ACH MINERALS PTY LTD

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT

The Directors present their report on ACH Minerals Pty Ltd (the Company) for the year ending 30 June 2018.

The names of the directors in office during the reporting year or since the end of the reporting year and up to the date of this report are:

Edmund Ainscough

Ian Junk

Wang Jiuyu

Paul Bennett

All dollar amounts in this report are Australian Dollars unless otherwise stated.

Operating Results

The operating loss of the Company for the financial year after providing for income tax amounted to $2,346,574 (2017: $1,688,965)

Review of Operations

The Company has been advancing the Ravensthorpe Gold Project (RGP and the Project) toward a development decision. This has included conducting a Feasibility Study into the technical and commercial viability of the Project and securing permits for the Project development.

Corporate

During the year, the Company conducted a private placement (Placement) to raise $5,000,000 by issuing 1,796,053 new shares at an issue price of $2.784 per share. The Placement was subject to Foreign Investment Review Board (FIRB) approval which had not been received at the reporting date. As a result, Placement proceeds were held as a short term loan. On 19 September 2018, FIRB approval for the placement to Langyu was received. On 13 December 2018 shares were issued to Langyu and the short term loan obligations cancelled.

Going Concern

At 30 June 2018, the Company had a cash balance of $3,886,706. As per the subsequent events, the Company has since completed a placement and sold a property providing cash inflows of an additional $9.4M. The directors consider this to be more than sufficient to fund the Company's activities through feasibility and permitting. Upon completion of these significant de-risking milestones, the Company will be in a position whereby it can be confident it can raise additional capital to advance RGP into production.

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

State of Affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Principal Activities

The principal activity of the Company during the reporting year was as the owner and operator of pre-production resource assets in Western Australia.

DIRECTORS' REPORT (Continued)

Functional Currency

The functional currency of the Company is Australian Dollars.

Dividends Paid or Recommended

No dividend has been declared, paid or proposed during the year.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Environmental Regulation

The Company's operations have been carried out in accordance with all applicable environmental regulations effective under Commonwealth and State laws.

Indemnifying Officer

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer of the Company.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Events Occurring after the Reporting Date

No matters or circumstance have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group in future financial years except for the following:

- On the 13 December 2018 the Company conducted a private placement (Placement) to raise $5,000,000 by issuing 1,796,053 new shares at an issue price of $2.784 per share. The Placement was subject to Foreign Investment Review Board (FIRB) approval which was received on 19 September 2018. Allotment of Placement shares occurred on 13 December 2018.
- In December 2018, the Company adopted an incentive option plan and issued 427,631 options to staff and directors of ACH with an exercise price of $0.01 and a term of 5 years. On 7 December 2018, 249,342 of these options were issued to Mr Paul Bennett of which 9,868 have been exercised and the balance of 239,474 vest upon meeting one of the following conditions.
  - first commercial gold production from the Company's Ravensthorpe Gold Project;
  - the Company is admitted to the official list of a stock exchange and its Shares are admitted to quotation on that stock exchange;
  - a Change of Control (as defined in the Plan) occurs; or
  - the Company sells or otherwise disposes of its interest in all or substantially all of its assets or business.
- In April 2019 the Company completed the sale of the Myamba Farm for gross proceeds of $4,400,000.

DIRECTORS' REPORT (Continued)

Company Details

The registered office of the company is:

Suite 5, 11 Ventnor Avenue
West Perth
Western Australia
6005

The principle place of business of the company is:

As above

Auditor's Independence Declaration

A copy of the auditor's independence declaration is included in this financial report.

