FIREFLY RESOURCES LIMITED

ABN 84 118 522 124

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Corporate Directory

Directors

Michael Edwards	–	Non-Executive Chairman
Simon Lawson	–	Managing Director and Chief Executive Officer
Geoffrey Jones	–	Non-Executive Director
Ashley Pattison	–	Non-Executive Director

Joint Company Secretaries

Steven Wood
Natalie Teo

Registered Office and Principal Place of Business

15 McCabe Street,
North Fremantle, Western Australia 6159

Telephone: (+61) 8 9322 2338

Share Registry

Automic Pty Ltd
Level 2, 267 St Georges Terrace
Perth, Western Australia 6000

Telephone: 1300 288 664

Auditors

Stantons International
Level 2,
1 Walker Avenue
West Perth, Western Australia 6005

Bankers

National Australia Bank Limited
Perth West BBC
Level 14, 100 St Georges Terrace
Perth, Western Australia 6000

Solicitors

HWL Ebsworth
Level 20, 240 St Georges Terrace
Perth, Western Australia 6000

Stock Exchange

Australian Securities Exchange Limited
Level 40, Central Park
152-158 St Georges Terrace
Perth, Western Australia 6000

ASX Code: FFR

FIREFLY RESOURCES LIMITED

ABN 84 118 522 124

Annual Report for the year ended 30 June 2020

Contents

OVERVIEW

Firefly Resources Limited (**Firefly** or the **Company**) (previously Marindi Metals Limited) and its subsidiaries (the **Group**) has an overriding focus on identifying geological opportunity and exploring for gold in Western Australia.

During FY2020, the Group's core focus was on exploration programs at the 100%-owned Forrestania Gold-Lithium Project in Western Australia, where Firefly completed a maiden gold-focused Reverse Circulation (RC) drilling program across three high-priority gold prospects. This initial program comprised 2,244m of RC drilling and successfully tested the Gemcutter, Crossroads and Kit Kat gold prospects. Initial results from the discovery program included 21m @ 3.20g/t gold from 34m, including 3m @ 4.58g/t and 1m @ 33.10g/t.

Follow-up drilling was undertaken at the Gemcutter gold prospect, located on the 100% owned Gem Mining Lease, comprising seven drill holes for a total of 720m of RC drilling. The completion of the follow-up program indicated that the mineralised system for Gemcutter is open in all directors, with highly variable gold grades.

In parallel with these exploration programs, Firefly continued a review of potential strategic project acquisitions, consistent with the Company's focus on expanding its gold portfolio in Western Australia.

As a result of this review, in late June 2020 Firefly executed a binding agreement to acquire a 100% interest in the advanced Yalgoo Gold Project, located 110km west of Mt Magnet in the Murchison region of Western Australia, through the acquisition of 100% of the issued capital of Aurum Minerals Pty Ltd.

The transformational acquisition includes existing gold Resources plus a large, highly prospective tenement holding in a Tier-1 mining district encompassing the historical Yalgoo gold field.

The acquisition will allow Firefly to pursue a two-pronged growth strategy based on:

1. The potential to rapidly establish maiden JORC 2012 compliant Mineral Resources in a world-class mining district, with exceptional "near-mine" exploration upside and development potential within 150km of five operating gold mills; and
2. A regional-scale, multi-faceted exploration and growth strategy across an historical gold-field within a large, highly-prospective, contiguous and under-explored tenement holding.

In light of the advanced nature and strong prospectivity of the Yalgoo Gold Project, this asset will become the core focus of Firefly's ongoing exploration programs.

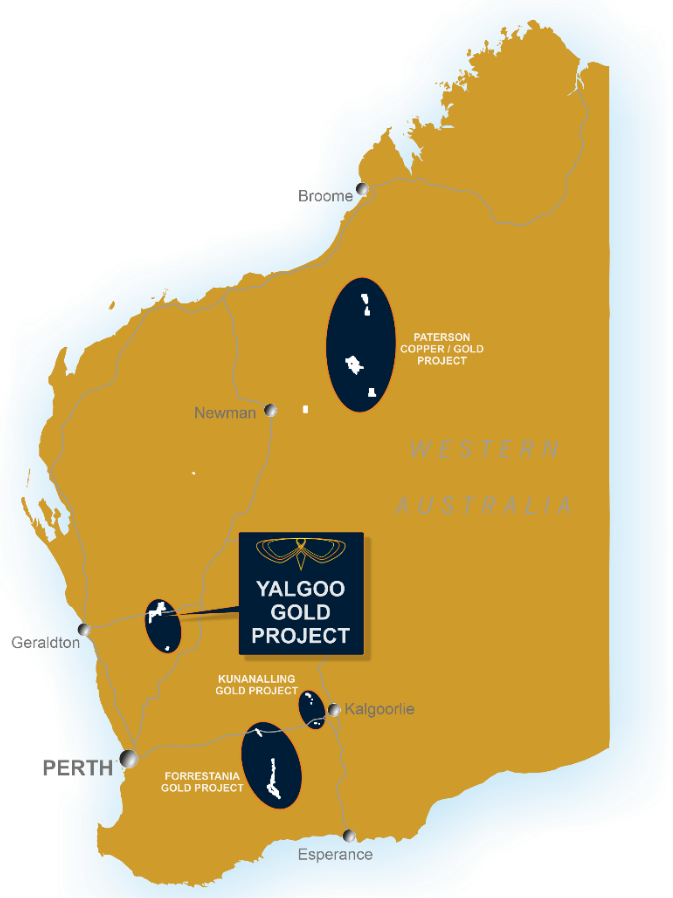

Figure 1. Firefly Resources Limited Projects

YALGOO GOLD PROJECT – 100% OWNED

In June 2020, Firefly executed a binding agreement to acquire a 100% interest in the advanced Yalgoo Gold Project, located 110km west of Mt Magnet in the Murchison region of Western Australia, through the acquisition of 100% of the issued capital of Aurum Minerals Pty Ltd (**Aurum**).

The transformational acquisition includes existing gold Resources plus a large, highly prospective tenement holding in a Tier-1 mining district encompassing the historical Yalgoo gold field (see Figure 2).

The Yalgoo Gold Project includes the advanced Melville gold deposit, which hosts a JORC 2004 Mineral Resource of 2.75Mt grading 1.57g/t Au for 140,000 ounces of contained gold (0.8g/t cut-off)[1] (**Melville Deposit**).

[1] *The Company cautions that the Mineral Resources are not reported in accordance with the JORC Code 2012. A Competent Person has not yet done sufficient work to classify the estimates of Mineral Resources in accordance with the JORC Code 2012. Firefly Resources notes that nothing has come to its attention that causes it to question the accuracy or reliability of the former owner's estimate as first announced by Prosperity Resources (ASX:PSP) – ASX release dated 12th May 2004 "Prosperity Doubles Resources to 140,000 ounces at Yalgoo, WA" on the Melville Deposit and also with regards to the Satellite Deposits, however the Company has not independently validated the former owner's estimates and therefore cannot be regarded as reporting, adopting or endorsing those estimates. Refer ASX Announcement dated 24 June 2020 for further information.*

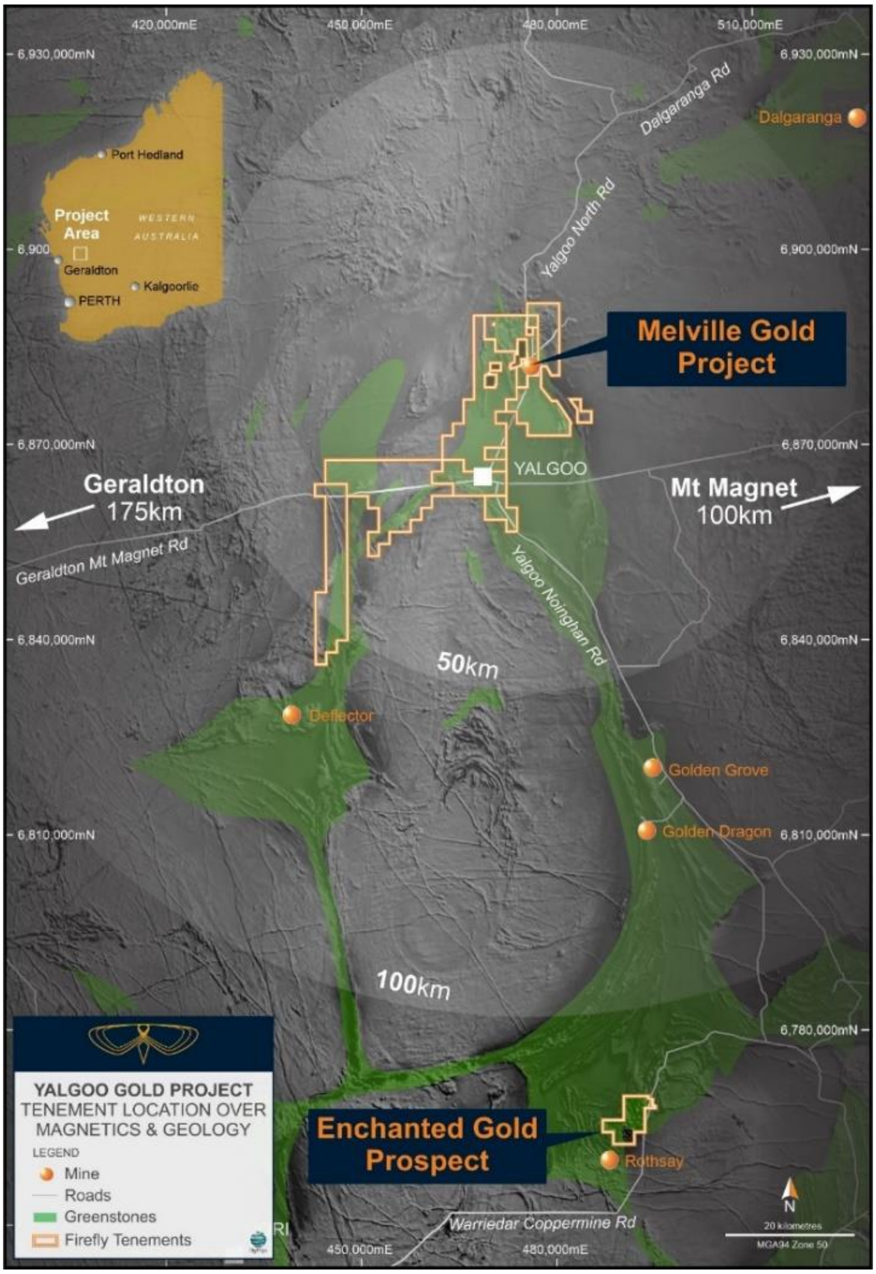

Figure 2. Yalgoo Gold Project location and tenure highlighting extensive regional greenstone coverage.

Mineralisation within the Melville Deposit is hosted within a completely unmined steeply-dipping “stacked-lode” system, with both laterite at surface and broad, shallow supergene-enriched zones supporting its amenability to potential open pit mining.

In addition, while very limited drilling has been conducted below 100-150m from surface, the presence of shallow-plunging high-grade ore shoots and an apparent increase in gold grades with increasing depth indicates strong potential to upgrade the resource at depth as well as potential for future underground mining at the Melville Deposit.

Melville Gold Deposit

The Melville deposit sits within 800m of known strike, with mineralisation remaining open in all directions. No meaningful drilling has been conducted at the deposit since 2005, and with recent advances in geophysical, geochemical, sampling and assaying methods there is significant scope to further explore and potentially expand the deposit using systematic, modern exploration techniques.

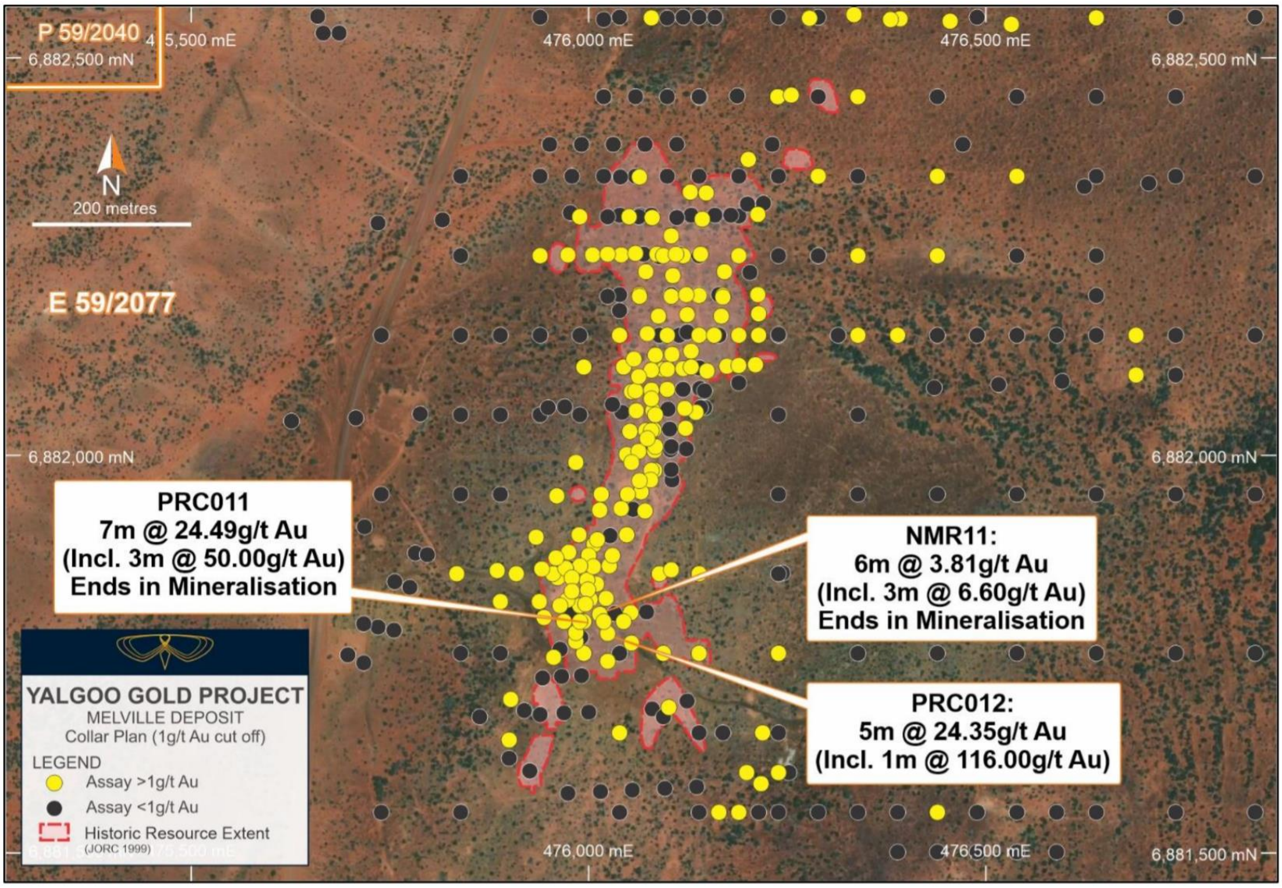

Figure 3. Plan view of Melville Gold Deposit showing historic resource extent (steeply dipping west and above 0.2g/t), selected significant intercepts and all drill collars coloured by max downhole grade using a 1g/t Au cut/off.

Significant intercepts* (cut-off grade greater than 1.00g/t) from historical drilling within the Melville Deposit include:

- NMR011 – 6m @ 3.81g/t from 36m, including 3m @ 6.60g/t from 36m (hole ends in mineralisation)
- PRC012 – 5m @ 24.35g/t from 42m, including 1m @ 116.00g/t from 42m
- PRC011 – 7m @ 24.49g/t from 93m, including 3m @ 50.00g/t from 94m (hole ends in mineralisation)

Subsequent historical drilling, not included in the current resource estimate and both within and along-strike from the Melville Deposit mineralisation envelope, represents immediate and additional potential in the planned re-evaluation and update of the Melville resource to the JORC 2012-compliant reporting standard (see Figure 3).

Numerous additional targets have also been identified close to the Melville Deposit, offering a suite of immediate high-priority targets.

These include the high-grade Don Bradman gold prospect, the Lady Lydia South and Brilliant gold trend, which host a combined 13,500oz in resources (JORC 1999), as well as the advanced Prince George gold prospect centred on historical underground workings.

Firefly intends to upgrade the Melville Deposit and other suitable deposits to JORC 2012 compliance as a matter of priority through small in-fill drilling programs, with follow-up resource increases targeted through step-out and deeper (>100m) drill campaigns.

Detailed below are several significant intercepts (select intercepts with a cut-off grade greater than 1.00g/t) from the main satellite gold prospects. The significant intercepts were selected as indicative examples of each prospect from the broader historical sample database compiled from various previous owners/explorers. An abundance of historical gold workings, including numerous shafts from the early part of last century also represent additional "walk-up" drill targets.

