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# Transparency Report

## 30 June 2023

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## 1. Introduction

In June 2012 the Federal Government's Corporations Legislation Amendment (Audit Enhancement) Act 2012 obtained Royal Assent. This legislation is aimed at improving the quality and transparency of the auditing process to ensure that Australia's audit quality and supporting regulatory framework remained in line with international best practice.

Stantons International Audit and Consulting Pty Ltd ("Stantons") is fully supportive of the aim to further improve the quality of audits undertaken by the auditing profession in Australia and through a strong commitment by all directors and staff of the firm, Stantons will continue to strive to improve on our already high quality of audits and service.

## 2. Legal Structure and Ownership

Stantons is an Authorised Audit Company and an Australian Financial Service Licensee, in accordance with the requirements of the Australian Securities and Investments Commission ("ASIC"). Our services include external audit and assurance, probity and procurement, IT audit, internal audit, risk consulting and international advisory services. Stantons Corporate Finance Pty Ltd, a wholly owned subsidiary of Stantons, has an Australian Financial Services Licence to prepare Independent Expert Reports and Independent Assurance Reports under the *Corporations Act 2001* or under the Australian Securities Exchange ("ASX") Listing Rules. It is also a recognised leader in valuation of securities such as shares, share options, performance rights and convertible notes.

### *International Affiliation*

Stantons is a member of Russell Bedford International ("Russell Bedford" or "RBI") - global network of independent professional services firms, including accountants, auditors, tax advisors & business consultants.

Russell Bedford is a non-trading, voluntary network of independent professional firms, registered in England as a company limited by guarantee. Member firms contribute to the cost of managing and marketing the network and they use the Russell Bedford name under licence. All services are provided independently by member firms of Russell Bedford and each member is solely responsible for its work on behalf of clients.

The Russell Bedford International Network is represented by some 370 offices in more than 100 countries in Europe, the Americas, Middle East, Africa, Indian Sub-continent and Asia Pacific.

### 3. Governance Structure

The directors and management team of Stantons are committed to ensuring that all staff adhere to the highest standard of professional independence and ethical behaviour and deliver high quality professional services. As a profession we are accountable to the highest professional and ethical standards and conduct our audits in accordance with the Auditing Standards issued by the Australian Auditing and Assurance Standards Board (“AUASB”).

To meet and exceed our client expectations we need to deliver high quality professional services at competitive rates. To achieve this, we focus on strong leadership, appropriate governance structures, effective quality control systems, informal and formal communication, and appropriate reward systems.

As a smaller firm, our governance structure is straightforward with all the directors and management having a close involvement with the day-to-day operations.

The leadership team comprises the following the Board of Directors along with the management team comprising the Principals:

| Board of Directors                    | Principals / Authorised Representatives                         |
|---------------------------------------|---|
| Martin Michalik (Audit and Corporate) | James Turnbull (Authorised Representative)                      |
| Sam Tirodkar (Audit and Corporate)    | John Corr (External Audit Principal)                            |
| Eliya Mwale (External Audit)          | James Cottrill (IT, Internal Audit & Risk Consulting Principal) |
|                                       | Kevin Donnelly (Probity Principal)                              |

There are no formal and separate committees.

The Board of Directors has overall responsibility for the strategic direction of the firm, protection of the firm’s interests and for the oversight and management of the firm’s operations.

The Management Team is responsible for the day-to-day operations of the firm, including service delivery, risk management, quality control, recruitment, performance appraisal and financial reporting. Within the Management Team, individuals may be tasked with specific responsibilities for monitoring and follow up.

Through the close involvement of all senior personnel in the management of the firm and in the delivery of professional services, management are very focused and any issues and opportunities that arise are quickly followed up and the appropriate action taken.

