

# **Jade Gas Pty Ltd and its controlled entities**

**ABN 46 631 515 225**

## **General Purpose Financial Report**

**30 June 2020**



**Jade Gas Pty Ltd**  
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**30 June 2020**

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**General information**

The financial statements cover both Jade Gas Pty Ltd as an individual entity and the consolidated entity consisting of Jade Gas Pty Ltd and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Jade Gas Pty Ltd's functional and presentation currency.

**Principal Activities**

The principal activity of the Group during the financial period was activities focused on the exploration and development of coal seam gas opportunities in Mongolia.

Jade Gas Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

**Registered office**

225 Fullarton Road  
Eastwood SA 5063

**Principal place of business**

225 Fullarton Road  
Eastwood SA 5063

The financial statements were authorised for issue, in accordance with a resolution of directors, on 5 July 2021. The directors have the power to amend and reissue the financial statements.

**Jade Gas Pty Ltd**  
**Statements of profit or loss and other comprehensive income**  
**For the period 7<sup>th</sup> February 2019 to 30<sup>th</sup> June 2020**

	<b>Consolidated</b>
<b>Note</b>	<b>2020</b>
	<b>\$</b>
<b>Other income</b>	
Interest Income	9,670
Other Income	<u>2,600</u>
<b>Total other income</b>	12,270
<b>Expenses</b>	
General and administration expense	(1,227,585)
Interest expense	(12,070)
Gain/(Loss) on disposal of property, plant & equipment	(17,312)
<b>Profit/(loss) before income tax expense</b>	(1,244,697)
Income tax expense	<u>(1,492)</u>
<b>Profit/(loss) after income tax expense for the year</b>	(1,246,189)
<b>Other comprehensive income</b>	
<i>Items that may be reclassified subsequently to profit or loss</i>	
Foreign exchange on the translation of subsidiaries	<u>56,267</u>
Total other comprehensive income, net of tax	<u>56,267</u>
<b>Total comprehensive income for the year</b>	<u><u>(1,189,922)</u></u>
Profit for the year is attributable to:	
Non-controlling interest	(8,399)
Owners of Jade Gas Pty Ltd	<u>(1,237,790)</u>
	<u><u>(1,246,189)</u></u>
Total comprehensive income for the year is attributable to:	
Non-controlling interest	(8,399)
Owners of Jade Gas Pty Ltd	<u>(1,181,523)</u>
	<u><u>(1,189,922)</u></u>

*The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Jade Gas Pty Ltd**  
**Statements of financial position**  
**As at 30 June 2020**

		<b>Consolidated</b>
	<b>Note</b>	<b>2020</b>
		<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3	564,759
Trade and other receivables	4	61,166
Inventories	5	1,990
Prepayments	6	8,030
Total current assets		<u>635,945</u>
<b>Non-current assets</b>		
Property, plant and equipment	7	436,765
Right-of-use asset	8	50,270
Exploration and evaluation assets	9	1,614,665
Intangibles	10	1,041
Deferred tax assets	11	919
Total non-current assets		<u>2,103,660</u>
<b>Total assets</b>		<u>2,739,605</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	12	251,603
Lease liabilities	13	45,271
Borrowings	14	300,000
Total current liabilities		<u>596,874</u>
<b>Non-current liabilities</b>		
Total non-current liabilities		<u>-</u>
<b>Total liabilities</b>		<u>596,874</u>
<b>Net assets</b>		<u><u>2,142,731</u></u>
<b>Equity</b>		
Share capital	16	822,508
Unissued Share Capital	16	2,610,000
Convertible note	17	416,000
Foreign Exchange Reserve	18	56,267
Other Reserves	18	(571,202)
Retained profits	19	(1,237,790)
Equity attributable to the owners of Jade Gas Pty Ltd		<u>2,095,783</u>
Non-controlling interest	21	46,948
<b>Total equity</b>		<u><u>2,142,731</u></u>

*The above statements of financial position should be read in conjunction with the accompanying notes*

**Jade Gas Pty Ltd**  
**Statements of changes in equity**  
**For the period 7<sup>th</sup> February 2019 to 30<sup>th</sup> June 2020**