Significant intercepts* (cut-off grade greater than 1.00g/t) from historical drilling at the Don Bradman gold prospect include:

- RC85/04 – 3m @ 12.70g/t from 21m
- PRC104 – 9m @ 2.66g/t from 28m, including 3m @ 7.11g/t from 30m

Significant intercepts* (cut-off grade greater than 1.00g/t) from historical drilling at the Brilliant gold prospect include:

- NB012 – 8m @ 5.19g/t from 37m, including 1m @ 15.25g/t from 15m, and 1m @ 10.20g/t from 41m
- NB029 – 7m @ 2.68g/t from 55m, including 4m @ 4.36g/t from 59m

Significant intercepts* (cut-off grade greater than 1.00g/t) from historical drilling at the Lady Lydia South gold prospect include:

- NLS004 – 6m @ 5.16g/t from 15m, including 3m @ 8.29g/t from 18m (hole ends in mineralisation)
- PRC026 – 6m @ 1.25g/t from 44m, including 1m @ 4.27g/t from 48m

Significant intercepts* (cut-off grade greater than 1.00g/t) from historical drilling at the Prince George gold prospect include:

- RRC24 – 8m @ 5.12g/t from 15m, including 2m @ 15.75g/t from 20m
- YPRC35 – 7m @ 8.23g/t from 23m, including 1m @ 35.70g/t from 23m, and 1m @ 14.00g/t from 29m

*The drill-hole assay results, as well as other drill-hole information relevant to those referred to here, were previously referred to and/or released by Prosperity Resources Ltd (ASX: PSP) in their announcements dated 08/10/03, 09/12/03, 24/12/03, 12/05/04 and 26/08/04 among others and are reported in full in the ASX Announcement dated 24 June 2020.

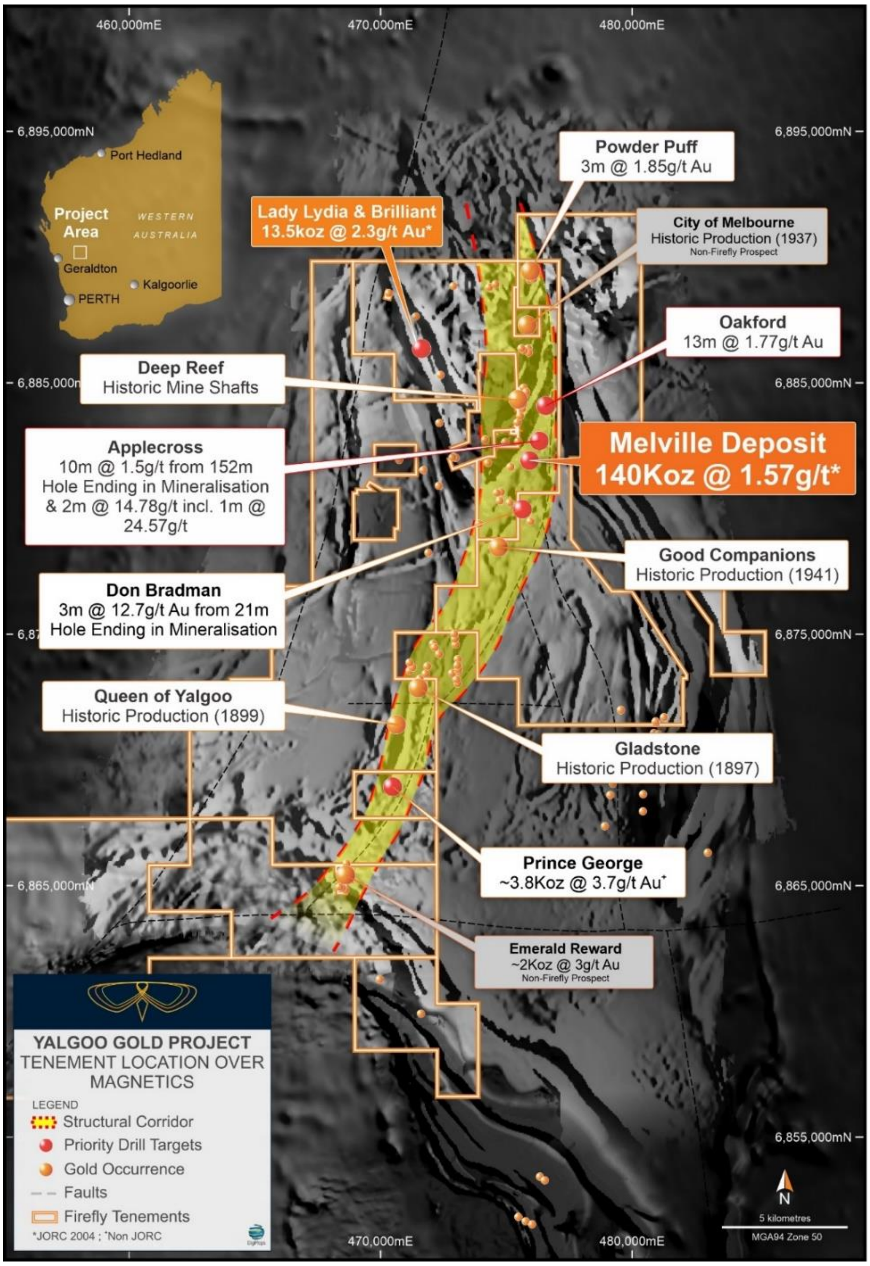

Figure 4. Yalgoo Gold Project tenure overlaid on 1VD magnetics illustrating ~28km shear corridor (yellow) over the historical Yalgoo goldfield.

The Melville tenement package also includes 600km^2 of highly prospective tenure covering the majority of the historical Yalgoo goldfield, as well as significant coverage of the wider potential of the regional-scale Yalgoo-Singleton greenstone belt.

During technical review of the project, Firefly has defined a 1km-wide north-south 28km-long shear zone corridor in which the majority of the existing gold occurrences at the Yalgoo Gold Project are situated. The extent of the corridor is most evident where the gold occurrences are overlaid on the 1st vertical derivative (1VD) magnetics geophysical images, highlighting the underlying stratigraphy due to the excellent contrast in magnetic BIF horizons to less magnetic mafic packages.

Firefly is acquiring more than 90% of the extent of this high-potential corridor covering most of the existing gold prospects and historical workings through this transaction (see Figure 4).

The advanced gold Resources, extensive ground coverage and presence of existing nearby infrastructure offers Firefly significant flexibility and a range of commercial opportunities with gold prices at near record levels.

In addition to the Melville Project tenements, the acquisition also includes the un-mined Enchanted Gold Prospect, located 100km south of Melville (see Figure 2).

Enchanted comprises a 33km^2 tenement over the same highly-prospective Yalgoo-Singleton greenstone belt geology that hosts the nearby 400koz Rothsay Gold Project. Rothsay (under development) was acquired by Silver Lake Resources (ASX: SLR) in December 2019 from Egan Street Resources for $100 million and sits just 2.5km from the shallow Enchanted Gold Project. Firefly considers the Enchanted Gold Project to be a potential early-stage analogue to the Rothsay deposit due to similarities in lithological setting, mineralisation style and geometry and requires further drill testing.

Significant intercepts* (cut-off grade greater than 1.00g/t) from historical drilling at the Enchanted Gold Project include:

- ENR002 – 11m @ 3.74g/t from 44m, including 2m @ 17.87g/t from 45m
- ENR005 – 5m @ 1.92g/t from 44m, including 3m @ 2.97g/t from 45m
- ENRC011 – 10m @ 1.81g/t from 27m, including 1m @ 9.49g/t from 31m

For a full list of the tenements acquired by Firefly Resources in this transaction please refer to the Company's ASX Announcement dated 24 June 2020.

Holland Acquisition

Further to its acquisition of the Yalgoo Gold Project from Aurum, Firefly added to its holding in the region through an acquisition of a strategic tenement package containing additional untested historical high-grade gold mines in the Yalgoo Goldfield (**Holland Acquisition**).

The Holland Acquisition covers 4.5km2 of folded greenstone bedrock stratigraphy containing at least four historical high-grade gold mines (shafts) and a number of alluvial gold "patches" thought to be derived from the weathering of the related outcropping mineralised structures (Figure 5). Firefly management has validated the presence of both hard-rock and alluvial gold during due diligence conducted on the acquisition.

The acquisition includes five tenements, two Mining Leases, and three Prospecting Leases, located immediately along-strike from the two main mineralised trends at Yalgoo, namely the Brilliant or "Northwest" and the Melville or "North" trends as well, as the folded inflection point between the two trends which may represent a significant regional-scale gold target in itself.

In addition to the strategically located tenements, the Holland Acquisition includes a significant amount of mining and processing equipment and infrastructure, including a fully-operational 25-30tph gold process plant "washplant", a Caterpillar 950F front-end loader and a Mercedes Benz dump-truck, production water-bore, water storage and pumping equipment, several generators, a covered workshop and sea-containers and a full "off-grid" 3-person accommodation facility.

The total consideration for the Holland Acquisition is $250,000 cash, split between a $20,000 non-refundable option fee for 2 weeks of due diligence and final consideration of $230,000. The total consideration has now been paid to the vendor, a private syndicate, and Firefly Resources now holds the five tenements and has 100% ownership of all plant, equipment and infrastructure. There are no royalties payable over the five new tenements except the 2.5% levied by the State Government.

For further details, please refer to the Company's ASX Announcement dated 11 August 2020.

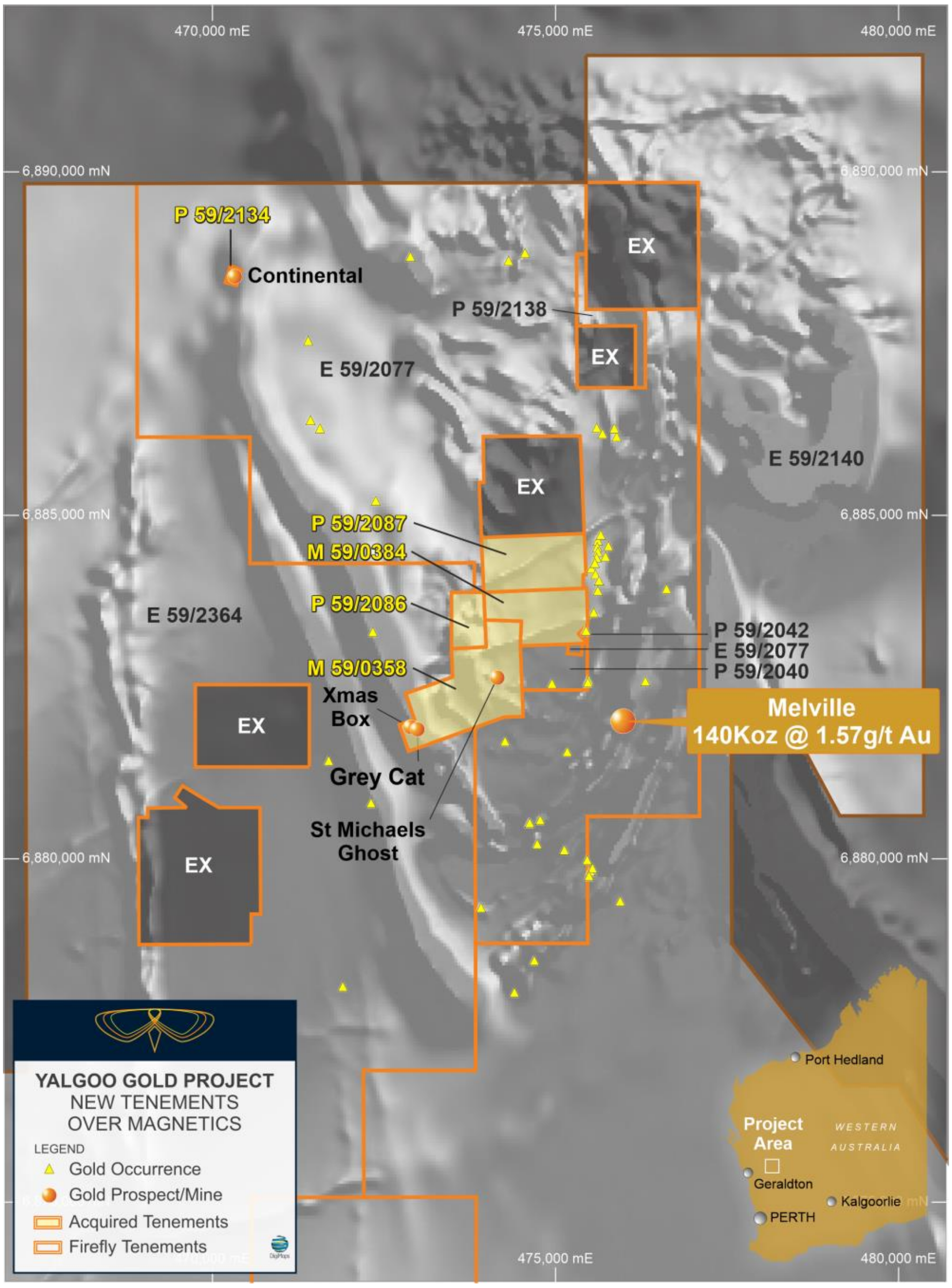

Figure 5. Holland Acquisition tenements (shown in yellow) and associated historical gold mines in the centre of the Yalgoo Gold Project.

FORRESTANIA GOLD-LITHIUM PROJECT (100% OWNED)

The 100%-owned Forrestania Gold-Lithium Project is located approximately 380km east of Perth in Western Australia, roughly half-way between the Perth and the mining centre of Kalgoorlie. Firefly owns a highly prospective tenement package covering a total area of >1,000km^2 in the Southern Forrestania Greenstone belt – one of Australia's last under-explored major greenstone belts.

The Southern Forrestania region has been overlooked as a gold exploration play, with many operators in the region focusing historically on nickel and base metal exploration despite ~1.2Moz of production from the Bounty Gold Mine. Firefly's portfolio includes historical high-grade gold mines with mineralised rock dumps and geophysical extensions to proven high-grade gold structures.

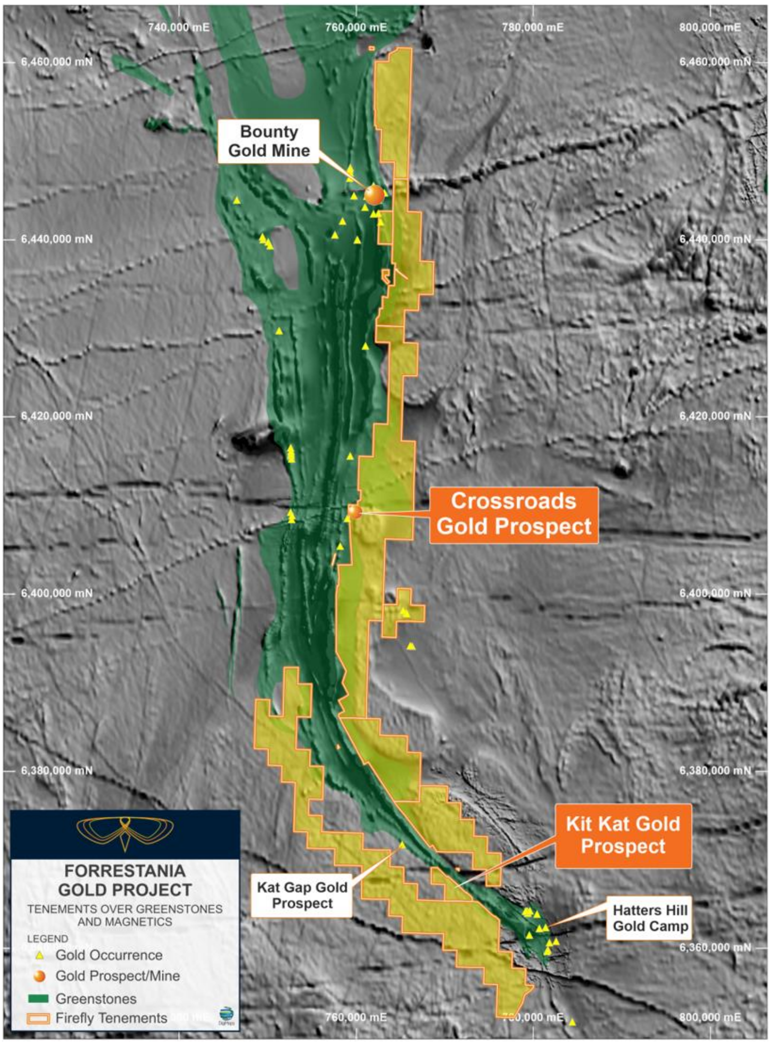

Figure 6. Location of Forrestania Gold Prospects in relation to other mines and gold prospects.

The Company completed two gold-focused Reverse Circulation (RC) drilling programs across three of its high-priority gold prospects in the latter part of 2019. These programs delivered two new gold discoveries at the Gemcutter and Crossroads gold prospects, while also defining the lithological and structural setting of the Kit Kat gold prospect (see Figure 6).

Gemcutter Prospect

Initial results from the discovery program at the Gemcutter Prospect, located on the 100% owned Gem Mining Lease, included 21m @ 3.20g/t gold from 34m, including 3m @ 4.58g/t and 1m @ 33.10g/t.

A follow-up program indicated that the mineralised system for Gemcutter is open in all directors, with highly variable gold grades and a best result of 12m @ 0.43g/t Au with a narrow zone of 1m @ 2.33g/t Au.

The presence of consistently wide but low-grade gold values along-strike of the initial discovery line, coupled with the limited footprint of the M77/549 Mining Lease held by the Company, means the Gemcutter prospect will not be the focus of further significant exploration work.