Signed in accordance with a resolution of the Board of Directors:

Paul Bennett
Managing Director
Dated this 13 August 2019

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF ACH MINERALS PTY LIMITED

As lead auditor of ACH Minerals Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 13 August 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$	$
Revenue received	2	614,841	298,605
Employee costs	3	(694,248)	(434,038)
Travel costs		(49,182)	(23,683)
Share-based payment expense	17	-	(51,600)
Professional fees	4	(58,336)	(75,130)
Operating costs	5	(2,150,478)	(1,356,737)
Finance costs		(35,206)	(48,344)
Depreciation		(12,644)	(5,954)
Loss on asset disposal		(2,804)	-
Interest received		41,483	7,916
Loss before income tax expense		(2,346,574)	(1,688,965)
Income tax expense		-	-
Net loss after income tax expense		(2,346,574)	(1,688,965)
Total comprehensive loss for the year		(2,346,574)	(1,688,965)
Total comprehensive loss for the year attributable to:			
Owners of ACH Minerals Pty Ltd		(2,346,574)	(1,688,965)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018	2017
		$	**$**
CURRENT ASSETS			
Cash and cash equivalents	6	3,886,706	709,580
Other receivables	7	148,825	102,355
TOTAL CURRENT ASSETS		4,035,531	811,935
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,550,128	2,496,589
Exploration investment	9	4,194,517	4,594,517
TOTAL NON-CURRENT ASSETS		6,744,645	7,091,106
TOTAL ASSETS		10,780,176	7,903,041
CURRENT LIABILITIES			
Trade and other payables	10	(274,292)	(84,613)
Borrowings	11	(10,000,000)	(5,000,000)
TOTAL CURRENT LIABILITIES		(10,274,292)	(5,084,613)
NON-CURRENT LIABILITIES			
Borrowings	11	-	(1,121)
Provision for rehabilitation	12	(1,633,729)	(1,598,578)
TOTAL NON-CURRENT LIABILITIES		(1,633,729)	(1,599,699)
TOTAL LIABILITIES		(11,908,021)	(6,684,312)
NET ASSETS/ (NET ASSET DEFICIENCY)		(1,127,845)	1,218,729
EQUITY			
Issued Capital	13	3,099,929	3,099,929
Accumulated Losses	14	(4,227,774)	(1,881,200)
TOTAL EQUITY/ (DEFICIENCY IN EQUITY)		(1,127,845)	1,218,729

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Contributed Equity	Accumulated Losses	Total
Balance at 1 July 2016		3,048,329	(192,235)	2,856,094
Loss for the year		-	(1,688,965)	(1,637,365)
Total comprehensive income for the period		-	(1,688,965)	(1,637,365)
Transactions with owners in their capacity as owners:				
Issue of shares	13	51,600	-	51,600
Capital raising costs		-	-	-
Balance at 30 June 2017		3,099,929	(1,881,200)	1,218,729
Balance at 1 July 2017		3,099,929	(1,881,200)	1,218,729
Loss for the year		-	(2,346,574)	(2,346,574)
Total comprehensive income for the year		-	(2,346,574)	(2,346,574)
Transactions with owners in their capacity as owners:				
Issue of shares		-	-	-
Capital raising costs		-	-	-
Balance at 30 June 2018		3,099,929	(4,227,774)	(1,127,845)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from sales		565,567	196,250
Payments to suppliers and employees		(2,762,600)	(1,894,050)
Interest received		41,483	7,916
Net cash used in operating activities	15	(2,155,550)	(1,689,884)
CASH FLOW FROM INVESTING ACTIVITIES			
Receipt from disposal of tenement		400,000	-
Payment for acquisition of investment in RPG		-	(3,041,435)
Payment for property, plant and equipment		(66,203)	(2,246,308)
Net cash used in investing activities		333,797	(5,287,743)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from prior year share issue		-	2,298,329
Proceeds from borrowings		5,000,000	3,750,000
Repayment of borrowings		(1,121)	(142,500)
Net cash provided by financing activities		4,998,879	5,905,829
Net increase/(decrease) in cash held		3,177,126	(1,071,798)
Cash at beginning of year		709,580	1,781,378
Cash at end of reporting year		**3,886,706**	**709,580**

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

In the Directors opinion, the company is not a reporting entity because there are no users dependant on the special purpose financial statements. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

ACH Minerals Pty Ltd was incorporated and has its domicile in Australia and is a proprietary company limited by shares.