## 4. Internal Quality Control Systems

Audit quality is fundamental to the success of Stantons and our clients and each and every individual in the firm is committed to achieving excellence. We have systems of quality management that meet the requirements of the Australian Auditing Standards and are designed to ensure that we comply with the requirements of ASQM 1 – *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

The firm complies with the above requirements through design, implementation and operating a system of quality management for audits or review of financial reports and other financial information, or other assurance or related services engagements. This includes:

1. designing and implementing a risk assessment process to establish quality objectives, identify and assess quality risk and designing and implementing responses to address the quality risks;
2. establishing an environment that supports the system of quality management through the firm's governance and leadership;
3. establishing a system of quality management that addresses:
  - a. the fulfilment of responsibilities of relevant ethical requirements;
  - b. the acceptance and continuance of client relationships and specific engagements;
  - c. the engagement performance;
  - d. the firm's resource which includes obtaining, developing, using, maintaining, allocating and assigning resources;
  - e. the firm's information which includes obtaining and generating the information and communicating within the firm and to external parties; and
  - f. the monitoring and remediation process.

This is to ensure that the engagements are carried out in accordance with AUASB Standards to:

1. Minimise the risk of material misstatement (both measurement and presentation) in the financial report.
2. Minimise the risk of incorrect issuance of audit report, for example, a modified audit opinion instead of unmodified audit opinion.
3. Ensure that audits and reviews are carried out to a high standard.
4. Create a culture that commit to quality.

The elements of the system of quality management comprised the following:

1. The firm's risk assessment process - the firm's understanding of the conditions, events, circumstances, actions or inactions that may adversely affect the achievement of the quality objectives.
2. Governance and leadership – directors' and principals' responsibilities and commitments to quality.
3. Relevant ethical requirements - The public interest, integrity, objectivity, independence, confidentiality, technical and professional standards, competence and due care, and ethical behaviour.
4. Acceptance and continuance of client relationships and specific engagements – accepting new clients, evaluating existing clients, new client procedures, and lost client procedures.
5. Engagement performance – manuals, procedures and policies, supervision, review of work, engagement documentation, assembly of audit files, consultation, induction and ongoing trainings, differences of opinion, and engagement quality control review.
6. Resources – recruitment process, offer documentation, induction, probation, performance evaluations, salary reviews, training and development, and assignment of engagement teams.
7. Information and communication – responsibility of personnel, relevance and reliability, and communications to external parties.
8. The monitoring and remediation process - review of work, quality control reviews, internal feedback, external reviews, complaints procedures, evaluation communicating and remedying Identified defects.
9. Network Requirements – the firm's quality control requirement complies with the requirements established by the networks that the firm belongs to.

### **1. *The Firm's Risk Assessment Process***

The management of the firm has designed and implemented a risk assessment process to establish quality objectives, identify and assess quality risks and design and implement responses to address the quality risks.

### **2. *Leadership Responsibilities for Quality***

The Directors of the firm have ultimate responsibility for the design, implementation and operation of a system of quality management for audits or review of financial reports and other financial information, or other assurance or related services engagements. The Directors understand that Quality Control must form an integral part of the day-to-day work performed by all staff members.

The Directors show their commitment to quality through their day-to-day work practices, communications to staff, and through their commitment to staff training and development, systems development and quality control reviews.

All members of the firm are expected to understand, implement, and adhere to the policies and procedures in this document. This is achieved through staff training, work reviews and performance evaluations.

### **3. *Ethical Requirements***

The objective of ethical conduct standards is to provide the firm with reasonable assurance that all staff members maintain independence (in fact and in appearance) in all required circumstances, perform all professional responsibilities with integrity, and maintain objectivity in discharging professional responsibilities.

Stantons ensures that integrity and objectivity are intrinsic values embedded for all client and employee interactions. Inter alia, Stantons takes very seriously our duty of care to all members of the public affected by our work, whilst maintaining strict confidentiality protocols.

The firm and its Directors, as members of The Institute of Chartered Accountants Australia and New Zealand ("CA ANZ"), are governed in the conduct of their professional relationships with others by the By-Laws, Code of Ethics for Professional Accountants, Regulations and Miscellaneous Professional Statements, and any future ethical pronouncements.