Crossroads Prospect

The Crossroads gold prospect was developed from historical private data purchased from local landholders in 2018 (refer ASX announcement dated 26 November 2018). Previous work included shallow soil sampling and related shallow costeaning (trenching). After analysing the data and discussions with the previous landholders, the geology team identified a potential NW-SE trend to drill test.

The first east-dipping RC drill-hole completed at this target intersected 1m @ 15.70g/t from 20m down-hole (CRRC0001). The high-grade gold is hosted in steeply west-dipping quartz veins within a weakly to moderately altered mafic unit adjacent to and overlying a strongly deformed granite.

Further drilling on a section 100m to the north, along the NW-SE trend, intersected 1m @ 16.70g/t from 73m down-hole (CRRC0006) quickly followed by additional success 200m north-west intersecting a further 2m @ 3.51g/t, including 1m @ 6.29g/t from 23m down-hole (CRRC0005).

Kit Kat Prospect

Maiden reconnaissance drilling at the Kit Kat prospect covered roughly half a square kilometre of the 10km^2 of high-potential sheared granite/greenstone contact zone which the Company holds in the south of the Forrestania Project. The geological potential of the area is demonstrated by the emerging Kat Gap high-grade gold prospect to the north (owned by Classic Minerals) and the historical high-grade quartz-vein-hosted Hatters Hill gold field (owned by Western Areas) to the south.

The geology encountered in the first drill campaign was slightly different to what was interpreted from the ground-based geophysics conducted earlier in 2019. Due to the presence of magnetite alteration (discovered during drilling) adjacent to the main granite/greenstone contact, the geophysical contrast model being used by the Group's exploration team will need to be adjusted to account for this highly magnetic feature.

On a positive note, the magnetite alteration may be associated with pervasive metal-rich fluids flowing down the shear zone being targeted and may be another potential indicator of nearby high-grade gold mineralisation. The Company will further refine its targeting strategy at Kit Kat based on the observations from the first gold-focused RC drill program conducted over this high-potential structural target.

Next Steps

A number of POWs are either already in place or in application for both the Crossroads and Kit Kat gold prospects, giving Firefly the flexibility to progress these targets as required.

PATERSON COPPER-GOLD PROJECT (100% OWNED)

The Paterson Copper-Gold Project comprises several tenements covering ~1,000km^2 of the highly prospective Paterson Province in north-western Western Australia. The main focus for Firefly in establishing these applications was to secure a favourable geological position over existing historical copper-gold prospects around the historical Kintyre mine, particularly the Wanderer copper-gold-molybdenum prospect.

Shallow historical drilling at Wanderer during the 1980's returned primary copper grades of up to 6.5%, gold grades up to 1g/t, and molybdenum assays up to 700ppm all less than 100m from surface and which have never been followed up.

Integration of available historical geophysical datasets conducted by the Company's consultants has created a large high-resolution geophysical data package over the primary tenement application containing the Wanderer prospect.

This modern dataset illustrates significant structural information, strongly supports Firefly's geological model for potential intrusive copper-gold sources for Wanderer as well as multiple nearby prospects, and has led to the development of several other high-priority drill targets across the application area.

On 23 September 2020, the Company announced that it had successfully negotiated and signed heritage agreements with both the Martu and Nyangumarta People as the Traditional Owners across five existing tenements in the Paterson Province. Firefly commenced negotiations with the Traditional Owners in 2018. Following the completion of this process, the WA Department of Mines, Infrastructure, Resources and Safety (DMIRS) has granted the tenements to Firefly Resources (see Figure 7). Firefly can now commence ground-based activities and start planning for initial drilling activities.

Firefly has identified the Wanderer Copper-Gold Prospect – located in its Central Tenements project area, and first discovered by CRA in 1987 targeting basement-unconformity uranium deposits – as its key advanced prospect and initial "walk-up" drill target.

For further details, please refer to the Company's ASX Announcement dated 23 September 2020.

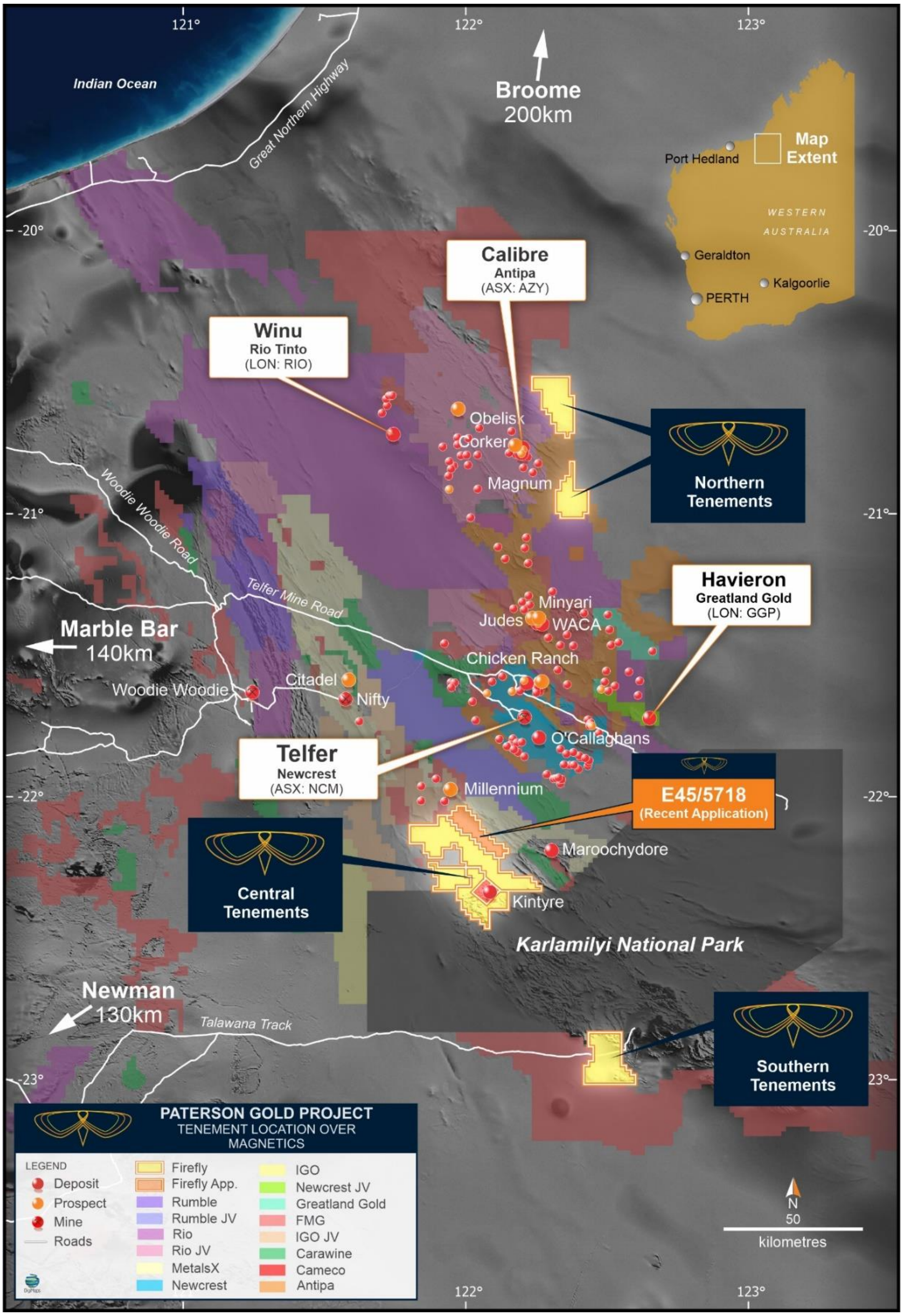

Figure 6. Firefly's Paterson Copper-Gold Project illustrating tenure across the three project areas and other regional areas of interest.

OTHER TENEMENTS

During FY2020, the Board undertook a thorough review of costs across the Group and all non-core base metal projects within the Group's tenement portfolio were relinquished, as detailed below.

Yalco and Caranbirini Projects, Northern Territory

After completing rehabilitation work over previous exploration drill areas, the early stage Yalco and Caranbirini zinc project exploration tenements in the Northern Territory have been relinquished.

Newman Project, Western Australia

After economic evaluation of the Newman Project (comprised of the Prairie Downs zinc-lead prospect and the Deadman's Flat gold prospect), particularly the reported zinc resource and high-grade vanadium mineralization, and including a management review of the gold potential, the Board concluded that the Prairie zinc-lead resource at 3Mt @ 5% Zn Eq was too small to support a standalone processing option based on the following factors and a decision to surrender both the Prairie Downs zinc-lead prospect and Deadman's Flat gold prospect during the reporting period was made.

- Along-strike extensions to the Prairie zinc-lead resource were tested by previous management, with results suggesting that any potential resource extension or additional resource volume would likely be at depth and therefore expensive to evaluate.
- The base metal prospectivity of the wider Prairie Downs fault system that hosts the current zinc-lead resource, as well as many other small base metal prospects, has been extensively tested to shallow depth. Further exploration work will require a strong base metal focus and potentially significant expenditure on deep drilling.
- The gold potential of both prospects has been proven to be minimal with samples from the drill campaigns at Newman assayed for gold in conjunction with base metals.
- The overall total annual expenditure commitments required to hold the Newman package of tenements (~$700K) outweigh any perceived and/or actual value to the Company.

Bellary Dome Conglomerate Gold Asset, Western Australia

The Bellary Dome asset was acquired by previous management during the 2017 Pilbara conglomerate gold "rush". The original option agreement terms to the vendor included a 5% gross royalty, a $350,000 annual expenditure commitment and delivery of a 100koz "JORC 2012-compliant" gold resource within four years. Failure to meet any of these terms required the project to be returned to the vendor. These terms have further proven to be a serious impediment to the economics of achieving a commercial outcome for the asset and numerous attempts by the Company to renegotiate the terms with the vendor have been unsuccessful.

Prior to the anniversary of the original agreement in late November 2019, the Board decided that it was in the best long-term interests of shareholders to return the asset to the vendor.

CORPORATE

Change of Company Name

In December 2019, the Company changed its name to Firefly Resources Limited following receipt of shareholder approval, with the ASX code changing from "MZN" to "FFR". The Company's website is www.fireflyresources.com.au.

Capital Raisings

The Company completed two successful capital raisings during FY2020, comprising:

- A share placement and convertible notes issue announced on 16 July 2019 to raise $416,000 before costs.
- An underwritten 1-for-1 non-renounceable entitlement issue in August 2019 to raise ~$2.2 million.

Share Consolidation

During the year, the Company completed a consolidation of its issued capital on a basis that every 60 shares were consolidated into 1 share and every 60 options were consolidated into 1 option, as approved at its General Meeting of shareholders held on 23 August 2019.

Board Appointment

In October 2019, Firefly appointed experienced geologist and corporate advisor Mr Michael Edwards as a Non-Executive Director of the Company. Mr Edwards is a geologist and economist with over 20 years' experience in senior management in both the private and public sector. Since 2010, Mr Edwards has been consulting as a geologist across a range of commodities, predominantly in Australia and Africa and has worked as a corporate advisor and has been involved in numerous ASX listings and reverse takeovers across a range of commodities and industries.

COVID-19 pandemic

During the year, the Group implemented cost-cutting measures in light of the challenging market conditions and the impact of the ongoing coronavirus (COVID-19) pandemic. The measures implemented across the Group were designed to ensure that all relevant activities can continue to allow the Group to progress its exploration and corporate activities with minimal impact to its staff and contractors. The Group continues to monitor regional travel advice from the Western Australian State Government.

For further details, please refer to the ASX Announcement dated 1 April 2020.

Change of Registered Office

Effective from 29 June 2020, the Company has changed its registered office address to:

15 McCabe Street
North Fremantle
Western Australia 6159

COMPETENT PERSONS STATEMENT

Information in this report that relates to Exploration Results is based on information prepared by Mr Simon Lawson, a Member of the Australasian Institution of Mining and Metallurgy. Mr Lawson is the Managing Director of Firefly Resources Limited and a full-time employee. Mr Lawson has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Lawson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

FORWARD LOOKING STATEMENTS

Some statements in this report regarding future events are forward-looking statements. They involve risk and uncertainties that could cause actual results to differ from estimated results. Forward-looking statements include, but are not limited to, statements concerning the Company's exploration programme, outlook, target sizes, resource and mineralised material estimates. They include statements preceded by words such as "potential", "target", "scheduled", "planned", "estimate", "possible", "future", "prospective" and similar expressions.

The Directors present their report on the consolidated entity consisting of Firefly Resources Limited (formerly Marindi Metals Limited) (the **Company** or **Firefly**) and its controlled entities (the **Group**) for the year ended 30 June 2020 and the auditor's report thereon:

DIRECTORS

The Directors of the Company at any time during or since the year end are:

Mr Michael Edward – age 52

Non-Executive Chairman – Appointed 30 July 2020

Non-Executive Director - Appointed 10 October 2019

Mr Edwards is a geologist and economist with over 20 years' experience in senior management in both the private and public sectors. He spent three years with Barclays Australia in their Corporate Finance department and then eight years as an Exploration and Mine Geologist with companies such as Gold Mines of Australia, Eagle Mining and International Mineral Resources. Since 2010, Mr Edwards has been consulting as a geologist across a range of commodities, predominantly in Australia and Africa. In addition, he has worked as a corporate advisor and has been involved in numerous ASX listings and reverse takeovers across a range of commodities and industries.

Mr Edwards holds a Bachelor of Business majoring in Economics and Finance from Curtin University of Technology and a Bachelor of Science in Geology from the University of Western Australia. Mr Edwards is also a non-executive director of ASX-listed companies De.mem Limited (ASX: DEM), Norwood Systems Limited (ASX: NOR) and Serpentine Technologies Limited (ASX: S3R).

Mr Simon Lawson – age 44

Managing Director and Chief Executive Officer – Appointed 1 May 2018

Mr Lawson has a Master of Science in Geology from Auckland University and has over 15 years of exploration, production and management experience in gold and base metals. He has previously held senior geology roles at major Australian gold producer Northern Star Resources Ltd, where as Principal Geologist, he was part of the team which took the company from junior explorer to a major multi-mine producer, today valued at over $3 Billion.

Mr Geoffrey Jones – age 58

Non-Executive Director - Appointed 24 February 2006

Non-Executive Chairman – Appointed 24 November 2010, resigned 6 July 2015

Mr Jones is a Fellow of Engineers Australia, with a Bachelor of Engineering (Civil) degree. He has over 30 years' experience covering the areas of construction, engineering, mineral processing and project development. Mr Jones has been responsible for the preparation of feasibility studies for gold and base metals projects and has completed numerous project evaluations and due diligence reviews and has managed the successful development of projects both domestically and overseas. He spent over six years (1994-2001) with Resolute Limited where, as Group Project Engineer, he was responsible for the development of its mining projects in Australia, Ghana and Tanzania.

On leaving Resolute Limited, he commenced the operation of his own project management and engineering consultancy, JMG Projects Pty Ltd, servicing the mining industry. In this capacity, Mr Jones has completed works on gold and base metal projects for Australian and overseas based mining groups. Mr Jones is currently Managing Director of GR Engineering Services Limited (ASX: GNG) and a Non-Executive Director of Ausgold Limited (ASX: AUC).

Mr Ashley Pattison – age 45

Non-Executive Director - Appointed 3 September 2020

Mr Pattison is a Chartered Accountant with over 20 years' experience in the resource sector across corporate finance, strategy and project operations. Having lived and worked in several countries, he has gained substantial exposure to exploration and producing operations in Australia and South America. He has also held senior executive positions including as Managing Director of a number of listed and private mining companies over the past 10 years and also as CEO of a listed mining service company.

More recently, he was the founder of PC Gold Pty Ltd (a private equity vehicle with an advanced open pit gold asset in the Northern Territory), Aurum Minerals Pty Ltd (acquired by Firefly Resources) and Maroon Gold Pty Ltd (a private equity vehicle that consolidated a number of gold assets in the Charters Towers region of Queensland and commenced production in 2019). He is currently the Executive Chairman of PC Gold Pty Ltd and Managing Director of Tristar Nominees Pty Ltd, a consulting business to resource companies.

Mr John Hutton – age 53

Non-Executive Chairman – Appointed 3 November 2017, resigned 30 July 2020

Non-Executive Director - Appointed 15 December 2010, resigned 4 September 2020

Mr Hutton has a background in accounting and finance and is a Member of the Australian Institute of Company Directors. Mr Hutton has over 28 years' experience in the direction and management of a diverse range of commercial activities, including as a director of several ASX listed companies over the last 18 years. He was a non-executive director of Sandfire Resources NL (SFR) during the copper/gold discovery at Degrussa, tenement holdings vended into SFR by the late Graeme Hutton. Mr Hutton has spent many years successfully prospecting in Western Australia and is a director of a number of private entities involved in the resources, pearling and fish farming industries. He is currently a director of the peak representative body, the WA Fishing Industry Council.

JOINT COMPANY SECRETARIES

Mr Steven Wood – appointed 29 September 2020

Mr Wood is an experienced company secretary and Chartered Accountant specialising in corporate advisory, company secretarial and financial management services, to both ASX and unlisted public and private companies. A partner at advisory firm Grange Consulting Group Pty Ltd, Steven has been involved as company secretary in a range of corporate transactions including capital raisings, takeovers and IPO's.