	Share Capital	Unissued Share Capital	Convertible Note	Retained Profits/ (Losses)	Exchange Reserves	Other Reserves	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance 7 February 2019								
Loss after income tax expense for the year				(1,237,790)			8,399	(1,246,189)
Other comprehensive income for the year, net of tax					56,267			56,267
Total comprehensive income for the year				(1,237,790)	56,267		8,399	(1,189,922)
<i>Transactions with owners in their capacity as owners:</i>								
Contributions of equity, net of transaction costs (note 15)	822,508							822,508
Convertible note issued (note17)			416,000					416,000
Contributions of equity in subsidiaries							2,094,145	2,094,145
	822,508		416,000	(1,237,790)	56,267		2,085,746	2,142,731
<i>Transactions with non-controlling interest</i>		2,610,000				(571,202)	(2,038,798)	-
Balance at 30 June 2020	822,508	2,610,000	416,000	(1,237,790)	56,267	(571,202)	46,948	2,142,731

*The above statements of changes in equity should be read in conjunction with the accompanying notes*

**Jade Gas Pty Ltd**  
**Statements of cash flows**  
**For the period 7<sup>th</sup> February 2019 to 30<sup>th</sup> June 2020**

		<b>Consolidated</b>
	<b>Note</b>	<b>2020</b> <b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)		-
Payments to suppliers and employees (inclusive of GST)		(891,240)
		(891,240)
Income taxes paid		(1,478)
Net cash used in operating activities	15	(892,719)
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment		(544,067)
Payments for Exploration and evaluation assets		(1,614,665)
Payments for intangible assets		(2,183)
Proceeds from disposal of plant and equipment		28,080
Income from Interest		9,043
Net cash used in investing activities		(2,123,792)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares		822,508
Proceeds from issue of convertible note		416,000
Proceeds from borrowings		300,000
Proceeds from issue of shares in subsidiaries		2,092,149
Payments for Finance Leases		(44,372)
Net cash from financing activities		3,586,285
Net increase in cash and cash equivalents		569,774
Cash and cash equivalents at the beginning of the period		0
Effects of exchange rate changes on cash and cash equivalents		(5,015)
Cash and cash equivalents at the end of the financial year	3	564,759

*The above statements of cash flows should be read in conjunction with the accompanying notes*

#### **Note 1 A. 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 normal course of business. The Group has incurred a loss after tax of \$1,246,189.

In addition to the above, the World Health Organisation announced that the Coronavirus (COVID-19) had become a pandemic on 11 March 2020. The impact of the Coronavirus (COVID-19) pandemic is ongoing and whilst it has had no financial impact for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. The full impact of COVID-19 and timing of easing of restrictions continues to evolve. At the date of this report, it is uncertain what the effect will be on the group and potentially it will have a post balance date impact;

In context of this operating environment, the ability of the Group to continue as a going concern is dependent on securing additional funding through debt or equity to continue to fund its operational and exploration activities in the long term. 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 for the following reasons:

- The Directors believe that there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities;
- The Group has the ability to reduce its expenditure to conserve cash;
- In the unlikely event that the Group's near-term planned exploration activities be delayed due to Covid-19, the Board expects that its minimum expenditure commitments for the 2020 calendar year will be reduced;
- The Directors are continuing to explore alternative options in an effort to mitigate the possible impact of COVID-19; and
- The Board does not believe the pandemic will have any impact on the Group's ability to continue as a going concern.

Should the Group not be able to achieve any of the above, 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 stated in the financial statements and that 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 B. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

##### **Incorporation**

The company was incorporated on 7<sup>th</sup> February 2019. The financial statements set out below have been prepared for the period 7<sup>th</sup> February 2019 to 30<sup>th</sup> June 2020.

##### **Basis of preparation**

**Note 1. Significant accounting policies (continued)**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'), as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's and company'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.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Jade Gas Pty Ltd ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the period then ended. Jade Gas Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Foreign currency translation**

The financial statements are presented in Australian dollars, which is Jade Gas Pty Ltd's functional and presentation currency.



**Note 1. Significant accounting policies (continued)**

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Revenue recognition**

The consolidated entity recognises revenue as follows:

*Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

*Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

*Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**Note 1. Significant accounting policies (continued)**

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

**Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

**Note 1. Significant accounting policies (continued)**

**Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits

**Note 1. Significant accounting policies (continued)**

**Exploration, evaluation and development expenditure**

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one period of abandoning the site.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development. Where an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

**Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

**Financial Instruments**

**Classification and measurement**

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

**Note 1. Significant accounting policies (continued)**

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

**Convertible note**

The component of the convertible notes that exhibits characteristics of equity is recognised as equity in the statement of financial position, net of transaction costs.

**Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

**Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

**Note 1. Significant accounting policies (continued)**

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the statement of financial position.

