ACH MINERALS PTY LTD

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

DIRECTORS' REPORT

The Directors present their report on ACH Minerals Pty Ltd (the Company) for the year ended 30 June 2019.

The names of the directors who held 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 $2,719,204 (2018: $2,346,574).

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 to a single Hong Kong based entity Langyu International Holdings Ltd (Langyu). The Placement was subject to Foreign Investment Review Board (FIRB) approval which had not been received at the prior year 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, 1,796,053 shares were issued to Langyu and the short term loan obligations cancelled.

On 27 March 2019, the Company agreed to sell Myamba Farm (Farm) for gross proceeds of $4,400,000. The Farm sale settled on 17 April 2019.

Going Concern

At 30 June 2019, the entity had a cash balance of $4,768,165. For the reporting period, the Company recorded a loss of $2,719,204, a working capital deficiency of $176,631 and had negative operating cashflows of $3,522,505.

The Company's strong cash position and support from its investors provides adequate funds to continue as a going concern. The financial statements have been prepared on this basis, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

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

In December 2018, the Company adopted an incentive option plan and issued 427,631 options to staff and directors 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.

No options over issued shares or interests in the Company were granted 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 Company in future financial years.

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:

Dated this 20th day December 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 2019, 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, 20 December 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		$	$
Revenue received	2	1,959,913	614,841
Employee costs	3	(835,979)	(694,248)
Travel costs		(58,205)	(49,182)
Professional fees	4	(177,351)	(58,336)
Operating costs	5	(4,279,631)	(2,150,478)
Finance costs		(245)	(35,206)
Rehabilitation expense	12	(53,594)	-
Share based payments	14	(1,186,650)	-
Depreciation		(16,688)	(12,644)
Gain (loss) on asset disposal		1,879,563	(2,804)
Interest received		49,663	41,483
Loss before income tax expense		(2,719,204)	(2,346,574)
Income tax expense		-	-
Net loss after income tax expense		(2,719,204)	(2,346,574)
Total comprehensive loss for the year		(2,719,204)	(2,346,574)
Total comprehensive loss for the year attributable to:			
Owners of ACH Minerals Pty Ltd		(2,719,204)	(2,346,574)

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 2019

	Note	2019	2018
		$	$
CURRENT ASSETS			
Cash and cash equivalents	6	4,768,165	3,886,706
Other receivables	7	422,940	148,825
TOTAL CURRENT ASSETS		5,191,105	4,035,531
NON-CURRENT ASSETS			
Property, plant and equipment	8	312,758	2,550,128
Exploration investment	9	4,255,224	4,194,517
TOTAL NON-CURRENT ASSETS		4,567,982	6,744,645
TOTAL ASSETS		9,759,087	10,780,176
CURRENT LIABILITIES			
Trade and other payables	10	367,736	274,292
Borrowings	11	5,000,000	10,000,000
TOTAL CURRENT LIABILITIES		5,367,736	10,274,292
NON-CURRENT LIABILITIES			
Provision for rehabilitation	12	2,048,031	1,633,729
TOTAL NON-CURRENT LIABILITIES		2,048,031	1,633,729
TOTAL LIABILITIES		7,415,767	11,908,021
NET ASSETS/ (NET ASSET DEFICIENCY)		2,343,320	(1,127,845)
EQUITY			
Issued Capital	13	8,131,031	3,099,929
Share Based Payments Reserve		1,159,267	-
Accumulated Losses	14	(6,946,978)	(4,227,774)
TOTAL EQUITY/ (DEFICIENCY IN EQUITY)		2,343,320	(1,127,845)

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 2019

	Note	Contributed Equity	Reserves	Accumulated Losses	Total
		$	$	$	$
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 period		-	-	(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)
Loss for the year		-	-	(2,719,204)	(2,719,204)
Total comprehensive income for the year		-	-	(2,719,204)	(2,719,204)
Transactions with owners in their capacity as owners:					
Issue of shares	13	5,000,000	-	-	5,000,000
Payment received from D class shares		3,620	-	-	3,620
Exercise of options		99	-	-	99
Reclassify options on conversion		27,383	(27,383)	-	-
Issue of options		-	1,186,650		1,186,650
Capital raising costs		-	-	-	-
Balance at 30 June 2019		8,131,031	1,159,267	(6,946,978)	2,343,320