Ms Natalie Teo – appointed 12 April 2019

Ms Teo graduated with a Masters in Accounting from Curtin University in Western Australia and completed a Graduate Diploma in Applied Corporate Governance with the Governance Institute of Australia. Ms Teo is a Chartered Secretary and is currently working with a firm that provides corporate and accounting services to both listed and unlisted entities.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of the Board) and the number of meetings attended by each of the Directors of the Company during the financial year are:

	Board Meetings	
Director	**Held while Director**	**Attended**
Michael Edwards	9	9
Simon Lawson	10	10
Geoffrey Jones	10	8
John Hutton[1]	10	10

Notes in relation to the above table:

1. *Mr Hutton resigned on 4 September 2020.*
2. *Mr Ashley Pattison was appointed on 3 September 2020.*

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares, options and performance rights in the Company at the date of this report is as follows:

Director	Shares	15 April 2021 Options[2]	30 June 2021 Options[2]	31 December 2021 Options[3]	31 December 2022 Options[4]	Performance Rights[5]
M Edwards	3,333,334	-	-	500,000	500,000	-
S Lawson	773,808	666,666	166,666	1,000,000	1,000,000	-
G Jones	783,126	166,666	-	500,000	500,000	-
A Pattison[6]	11,194,322	-	-	500,000	500,000	2,654,328

Notes in relation to the above table:

1. *On 23 August 2019, shareholders approved the consolidation of the Company's shares and options through the conversion of every sixty (60) shares or options into one (1) share or option. The exercise price of each option class was amended in inverse proportion to that ratio. The table shows post-consolidation numbers.*
2. *Unlisted options exercisable at $1.20 each.*

Notes in relation to the table (cont.):

3. *Unlisted options exercisable at $0.12 each.*
4. *Unlisted options exercisable at $0.14 each.*
5. *Performance Rights in three separate tranches of 884,776 Performance Rights each that will vest upon the completion of the application milestones for each tranche. Theses Performance Rights were issued to the vendors as part consideration for the recently acquired Yalgoo Gold Project.*
6. *Mr Pattison was appointed on 3 September 2020.*

PRINCIPAL ACTIVITY

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

OPERATING AND FINANCIAL REVIEW

Operating review

A review of the operating activities undertaken within the Group during the year is contained in the section entitled Review of Activities in this Annual Report.

Financial review

The Group incurred a loss of $7,106,167 (2019: loss of $3,604,958) for the year. The loss included the write-off of $5,633,539 (2019: $2,943,325) in exploration expenditure in accordance with the Group's accounting policies, and corporate and administrative costs of $1,547,127 (2019: $1,273,048).

During the financial year, the Group successfully raised approximately $2.6 million before costs through a fully underwritten non-renounceable entitlement issue, a placement to professional and sophisticated investors and a convertible note deed. As at 30 June 2020, the Group had net assets of $1,024,518 (2019: $5,027,002), comprised principally of cash and exploration tenements.

ENVIRONMENTAL REGULATION

The Group's exploration activities are subject to various environmental regulations under Commonwealth and State legislation. The Directors are responsible for the regular monitoring of environmental exposures and compliance with environmental regulations. The Directors believe that the Group has adequate systems in place for the management of the requirements under those regulations and are not aware of any breach of such requirements as they apply to the Group.

CORPORATE GOVERNANCE

The Company's Corporate Governance Statement can be found on the Company's website: https://www.fireflyresources.com.au/.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Ordinary fully paid shares issued during the year were as follows:

(a) the issue of 116,000,000 shares at $0.001 each (on a pre-consolidation basis) through a placement to institutional and sophisticated investors, raising $116,000 in cash before costs;

(b) the issue of 2,248,371,023 shares at $0.001 each (on a pre-consolidation basis) pursuant to a fully underwritten entitlement issue, raising $2.25 million in cash before costs; and

(c) the issue of 4,999,998 shares at $0.06 per share (on a post-consolidation basis) in full satisfaction of the convertible notes totalling $300,000 following shareholder approval granted at the General Meeting held on 23 August 2019.

Total shares on issue at 30 June 2020 were 79,944,854 (post-consolidation) (2019: 2,132,371,023) (pre-consolidation).

On 23 August 2019, shareholders approved the consolidation of the Company's shares through the conversion of every sixty (60) shares into one (1) share. All options on issue as at that date were reorganised on the same sixty (60) to one (1) basis and the exercise price of each class of option(s) was amended in inverse proportion to that ratio.

In October 2019, the Company appointed experienced geologist and corporate advisor, Mr Michael Edwards as a Non-Executive Director.

In November 2019, the Company elected to return the Bellary Dome Conglomerate Gold Project in Western Australia's Pilbara region to the vendor in accordance with the terms of the option agreement.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (CONT.)

During the quarter ended 31 December 2019, the Board undertook a thorough review of costs across the Company and all non-core base metal projects within the Company's tenement portfolio, comprising of the Yalco and Caranbirini Zinc Project tenements, and the Newman Project's Prairie Downs Zinc-Lead Prospect tenements, were relinquished. The Newman Project's remaining Deadman's Flat Gold Prospect was surrendered in June 2020.

In addition, following receipt of shareholder approval at the Company's Annual General Meeting held on 29 November 2019, the Company changed its name from Marindi Metals Limited to Firefly Resources Limited. The change of name on the ASX took effect from the commencement of trade on 6 December 2019, with the ASX Code changing from "MZN" to "FFR".

In December 2019 and as announced to the ASX on 2 January 2020, 1,099,998 unlisted options with an exercise price of $1.50 each expired unexercised.

The Group continued to explore for minerals during the year, spending approximately $1 million on exploration activities.

DIVIDENDS

No dividend has been declared or paid by the Company to the date of this report.

EVENTS SUBSEQUENT TO REPORTING DATE

Acquisition of the Yalgoo Gold Project

On 24 June 2020, the Company announced that it had entered into a landmark agreement with privately-owned Aurum Minerals Pty Ltd (**Aurum** or **Vendor**) to acquire the Yalgoo Gold Project, located in the Murchison region of Western Australia. The Company funded the acquisition through the issue of shares and performance rights.

On 6 July 2020, 833,333 shares at a deemed issue price of $0.03 per share were issued to the Vendor in part consideration for the exclusivity granted to the Company in respect of the project in accordance with the terms of the binding agreement.

On 31 July 2020, with all resolutions pertaining to the acquisition having been passed at the General Meeting held on 30 July 2020, the Company completed the acquisition of the project from the shareholders of Aurum following the issue of 97,000,000 shares at a deemed issue price of $0.03 per share and 22,999,998 Performance Rights. The Performance Rights consist of three separate tranches of 7,666,666 Performance Rights each that will vest upon the completion of the application milestones for each tranche.

In addition, a royalty deed and tribute mining agreement have been negotiated and finalised by both parties pursuant to the terms of the acquisition agreement.

Refer ASX Announcement dated 24 June 2020 and Notice of General Meeting dated 30 June 2020 for further information.

Capital Raising

On 30 June 2020, the Company announced a fully-underwritten non-renounceable entitlement offer on the basis of three (3) new shares for every seven (7) shares held at an issue price of $0.03 per new share to raise approximately $1.03 million before costs (**Entitlement Offer**), forming part of a broader $2.3 million capital raising, including a $1.3 million strategic share placement by the Vendor and sophisticated and professional investors (**Placement**), that would underpin planned exploration programs at the recently secured Yalgoo Gold Project. The Placement was priced at $0.03 per share.

The Company completed the Entitlement Offer and Placement in August 2020. The Underwriter and Lead Manager, Argonaut Capital, was paid a 6% underwriting fee on all funds raised pursuant to the Entitlement Offer and a 6% capital raising fee in respect of $150,000 raised through the Placement. The Vendor paid a 6% capital raising fee in respect of the remaining $1.15 million raised through the Placement.

Strategic tenement package in Yalgoo, Western Australia

On 11 August 2020, the Company announced that it had acquired a strategic tenement package containing additional untested ground in the Yalgoo goldfield from a private syndicate.

The acquisition included five tenements (comprising of two mining leases and three prospecting leases) and a significant amount of mining and processing equipment and infrastructure. The total cash consideration for the acquisition was $250,000 (excluding GST). There are no royalties payable over the new tenements except the 2.5% levied by the State Government.

Refer ASX Announcement dated 11 August 2020 for further details.

EVENTS SUBSEQUENT TO REPORTING DATE

Board Changes

Following the completion of the acquisition of the Yalgoo Gold Project in July 2020, the Company appointed experienced mining executive Ashley Pattison to its Board as a non-executive director on 3 September 2020.

As a result of the acquisition, a number of shareholders of Aurum have become major shareholders in Firefly, with the right to appoint a representative to the Company's Board. Mr Pattison was the founder of Aurum.

Concurrently with Mr Pattison's appointment, long-serving director Mr John Hutton advised his intention to step down from the Board on 4 September 2020, to continue his focus on new projects in the exploration sector and to manage the growth of his other business commitments.

Exercise of Unlisted Options

On 16 September 2020, the Company issued 2,750,000 fully paid ordinary shares following the exercise of 1,500,000 Unlisted Options with a $0.10 exercise price and 30 September 2022 expiry date and 1,250,000 Unlisted Options with a $0.125 exercise price and 30 September 2022 expiry date, raising $306,250 (before costs).

LIKELY DEVELOPMENTS

The Company will continue to pursue its principal activity of mineral exploration. The Review of Activities sets out more details about likely developments in the operations of the Group going forward.

SHARE OPTIONS AND PERFORMANCE RIGHTS

Unlisted Options and Performance Rights granted

During or since the end of the financial year, the following options and performance rights were granted:

Class[1]	Expiry Date	Exercise Price	Number of Options	Number of Performance Rights
Unlisted Advisor Options	30 September 2022	$0.10	5,000,000	-
Unlisted Advisor Options	30 September 2022	$0.125	5,000,000	-
Unlisted Related-Party Options	31 December 2021	$0.12	2,000,000	-
Unlisted Related-Party Options	31 December 2022	$0.14	2,000,000	-
Unlisted Employee Options	31 December 2021	$0.12	850,000	-
Unlisted Employee Options	31 December 2022	$0.14	850,000	-
Tranche A Performance Rights[2]	31 July 2025	Nil	-	7,666,666
Tranche B Performance Rights[3]	31 July 2025	Nil	-	7,666,666
Tranche C Performance Rights[4]	31 July 2025	Nil	-	7,666,666

Notes in relation to the above table:

1. *The above options and performance rights were issued after the Company's reconstruction of capital.*
2. *The vesting of the Performance Rights is subject to the terms and conditions and the satisfaction of the relevant milestone for each tranche. Tranche A will vest upon announcement of a New Resource (or multiple New Resources in aggregate) of greater than 100,000oz (2.073Mt @ 1.5g/t gold and gold Equivalent) reported in accordance with JORC 2012 on any one of more of the tenements that form the Yalgoo Gold Project. New Resource means a resource not including the aggregate 153,000oz in resource estimates in the Company's ASX Announcement dated 24 June 2020 and Equivalent has the meaning given in the JORC Code 2012.*
3. *Tranche B will vest upon announcement of a New Resource (or multiple New Resources in aggregate) of greater than 200,000oz (2.073Mt @ 1.5g/t gold and gold Equivalent) reported in accordance with JORC 2012 on any one of more of the tenements that form the Yalgoo Gold Project.*
4. *Tranche C will vest upon the Company mining greater than 50kt from below 12m from surface (with a minimum gold grade of >1.0g/t Equivalent) on any one or more of the tenements that form the Yalgoo Gold Project.*
5. *Each tranche of Performance Rights will lapse upon the relevant milestone becoming incapable of satisfaction on or before the expiry date. Each Performance Right, once vested, entitles the holder, on exercise, to the issue of one fully paid ordinary share in the capital of the Company.*
6. *The Performance Rights form part of the consideration for the Company's recently secured Yalgoo Gold Project. Refer ASX Announcement dated 24 June 2020 for additional information.*

SHARE OPTIONS AND PERFORMANCE RIGHTS (CONT.)

Unissued shares under option

At the date of this report, unissued shares of the Company under option are:

Class	Expiry Date	Exercise Price	Number of Options
Unlisted Options	15 April 2021	$1.20	1,083,333
Unlisted Employee Options	15 April 2021	$1.20	624,997
Unlisted Director Options	30 June 2021	$1.20	166,666
Unlisted Options	31 March 2022	$0.60	399,999
Unlisted Advisor Options	30 September 2022	$0.10	3,500,000
Unlisted Advisor Options	30 September 2022	$0.125	3,750,000
Unlisted Related-Party Options	31 December 2021	$0.12	2,000,000
Unlisted Related-Party Options	31 December 2022	$0.14	2,000,000
Unlisted Employee Options	31 December 2021	$0.12	850,000
Unlisted Employee Options	31 December 2022	$0.14	850,000

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

Options cancelled, expired or lapsed

1,099,998 Unlisted Options with an exercise price of $1.20 each lapsed on 31 December 2019.

1,500,000 Unlisted Options with an exercise price of $0.10 and expiry date of 30 September 2022 and 1,250,000 Unlisted Options with an exercise price of $0.125 each and expiry date of 30 September 2022 were exercised on 15 September 2020.

Shares issued on exercise of options

Nil options were exercised during the year.

2,750,000 fully paid ordinary shares were issued on exercise of options since the end of the financial year.

Performance Rights

At the date of this report, the number of Performance Rights of the Company on issue are:

Class	Expiry Date	Exercise Price	Number of Performance Rights
Tranche A Performance Rights	31 July 2025	Nil	7,666,666
Tranche B Performance Rights	31 July 2025	Nil	7,666,666
Tranche C Performance Rights	31 July 2025	Nil	7,666,666

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has agreed to indemnify the current Directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company paid a premium during the year in respect of director's and officer's liability insurance policy, insuring the Directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES

The Group's auditor, Stantons International, did not provide any non-audit services during the year.

Amounts paid to Stantons International for audit services provided during the year are set out below:

	2020 $	2019 $
Audit and review of financial reports	43,325	44,191
Audit of exploration reports	600	-
	43,925	**44,191**

REMUNERATION REPORT

The remuneration report is set out on pages 22 to 26 and forms part of the Directors' Report.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 60 of the financial report.

Dated this 30th day of September 2020 at Perth, Western Australia.

Signed in accordance with a resolution of the Directors:

Michael Edwards
Non-Executive Chairman

This Remuneration Report, which has been audited, outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and the Corporations Regulations 2001.

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

KEY MANAGEMENT PERSONNEL

The key management personnel of the Group during the year were:

Director	Position
Mr Michael Edwards	Non-Executive Chairman (appointed 30 July 2020)
	Non-Executive Director (appointed 10 October 2019)
Mr Simon Lawson	Managing Director and Chief Executive Officer
Mr Geoffrey Jones	Non-Executive Director
Mr John Hutton	Non-Executive Director (resigned 4 September 2020)

Mr Ashley Pattison was appointed as a Non-Executive Director on 4 September 2020.

PRINCIPLES OF REMUNERATION

The Directors have authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The structures take into account the capability and experience of the key management personnel, as well as the key management personnel's ability to control the performance of their division.

Compensation packages can include a mix of fixed compensation and equity-based compensation as well as employer contributions to superannuation funds.

Shares and options may only be issued to Directors subject to approval by shareholders in general meeting.

The Company does not have any scheme relating to retirement benefits for its key management personnel, other than payment of statutory superannuation contributions.

REMUNERATION STRUCTURE

The structure of non-executive directors' remuneration is distinguished from that of executives.

Non-Executive director remuneration

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of members. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2011 Annual General Meeting, is not to exceed $250,000 per annum. Directors' fees cover all main Board activities and membership of committees. Non-executive directors generally do not receive performance related compensation, although Directors have previously been granted options following receipt of shareholder approval. The issue of options as part of director remuneration ensures that director remuneration is competitive with market standards as well as providing an incentive to pursue longer term success for the Company. It also reduces the demand on the critical cash resources of the Company, and assists in ensuring the continuity of service of Directors who have extensive knowledge of the Company, its business activities and assets and the industry in which it operates. Neither the non-executive directors nor executives of the Company receive any retirement benefits, other than superannuation.

Non-executive directors' fees during the year are as follows:

Name	Non-executive directors' fees excluding superannuation
J Hutton, resigned 4 September 2020	$30,000 per annum
G Jones	$20,000 per annum
M Edwards, appointed 10 October 2019	$20,000 per annum

Executive remuneration

Remuneration for executives is set out in employment agreements. Details of the employment agreement with the Managing Director are provided below.

An executive director may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed compensation

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds. Compensation levels are reviewed annually through a process that considers individual and overall performance of the Group.

Use of Remuneration Consultants

The Company received survey data sourced from external specialists and received external advice on matters relating to remuneration from PricewaterhouseCoopers in 2017. During the year, no remuneration recommendations were received from Remuneration Consultants as defined under the Corporations Act 2001.