### **4. *Acceptance and Continuance of Client Relationships and Specific Engagements***

Client acceptance and continuance procedures play an integral part in undertaking every engagement. Robust analysis is carried out to ensure that no engagement is considered to be compromised.

The firm will not accept clients which it feels may not fall within its targeted expertise or may have a detrimental impact upon the image and goodwill of the firm (either present or future). Clients such as banks, insurance companies and managed investment schemes will not be therefore accepted as assurance clients.

### **5. *Engagement Performance***

Engagement performance encompasses all phases of planning and execution including the firm's audit methodology and the review, supervision, consultation documentation and communication of the results of the audits. Our audit methodology is based on the Audit Manual issued by the CA ANZ and is updated regularly to ensure compliance with applicable accounting and auditing standards.

For all listed entity audits, an engagement quality review (EQR) is performed to provide an objective evaluation of the significant decisions made and conclusions reached in formulating the report. The EQR must be completed, and all matters attended to and resolved, before the issue of the report. Where a difference of opinion exists, the procedure described in the Quality Management document should be followed.

## **6. Resources**

Stantons makes every effort to recruit motivated and capable staff to ensure that the delivery of our services exceeds the needs of our clients. As part of the development of staff, Stantons takes its role seriously in adequately training and motivating staff to ensure high service levels. Staff are selected on engagements commensurate to the level of experience required for every engagement, whilst ensuring all independence and ethical standards are complied with.

## **7. Information and Communication**

The main information systems used in the firm are shared folders for the system of quality management and CaseWare for external audit engagements. The information system is to ensure the system identifies, captures, processes, and maintains relevant and reliable information that supports the system of quality management.

The engagement team members are responsible for exchanging information with the firm and with one another. The directors, principals and managers of the firm are responsible for making sure that culture of the firm recognises and reinforces the responsibility of personnel to exchange information with the team, and relevant and reliable information is exchanged throughout the firm and with engagement teams, and external communications are made responsibly and timely.

## **8. Monitoring and remediation process**

The procedures and policies that make up our Quality Management system are reviewed and evaluated continuously to ensure that they are kept relevant, adequate, operating effectively and are enhanced wherever possible. Directors, Principals, Managers and senior staff members are expected to provide feedback, provide suggestions for improvement, and to identify areas that need updating or that are no longer relevant. These issues are directed to the Directors who ensure that relevant changes are made in a timely manner, and that staff are made aware of the changes.

Where changes are made to our procedures, staff are made aware of them via team meetings, email or staff training, depending on the type of change.

Our Quality Control Management systems are monitored and maintained through review of work, engagement quality reviews, implementation of new legislation, internal feedback, and complaints and allegations.

The firm is subject to reviews by ASIC, CA ANZ and Russel Bedford. We have been subjected a number of reviews by ASIC over the past 10 years, the last one having been undertaken last year in respect of ASIC's Audit Inspection Program for 2020-21 cycle. A quality control review was conducted by CAANZ in June 2021.

## **9. Network Requirements**

We are required to comply with the Russel Bedford International Network's policies and procedures on audit quality control and independence, including the requirement to participate in the network's audit quality control review programme. However, the firm shall not allow compliance with the network requirements or use of network services to contravene the requirements of International Standard on Quality Management which was developed by the International Auditing and Assurance Standards Board.

Russell Bedford generally undertake a review every year some of which can be undertaken by other audit firms, some by a quality control consultant employed by Russell Bedford and some internally by persons not signing audit reports.

## 5. Independence

The firm requires reasonable assurance that staff at all organisational levels maintain professional independence. Independence is a characteristic that is crucial to the firm and to the accounting profession as a whole. The firm states that the characteristics of objectivity and integrity are essential to maintaining independence in fact and in appearance, and no one should act in a way that would violate generally accepted ethical standards. Professional staff must be thoroughly familiar with and adhere to the Independence requirements in the Code of Ethics for Professional Accountants, the Audit Standards and the *Corporations Act 2001*.