Statement of Compliance

The financial report has been prepared in accordance with the recognition and measurement requirements specified by all of the Australian Accounting Standards and interpretations, and the disclosure requirements of the following Australian Accounting Standards:

AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110:	Events after the Balance Sheet Date
AASB 1048:	Interpretation and Application of Standards

No other applicable Accounting Standards or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The following is a summary of the material accounting policies adopted by the company in the preparation of this report.

The financial report has been prepared on an accruals basis and is based on historic costs modified by the revaluation of financial assets, financial liabilities and selected non-current assets for which the fair value basis of accounting has been applied.

Going Concern

For the period ended 30 June 2018, the entity recorded a loss of $2,346,574, working capital deficiency of $6,238,761 and had negative operating cashflows of $2,155,550. As detailed in the subsequent events the Company has since sold a property and completed a placement providing additional cash inflows of $9.4M.

The ability of the entity to continue as a going concern is dependent on the financial support from its shareholders to fund its working capital requirements and/or successfully raising capital as a private entity or by way of an IPO on the ASX.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stat ed in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b) Financial Instruments

Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are quoted in an active market and are stated at amortised cost using the effective life interest rate method.

Financial Liabilities
Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation

c) Impairment of Assets
At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit and loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

d) Employee Benefits
Provision is made for the liability due to employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, sick leave and annual leave which will be settled after one year, have been measured at their nominal amount.

Contributions are made to employee superannuation funds and are charged as expenses when incurred. All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans or equivalent provide accumulated benefits. Contributions are made in accordance with the statutory requirements of each jurisdiction.

e) Provisions

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

f) Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less plus bank overdrafts. Bank overdrafts are shown on the statement of financial position as current liabilities under borrowings.

g) Revenue

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised on a proportional basis taking into account the interest rates relevant to the financial assets.

Rent revenue from the delivery of accommodation services is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of Goods & Services Tax (GST).

h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and service tax, except:

I. where the amount of GST incurred is not recoverable from the Australian Tax Office. It is recognised as part of the cost of acquisition of an asset or as part of an item of the expense.
II. receivables and payables are shown inclusive of GST.

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

i) Income Taxes

The charge for current income tax expenses 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 substantively enacted by the statement of financial position date.

Deferred tax is accounted for using the 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 taxable profit equity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary difference can be utilised. The amount of benefits brought to account or which may be released in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

j) Trade and Other Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months. Cash on deposit is not due for settlement until rights of tenure are forfeited or performance obligations are met.

k) Trade and Other Payables

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

l) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

m) Land, Property, Plant and Equipment

All property, plant and equipment except for freehold land and buildings are initially measured at cost and are depreciated over their useful lives on a straight-line basis. Depreciation commences from the time the asset is available for its intended use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives used for each class of depreciable assets are as follows:

Class of Asset	Useful Life
Office equipment	4 years
Motor vehicles	8 years
Buildings / camp	40 years

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount. Freehold land and buildings are carried at their recoverable amounts, based on periodic, but at least triennial, valuations by the directors. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n) Borrowings

The fair value of financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The directors consider that the carrying amount of financial liabilities recorded in the financial statements approximates their fair values as the impact of any time value of money would be immaterial.

o) Exploration and evaluation assets

Exploration and evaluation assets acquired
Exploration and evaluation assets comprise of acquisition of mineral rights (such as joint ventures) and fair value (at acquisition date) of exploration and expenditure assets from other entities. As the assets are not yet ready for use they are not depreciated. Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; or
- other facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the assets are demonstrable, exploration and evaluation assets are first tested for impairment and then reclassified to mine properties as development assets.