Equity-based compensation (long-term incentives)

Equity-based long-term incentives may be provided to key management personnel via the Firefly Resources Limited's Employee Incentive Plan (**Incentive Plan**) (refer to Note 24 to the financial statements) or to Directors with the prior approval of shareholders. The incentives are provided as options over ordinary shares of the Company and may be provided to Directors and key management personnel based on their roles within the Company. Such incentives are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth. The incentives are also designed to ensure that remuneration is competitive and in line with market standards. Vesting conditions may be imposed on any option grants if considered appropriate, and in accordance with the terms and conditions applicable to the options or Incentive Plan.

Consequences of performance on shareholder wealth

Given the Group's principal activity during the course of the financial year consisted of mineral exploration, the Company has given more significance to service criteria instead of market related criteria in setting the Company's remuneration levels and incentive schemes. Accordingly, at this stage the Board does not consider the Group's earnings or earnings measures to be an appropriate key performance indicator. The issue of options as part of the remuneration package of Directors and key executives is an established practice for listed exploration companies and has the benefit of conserving cash whilst appropriately rewarding the recipients. In considering the relationship between the Company's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are considered.

EMPLOYMENT CONTRACTS

Remuneration and other terms of employment for the executives of the Company are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Other major provisions of the agreement(s) relating to remuneration are set out below.

Termination benefits are within the limits set by the Corporations Act 2001 and do not require shareholder approval. Mr Simon Lawson has no entitlement to any termination payment in the event of removal for misconduct or in other specified circumstances.

Name	Term of Agreement	Notice Period	Base salary/ fees including superannuation	Termination payments*
Simon Lawson (appointed 1 May 2018)	3 years	6 months	$230,000	6 months

* *Base salary payable if the Company terminates employee with notice, and without cause (e.g. for reasons other than unsatisfactory performance).*

Pursuant to his service agreement, Mr Lawson was granted 10,000,000 unlisted Director Options exercisable at $0.02 on or before 30 June 2021 or the day that is 3 months following the day Mr Lawson's position as a director with the Company is terminated by either Mr Lawson or the Company. Shareholder approval for the issue of the unlisted options to Mr Lawson was obtained on 29 June 2018 and the options were granted for nil issue price on 3 July 2018.

In addition to the above, Mr Lawson was granted a further 40,000,000 unlisted Director Performance Options exercisable at $0.02 on or before 15 April 2021 subject to various vesting conditions. Shareholder approval for the issue of the unlisted options to Mr Lawson was obtained on 29 June 2018 and the options were granted for nil issue price on 3 July 2018.

Post-consolidation amounts and exercise prices of the above unlisted Director Options and Director Performance Options are provided in the Directors' Report.

During the year, Mr Lawson was granted 1,000,000 unlisted Related-Party Options and 1,000,000 unlisted Employee Options, comprised of 1,000,000 options exercisable at $0.12 each on or before 31 December 2021 and 1,000,000 options exercisable at $0.14 each on or before 31 December 2022. Shareholder approval for the issue of options to Mr Lawson was obtained on 29 November 2019 at the Company's Annual General Meeting and the options were granted for nil issue price on 17 December 2019.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each major element of remuneration of each key management person of the Company for the year are:

Director		Short-term			Post-employment	Share-based payments	Total	Value of options as proportion of remuneration
		Salary/ fees $	Annual Leave $	Non-monetary benefits $	Super-annuation contributions $	Options $	Total $	%
M Edwards[1]	2020	15,000	-	5,154	-	28,747	48,901	59%
	2019	-	-	-	-	-	-	0%
S Lawson	2020	210,046	11,310	7,098	19,954	53,168	301,576	18%
	2019	192,542	(5,655)	4,489	18,291	-	209,667	0%
G Jones	2020	18,333	-	7,098	1,267	28,747	55,445	52%
	2019	18,333	-	4,489	1,742	-	24,564	0%
J Hutton[2]	2020	27,500	-	7,098	1,900	28,747	65,245	44%
	2019	27,500	-	4,489	2,613	-	34,602	0%
J Robinson[3]	2019	147,867	(13,816)	3,542	18,406	160,342	316,341	51%
Total key management personnel remuneration	2020	**270,879**	**11,310**	**26,448**	**23,121**	**139,409**	**471,167**	
	2019	**386,242**	**(19,471)**	**17,009**	**41,052**	**160,342**	**585,174**	

Notes in relation to the above table:

1. *Mr Edwards was appointed on 10 October 2019.*
2. *Mr Hutton resigned on 4 September 2020.*
3. *Mr Jeremy Robinson resigned as Corporate Manager and Company Secretary on 15 April 2019.*
4. *As part of the Company's cost cutting measures during the financial year, Mr Jones and Mr Hutton elected not to receive director fees for the month of July 2019.*

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

Fully Paid Ordinary Shares

The movement during the reporting period in the number of ordinary fully paid shares in the Company held, directly, indirectly or beneficially by each key management person, is as follows:

2020	Held at 1 July 2019[1]	Held at date of appointment	Purchases/ (Sales)	Capital reconstruction[4]	Held at date of resignation	Held at 30 June 2020
M Edwards[2]	-	-	-	-	N/A	-
S Lawson	16,250,000	N/A	16,250,000	(31,958,334)	N/A	541,666
G Jones	11,925,010	N/A	11,925,010	(23,452,521)	N/A	397,499
J Hutton[3]	58,547,144	N/A	104,003,713	(159,841,679)	N/A	2,709,178

Notes in relation to the above table:

1. *The number of shares held by each key management person at 1 July 2019 is shown on a pre-consolidation basis.*
2. *Mr Edwards was appointed on 10 October 2019.*
3. *Mr Hutton resigned on 4 September 2020.*
4. *On 23 August 2019, shareholders approved the consolidation of the Company's shares through the conversion of every sixty (60) shares into one (1) share.*

2019	Held at 1 July 2018	Held at date of appointment	Purchases/ (Sales)	Other changes	Held at date of resignation	Held at 30 June 2019
S Lawson	-	N/A	16,250,000	-	N/A	16,250,000
G Jones	11,925,010	N/A	-	-	N/A	11,925,010
J Hutton	50,147,144	N/A	8,400,000	-	N/A	58,547,144
J Robinson[2]	29,080,096	N/A	-	-	(29,080,096)	N/A

Notes in relation to the above table:

1. *The number of shares held by each key management person in 2019 is shown on a pre-consolidation basis.*
2. *Mr Jeremy Robinson resigned as Corporate Manager and Company Secretary on 15 April 2019.*

Options over Ordinary Shares

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially by each key management person, is as follows:

2020	Held at 1 July 2019	Capital reconstruction[1]	Granted as compensation	Exercise or Expiry of Options	Held at date of resignation	Held at 30 June 2020	Vested and exercisable at 30 June 2020
M Edwards[2]	-	-	1,000,000	-	N/A	1,000,000	1,000,000
S Lawson	50,000,000	(49,166,667)	2,000,000	-	N/A	2,833,333	2,000,000
G Jones	17,500,000	(17,208,334)	1,000,000	(125,000)	N/A	1,166,666	1,000,000
J Hutton	20,000,000	(19,666,667)	1,000,000	(83,333)	N/A	1,250,000	1,000,000

2019	Held at 1 July 2018	Granted as compensation	Exercise or Expiry of Options	Other changes	Held at date of resignation	Held at 30 June 2019	Vested and exercisable at 30 June 2019
S Lawson	50,000,000	-	-	-	N/A	50,000,000	10,000,000
G Jones	17,500,000	-	-	-	N/A	17,500,000	7,500,000
J Hutton	20,000,000	-	-	-	N/A	20,000,000	5,000,000
J Robinson[3]	20,000,000	20,000,000	-	-	(40,000,000)	N/A	N/A

Notes in relation to the above tables:

1. *On 23 August 2019, shareholders approved the consolidation of the Company's shares and options through the conversion of every sixty (60) shares/ options into one (1) share/ option.*
2. *Mr Edward was appointed on 10 October 2019.*
3. *Mr Robinson resigned on 15 April 2019.*

SHARE BASED COMPENSATION

Options granted as compensation

No options that were granted to key management personnel as part of their remuneration in previous years were exercised during the year.

208,333 options that were granted to key management personnel as part of their remuneration in previous years lapsed on 31 December 2019.

Analysis of options granted as compensation

Details of vesting profiles of the options (post-consolidation) granted as remuneration to each key management person of the Company are detailed below:

Name	Options granted Number	Options granted Date	Expiry date	% vested in year	% lapsed in year	% not vested at 30 June 2020	Financial year in which grant vested
M Edwards	500,000	17 December 2019	31 December 2021	100%	0%	0%	2019/20
M Edwards	500,000	17 December 2019	31 December 2022	100%	0%	0%	2019/20
S Lawson	1,000,000	17 December 2019	31 December 2021	100%	0%	0%	2019/20
S Lawson	1,000,000	17 December 2019	31 December 2022	100%	0%	0%	2019/20

Name	Options granted Number	Options granted Date	Expiry date	% vested in year	% lapsed in year	% not vested at 30 June 2020	Financial year in which grant vested
G Jones	500,000	17 December 2019	31 December 2021	100%	0%	0%	2019/20
G Jones	500,000	17 December 2019	31 December 2022	100%	0%	0%	2019/20
J Hutton	500,000	17 December 2019	31 December 2021	100%	0%	0%	2019/20
J Hutton	500,000	17 December 2019	31 December 2022	100%	0%	0%	2019/20
S Lawson	666,666	29 June 2018	15 April 2021	0%	0%	100%	Market Based
S Lawson	166,666	29 June 2018	30 June 2021	100%	0%	0%	2017/18
G Jones	166,666	29 June 2018	15 April 2021	0%	0%	100%	Market Based
J Hutton	250,000	29 June 2018	15 April 2021	0%	0%	100%	Market Based

Additional details on the options granted as compensation during the year are provided in Note 24.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options granted as compensation to a key management person) have been altered or modified by the issuing entity during the year.

THIS CONCLUDES THE REMUNERATION REPORT, WHICH HAS BEEN AUDITED.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2020

	Note	2020 $	2019 $
Income	4	74,499	611,415
Exploration and evaluation expenses written off	13	(5,633,539)	(2,943,325)
Corporate and administrative expenses	5	(1,547,127)	(1,273,048)
Loss before income tax		**(7,106,167)**	(3,604,958)
Income tax	7	-	-
Net loss for the period		**(7,106,167)**	(3,604,958)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		**(7,106,167)**	**(3,604,958)**
Net loss attributable to the members of parent entity		**(7,106,167)**	**(3,604,958)**
Total comprehensive loss attributable to the members of parent entity		**(7,106,167)**	**(3,604,958)**
Basic loss per share			
Ordinary shares (cents)	22	(9.63)	(11.12)

Diluted loss per share is not shown as all potential fully paid ordinary shares on issue would decrease the loss per share and are thus not considered dilutive.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2020

	Note	30 June 2020 $	30 June 2019 $
CURRENT ASSETS			
Cash and cash equivalents	8	929,513	239,044
Trade and other receivables	10	23,179	61
Prepayments	11	38,517	41,920
Total Current Assets		991,209	281,025
NON-CURRENT ASSETS			
Other assets	9	11,250	11,250
Trade and other receivables	10	76,489	76,489
Property, plant and equipment	12	51,518	98,238
Exploration and evaluation expenditure	13	95,000	4,738,719
Right-of-use assets	16	76,099	-
Total Non-Current Assets		310,356	4,924,696
TOTAL ASSETS		1,301,565	5,205,721
CURRENT LIABILITIES			
Trade and other payables	14	185,829	150,251
Provisions	15	13,632	28,468
Lease liabilities	16	73,498	-
Total Current Liabilities		272,959	178,719
NON-CURRENT LIABILITIES			
Lease liabilities	16	4,088	-
Total Non-Current Liabilities		4,088	-
TOTAL LIABILITIES		277,047	178,719
NET ASSETS		**1,024,518**	**5,027,002**
EQUITY			
Issued capital	17	40,945,737	38,416,267
Reserves	18	2,860,292	2,286,079
Accumulated losses	19	(42,781,511)	(35,675,344)
TOTAL EQUITY		**1,024,518**	**5,027,002**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

30 June 2020	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2019	**38,416,267**	**2,286,079**	**(35,675,344)**	**5,027,002**
Net loss for the period	-	-	(7,106,167)	(7,106,167)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(7,106,167)	(7,106,167)
Issue of share capital, net of costs	2,529,470	-	-	2,529,470
Share based payments	-	574,213	-	574,213
Balance as at 30 June 2020	**40,945,737**	**2,860,292**	**(42,781,511)**	**1,024,518**

30 June 2019	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2018	**36,957,220**	**1,885,441**	**(32,070,386)**	**6,772,275**
Net loss for the period	-	-	(3,604,958)	(3,604,958)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(3,604,958)	(3,604,958)
Issue of share capital, net of costs	1,459,047	-	-	1,459,047
Share based payments	-	400,638	-	400,638
Balance as at 30 June 2019	**38,416,267**	**2,286,079**	**(35,675,344)**	**5,027,002**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Government grants received		33,288	134,161
Cash payments in the course of operations		(1,844,138)	(4,784,241)
Interest received		2,511	2,892
Cash call from joint venture and other income		2,523	1,333,833
Net cash (used in) operating activities	26	**(1,805,816)**	**(3,313,355)**
Cash flows from investing activities			
Proceeds from sale of fixed assets		57,750	-
Payments for exploration and evaluation assets		-	(75,000)
Payments for property, plant and equipment		(13,032)	(13,716)
Payments for security bonds		-	(57,389)
Refunds from security bonds		-	27,871
Net cash provided by/ (used in) investing activities		**44,718**	**(118,234)**
Cash flows from financing activities			
Repayment of lease liabilities		(77,903)	-
Net proceeds from issue of share capital	17	2,229,470	1,399,047
Net proceeds from issue of convertible notes	17	300,000	-
Net cash provided by financing activities		**2,451,567**	**1,399,047**
Net increase/ (decrease) in cash and cash equivalents		690,469	(2,032,542)
Cash and cash equivalents at the beginning of the year		239,044	2,271,586
Cash and cash equivalents at the end of the year	8	**929,513**	**239,044**

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

1. REPORTING ENTITY

Firefly Resources Limited (formerly Marindi Metals Limited) (the **Company** or **Firefly**) is a company domiciled in Australia. The consolidated financial report for the year ended 30 June 2020 covers the consolidated group of Firefly and its controlled entities (**Consolidated Entity** or **Group**).

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 September 2020. The Board of Directors have the power to amend and reissue the financial statements.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*. The consolidated financial report of the Group also complies with the International Financial Reporting Standards (**IFRS**) and interpretations adopted by the International Accounting Standards Board.

Basis of measurement

The financial report is prepared on the accruals basis and the historical cost basis.

Use of estimates and judgements

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are outlined below:

- *Exploration expenditure*: the write-off and carrying forward of exploration acquisition costs is based on an assessment of an area of interest's viability and/or the existence of economically recoverable reserves.
- *Estimation of useful lives of assets*: The estimation of the useful lives of assets has been based on historical experience. The condition of the assets is assessed at least once per year and considered against the remaining useful life. Depreciation charges are included in Note 12.
- *Deferred taxation*: Deferred tax assets in respect of tax losses have not been brought forward as it is not considered probable that future taxable profits will be available against which they could be utilised.
- *Share based payment transactions*: The cost of equity-settled transactions with Directors, employees or consultants are measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined through an option valuation model, taking into account the terms and conditions upon which the instruments were granted – refer Note 24 Share Based Payments.

Going concern basis of preparation

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Based upon the Group's existing cash resources, the Directors consider there are reasonable grounds to believe that the Group will be able to continue as a going concern after consideration of the following factors:

- The Group has cash reserves of $929,513 at 30 June 2020;
- The Group has no loans or borrowings;
- The Group has the ability to adjust its expenditure outlays subject to results of its exploration activities and the Group's funding position
- The Directors regularly monitor the Group's cash position and on an on-going basis consider a number of strategic and operational plans to ensure that adequate funding continues to be available for the Group to meet its business objectives; and

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Going concern basis of preparation (cont.)

- Subsequent to balance date, the Group successfully completed a $2.3 million capital raising (before costs) through a fully underwritten Entitlement Issue and a private placement.

The Directors believe that the above indicators demonstrate that the Group will be able to pay its debts as and when they fall due and continue as a going concern. Therefore, the Directors believe it is appropriate to adopt the going concern basis for the preparation of the Group's 2020 annual financial report.

In the event that the Group does not achieve the above actions, there exists material uncertainty that may cast significant doubt as to whether the Group will be able to continue as going concern and realise its assets and extinguish its liabilities in the normal course of business.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all entities in the Group unless otherwise stated.

Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Firefly) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 23.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

Operating revenue

Revenue is recognised when a performance obligation in the contract with a customer is satisfied or when control of the goods or services underlying the particular performance obligation is transferred to a customer.

Interest Income and Other Income

Interest Income is recognised as the interest accrues. Other income that relates to reimbursement of exploration expenditure is recognised upon receipt. Government grants and tax incentives, such as the ATO's Cash Flow Boost, are recognised upon receipt.

Loss per share

Basic loss per share is calculated by dividing the net loss attributable to members of the parent entity for the reporting period by the weighted average number of ordinary shares of the Company.

