

East Exploration Pty Ltd

Financial Report

31 December 2014

Consolidated statement of comprehensive income

For the year ended 31 December 2014

		2014 (10 Months)
	Notes	
Revenue from operations	3	-
Other income	3	-
Corporate expense		(29,828)
Exploration and evaluation expense		(110,749)
Profit/loss before income tax		<u>(140,577)</u>
Income tax benefit / (expense)		-
Profit/loss for the year		<u>(140,577)</u>
Other comprehensive income or loss:		
Foreign exchange translation reserve		(1,419)
Total comprehensive profit/loss for the year		<u>(141,996)</u>
Total comprehensive profit/loss for the year is attributable to:		
Owners of East Exploration Pty Ltd		<u>(141,996)</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 31 December 2014

	Notes	2014 \$
ASSETS		
Current assets		
Cash and cash equivalents	4	54,942
Trade and other receivables	5	28,443
Total current assets		<u>83,385</u>
Non-current assets		
Exploration and evaluation	6	-
Total non-current assets		<u>-</u>
Total assets		<u>83,385</u>
LIABILITIES		
Current liabilities		
Trade and other payables	7	25,381
Total current liabilities		<u>25,381</u>
Total liabilities		<u>25,381</u>
Net assets		<u>58,004</u>
Equity		
Contributed equity	8	200,000
Reserves	9	(1,419)
Accumulated losses		(140,577)
Total equity		<u>58,004</u>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2014

Attributable to owners of
East Exploration Pty Ltd

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Total comprehensive loss for the year	-	(1,419)	(140,577)	(141,996)
Transactions with owners in their capacity as owners	200,000	-	-	200,000
Balance at 31 December 2014	200,000	(1,419)	(140,577)	58,004

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2014

		2014
	Notes	\$
Cash flows from operating Activities		
Payments to suppliers and employees		(32,890)
Net cash inflow/(outflow) from operating activities	10	(32,890)
Cash flows from investing Activities		
Payments for exploration and evaluation expenditure		(110,749)
Net cash outflow due to investing activities		(110,749)
Cash flow from financing Activities		
Proceeds from issue of shares		200,000
Net cash (outflows)/inflow from financing activities		200,000
Net increase/(decrease) in cash and cash equivalents		56,361
Cash and cash equivalents at the beginning of the year		-
Effects of currency exchange movements		(1,419)
Cash and cash equivalents at the end of the year	4	54,942

The above statement of cash flows should be read in conjunction with the accompanying notes.

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of East Exploration Pty Ltd and its subsidiaries (collectively referred to as the group). East Exploration was incorporated on 14 March 2014 and activities commenced from that date. East Exploration GmbH was registered as a controlled entity in Germany on 20 June 2014 and its activities commenced from that date.

(a) Basis of preparation

(i) Special purpose financial report

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared for the sole purpose to prepare and distribute a financial report to the members and must not be used for any other purpose.

The financial report has been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. It contains the disclosures that are mandatory under the Accounting Standards and those considered necessary by the directors to meet the needs of the members. East Exploration Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

(ii) New and amended standards adopted by the Group

In the reporting period ended 31 December 2014, the new standards that are mandatory for the first time have not affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The group has elected not to early adopt any of the new Standards.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(vi) Going concern consideration

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The consolidated entity incurred a net comprehensive loss of \$141,996 during the reporting period. As at the reporting date the group had a net working capital of \$58,004 and net assets of \$58,004.

The going concern basis of preparation is dependent upon the continuity of normal business activity through the profitable operations of the Group's mining activities.

Note 1 Summary of significant accounting policies

As at the date of this report, the Director considers that the consolidated entity has sufficient options to raise capital to continue its current plans and settle obligations as they fall due for a period beyond 12 months from the date of this report. Accordingly the Director has prepared the financial report on a going concern basis.

The financial report does not contain any adjustments relating to the recoverability or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

(b) Principles of consolidation**(i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of East Exploration Pty Ltd ("company" or "parent entity") and are reported as at 31 December 2014 East Exploration Pty Ltd and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of East Exploration Pty Ltd.

(c) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenues are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the risks and rewards of ownership have transferred, the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Interest revenue is recognised on a time proportion basis using the effective interest rate method.

(d) Income tax

The income tax expense or benefit for the period is the tax payable or recoverable on the current period's taxable income or loss based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Note 1 Summary of significant accounting policies

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(e) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition – related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the company's share of the fair value of the identifiable net assets of the business acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested at the end of each reporting period for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial

Note 1 Summary of significant accounting policies

assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and in cash management accounts as well as deposits held at call with financial institutions, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30-60 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade and other receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade or other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(i) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated at cost in respect of each identifiable area of interest. Costs incurred in respect of generative, broad scale exploration activities are expensed in the period in which they are incurred. Costs incurred for each area of interest where drill targets have been identified are capitalised where the directors consider that reasonable prospects of economic extraction exist.