Exploration and evaluation expenditure
Exploration and evaluation expenditure incurred is expensed in respect of each identifiable area of interest until such a time where a JORC 2012 compliant resource is announced in relation to the identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment annually in accordance with AASB 6. Where impairment indicators exist, recoverable amounts of these assets will be estimated based on discounted cash flows from their associated cash generating units.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Statement of Profit or Loss and Other Comprehensive Income will recognise expenses arising from excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

p) Impairment of non-financial assets

Exploration investment and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

q) Rehabilitation liability

Costs of site restoration and rehabilitation are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

r) Asset Acquisition

The Group has determined that the acquisition of Ravensthorpe Gold Project is not deemed a business acquisition. In assessing the requirements of AASB 3 Business Combinations, the Group has determined that the asset acquired does not constitute a business. When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired asset and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

s) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The grant date fair value of equity instruments granted to employees is recognised as a share based payment expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the equity instrument. The amount recognised as an expense is adjusted to reflect the number of equity instruments for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of equity instruments that do not meet the related service and non-market performance conditions at the vesting date. Management have assessed the probability of the milestones being met for current performance shares outstanding to be 0% therefore no expense has been recognised in relation to these shares. For equity instruments with non-vesting conditions, the grant date fair value of the equity instruments is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

t) Critical accounting judgements, estimates and assumptions

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

Impairment of exploration assets
Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Commitments - Exploration
The Group has certain minimum exploration commitments to maintain its right of tenure to exploration permits. These commitments require estimates of the cost to perform exploration work required under these permits.

Rehabilitation provision
The determination of the provision requires significant judgement in terms of the best estimate of the future costs of performing the work required, the timing of the cash flows, the appropriate discount rate and inflation rate.

In relation to estimating the costs of performing the work required, significant judgement and estimates are required in relation to estimating the extent of rehabilitation activities, including volume to be rehabilitated and unit rates, technological changes, regulatory changes and appropriate discount rates.

When these estimates change or become known in the future, such differences will impact the rehabilitation provision on the period in which they change or become known. A change in any, or a combination of, the key estimates used to determine the provision could have a material impact on the carrying value of the provision.

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

Share-based payments
As noted in note 1(s) and note 17, management have determined that the probability of Paul Bennet meeting the performance milestones and being issued those performance shares is 0% as at 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 2: REVENUE

	2018	2017
	$	$
Farm and camp receipts	614,841	298,605

NOTE 3: EMPLOYEE COSTS

	2018	2017
	$	$
Fringe benefits tax	12,644	-
Protective clothing	2,060	1,976
Staff amenities	9,440	17,453
Staff Training	11,430	335
Superannuation	65,480	42,952
Wages	593,194	371,322
	694,248	434,038

NOTE 4: PROFESSIONAL FEES

	2018	2017
	$	$
Accounting and audit costs	4,500	7,050
Legal costs	53,836	68,080
	58,336	75,130

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5: OPERATING COSTS

	2018	2017
	$	$
Advertising & Promotion	-	3,632
Commission	-	11,616
Computer & software expenses	56,213	13,365
Consultants fees	1,357,501	409,116
Donations	2,500	-
Drilling	77,912	351,346
Electricity and gas	44,722	23,248
Entertainment	8,983	16,981
Filing fees	504	499
Freight and cartage	3,689	6,104
Hire of plant	779	198
Insurance	28,873	25,552
Land tax	1,043	-
Leasing charges	-	339
Licenses, registrations and permits	4,364	119
Management fees	60,085	127,921
Motor Vehicle Expenses	68,052	66,339
Postage	70	62
Printing & Stationery	4,190	2,708
Rates	20,930	12,239
Rent	20,458	-
Repairs & Maintenance	54,049	40,241
Samples and assaying	16,026	38,232
Subcontractors	74,548	-
Subscriptions	1,684	976
Telephone	10,891	6,363
Tenement Costs	201,044	188,053
Tools	31,368	11,488
	2,150,478	1,356,737

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 6: CASH AND CASH EQUIVALENTS

	2018	2017
	$	$
Cash at bank	136,706	9,580
Cash at bank – Investment	3,750,000	700,000
	3,886,706	709,580

NOTE 7: OTHER RECEIVABLES

	2018	2017
	$	$
Trade receivables	82,549	64,267
GST	66,276	38,088
	148,825	102,355