Inventory

Current inventory comprises gold bullion nuggets, which are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated future selling price of the inventory the Group expects to realise when the inventory is sold, less estimated costs necessary to make the sale. Costs of purchased inventory are direct purchase costs. A review is undertaken at the end of each accounting period to determine the extent of any provision for the purchased inventory.

Trade and other accounts payable

Trade and other accounts payable represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Recoverable amount of non-current assets

The carrying amounts of non-current assets are reviewed annually to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have been or will be discounted to present values in determining recoverable amounts.

Acquisition of assets

Assets acquired are recognised at cost. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration in a business combination, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Group if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the original performance of the asset will flow to the Group in future years. Costs that do not meet the criteria for capitalisation are expended as incurred.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses. The carrying amount of the plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and their subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Office furniture and equipment	3 to 5 years
Plant and equipment	5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Exploration and evaluation expenditure

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Where an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made.

Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Share based payments

The Group provides benefits to employees (including Directors) and consultants of the Group in the form of share based payment transactions, whereby services are rendered in exchange for shares or rights over shares (known as "equity-settled transactions"). The cost of these equity-settled transactions with employees and consultants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes or Binomial option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant recipients become fully entitled to the award (meaning "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non – assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted as at balance date. Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 taxation profit or loss. Deferred income tax assets are recognised to the extent that it is probable that the future tax profits will be available against which deductible temporary differences will be utilised. The amount of the benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in the income taxation legislation and the anticipation that the economic unit will derive sufficient future assessable income to enable the benefits to be realised and comply with the conditions of deductibility imposed by law.

Firefly Resources Limited and its subsidiaries have unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (**GST**), except where the amount of GST incurred is not recoverable from the Australian Tax Office (**ATO**). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Financial Instruments

Recognition, initial measurement and recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transactions costs, except for those carried "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement

<u>Financial assets</u>

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (**FVOCI**); and
- fair value through profit or loss (**FVPL**).

Classifications are determined by both:

- The contractual cash flow characteristics of the financial assets; and
- The entities' business model for managing the financial asset.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Financial assets (cont.)

Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

Impairment

From 1 July 2018, the Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

New and revised Accounting Standards and Interpretations adopted 1 July 2019

The Group has adopted all of the new or amended Australian Accounting Standards and Interpretations that are mandatory for the current reporting period, including the following:

(a) AASB 16 Leases

The nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses below the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods. The Group has adopted AASB 16: Leases using the modified retrospective transition approach.

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability will be recognised by the Group where the Group is a lessee. Exceptions include contracts that are classified as short-term leases (i.e. leases with a lease term or remaining lease term of 12 months or less) and leases of low-value assets which are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measures using the index or rate at the commencement date; and
- the amount expected to be payable by the lessee under residual value guarantees.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(a) AASB 16 Leases (cont.)

The right-of-use assets comprises the initial measurement of the corresponding lease liability, any lease payment made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use asset is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset or the costs of the right-of-use assets reflects that the Group anticipates the exercise of a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(b) Initial Application of AASB 16: Leases

The Group has adopted AASB 16: Leases using the modified retrospective approach with the cumulative effect of initially applying AASB 16 recognised as at 1 July 2019. The comparatives for the 2019 reporting period have not been restated.

The Group has recognised a lease liability and a right-of-use asset for all leases (except for short-term and low value leases) recognised as operating leases under AASB 117: Leases where the Group is a lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate was used to discount the lease payments. The lease liabilities recognised as at 1 July 2019 amounted to $148,451.

The right-of-use assets were measured at their carrying value as if AASB 16: Leases had been applied since the commencement date but discounted using the Group's incremental borrowing rate per the lease term as at 1 July 2019. The right-of-use assets amounting to $148,451 have been recognised in the Consolidated Statement of Financial Position as at 1 July 2019.

The following practical expedients have been used by the Group in the application of AASB 16:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate, being the Group's incremental borrowing rate, has been applied;
- leases that have a remaining term of 12 months or less as at 1 July 2019 have been classified as short-term leases; and
- the use of hindsight by management to determine lease terms or contracts that have options to extend or terminate.

The Group's incremental borrowing rate applied to the lease liabilities was 5.5%.

If the impact of the adoption of AASB 16 is material, the Group will consider including the interpretation of AASB 16 as a part of critical accounting estimates or judgements given the fact that leases involve the exercise of professional judgement.

The impact of the adoption of AASB 16 on the Consolidated Statement of Financial Position as at 30 June 2020, is an increase in assets (right-of-use assets) of $76,099 (2019: nil) and an increase in liabilities (lease liability) of $77,586 (2019: nil) comprised of $73,498 as current lease liability and $4,088 as non-current lease liability.

The impact on the Consolidated Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2020 is an increase in depreciation expense of $72,353, an increase in interest expense of $7,038 and a decrease in operating lease expenses of $77,903. Additional details are provided in Note 16, which replaces the operating lease commitments note disclosure shown in the 2019 Annual Report.

Adoption of new or revised accounting standards and interpretations

The Group has considered the implications of new and amended Accounting Standards applicable for annual reporting periods beginning after 1 July 2020 but determined that their application to the financial statements is either not relevant or not material.

3. FINANCIAL RISK MANAGEMENT

Risk management is carried out under policies set by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas.

3. FINANCIAL RISK MANAGEMENT (CONT.)

Financial risk management objectives

The Board monitors and manages the financial risk relating to the operations of the Group. The Group's activities include exposure to market risk, fair value interest rate risk and price risk, credit risk, liquidity risk and cash flow interest rate risk. The overall risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on the financial performance of the Group. Risk management is carried out under the direction of the Board.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Market price risk

The Group is involved in the exploration and development of mining tenements for minerals, including gold, lithium, manganese and base metals. Should the Group successfully progress to a producer, revenues associated with mineral sales, and the ability to raise funds through equity and debt, will have some dependence upon commodity prices.

Credit risk

There is a limited amount of credit risk relating to the cash and cash equivalents that the Group holds in deposits. The Group receives interest on its cash management deposits based on daily balances and at balance date was exposed to a variable interest rate of 0.05% per annum. The Group's operating account does not attract interest. The Group's cash reserves are only placed with major Australian banks. The Group is not materially exposed to changes in market interest rates.

The Group does not presently have customers and consequently does not have credit exposure to outstanding receivables. The Group may in the future be exposed to interest rate risk should it borrow funds for acquisition and development.

Fair value of financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Company at balance date are recorded at amounts approximating their carrying amount.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

Cash flow and interest rate risk

The Group's income and operating cash flows are not materially exposed to changes in market interest rates.

		Consolidated 2020 $	Consolidated 2019 $
4.	**INCOME**		
	Interest income	2,511	2,892
	Government grants received	33,288	134,161
	Profit from sale of fixed assets	36,177	-
	Other income	2,523	474,362
		74,499	**611,415**
5.	**EXPENSES**		
	Included in the corporate and administrative expenses are the following:		
	(a) Depreciation of property, plant and equipment		
	Office equipment	18,758	19,392
	Plant and equipment	4,969	4,950
	Motor vehicle	14,452	14,452
		38,179	**38,794**
	(b) Personnel expenses		
	Wages and salaries costs	420,488	746,179
	Associated on-costs	2,175	2,025
	Superannuation costs	39,866	70,982
	Provision for annual leave	11,500	(15,420)
	Non-executive directors' fees (including superannuation)	64,000	50,188
	Equity-settled share-based payment transactions	41,938	326,678
		579,967	**1,180,632**
6.	**AUDITOR'S REMUNERATION**		
	Audit services		
	Stantons International		
	Audit and review of financial reports	43,325	44,191
	Audit of exploration reports	600	-
		43,925	44,191

The Group's auditor, Stantons International, did not provide any non-audit services during the year.

	Consolidated 2020 $	Consolidated 2019 $
7. INCOME TAX		
(a) Income tax benefit	-	-
(b) Numerical reconciliation between tax benefit and pre-tax net loss		
Loss before income tax benefit	(7,106,167)	(3,604,958)
Income tax calculated at 30% (2019: 30%)	(2,131,850)	(1,081,487)
Tax effect of:		
- Cost of equity settled awards	172,264	120,192
- Sundry amounts	17,138	(185,140)
- Section 40-880 deduction	(61,740)	(52,148)
- Exploration acquisition costs written off	1,140,803	100,446
- Exploration acquisition costs incurred	-	(28,500)
- Research and development tax offset	-	82,098
Future income tax benefit not brought to account	863,385	1,044,539
Income tax benefit	-	-
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable) 30% (2019: 30%)	9,815,775	9,710,208
(d) Unrecognised temporary differences		
Temporary differences for which deferred tax assets have not been recognised (at 30% (2019: 30%)):		
- Provisions	15,340	15,740
- Section 40-880 deduction	91,708	105,489
Unrecognised deferred tax assets relating to the above temporary differences	107,048	121,229
Temporary differences for which deferred tax liabilities have not been recognised:		
- Capitalised exploration costs	28,500	1,469,931

(e) Tax rates

The potential tax benefit at 30 June 2020 in respect of tax losses not brought into account has been calculated at 30%. The rate of 30% was applied for the year ended 30 June 2019.

8. CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Bank balances	929,513	239,044
	929,513	**239,044**

		Consolidated 2020 $	Consolidated 2019 $
9.	**OTHER ASSETS**		
	Gold bullion nuggets, at cost	11,250	11,250
		11,250	**11,250**
10.	**TRADE AND OTHER RECEIVABLES**		
	Current		
	Other Receivables	**23,179**	**61**
	Non Current		
	Deposits and bonds	**76,489**	**76,489**
11.	**PREPAYMENTS**		
	Prepaid insurance	27,018	31,705
	Other prepayments	11,499	10,215
		38,517	**41,920**
12.	**PROPERTY, PLANT AND EQUIPMENT**		
	Office equipment, at cost	113,837	113,837
	Less: Accumulated depreciation	(94,854)	(76,096)
		18,983	**37,741**
	Plant & equipment, at cost	73,206	60,174
	Less: Accumulated depreciation	(59,228)	(54,259)
		13,978	**5,915**
	Motor vehicles, at cost	31,811	72,261
	Less: Accumulated depreciation	(13,254)	(17,679)
		18,557	**54,582**
		51,518	**98,238**
	Reconciliation		
	Office equipment		
	Carrying amount at beginning of the year	37,741	45,992
	Additions	-	11,141
	Depreciation	(18,758)	(19,392)
	Carrying amount at end of the year	**18,983**	**37,741**

	Consolidated 2020 $	Consolidated 2019 $
12. PROPERTY, PLANT AND EQUIPMENT (CONT.)		
Plant & equipment		
Carrying amount at beginning of the year	5,915	8,290
Additions	13,032	2,575
Depreciation	(4,969)	(4,950)
Carrying amount at end of the year	**13,978**	**5,915**
Motor vehicles		
Carrying amount at beginning of the year	54,582	69,034
Disposals	(21,573)	-
Depreciation	(14,452)	(14,452)
Carrying amount at end of the year	**18,557**	**54,582**

13. EXPLORATION AND EVALUATION EXPENDITURE

	2020 $	2019 $
Mineral acquisition costs carried forward in respect of areas of interest (net of amounts written off) (a)	**95,000**	**4,738,719**
Reconciliation		
Carrying amount at the beginning of the year	4,738,719	5,139,591
Expenditure during the year – exploration	989,820	2,447,453
Expenditure during the year – acquisitions (including non-cash consideration)	-	95,000
Expenditure written off	(5,633,539)	(2,943,325)
Carrying amount at the end of the year	**95,000**	**4,738,719**

(a) The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively, sale of the respective areas. During the year, the Group wrote off expenditure totalling $5,633,539 (2019: $2,943,325), including acquisition costs of $4,643,718 (2019: $495,871).

14. TRADE AND OTHER PAYABLES

	2020 $	2019 $
Trade creditors	109,109	114,427
Other creditors and accruals	76,720	35,824
	185,829	**150,251**

15. PROVISIONS

	2020 $	2019 $
Employee entitlements	**13,632**	**28,468**

	Consolidated 2020 $	Consolidated 2019 $
16. LEASES		
(a) Right-of-use asset		
Rental property	**76,099**	**-**
(b) Lease liabilities		
Current	73,498	-
Non-current	4,088	-
	77,586	-
(c) Amortisation of right-of-use assets		
Depreciation expense per AASB 16 Leases	**72,353**	-
(d) Interest expense on lease liabilities		
Interest expense from the unwinding of interest per AASB 16: Leases	**7,038**	-
(e) Total yearly cash outflow for leases	**77,903**	-
17. ISSUED CAPITAL		
79,944,854 post-consolidation (30 June 2019: 2,132,371,023) (pre-consolidation) fully paid ordinary shares (**Shares**)	**40,945,737**	**38,416,267**

(a) Shares

The following movements in issued capital occurred during the year:

	Shares 2020 No.	Shares 2019 No.	Consolidated 2020 $	Consolidated 2019 $
Balance at beginning of the year	2,132,371,023	1,780,460,084	38,416,267	36,957,220
Issue of shares at $0.0067 each to acquire E77/2313	-	3,000,000	-	20,000
Issue of shares at $0.005 each for cash pursuant to a share placement	-	193,298,800	-	966,494
Issue of shares at $0.005 each to acquire exploration data for the Forrestania region	-	8,000,000	-	40,000
Issue of shares at $0.0036 each for cash pursuant to a share placement	-	147,612,139	-	531,404
Issue of shares at $0.001 each for cash pursuant to a share placement	116,000,000	-	116,000	-
Issue of shares at $0.001 each for cash pursuant to an entitlement offer	2,248,371,023	-	2,248,371	-
Share consolidation on a basis that every 60 shares be consolidated into 1 share	(4,421,797,190)	-	-	-
Issue of shares at $0.06 each in full satisfaction of convertible notes	4,999,998	-	300,000	-
Share issue costs	-	-	(134,901)	(98,851)
Balance at end of the year	79,944,854	2,132,371,023	40,945,737	38,416,267

17. ISSUED CAPITAL (CONT.)

(b) Options

Options issued or granted during the year

The following options to subscribe for fully paid ordinary shares were granted during the year:

Class[1]	Expiry Date	Exercise Price	Number of Options
Unlisted Advisor Options	30 September 2022	$0.10	5,000,000
Unlisted Advisor Options	30 September 2022	$0.125	5,000,000
Unlisted Related-Party Options	31 December 2021	$0.12	2,000,000
Unlisted Related-Party Options	31 December 2022	$0.14	2,000,000
Unlisted Employee Options	31 December 2021	$0.12	850,000
Unlisted Employee Options	31 December 2022	$0.14	850,000

Unissued shares under option

The following options to subscribe for fully paid ordinary shares were outstanding at the end of the year:

Class[1]	Expiry Date	Exercise Price	Number of Options
Unlisted Options	15 April 2021	$1.20	1,708,330
Unlisted Director Options	30 June 2021	$1.20	166,666
Unlisted Options	31 March 2022	$0.60	399,999
Unlisted Advisor Options	30 September 2022	$0.10	5,000,000
Unlisted Advisor Options	30 September 2022	$0.125	5,000,000
Unlisted Related-Party Options	31 December 2021	$0.12	2,000,000
Unlisted Related-Party Options	31 December 2022	$0.14	2,000,000
Unlisted Employee Options	31 December 2021	$0.12	850,000
Unlisted Employee Options	31 December 2022	$0.14	850,000

Notes in relation to the above tables:

1. *On 23 August 2019, shareholders approved the consolidation of the Company's shares and options through the conversion of every sixty (60) shares/ options into one (1) share/ option. The above tables show post-consolidation numbers and exercise prices for each relevant class of option(s) on issue.*

These options do not entitle the holder to participate in any share issue of the Company or any other entity.

Options exercised or lapsed during the year

1,099,998 unlisted options exercisable at $1.50 each expired unexercised on 31 December 2019.

(c) Convertible Notes

On 16 July 2019, the Company issued convertible notes with a face value of $300,000 on the following principal terms:

- Maturity Date : 4 months from the date of issue
- Convertibility : conversion to fully paid ordinary shares subject to shareholder approval
- Conversion Price : $0.001 per share pre-consolidation/ $0.06 per share post-consolidation
- Interest : nil
- Security : the notes are unsecured

On 6 September 2019, following approval from shareholders at the General Meeting held on 23 August 2019, the Company issued 4,999,998 fully paid ordinary shares at $0.06 per share (on a post-consolidation basis) in full satisfaction of the convertible notes.