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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**Changes in accounting policies and disclosure**

In the period ended 30 June 2020, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. No new or amended Australian Accounting Standards and Interpretations that are issued, but not yet effective, have been early adopted. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

The following Accounting Standards are most relevant to the consolidated group:

## Note 1. Significant accounting policies (continued)

### AASB 16 Leases

AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognize right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis.

Subsequent to initial recognition:

- (a) Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - i. Investment property, the lessee applies the fair model in AASB 140 *Investment Property* to the right-of-use asset; or
  - ii. Property, plant or equipment, applies the revaluation model in AASB 116 *Property, Plant and Equipment* to all the right-of-use assets that relate to that class or property, plant and equipment; and
- (b) Lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases for finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

The consolidated group recognises right-of-use assets totalling \$50,270 representing its right to use the underlying asset and lease liabilities representing its obligations to make lease payments with exemptions for short-term leases and leases of low-value items. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

In calculating the present value of lease payments, the consolidated group uses the incremental borrowing rate of 3.72%. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

## Note 2. 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.

### *Estimation of useful lives of assets*

The consolidated entity 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.

**Note 2. Critical accounting judgements, estimates and assumptions (continued)**

**Exploration and Evaluation Expenditure**

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in Note 1

*Goodwill and other indefinite life intangible assets*

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

*Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.



**Note 3. Current assets – Cash and cash equivalents**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Cash on hand	2,623
Cash in bank	562,137
	<u>564,759</u>

*Reconciliation to cash and cash equivalents at the end of the financial year*

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	564,759
Balance as per statement of cash flows	<u>564,759</u>

**Note 4. Current assets – Trade and other receivables**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Trade and other receivables	61,166
	<u>61,166</u>

As all amounts are short-term, the net carrying value is considered to be a reasonable approximation of fair value

**Note 5. Current assets – Inventories**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Raw Materials	1,990
	<u>1,990</u>

**Jade Gas Pty Ltd**  
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**Note 6. Current assets – Prepayments**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Prepaid Rent	8,030
	<u>8,030</u>

**Note 7. Non-current assets – Property, plant and equipment**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Plant and equipment – at cost	476,103
Less: Accumulated depreciation	<u>(39,338)</u>
	<u>436,765</u>
	<u>439,765</u>

**Reconciliations**

Reconciliation of the written down values at the beginning and end of the period are set out below:

	<b>Plant and equipment</b>
	<b>\$</b>
<b>Consolidated</b>	
Balance at 7 February 2019	-
Additions	476,103
Depreciation Expense	<u>(39,338)</u>
	<u>436,765</u>
Balance 30 June 2020	<u>436,765</u>

**Note 8. Non-current assets – Right-of-use asset**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Right-of-use assets	108,883
Less: Accumulated Amortisation	(58,614)
	<u>50,270</u>
	<u>50,270</u>

**Reconciliations**

Reconciliation of the written down values at the beginning and end of the period are set out below:

	<b>Right-of-use asset</b>
	<b>\$</b>
<b>Consolidated</b>	
Balance at 7 February 2019	-
Additions	108,883
Amortisation Expense	(58,614)
	<u>50,270</u>
Balance 30 June 2020	<u>50,270</u>

**Note 9. Exploration and evaluation assets**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Exploration and evaluation assets	1,634,914
	<u>1,634,914</u>

**Reconciliations**

Reconciliation of the written down values at the beginning and end of the period are set out below:

	<b>Exploration and evaluation assets</b>
	<b>\$</b>
<b>Consolidated</b>	
Balance at 7 February 2019	-
Exploration and evaluation expenditure incurred	1,634,914
	<u>1,634,914</u>
Balance 30 June 2020	<u>1,634,914</u>

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

**Note 10. Non-current assets – Intangibles**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Intangibles	2,183
Less Accumulated amortisation	(1,142)
	<u>1,041</u>
	<u>1,041</u>

**Note 11. Non-current assets – Deferred tax assets**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Deferred tax assets	919
	<u>919</u>

**Note 12. Current Liabilities – Trade and other payables**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Trade and other payables	251,603
	<u>251,603</u>

Trade and other payables are non-interest bearing and have normal trade terms of 30 days or less.

**Note 13. Current liabilities – Lease Liabilities**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Lease Liabilities	45,271
	<u>45,271</u>

**Note 14. Current liabilities – Borrowings**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Shareholder Loans	300,000
	<u>300,000</u>

A short term loan of \$100,000 each was advanced by three shareholders on 21<sup>st</sup> May 2020. These loans were all repaid in full by 14<sup>th</sup> July 2020. No interest was payable on these loans.