Exploration and evaluation expenditure for each area of interest is only carried forward as an asset provided that:

- The right of tenure is current or is expected to be renewed; and
- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources, and exploration activities in relation to the area are continuing.

Where the entity has sufficient information to make a decision whether an area of interest is economically feasible, the accumulated cost will either be reclassified to capitalised mine development expenditure, or written off if the decision is made to abandon the area.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12

Note 1 Summary of significant accounting policies

months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(k) Contributed equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Note 2 Critical accounting estimates and judgments

The preparation of financial statements requires directors and management to make evaluations, estimates and judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates under different assumptions and conditions. Estimates and judgements are continually evaluated and are based on historical knowledge, best available current information based on current trends and economic data obtained both externally and within the group including expectation of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is changed and in any future periods affected.

The group has identified the following balances and areas that are subject to significant judgements and critical estimates and assumptions. Actual results may differ from estimates, changes in estimates and judgements under different assumptions and conditions and could materially affect financial results or the financial position reported in future periods.

(a) Exploration and evaluation expenditure

Exploration and evaluation expenditure has been carried forward in accordance with policy on the basis that drill targets have been identified and exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources and active exploration activities in relation to each of the areas are continuing. In the event that exploration activities cease and/or economically recoverable resources are not assessed as being present, this expenditure will be expensed to the statement of comprehensive income.

(b) Income taxes

The group is subject to income tax in Australia. Significant judgment is required to determining the tax calculations. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax assets and tax liabilities based on the Group's current understanding of the tax law and the expected future utilization of these assets and liabilities. Where the final tax outcome of these matters is different from the calculated amounts, such differences will impact on the period in which such determination is made.

Note 3 Revenue and other income

	2014
	\$
Revenue from Operations	
Potash Sales	-
Total Revenue	-
Other Income	
Option fee	-
Total Other Income	-

Note 4 Current assets - cash and cash equivalents

	2014
Cash at bank and in hand	54,942
Balance per consolidated statement of cash flows	54,942

(a) Cash at bank and in hand

Cash at bank and in hand include working cash balances in operating and at call accounts and petty cash.

Note 5 Trade and other receivables

	2014
	\$
Other receivables	28,443
	28,443

Note 6 Non-current assets - exploration and evaluation

	2014
	\$
Expenditure brought forward	-
Expenditure during the reporting period	110,749
Expenditure expensed during the reporting period	(110,749)
Expenditure capitalised	<u>-</u>
Expenditure carried forward at 31 December 2015	<u>-</u>

Exploration and evaluation expenditure relates to the group's potash exploration projects at Germany. There were nil projects written-off during the reporting period and there was nil exploration expenditure transferred to mining properties.

Note 7 Current liabilities – trade and other payables

	2014
	\$
Trade payables	25,381
	<u>25,381</u>

Note 8 Contributed equity

	2014
	\$
(a) Share capital	
Ordinary shares, fully paid	<u>200,000</u>

(c) Ordinary shares

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Note 9 Reserves

	2014
	\$
(a) Reserves	
Foreign currency translation reserve	(1,419)
Closing Balance	<u>(1,419)</u>

Note 10 Reconciliation of loss after income tax to net cash outflow from operating activities

	2014 \$
Profit/(loss) for the reporting period	(140,577)
Exploration and evaluation expenditure expensed	110,749
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries	
(Increase) /decrease in receivables	(28,444)
Increase /(decrease) in trade and other payables	25,381
Net cash inflow/(outflow) from operating activities	<u>(32,890)</u>

DIRECTORS' DECLARATION

As described in the basis of preparation accounting policy included in Note 1 to the financial statements, the Company is not a reporting entity and these are special purpose financial statements.

In the directors' opinion :

- (a) the attached financial statements and notes thereto comply with the accounting policies as detailed in Note 1 to the financial statements;
- (b) the attached financial statements and notes thereto give a true and fair view of the group's financial position as at 31 December 2014 and of its performance for the financial period ended on that date; and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

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

Rory Luff

Director

7 October, 2016

Advantage Advisors Audit Partnership

Audit & Assurance Services

Level 7, 114 William Street
Melbourne VIC 3000
Australia

GPO Box 2266
Melbourne VIC 3001
Australia

ABN 47 075 804 075

T +61 3 9274 0600

F +61 3 9274 0660

audit@advantageadvisors.com.au

advantageadvisors.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST EXPLORATION PTY LTD

We have audited the accompanying financial report of East Exploration Pty Ltd and its controlled entities, being a special purpose financial report, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the needs of the members. The directors are also responsible for such internal control as the directors determine 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF EAST EXPLORATION PTY LTD (Continued)**

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of the consolidated entity as at 31 December 2014 and its performance for the year then ended in accordance with the accounting policies described in Note 1 of the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the company's constitution. As a result, the financial report may not be suitable for another purpose.


**ADVANTAGE ADVISORS AUDIT PARTNERSHIP
CHARTERED ACCOUNTANTS**


**KEN GLYNN
PARTNER**

Dated in Melbourne on this 7th day of October, 2016