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 2019

	Note	2019	2018
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from sales		1,780,894	565,567
Payments to suppliers and employees		(5,346,806)	(2,762,600)
Interest received		43,407	41,483
Net cash used in operating activities	15	(3,522,505)	(2,155,550)
CASH FLOW FROM INVESTING ACTIVITIES			
Receipt from disposal of tenement		300,000	400,000
Receipts from Sale of Land		4,187,207	-
Payment for property, plant and equipment		(86,962)	(66,203)
Net cash used in investing activities		4,400,245	333,797
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from D Class shares		3,620	-
Proceeds from Paul Bennett issue		99	-
Proceeds from borrowings		-	5,000,000
Repayment of borrowings		-	(1,121)
Net cash provided by financing activities		3,719	4,998,879
Net increase/(decrease) in cash held		881,459	3,177,126
Cash at beginning of year		3,886,706	709,580
Cash at end of reporting year		**4,768,165**	**3,886,706**

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

NOTES TO THE FINANCIAL STATEMENTS

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

The financial statements have 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.
The financial statements have been prepared on the basis that the Company is a going concern for the following reasons:

- The Company currently has sufficient cash resources to fund its requirements;
- The current loan of $5,000,000 will only mature when the Company has sufficient funds through certain events described in Note 11;

Therefore, the Directors confirm that they have reviewed the Company’s financial position and are of the opinion that there are sufficient funds to meet the Company’s current working capital requirements and continue as a going concern as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

s) 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 payment expenses
The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instrument at the date at which they are granted when the fair value of goods and/or services cannot be determined. The fair value of options granted is measured using the Black-Scholes option pricing model. The model uses assumptions and estimates as inputs. The fair value of performance shares is measured valued at the date of issue. The model uses assumption and estimates as input.

Performance Options
The Performance Options will vest upon one of the following events occurring; 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. The fair value of Performance options is measured by the use of the Black-Scholes model and has considered it likely that Paul Bennet achieves one of the vesting conditions.

As noted in note 1(t) and note 14(d), 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 2019.

t) Share based payment accounting policy

Equity-settled share-based payments are measured at fair value of the equity instrument at the grant date. Fair value for options is measured by the use of the Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects.

(i) the extent to which the vesting period has expired and

(ii) the Company’s best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of non-market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If 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, as described in the previous paragraph.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 2: REVENUE

	2019	2018
	$	$
Farm and camp receipts	1,920,711	614,841
Other Revenue	39,202	-
	1,959,913	614,841

NOTE 3: EMPLOYEE COSTS

	2019	2018
	$	$
Fringe benefits tax	-	12,644
Protective clothing	292	2,060
Staff amenities	8,846	9,440
Staff Training	417	11,430
Superannuation	71,277	65,480
Wages	755,147	593,194
	835,979	694,248

NOTE 4: PROFESSIONAL FEES

	2019	2018
	$	$
Accounting and audit costs	63,902	4,500
Legal costs	103,539	53,836
Other Professional fees	9,910	-
	177,351	58,336

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 5: OPERATING COSTS

	2019	2018
	$	$
Advertising & Promotion	18,614	-
Computer & software expenses	8,940	56,213
Consultants fees	1,686,821	1,357,501
Donations	7,605	2,500
Drilling	550,103	77,912
Electricity and gas	87,018	44,722
Entertainment	14,774	8,983
Filing fees	-	504
Freight and cartage	4,859	3,689
Hire of plant	202	779
Insurance	12,778	28,873
Land tax	-	1,043
Licenses, registrations and permits	200	4,364
Management fees	1,764	60,085
Motor Vehicle Expenses	48,455	68,052
Postage	226	70
Printing & Stationery	7,599	4,190
Rates	35,693	20,930
Rent	64,849	20,458
Repairs & Maintenance	34,411	54,049
Safety	744	-
Samples and assaying	171,752	16,026
Subcontractors	1,303,341	74,548
Subscriptions	659	1,684
Telephone	18,132	10,891
Tenement Costs	196,506	201,044
Tools	3,586	31,368
	4,279,631	2,150,478

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 6: CASH AND CASH EQUIVALENTS

	2019	2018
	$	$
Cash at bank	68,165	136,706
Cash at bank – Investment	4,700,000	3,750,000
	4,768,165	3,886,706

NOTE 7: OTHER RECEIVABLES

	2019	2018
	$	$
Trade receivables	219,488	82,549
Prepayments	88,840	-
Accrued Revenue	3,834	-
Accrued interest	6,256	-
GST	104,522	66,276
	422,940	148,825

NOTE 8: LAND, PROPERTY, PLANT & EQUIPMENT

	2019	2018
Office equipment	$	$
Office equipment at cost	3,010	3,010
(Less accumulated depreciation)	(2,371)	(1,620)
	639	1,390
Land		
Myamba Farm	-	2,396,415
Lot 65	88,771	-
Lot 317 Hatfield Road	1	1
	88,772	2,396,416
Plant and equipment		
Plant and equipment at cost	191,184	104,222
(Less accumulated depreciation)	(18,642)	(10,651)
	172,542	93,571
Motor vehicles		
Motor vehicles at cost	63,558	63,558
(Less accumulated depreciation)	(12,753)	(4,807)
	50,805	58,751
Total property plant & equipment	312,758	2,550,128