NOTE 8: LAND, PROPERTY, PLANT & EQUIPMENT

	2018	2017
Office equipment	$	$
Office equipment at cost	3,010	3,010
(Less accumulated depreciation)	(1,620)	(868)
	1,390	2,142
Land		
Myamba Farm	2,396,415	2,396,415
Lot 317 Hatfield Road	1	1
	2,396,416	2,396,416
Plant and equipment		
Plant and equipment at cost	104,222	91,409
(less accumulated depreciation)	(10,651)	(3,993)
	93,571	87,416
Motor vehicles		
Motor vehicles at cost	63,558	11,898
(less accumulated depreciation)	(4,807)	(1,283)
	58,751	10,615
Total property plant & equipment	2,550,128	2,496,589

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 9: EXPLORATION INVESTMENT

	2018	2017
	$	$
Ravensthorpe Gold Project	4,594,517	4,594,517
(sale of tenement)	(400,000)	-
	4,194,517	4,5,94,517

NOTE 10: OTHER PAYABLES

	2018	2017
	$	**$**
Trade payables	199,001	27,050
GST	20,549	13,510
Employee taxes	54,742	44,053
	274,292	84,613
	13,997	

NOTE 11: BORROWINGS

	2018	2017
	$	**$**
Current Loans		
Bolong Australia - A	5,000,000	5,000,000
Bolong Australia – B	3,000,000	-
Bolong International- B	2,000,000	-
	10,000,000	5,000,000
Non-Current Loans		
ACH Global	-	1,121

Bolong Australia - A

The Company has borrowed funds from Bolong (Australia) Investment Management Pty Ltd (Lender). The loan may be secured by the assets of the Company however the Lender has not elected to perfect security at this stage. The loan is repayable through the application of 70% of available cashflow from the Project, on a listing date, upon the receipt of the proceeds of a transaction following the sale of all, or part of the Project or upon the receipt of proceeds of a transaction following a change of control of the Company, whichever comes first. The loan incurs no interest.

Bolong Australia - B

The Company conducted a private placement (Placement) to raise $5,000,000 by issuing 1,796,053 new shares at an issue price of $2.784 per share. Langyu International Holding Ltd (Langyu) has agreed to acquire the placement shares subject to Foreign Investment Review Board (FIRB) approval which was received in September 2018. Bolong (Australia) Investment Management Pty Ltd has partially funded Langyu's acquisition of ACH shares via a loan in an amount of $3,000,000. The loan incurs no interest and is unsecured. The obligation to repay the loan will be cancelled upon issue of 1,077,632 shares in ACH to Langyu.

Bolong International - B

The Company conducted a private placement (Placement) to raise $5,000,000 by issuing 1,796,053 new shares at an issue price of $2.784 per share. Langyu International Holding Ltd (Langyu) has agreed to acquire the placement shares subject to Foreign Investment Review Board (FIRB) approval which was received in September 2018. Bolong International Holdings Ltd has partially funded Langyu's acquisition of ACH shares via a loan in an amount of $2,000,000. The loan incurs no interest and is unsecured. The obligation to repay the loan will be cancelled upon issue of 718,421 shares in ACH to Langyu.

NOTE 12: PROVISION FOR REHABILITATION

	2018	2017
	$	$
Rehabilitation liability RAV8	1,598,578	1,598,578
Add unwinding of discount	35,151	-
	1,633,729	1,598,578

NOTE 13: CONTRIBUTED EQUITY

(a) Share Capital

	30 June 2018	
	$	**No.**
Fully paid ordinary shares	3,099,929	9,750,000

(b) Movement in issued capital

	30 June 2018	
	$	**No.**
Balance as at 30 June 2016	3,048,329	9,600,000
Issued	51,600	150,000
Share issue costs	-	-
Balance as at 30 June 2017	3,099,929	9,750,000
Issued	-	-
Share issue costs	-	-
Closing 30 June 2018	3,099,929	9,750,000