Independence applies to all areas of the firm. An engagement will not be accepted, and an existing engagement will be terminated, if a conflict of interest or relationship is identified, and the perceived or actual threat to independence cannot be eliminated or reduced to an acceptable level.

The firm's Independence policies and procedures have been created with reference to the following:

- APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*;
- Division 3 of Part 2M.4 of the *Corporations Act 2001*; and
- Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

Stantons maintains a list of all restricted entities, in particular listed entities, which place restrictions on professionals and their immediate family from acquiring shares in those companies.

To ensure compliance with the restrictions on investing in audit clients, all staff are required on a bi-annual basis to confirm that neither they nor their close family members hold any investments in the firm's audit clients. In addition, on an annual basis as part of the internal monitoring process, a review is undertaken of a number of share registers of our audit clients to confirm that there are no shareholdings in the name of the directors or staff (or their know related entities) of Stantons.

Prior to the engagement of a new audit client, all staff are required to advise whether they or any immediate family member have shares in the prospective new client. Should any director or member of management hold shares in a prospective client, either the new prospective client will not be engaged or the person will be required to dispose of their investment prior to engagement of the client. In the case of other staff members, they are advised that they cannot have any involvement with that client.

At induction all new audit staff are provided with training on independence and are also required to confirm in writing that they do not hold any shares in any of our listed audit clients.

### **Non-Assurance Services**

Stantons' engagement acceptance policies require the director responsible for a potential new non-audit service engagement to consider whether Stantons has an existing relationship with the potential client and if so whether the provision of the non-audit services could impair auditor independence.

Stantons provides a large range of services to its clients. However, some specific services to Disclosing Entities are only provided in accordance with the firm's Chinese Wall and Insider Trading Policy. Those services include:

- Independent Expert Reports
- Business and Securities Valuations
- Due diligence on acquisitions / sales; and
- Additional services where we are in charge of preparing Financial Statements.



Prior to providing non-assurance services to assurance clients (or vice versa) the circumstances are carefully evaluated to ensure that our independence is not at risk. Where threats to independence cannot be reduced to an acceptable level, the client is referred to a third-party CA Accounting firm.

### *Fee Dependency*

Intimidation and self-interest threats to independence may be created from the relative size of fees generated from an individual client or audit client group. As part of the firm's independence policies, the Directors monitor the fees of all significant clients against the total fees to identify any potential threats to independence. No potential threats have been identified as there is no one client with fees in excess of 5% of total fees.

### *Staff relationships*

Stantons' staff are encouraged not to form close relationships with clients or client personnel that might affect the perceived independence of the firm in carrying out work for that client. Staff will not be assigned to a job where it is believed the staff member has a family or other relationship with the client, or with a key member of the client's personnel. This may be seen as putting at risk the firm's actual or perceived independence. Independence or perceived independence may be jeopardised if a staff member has a close personal relationship with another staff member to whom he/she regularly reports, or with whom he/she is assigned to a client engagement. The firm does not allow the opportunity for the professional judgment of any of the firm's staff to be affected by their personal relationship or even family relationships with other staff members. The firm requires staff to be mindful of this and that they consult a Director should such a situation arise.

## **6. Continuing Development Policy**

The Directors of the firm are committed to the ongoing training and development of all staff. This ensures that the knowledge, capabilities and competence of staff are continually maintained and further enhanced. The following Directors / Principals are responsible for staff training:

- Eliya Mwale – External Audit
- James Cottrill – Assurance, IT, and Risk Consulting Services
- Kevin Donnelly – Probity Services

### *Internal Training*

Regular in-house training sessions are held for staff on technical and non-technical topics, by both internal and external presenters. Training topics covered are varied and are chosen based on the needs of team members including knowledge levels, skill levels, current issues and changes, common client issues, client types and common difficult areas. Training sessions are designed to be as practical as possible, and team members are expected to attend all sessions that are relevant to their level and work. In addition, a specific focus of the firm is to provide specific on the job training via the review process.

The firm maintains an up-to-date record of all training provided, including training materials used.