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 9: EXPLORATION INVESTMENT

	2019	2018
	$	$
Ravensthorpe Gold Project	4,255,224	4,194,517

NOTE 10: TRADE AND OTHER PAYABLES

	2019	2018
	$	$
Trade payables	235,124	199,001
Accruals	35,841	-
GST	68,738	20,549
Employee taxes	28,033	54,742
	367,736	274,292

NOTE 11: BORROWINGS

	2019	2018
	$	$
Current Loans		
Bolong Australia - A	5,000,000	5,000,000
Bolong Australia – B	-	3,000,000
Bolong International- B	-	2,000,000
	5,000,000	10,000,000

<u>Bolong Australia - A</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 11: BORROWINGS (Cont.)

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

	2019	2018
	$	$
Rehabilitation liability RAV8	1,633,729	1,598,578
Additional rehabilitation responsibilities	360,708	-
Add unwinding of discount	53,594	35,151
	2,048,031	1,633,729

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 13: CONTRIBUTED EQUITY

(a) Share Capital

	30 June 2019		30 June 2018	
	No.	$	No.	$.
Fully paid ordinary shares	11,555,921	8,131,031	9,750,000	3,099,929

(b) Movement in issued capital

	No.	$
Balance as at 30 June 2017	9,750,000	3,099,929
Issued	-	-
Balance as at 30 June 2018	9,750,000	3,099,929
Issued to Langyu International Holdings	1,796,053	5,000,000
Issued to Paul Bennett (SCP Investment A/C)	9,868	99
Payment for D Class Shares	-	3,620
Reclassify options on conversion	-	27,383
Closing 30 June 2019	11,555,921	8,131,031

(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: RESERVES AND ACCUMULATED LOSSES

	2019	2018
	$	$
(a) Reserves		
Option reserve		
Balance as at 30 June 2018	-	-
Options issued	1,186,650	-
Reclassify options on conversion	(27,383)	-
Closing 30 June 2019	1,159,267	-
(b) Retained Earnings / (Accumulated Losses)		
Retained losses at the beginning of the year	(4,227,774)	(1,881,200)
Net loss attributable to members of the company	(2,719,204)	(2,346,574)
Retained loss at the end of the reporting year	(6,946,978)	(4,227,774)

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

(c) Options granted under the ACH Incentive Option Plan

In accordance with the ACH Incentive Options Plan 188,158 options were granted on the 4 December 2018 with an exercise price of $0.01 and an expiry date of 4 December 2023. A further 239,474 performance options were granted on the 4 December 2018 with an exercise price of $0.01 and an expiry date of 4 December 2023 and will vest upon one of the following events occurring; 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. Management determined that it is likely to achieve at least one of these vesting conditions.

2019	Tranche 1	Tranche 2
Number of options	188,158	239,474
Grant date	4 Dec 2018	4 Dec 2018
Expiry date	4 Dec 2023	4 Dec 2023
Exercise price	$0.01	$0.01
Expected volatility	64.35%	64.35%
Share price at grant date	$2.7839	$2.7839
Fair value of option	$2.7749	$2,7749
Vested	100%	100%

(d) Performance shares

During the year ended 30 June 2019, 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.

On 7 December 2018, the Board has approved a variation to Paul Bennett's Employment Service Agreement ("ESA") to replace performance shares with an Incentive Option Plan (as disclosed in note (c) above).

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

NOTE 15: CASH FLOW INFORMATION

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

	2019	2018
	$	$
Loss after income tax	(2,719,204)	(2,346,574)
Add back depreciation	16,688	12,644
Add back rehabilitation expense	53,594	35,151
Add back share based payments expense	1,186,650	-
Remove sale of asset	(1,879,563)	-
Rounding adjustment	1	-
Changes in assets and liabilities		
(Increase) / decrease in debtors and asset purchases	(274,115)	(46,470)
Increase / (decrease) in creditors and accruals	93,444	189,699
Cash flows used in operations	(3,522,505)	(2,155,550)

NOTE 16: CONTINGENCIES AND COMMITMENTS

There are no contingent liabilities, contingent assets or commitments at balance date except for the following:

- The Western Australian Office of State Revenue is investigating whether a Stamp Duty liability arose as a result of the Langyu investment. ACH believes that no liability has arisen and are waiting for an update from the Western Australian Office of State Revenue to close out the matter.

NOTE 17: 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 Company in future financial years.

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 5 to 24, presents fairly the Company's financial position as at 30 June 2019 and its performance for the year ended 30 June 2019 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
20 December 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 2019, 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 2019 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.

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, 20 December 2019