(c) Fully Paid Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 14: ACCUMULATED LOSSES

	2018	2017
	$	$
Retained losses at the beginning of the year	(1,829,600)	(192,235)
Net loss attributable to members of the company	(2,346,574)	(1,637,365)
Retained loss at the end of the reporting year	(4,176,174)	(1,829,600)

NOTE 15: CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Loss after income tax expense

	2018	2017
	$	$
Loss after income tax	(2,346,574)	(1,637,365)
Add back depreciation	12,644	5,954
Add back present value discount	35,151	
Changes in assets and liabilities		
(Increase) / decrease in debtors and asset purchases	(46,470)	(97,010)
Increase / (decrease) in creditors and accruals	189,699	38,537
Cash flows used in operations	(2,155,550)	(1,689,884)

NOTE 16: CONTINGENCIES AND COMMITMENTS

There are no contingent liabilities, contingent assets or commitments at balance date.

NOTE 17: SHARE BASED PAYMENTS

During the year ended 30 June 2018, the Company did not issue any additional performance shares.

On the 24th of October 2016, the company agreed to issue shares to Paul Bennett when the following performance milestones are achieved:

- 40,000 shares on completion of a feasibility study into the technical and commercial viability of the Project. The feasibility study, including appendices will be of a standard that will enable the Board to make a decision to proceed (or otherwise) with the development of the Project.
- 40,000 shares on granting of all permits and licenses necessary to develop and commence operating the Project, including approval of the Project Management Plan and Mining Proposals.
- 40,000 shares when the Board is satisfied that the Company has sufficient funding (equity, debt and otherwise) in place (available but undrawn) which in aggregate will be sufficient to commence development according to the feasibility study, construct and ramp-up the Project through to positive cash flow;
- 40,000 shares on first gold sold from the Project; and
- 40,000 shares on sale of a cumulative number of ounces of gold from the Project equal to that forecast in the feasibility study to be sold in the first 12 months following first gold sold from the Project.

The above performance milestones are deemed not likely to be achieved as at 30 June 2018, therefore a probability of 0% has been applied to the value, resulting in no share based payment expense booked for the year ending 30 June 2018.

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstance have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group in future financial years except for the following:

- On the 13 December 2018 the Company conducted a private placement (Placement) to raise $5,000,000 by issuing 1,796,053 new shares at an issue price of $2.784 per share. The Placement was subject to Foreign Investment Review Board (FIRB) approval which was received on 19 September 2018. Allotment of Placement shares occurred on 13 December 2018.
- In December 2018, the Company adopted an incentive option plan and issued 427,631 options to staff and directors of ACH with an exercise price of $0.01 and a term of 5 years. On 7 December 2018, 249,342 of these options were issued to Mr Paul Bennett of which 9,868 have been exercised and the balance of 239,474 vest upon meeting one of the following conditions.
    - first commercial gold production from the Company's Ravensthorpe Gold Project;
    - the Company is admitted to the official list of a stock exchange and its Shares are admitted to quotation on that stock exchange;
    - a Change of Control (as defined in the Plan) occurs; or
    - the Company sells or otherwise disposes of its interest in all or substantially all of its assets or business.
- In April 2019 the Company completed the sale of the Myamba Farm for gross proceeds of $4,400,000.

DIRECTORS DECLARATION

The Directors have determined that the company is not a reporting entity and that these financial statements should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors of the Company declare that:

a) The financial statements and notes, as set out on pages 6 to 25, presents fairly the Company's financial position as at 30 June 2018 and its performance for the year ended 30 June 2018 in accordance with the accounting policies described in Note 1 to the financial statements; and

b) In the directors option, there is reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Paul Bennett

Managing Director

West Perth, 13 August 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of ACH Minerals Pty Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of ACH Minerals Pty Limited (the Entity), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and director's report.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Entity as at 30 June 2018 and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in note 1.

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 Entity in accordance with 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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Emphasis of matter – Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Entity to meet the requirements of the directors. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the directors and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 13 August 2019