanuk Diamonds	Quebec, Canada	274km ²	100% Acquisition	Nanuk Diamonds Inc.	100%	100%