	Consolidated 2020 $	Consolidated 2019 $
18. RESERVES		
Share Option Reserve		
Balance at beginning of year	287,014	230,616
Value of options expensed during the year	408,267	56,398
Balance at end of year	695,281	287,014
The share option reserve comprises the values attributed to options over ordinary shares granted to vendors and consultants in consideration for the sale of assets or the provision of services		
		-
Employee Option Reserve		
Balance at beginning of year	1,999,065	1,654,825
Value of director or related party options expensed during the year	124,008	17,562
Value of employee options expensed during the year	41,938	326,678
Balance at end of year	2,165,011	1,999,065
The employee option reserve comprises the values attributed to options over ordinary shares granted to Directors and employees in consideration for the provision of services		
Total reserves	**2,860,292**	**2,286,079**
19. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the year	(35,675,344)	(32,070,386)
Net loss attributable to members of the Company	(7,106,167)	(3,604,958)
Accumulated losses at the end of the year	**(42,781,511)**	**(35,675,344)**

20. KEY MANAGEMENT PERSONNEL

Names and positions of key management personnel in office at any time during the financial year:

Key Management Person	Position
Mr M Edwards	Non-Executive Chairman, appointed 30 July 2020 Non-Executive Director, appointed 10 October 2019
Mr S Lawson	Managing Director, Chief Executive Officer
Mr G Jones	Non-Executive Director
Mr J Hutton	Non-Executive Director, resigned 4 September 2020

Compensation for Key Management Personnel	Consolidated 2020 $	Consolidated 2019 $
Short-term employee benefits	308,637	383,780
Post-employment benefits	23,121	41,052
Share based payments	139,409	160,342
Total compensation	**471,167**	**585,174**

21. COMMITMENTS AND CONTINGENCIES

Exploration commitments

The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration programme and priorities. These obligations are also subject to variations by negotiation, joint venturing or relinquishing some of the relevant tenements. As at balance date, total exploration expenditure commitments of the Group for its Yalgoo, Forrestania and Paterson Projects, which have not been provided for in the financial statements amounted to $1,331,375 (2019: $1,663,700) per annum.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at 30 June 2020 but not recognised as liabilities, are payable as follows:

	Consolidated	
	2020	**2019**
	$	**$**
Not longer than 1 year	303,101	313,400
Longer than 1 year and not longer than 5 years	50,000	175,038
	353,101	488,438

Other commitments and contingencies

The Group does not have any other contingent liabilities or commitments at balance and reporting dates.

22. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share for the year ended 30 June 2020 was based on the following:

	Consolidated	
	2020	**2019**
Loss attributable to ordinary shareholders	**$**	**$**
Net loss for the year	(7,106,167)	(3,604,958)

	2020	**2019**
Weighted average number of ordinary shares	**Number**	**Number (Restated)**
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	73,781,860	32,419,824

On 23 August 2019, shareholders approved the consolidation of the Company's share through the conversion of every sixty (60) shares into one (1) share. Accordingly, the weighted average number of ordinary shares for the prior reporting period has been adjusted retrospectively.

Diluted earnings per share are calculated where potential ordinary shares on issue are dilutive. As the potential ordinary shares on issue would decrease the loss per share in the current year, they are not considered dilutive, and not shown. The number of potential ordinary shares is set out in Note 17.

23. PARENT ENTITY DISCLOSURES

Set out below is the supplementary information about the parent entity for the year ended 30 June 2020.

	30 June 2020 $	30 June 2019 $
Statement of profit or loss and other comprehensive income		
Loss for the year	(5,676,456)	(3,385,322)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(5,676,456)**	**(3,385,322)**
Statement of financial position		
Total current assets	927,946	243,349
Total assets	1,566,189	4,022,580
Total current liabilities	272,595	160,300
Total liabilities	276,682	160,300
Net assets	**1,289,507**	**3,862,280**
Equity		
Issued Capital	40,945,737	38,416,267
Reserves	2,860,292	2,286,079
Accumulated losses	(42,516,522)	(36,840,066)
Total equity	**1,289,507**	**3,862,280**

Shares in controlled entities	**Class of Shares**	**Beneficial Interest 2020**	**Beneficial Interest 2019**
Brumby Creek Pty Ltd (incorporated in Western Australia)	Ordinary	100%	100%
Firefly Operations Pty Ltd (incorporated in WA) (formerly Marindi Metals Operations Pty Ltd)	Ordinary	100%	100%
Forrestania Pty Ltd (incorporated in WA)	Ordinary	100%	100%

Contingent liabilities

The parent entity did not have any contingent liabilities at year end (2019: $nil).

Contractual commitments for capital expenditure

The parent entity had no commitments in relation to capital expenditure contracted but not recognised as liabilities as at reporting date (2019: $nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2.

Guarantees entered into by the parent entity

The parent entity did not provide any guarantees in the financial year in relation to the debts of its subsidiaries (2019: $nil).

24. SHARE BASED PAYMENTS

Set out below is the supplementary information about share based payments for the year ended 30 June 2020.

Total share-based payment expense of $574,213 (2019: $400,638) is included in Corporate and Administrative Expenses in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. Further details of the items included in this amount are shown below.

Advisor Options (Unlisted)

On 23 August 2019, shareholders approved the grant of 10,000,000 Advisor Options on a post-consolidation basis to Forrest Capital Pty Ltd (and its respective nominees) (**Forrest Capital**) for the provision of services in relation to a capital raising. Forrest Capital was the lead manager and underwriter to the entitlement offer completed in August 2019 and the Advisor Options comprised of 5,000,000 options exercisable at $0.10 each and 5,000,000 options exercisable at $0.125 each on or before 30 September 2022.

Class of Options	Issue date	Number of options	Exercise price	Expiry date of options	Vesting conditions
Unlisted Advisor Options	6 September 2019	5,000,000	$0.10	30 September 2022	Vested immediately
Unlisted Advisor Options	6 September 2019	5,000,000	$0.125	30 September 2022	Vested immediately

The fair value of the options granted to Forrest Capital was calculated at the date of grant using the Black-Scholes option-pricing model and the value of the options has been allocated to the present reporting period.

The following table gives the assumptions made in determining the fair value of options on grant date.

Key Inputs	Advisor Options	Advisor Options
Fair value per option	$0.04163	$0.03975
Grant date	23 August 2019	23 August 2019
Number of options	5,000,000	5,000,000
Expiry date	30 September 2022	30 September 2022
Exercise price	$0.10	$0.125
Price of shares on grant date	$0.06	$0.06
Estimated volatility	132.53%	132.53%
Risk-free interest rate	0.71%	0.71%
Dividend yield	0%	0%

The estimated volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The movement in the number and weighted average exercise prices (**WAEP**) of options issued to Forrest Capital is as follows:

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	10,000,000	$0.1125	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	10,000,000	$0.1125	-	-
Exercisable at the end of the year	10,000,000	$0.1125	-	-

The options outstanding at 30 June 2020 have a WAEP of $0.1125 (2019: $nil) and a weighted average contractual life of 27 months.

Total expense recognised as share-based payment costs during the year was $407,013 (2019: $nil).

Employee Options (Unlisted)

On 29 June 2018, the Company adopted a new Employee Incentive Plan (**Incentive Plan**) for the purpose of attracting, motivating and retaining key employees and consultants of the Group, and recognising their expected efforts and contribution in the long term to the performance and success of the Group, as well as providing an opportunity to participate in the future growth of the Group and to foster and promote loyalty between the Company and its employees and consultants. The maximum number of options that can be granted under the Incentive Plan is determined by the Board in its discretion and in accordance with the Incentive Plan and applicable law. There is no issue price for any options granted under the Incentive Plan.

24. SHARE BASED PAYMENTS (CONT.)

Employee Options (Unlisted) (cont.)

Each option is convertible to one ordinary share. The exercise price of the options is determined by the Board on such terms as the Board considers appropriate determined by reference to the market value of the shares when the Board resolves to offer the options, subject to any minimum price specified in the Listing Rules of the ASX.

Options expire on the earlier of their expiry date or on termination of the individual's employment, unless otherwise determined by the Board.

There are no voting or dividend rights attaching to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

On 17 December 2019, the Company issued 1,700,000 options under the Incentive Plan to eligible participants. Shareholder approval for the issue of employee options to a director of the Company under the Incentive Plan was granted at the Company's Annual General Meeting held on 29 November 2019.

Class of Options	Issue date	Number of options	Exercise price	Expiry date of options	Vesting conditions
Unlisted Employee Options	17 December 2019	850,000	$0.12	31 December 2021	Vested immediately
Unlisted Employee Options	17 December 2019	850,000	$0.14	31 December 2022	Vested immediately

The fair value of the options granted to the participants was calculated at the date of grant using the Black-Scholes option-pricing model and the value of the options has been allocated to the present reporting period.

The following table gives the assumptions made in determining the fair value of options on grant date.

Key Inputs	Employee Options	Employee Options
Fair value per option	$0.02590	$0.02414
Grant date	29 November 2019	29 November 2019
Number of options	850,000	850,000
Expiry date	31 December 2021	31 December 2022
Exercise price	$0.12	$0.14
Price of shares on grant date	$0.056	$0.056
Estimated volatility	119.78%	119.78%
Risk-free interest rate	0.68%	0.68%
Dividend yield	0%	0%

In July 2018, 42,500,000 (pre-consolidation) options exercisable at $0.02 on or before 15 April 2021 with varying vesting conditions were granted to participants under the Company's Incentive Plan, following shareholder approval granted at a General Meeting in June 2018. The fair value of these options was calculated at the date of shareholder approval using the Black-Scholes option-pricing model, and the value of the options, which were deemed to have vested immediately, was recognised as employee costs in the prior financial year. 5,000,000 (pre-consolidation) options were cancelled during the prior reporting period.

The following table gives the assumptions made in determining the fair value of the 42.5 million options on grant date (pre-consolidation):

Vesting conditions	Immediately	Market based*	Market based**	Market based***	Market based****
Fair value per option	$0.007669	$0.007669	$0.007669	$0.007669	$0.007669
Grant date	17 July 2018	17 July 2018	17 July 2018	17 July 2018	17 July 2018
Number of options	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
Expiry date	15 April 2021	15 April 2021	15 April 2021	15 April 2021	15 April 2021
Exercise price	$0.02	$0.02	$0.02	$0.02	$0.02
Price of shares on grant date	$0.011	$0.011	$0.011	$0.011	$0.011
Estimated volatility	143.4%	143.4%	143.4%	143.4%	143.4%
Risk-free interest rate	2.10%	2.10%	2.10%	2.10%	2.10%
Dividend yield	0%	0%	0%	0%	0%

24. SHARE BASED PAYMENTS (CONT.)

Employee Options (Unlisted) (cont.)

Notes to the above table:

** Options to vest on the Company achieving a market capitalisation (being the number of Shares on issue multiplied by the daily volume weighted average price of Shares traded on ASX) equal to or greater than $50 million for 5 consecutive trading days;*

*** Options to vest on the Company achieving a market capitalization equal to or greater than $100 million for 5 consecutive trading days;*

**** Options to vest on the Company achieving a market capitalization equal to or greater than $150 million for 5 consecutive trading days;*

***** Options to vest on the Company achieving a market capitalization equal to or greater than $200 million for 5 consecutive trading days.*

Following shareholder approval at the General Meeting held on 23 August 2019, 37,500,000 options were consolidated on a sixty (60) to one (1) basis to 624,997 options. The exercise price was amended to $1.20 in inverse proportion to that ratio.

The number and weighted average exercise prices (**WAEP**) of options granted under the Company's current Incentive Plan and previous employee and consultant share option plan are as follows:

	Post-consolidation		Pre-consolidation	
	2020 Number	**2020 WAEP**	**2019 Number**	**2019 WAEP**
Outstanding at the beginning of the year	691,663	$1.23	4,000,000	$0.025
Granted during the year	1,700,000	$0.13	42,500,000	$0.02
Expired/ cancelled during the year	(66,666)	-	(5,000,000)	-
Outstanding at the end of the year	2,324,997	$0.417	41,500,000	$0.0205
Exercisable at the end of the year	1,824,999	$0.417	11,500,000	$0.0205

The options outstanding at 30 June 2020 have a WAEP of $0.417 (2019: $0.0205) and a weighted average contractual life of 19.97 months (2019: 19.55 months). Total expense recognised as employee costs during the year was $41,938 (2019: $326,678).

Related Party Options (Unlisted)

On 29 November 2019, shareholders approved the grant of the following options to Directors of the Company.

Class of Options	Grant date	Number of options	Exercise price	Expiry date of options	Vesting conditions
Related Party Options	29 November 2019	2,000,000	$0.12	31 December 2021	Vested immediately
Related Party Options	29 November 2019	2,000,000	$0.14	31 December 2022	Vested immediately

The fair value of options granted to Directors was calculated at the date of the shareholder approval using the Black-Scholes option-pricing model. The value of the options, which are all deemed to have vested immediately and the value of the options has been allocated to the present reporting period.

The following table gives the assumptions made in determining the fair value of options on approval date:

Key Inputs	Related Party Options	Related Party Options
Fair value per option	$0.0259	$0.0316
Grant date	29 November 2019	29 November 2019
Number of options	2,000,000	2,000,000
Expiry date	31 December 2021	31 December 2022
Exercise price	$0.12	$0.14
Price of shares on grant date	$0.056	$0.056
Estimated volatility	119.78%	119.78%
Risk-free interest rate	0.68%	0.65%
Dividend yield	0%	0%

24. SHARE BASED PAYMENTS (CONT.)

Related Party Options (Unlisted) (cont.)

In June 2018, shareholders approved the grant of 10,000,000 options exercisable at $0.02 each on or before 30 June 2021 and 65,000,000 options exercisable at $0.02 each on or before 15 April 2021 (pre-consolidation) with varying vesting conditions to Directors of the Company. The fair value of these options was calculated at the date of shareholder approval using the Black-Scholes option-pricing model. The value of the options, which were all deemed to have vested immediately, were recognised in the prior financial year.

The following table gives the assumptions made in determining the fair value of the 75 million options on grant date (pre-consolidation):

Vesting conditions	Immediately	Market based*	Market based**	Market based***	Market based****
Fair value per option	$0.008821	$0.003428	$0.001714	$0.001285	$0.000857
Grant date	29 June 2018	29 June 2018	29 June 2018	29 June 2018	29 June 2018
Number of options	10,000,000	13,000,000	16,250,000	16,250,000	19,500,000
Expiry date	30 June 2021	15 April 2021	15 April 2021	15 April 2021	15 April 2021
Exercise price	$0.02	$0.02	$0.02	$0.02	$0.02
Price of shares on grant date	$0.012	$0.012	$0.012	$0.012	$0.012
Estimated volatility	143.4%	143.4%	143.4%	143.4%	143.4%
Risk-free interest rate	2.10%	2.10%	2.10%	2.10%	2.10%
Dividend yield	0%	0%	0%	0%	0%

Notes:

** Options to vest on the Company achieving a market capitalisation (being the number of Shares on issue multiplied by the daily volume weighted average price of Shares traded on ASX) equal to or greater than $50 million for 5 consecutive trading days;*

*** Options to vest on the Company achieving a market capitalization equal to or greater than $100 million for 5 consecutive trading days;*

**** Options to vest on the Company achieving a market capitalization equal to or greater than $150 million for 5 consecutive trading days;*

***** Options to vest on the Company achieving a market capitalization equal to or greater than $200 million for 5 consecutive trading days.*

Following shareholder approval at the General Meeting held on 23 August 2019, these 75,000,000 options were consolidated on a sixty (60) to one (1) basis to 1,249,999 options. The exercise price was amended to $1.20 in inverse proportion to that ratio.

The number and weighted average exercise prices (WAEP) of options granted under the Company's current Incentive Plan and previous employee and consultant share option plan are as follows:

	Post-consolidation		Pre-consolidation	
	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding at the beginning of the year	2,249,998	$1.332	135,000,000	$0.022
Granted during the year	4,000,000	$0.13	-	-
Expired during the year	(999,999)	-	-	-
Outstanding at the end of the year	5,249,999	$0.385	135,000,000	$0.022
Exercisable at the end of the year	4,383,333	$0.385	70,000,000	$0.022

The options outstanding at 30 June 2020 have a WAEP of $0.385 (2019: $0.022) and a weighted average contractual life of 20.52 months (2019: 14.56 months).

Total expense recognised as director and officer costs during the year was $124,008 (2019: $17,563).

Prior Year Options (Unlisted)

Placement Options

On 10 April 2019, the Company granted 24,000,000 Placement Options at $0.01 each on or before 31 March 2022 (pre-consolidation) to Argonaut Capital Limited (**Argonaut**) for the provision of services in relation to various share placements. The fair value of options granted to Argonaut was calculated at the date of grant using the Black-Scholes option-pricing model and the value of the options was allocated to the prior financial year.

24. SHARE BASED PAYMENTS (CONT.)

Prior Year Options (Unlisted)

Placement Options (cont.)

Following shareholder approval at the General Meeting held on 23 August 2019, the 24,000,000 options were consolidated on a sixty (60) to one (1) basis to 399,999 options. The exercise price was amended to $0.60 in inverse proportion to that ratio.

All 399,999 options remain exercisable at the end of the current financial year. The options outstanding at 30 June 2020 have a weighted average exercise price of $0.60 (2019: $0.01 pre-consolidation) and a weighted average contractual life of 21 months (2019: 33 months).

Consultant Options

On 20 March 2018, the Company granted 2,000,000 Consultant Options to a consultant, exercisable at $0.025 each on or before 31 December 2019 with varying vesting conditions (pre-consolidation). The fair value of options granted to the consultant was calculated at the date of grant using the Black-Scholes option-pricing model and the value of the options which vested immediately was recognised in the prior reporting period.

Total expense recognised as consultant costs in the year was $1,254 (2019: $1,240).

Following shareholder approval at the General Meeting held on 23 August 2019, the 2,000,000 options were consolidated on a sixty (60) to one (1) basis to 33,333 options. The exercise price was amended to $1.50 in inverse proportion to that ratio.

33,333 Consultant Options expired unexercised on 31 December 2019.