### *External Training*

All staff members attend on an annual basis training on technical audit and accounting topics, as well as professional and personal development courses. This external training is provided by professional trainers externally via attending conferences and seminars (such as CAANZ) or via the internet (such as GAAP Consulting and CaseWare).

The firm maintains an up-to-date record of all training provided, including training materials used.

## **7. Financial Information on audit and non-audit services**

The revenue generated by External Audit for the year ended 30 June 2023 totalled \$3.5 million.

Non-External Audit generated revenue for the year ended 30 June 2023 totalled \$2.3 million. Total revenue for FY2023 amounted to \$5.8 million.

## **8. Remuneration Policy**

There is no fixed policy on remuneration for the Directors of Stantons. The level of salary is mainly determinable by performance, profitability, cash flows and by negotiation between the Directors and Shareholders of Stantons. No Directors or Principals receive any remuneration based upon selling of non-audit services to audit clients.

## **9. Statement of Effectiveness of Internal Quality Control Systems**

We believe that the quality control systems, as described in Section 4 of this report, operate effectively, and our internal quality control processes provide the ability to detect areas where improvements may be required (if necessary).

Martin Michalik  
**Director**

## Appendix A

### ASX Listed Companies

During the year ended 30 June 2023, Stantons has completed statutory audits for the following listed companies:

| Client Name                                     | ASX Code |
|---|----------|
| Alicanto Minerals Limited                       | AQI      |
| Anson Resources Limited                         | ANS      |
| Applyflow Ltd                                   | AFW      |
| Ausmon Resources Limited                        | AOA      |
| BauMart Holdings Limited                        | BMH      |
| Blue Star Helium Limited                        | BNL      |
| Caeneus Minerals LTD                            | CAD      |
| Carbine Resources Limited                       | CRB      |
| Codrus Minerals Limited                         | CDR      |
| Comet Resources Limited                         | CRL      |
| CuFe Limited                                    | CUF      |
| Cynata Therapeutics Limited                     | CYP      |
| Dimerix Limited                                 | DXB      |
| Eclipse Metals Limited                          | EPM      |
| Emyria Limited                                  | EMD      |
| Eneco Refresh Limited                           | ERG      |
| Errawarra Resources Limited                     | ERW      |
| European Metals Holdings Limited                | EMH      |
| Fin Resources Limited                           | FIN      |
| Fremantle Community Financial Services Ltd      | FCF      |
| Gas2Grid Limited                                | GGX      |
| Golden State Mining Limited                     | GSM      |
| GWR Group Limited                               | GWR      |
| Holista Colltech Limited (31 December Year End) | HCT      |
| Inca Minerals Limited                           | ICG      |
| Janison Education Limited                       | JAN      |
| Kaizen Global Investments Limited               | KGI      |
| Koba Resources Limited                          | KOB      |
| LawFinance Limited                              | LAW      |
| Magnetite Mines Limited                         | MGT      |
| MCS Services Limited                            | MSG      |
| MOQ Limited                                     | MOQ      |
| MPower Group Ltd                                | MPR      |

|                                  |     |
|----------------------------------|-----|
| New World Resources Ltd          | NWC |
| Nexion Group Ltd                 | NNG |
| NT Minerals Limited              | NTM |
| Ora Gold Limited                 | OAU |
| PolarX Limited                   | PXX |
| Prospect Resources Limited       | PSC |
| Regeneus Ltd                     | RGS |
| Renegade Exploration Limited     | RNX |
| Riedel Resources Ltd             | RIE |
| Shree Minerals Limited           | SHH |
| Sihayo Gold Limited              | SIH |
| St George Mining Limited         | SGQ |
| Story-I Limited                  | SRY |
| Talga Group Limited              | TLG |
| Titan Minerals Limited           | TTM |
| Tungsten Mining NL               | TGN |
| Venture Minerals Limited         | VMS |
| Venus Metals Corporation Limited | VMC |
| Western Gold Resources Limited   | WGR |
| Zuleika Gold Limited             | ZAG |