25. SEGMENT NOTE

The Consolidated Entity operates predominantly in the mineral exploration industry in Australia. For management purposes, the Consolidated Entity is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Consolidated Entity's activities are interrelated and discrete financial information is reporting to the Board (functioning as the chief operating decision maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Consolidated Entity as one segment. The financial results from this segment are equivalent to the financial statements of the Consolidated Entity as a whole.

26. RECONCILIATION OF CASH USED IN OPERATING ACTIVITIES

	Consolidated 2020 $	Consolidated 2019 $
(a) Cash flows from operating activities		
Loss for the year	(7,106,167)	(3,604,958)
Add non-cash items:		
Exploration acquisition costs and goodwill written off	4,643,719	495,871
Depreciation	110,531	38,794
Share based payments expense	574,213	400,638
Trade and other receivables written off	-	102,017
Gain on sale of fixed assets	(36,177)	-
Interest expense on lease liabilities	7,038	-
Operating loss before changes in working capital and provisions	(1,806,843)	(2,567,638)
Change in trade and other receivables	(23,118)	50,534
Change in prepayments	3,403	27,875
Change in trade and other payables	35,578	(808,706)
Change in provisions	(14,836)	(15,420)
Net cash used in operating activities	**(1,805,816)**	**3,313,355**

(b) Non-cash investing and financing activities

No non-cash investing and financial activities occurred during the year.

27. FINANCIAL INSTRUMENTS

Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk and the maturity profile of financial assets and financial liabilities:

At 30 June 2020	Weighted average interest rate %	Variable interest rate $	Fixed maturity (less than 1 year) $	Non-interest bearing $	Total $
Financial assets					
Cash and cash equivalents	0.05	832,239	-	97,274	929,513
Trade and other receivables	1.75	-	57,389	42,279	99,668
Total financial assets		832,239	57,389	139,553	1,029,181
Financial liabilities					
Trade and other payables		-	-	185,829	185,829
Lease liabilities		-	-	77,586	77,586
Total financial liabilities		-	-	263,415	263,415
Net financial assets/ (liabilities)		**832,239**	**57,389**	**(123,862)**	**765,766**

At 30 June 2019	Weighted average interest rate %	Variable interest rate $	Fixed maturity (less than 1 year) $	Non-interest bearing $	Total $
Financial assets					
Cash and cash equivalents	0.20	194,228	-	44,816	239,044
Trade and other receivables	2.40	-	57,389	19,161	76,550
Total financial assets		194,228	57,389	63,977	315,594
Financial liabilities					
Trade and other payables	-	-	-	150,251	150,251
Total financial liabilities		-	-	150,251	150,251
Net financial assets/ (liabilities)		**194,228**	**57,389**	**(86,274)**	**165,343**

Risk and sensitivity

Refer to Note 2 for details on the Consolidated Entity's approach to financial risk management.

At present, the Consolidated Entity is not exposed to foreign exchange risk or commodity price risk. It does not have any borrowings, nor does it have exposure to equity securities price risk.

The Consolidated Entity does not presently have customers and consequently does not have credit exposure to outstanding receivables. Trade and other receivables represent GST refundable from the Australian Taxation Office and security bonds and deposits. Trade and other receivables are neither past due nor impaired.

The Consolidated Entity is not materially exposed to changes in market interest rates. A 1% variation in interest rates would result in interest revenue changing by $8,322 (2019: $1,942) based on year end cash balances, and $574 (2019: $574) based on year end security bonds and deposit balances, assuming all other variables remain unchanged.

28. EVENTS SUBSEQUENT TO REPORTING DATE

Acquisition of the Yalgoo Gold Project

On 24 June 2020, the Company announced that it had entered into a landmark agreement with privately-owned Aurum Minerals Pty Ltd (**Aurum** or **Vendor**) to acquire the Yalgoo Gold Project, located in the Murchison region of Western Australia. The Company funded the acquisition through the issue of shares and performance rights.

On 6 July 2020, 833,333 shares at a deemed issue price of $0.03 per share were issued to the Vendor in part consideration for the exclusivity granted to the Company in respect of the project and in accordance with the terms of the binding agreement.

On 31 July 2020, with all resolutions pertaining to the acquisition having been passed at the General Meeting held on 30 July 2020, the Company completed the acquisition of the project from the shareholders of Aurum following the issue of 97,000,000 shares at a deemed issue price of $0.03 per share and 22,999,998 Performance Rights. The Performance Rights consist of three separate tranches of 7,666,666 Performance Rights each that will vest upon the completion of the application milestones for each tranche.

In addition, a royalty deed and tribute mining agreement have been negotiated and finalised by both parties pursuant to the terms of the acquisition agreement.

Capital Raising

On 30 June 2020, the Company announced a fully-underwritten non-renounceable entitlement offer on the basis of three (3) new shares for every seven (7) shares held at an issue price of $0.03 per new share to raise approximately $1.03 million before costs (Entitlement Offer), forming part of a broader $2.3 million capital raising, including a $1.3 million strategic share placement by the Vendor and sophisticated and professional investors (Placement), that would underpin planned exploration programs at the recently secured Yalgoo Gold Project. The Placement was priced at $0.03 per share.

The Company completed the Entitlement Offer and Placement in August 2020. The Underwriter and Lead Manager, Argonaut Capital, was paid a 6% underwriting fee on all funds raised pursuant to the Entitlement Offer and a 6% capital raising fee in respect of $150,000 raised through the Placement. The Vendor paid a 6% capital raising fee in respect of the remaining $1.15 million raised through the Placement.

Strategic tenement package in Yalgoo, Western Australia

On 11 August 2020, the Company announced that it had acquired a strategic tenement package containing additional untested ground in the Yalgoo goldfield from a private syndicate.

The acquisition included five tenements (comprising of two mining leases and three prospecting leases) and a significant amount of mining and processing equipment and infrastructure. The total cash consideration for the acquisition was $250,000 (excluding GST). There are no royalties payable over the new tenements except the 2.5% levied by the State Government.

Board Changes

Following the completion of the acquisition of the Yalgoo Gold Project in July 2020, the Company appointed experienced mining executive Ashley Pattison to its Board as a non-executive director on 3 September 2020.

As a result of the acquisition, a number of shareholders of Aurum have become major shareholders in Firefly, with the right to appoint a representative to the Company's Board. Mr Pattison was the founder of Aurum.

Concurrently with Mr Pattison's appointment, long-serving director Mr John Hutton advised his intention to step down from the Board on 4 September 2020, to continue his focus on new projects in the exploration sector and to manage the growth of his other business commitments.

Exercise of Unlisted Options

On 16 September 2020, the Company issued 2,750,000 fully paid ordinary shares following the exercise of 1,500,000 Unlisted Options with a $0.10 exercise price and 30 September 2022 expiry date and 1,250,000 Unlisted Options with a $0.125 exercise price and 30 September 2022 expiry date, raising $306,250 (before costs).

In the opinion of the Directors of Firefly Resources Limited:

(a) the consolidated financial statements and notes, set out on pages 27 to 54 are in accordance with the Corporations Act 2001 (Cth) (**Corporations Act**), including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and its performance for the financial year on that date; and

   ii. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting standards; and

(b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board; and

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

This declaration has been made after receiving the declaration from the Managing Director required by section 295A of the Corporations Act for the year ended 30 June 2020.

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

Dated at Perth, Western Australia this 30th day of September 2020.

Michael Edwards
Non-Executive Chairman

Stantons International Audit and Consulting Pty Ltd
trading as
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FIREFLY RESOURCES LIMITED

Report on the Audit of the Financial Report

Opinion

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

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

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

Key Audit Matters

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

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Key Audit Matters	How the matter was addressed in the audit
Carrying Value of Exploration and Evaluation Assets As disclosed in Note 12 to the consolidated financial statements, the carrying value of the exploration and evaluation assets as at 30 June 2020 was $95,000 (2019: $4,738,719). We have identified the carrying value of exploration and evaluation assets as a key audit matter due to: ▪ The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present; and ▪ The assessment of significant judgements made by management in relation to the capitalised exploration and evaluation assets.	Inter alia, our audit procedures included the following: i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third-party documentation; ii. Reviewing the Board's assessment of the carrying value of the capitalised exploration and evaluation costs, ensuring the veracity of the data presented and assessing management's consideration of potential impairment indicators, commodity prices and the stage of the Group's projects in accordance with AASB 6; iii. Evaluating the Group's documents for consistency with the intentions for continuing exploration and evaluation activities in areas of interest and corroborated in discussions with management. The documents we evaluated included: ▪ Minutes of the board and management; and ▪ Announcements made by the Group to the Australian Securities Exchange; and iv. Assessing the adequacy and appropriateness of disclosures in the consolidated financial statements in accordance with the requirements of the relevant Australian Accounting Standards.

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 our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Stantons International

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 26 of the directors' report for the year ended 30 June 2020. 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.

Opinion on the Remuneration Report

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

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

Samir Tirodkar
Director

West Perth, Western Australia
30 September 2020

Stantons International Audit and Consulting Pty Ltd
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30 September 2020

The Directors
Firefly Resources Limited
15 McCabe Street
North Fremantle, Western Australia, 6159

Dear Sirs

RE: FIREFLY RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Firefly Resources Limited.

As Audit Director for the audit of the financial statements of Firefly 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.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Samir Tirodkar
Director

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Details of shares and options on a post-consolidation basis as at 28 September 2020:

Top holders

The 20 largest registered holders of each class of quoted equity security as at 28 September 2020 were:

Fully paid ordinary shares – quoted

	Name	No. of Shares	%
1.	Mr Robert Jewson	18,147,017	6.99
2.	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	15,798,337	6.08
3.	Tristar Nominees Pty Ltd	11,194,322	4.31
4.	Kitara Investments Pty Ltd	7,000,000	2.69
5.	Mr Faris Cassim	6,000,000	2.31
6.	DC & PC Holdings Pty Ltd	6,000,000	2.31
7.	Sisu International Pty Ltd	5,987,654	2.30
8.	Konkera Pty Ltd	5,987,654	2.30
9.	Citicorp Nominees Pty Limited	4,975,777	1.92
10.	Kingslane Pty Ltd	4,666,668	1.80
11.	Mr Thomas Henderson	4,225,585	1.63
12.	New Discovery Pty Ltd	3,991,765	1.54
13.	Mr Don Batley & Mr Ian Vause	3,766,094	1.45
14.	Freshwater Resources Pty Ltd	3,382,222	1.30
15.	Tisia Nominees Pty Ltd	2,705,580	1.04
16.	Croft Mining Pty Ltd	2,694,444	1.04
17.	Mahalo Enterprises Pty Ltd	2,574,691	0.99
18.	Shadwick Nominees Pty Ltd	2,500,000	0.96
19.	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd	2,454,280	0.94
20.	Mr Mark Bahen & Mrs Margaret Bahen	2,200,000	0.85
	Total	**116,252,090**	**44.75**

Distribution schedules

A distribution schedule of each class of equity security as at 28 September 2020:

Fully paid ordinary shares

Range			Holders	Units	%
1	-	1,000	602	252,279	0.10
1,001	-	5,000	786	2,224,141	0.86
5,001	-	10,000	512	3,956,837	1.52
10,001	-	100,000	1,000	37,292,626	14.35
100,001	-	Over	271	216,063,649	83.17
		Total	**3,171**	**259,789,532**	**100**

Unlisted options

The following unlisted options are presently on issue:

Class	Expiry Date	Exercise Price	No. of Options	No. of Holders	Distribution 10,000-100,000	Distribution >100,000
Unlisted Options	15 April 2021	$1.20	1,083,333	3	-	3
Unlisted Employee Options	15 April 2021	$1.20	624,997	6	3	3
Unlisted Director Options	30 June 2021	$1.20	166,666	1	-	1
Unlisted Placement Options	31 March 2022	$0.60	399,999	3	2	1
Unlisted Advisor Options	30 September 2022	$0.10	3,500,000	4	-	4
Unlisted Advisor Options	30 September 2022	$0.125	3,750,000	5	-	5
Unlisted Related-Party Options	31 December 2021	$0.12	2,000,000	4	-	4
Unlisted Related-Party Options	31 December 2022	$0.14	2,000,000	4	-	4
Unlisted Employee Options	31 December 2021	$0.12	850,000	4	2	2
Unlisted Employee Options	31 December 2022	$0.14	850,000	4	2	2

Unlisted performance rights

The following unlisted performance rights are presently on issue:

Class	No. of Performance Rights	No. of Holders	Distribution 10,000-100,000	>100,000
Class A	7,666,666	22	4	18
Class B	7,666,666	22	4	18
Class C	7,666,666	22	4	18

Substantial shareholders

The names of substantial shareholders in the Company as at 28 September 2020, and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

	Name	No. of Shares
1.	Mr Robert Jewson	18,147,017
2.	Mr Kevin Puil	18,179,193
3.	Tolga Kumova	12,987,654

Restricted Securities or securities subject to voluntary escrow

As at 28 September 2020, the Company had no restricted securities on issue.

As at 28 September 2020, the Company had no securities subject to voluntary escrow on issue.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares as at 28 September 2020:

Value	Holders	Units
$500	1,017	1,006,045

Voting Rights

The voting rights attaching to ordinary shares are:

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

Unlisted options and performance rights do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.

Corporate Governance

The Board has adopted and approved the Company's 2020 Corporate Governance Statement, which can be found on the Company's website at https://www.fireflyresources.com.au/.

Schedule of Tenements as at 30 September 2020

Projects	Tenement Number	Area (blocks)	Registered Holder	Status	Interest
Forrestania	E74/586	20	Forrestania Pty Ltd	Granted	100%
Forrestania	E74/591	69	Forrestania Pty Ltd	Granted	100%
Forrestania	E74/627	4	Forrestania Pty Ltd	Granted	100%
Forrestania	E74/2313	5	Forrestania Pty Ltd	Granted	100%
Forrestania	E74/2345	20	Forrestania Pty Ltd	Granted	100%
Forrestania	E74/2346	20	Forrestania Pty Ltd	Granted	100%
Forrestania	E74/2348	70	Forrestania Pty Ltd	Granted	100%
Forrestania	E77/2364	20	Forrestania Pty Ltd	Granted	100%
Forrestania	E74/2600	21	Firefly Resources Limited	Application	-
Forrestania	M77/549	73.53 HA	Forrestania Pty Ltd	Granted	100%
Oakover	E52/3577	54	Forrestania Pty Ltd	Granted	100%
Edgerton	E52/3756	4	Firefly Resources Limited	Granted	100%
Paterson	E45/5358	68	Firefly Operations Pty Ltd	Granted	100%
Paterson	E45/5391	174	Firefly Operations Pty Ltd	Granted	100%
Paterson	E45/5396	76	Firefly Operations Pty Ltd	Granted	100%
Paterson	E45/5397	51	Firefly Operations Pty Ltd	Granted	100%
Paterson	E45/5407	87	Firefly Operations Pty Ltd	Granted	100%
Paterson	E45/5718	48	Firefly Operations Pty Ltd	Application	-
Yalgoo	E59/2077	24	Yalgoo Exploration Pty Ltd	Granted	100%
Yalgoo	E59/2140	37	Yalgoo Exploration Pty Ltd	Granted	100%
Yalgoo	E59/2230	11	Yalgoo Exploration Pty Ltd	Granted	100%
Yalgoo	E59/2252	34	Yalgoo Exploration Pty Ltd	Granted	100%
Yalgoo	E59/2284	6	Yalgoo Exploration Pty Ltd	Granted	100%
Yalgoo	E59/2295	47	Yalgoo Exploration Pty Ltd	Granted	100%
Yalgoo	E59/2363	1	Yalgoo Exploration Pty Ltd	Granted	100%
Yalgoo	M59/358	185.15 HA	C. A. Holland	Granted	100%
Yalgoo	M59/384	98.185 HA	C. A. Holland	Granted	100%
Yalgoo	P59/2040	64 HA	MMPS Pty Ltd	Granted	100%
Yalgoo	P59/2042	2 HA	MMPS Pty Ltd	Granted	100%
Yalgoo	P59/2086	39 HA	J.T. Larsen	Granted	100%
Yalgoo	P59/2087	119 HA	J.T. Larsen	Granted	100%
Yalgoo	P59/2134	4.04 HA	J.T. Larsen	Granted	100%
Yalgoo	P59/2138	48.82 HA	Yalgoo Exploration Pty Ltd	Granted	100%
Yalgoo	P59/2158	43.74 HA	Yalgoo Exploration Pty Ltd	Granted	100%
Yalgoo	E59/2456	8	Firefly Resources Limited	Application	-
Yalgoo	E59/2457	49	Firefly Resources Limited	Application	-
Yalgoo	E59/2458	38	Firefly Resources Limited	Application	-
Yalgoo	E59/2459	40	Firefly Resources Limited	Application	-
Yalgoo	E59/2460	41	Firefly Resources Limited	Application	-
Yalgoo	E59/2468	4	Firefly Resources Limited	Application	-
Yalgoo	E59/2469	3	Firefly Resources Limited	Application	-
Yalgoo	E59/2470	3	Firefly Resources Limited	Application	-
Yalgoo	E59/2471	2	Firefly Resources Limited	Application	-
Yalgoo	E59/2478	46	Firefly Resources Limited	Application	-