**Note 15. Contingent Liabilities**

The Directors are not aware of any contingent liabilities as at the date of the financial statements

**Note 15: Cash Flow Information**

**30 June 2020**

**\$**

**a. Reconciliation of cash**

Cash at end of financial period as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	<u>564,759</u>
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**30 June 2020**

**\$**

**b. Reconciliation with operating loss**

Reconciliation of cash flows from operations with operating loss after income tax is set out as follows:

Operating loss after income tax	(1,191,628)
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Non-cash flows included in loss:

- Depreciation	74,140
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Changes in assets and liabilities:

- (Increase) in receivables	(61,166)
- (Increase) in prepayments	(8,030)
- (Increase) in inventories	(1,990)
- (Increase) in Deferred tax assets	(919)
- Increase in creditors and accruals	251,603
- Increase in Lease Liabilities	<u>45,271</u>

Net cash used in operating activities	<u>(892,719)</u>
---------------------------------------	------------------

**c. Non-cash operating activities**

During the financial period ended 30 June 2020 there are no non-cash operating activities.

**d. Non-cash financing activities**

During the financial period ended 30 June 2020, there are no non-cash financing activities

**Note 16. Equity - Share capital**

	<b>Consolidated</b>	
	<b>2020 Shares</b>	<b>2020 \$</b>
Ordinary shares - fully paid	77,750,000	812.758
Class B shares – fully paid	48,750,000	4,875
Class C shares – fully paid	48,750,000	4,875
	<u>175,250,000</u>	<u>822,508</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

*Class B shares*

Class B shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid Class B shares have no par value and the company does not have a limited amount of authorised capital

*Class C shares*

Class C shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid Class C have no par value and the company does not have a limited amount of authorised capital

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

Details of shares reserved for issue under an agreement for the company to acquire the non-controlling interest in Jade Methane FILLC are set out in Note 20.

**Jade Gas Pty Ltd**  
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Ordinary shares	Consolidated		
	Date	2020 Number	2020 \$
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	17-Feb-19	1,000	1,000
Share Issue	28-May-19	70,749,000	8,075
Share Issue	28-Jun-19	5,000,000	483,683
Share Issue	30-Jan-20	2,000,000	320,000
At the end of the reporting period	30-Jun-20	77,750,000	812,758

**Post Balance Date Transactions**

Share Issue	05-Aug-20	1,000,000	100
Cancel B Class and Issue Ordinary	05-Aug-20	48,750,000	4,875
Cancel C Class and Issue Ordinary	05-Aug-20	48,750,000	4,875
		176,250,000	822,658

Class B shares	Consolidated		
	Date	2020 Number	2020 \$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	48,750,000	4,875
At the end of the reporting period 30/6/2020		48,750,000	4,875

**Post Balance Date Transactions**

Cancel B Class and Issue Ordinary		-48,750,000	-4,875
		-	-

Class C shares	Consolidated		
	Date	2020 Number	2020 \$
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	48,750,000	4,875
At the end of the reporting period 30/6/2020		48,750,000	4,875

At the end of the reporting period 30/6/2020

**Post Balance Date Transactions**

Cancel B Class and Issue Ordinary		-48,750,000	-4875
		-	-



**Note 17. Equity – Convertible note**

	<b>Consolidated</b>	
		<b>2020</b>
		<b>\$</b>
Convertible Note	<hr/> <hr/>	<hr/> <hr/> 416,000

**Convertible Note Terms**

**Maturity Date**

Twelve (12) months from the date of the agreement with the noteholder.

**Extension of Maturity Date**

If the Maturity Date for the conversion of the Note Amount is twelve (12) months after the date of this Agreement, the Maturity Date may be extended by six (6) months at the election of the Noteholder.

**Interest**

No interest is payable on the Note Amount.

**Conversion by the Noteholder**

The Convertible Note will automatically convert into shares on the Maturity Date without the need for either party to provide a notice to the other.

Should a Change of Control Event occur prior to the Maturity Date, the noteholder may elect to convert the convertible note amount into shares.

The conversion to Shares either by automatic conversion or in the case of a Change of Control Event will be taken as full satisfaction of the convertible note amount upon the shares being issued.

If a Change of Control Event occurs and an election is made the noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{\text{Conversion Price}}$$

Where:

N = the number of Shares to be issued;

L = The Note Amount; and

Conversion Price = The lower of:

(i) 80% of the IPO or RTO Price; and

(ii) 80% of the Change of Control Price

**Jade Gas Pty Ltd**  
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If the Maturity Date for the conversion of the Note Amount is:

(i) the Business Day immediately prior to the IPO or RTO, the Noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{\text{IPOP}}$$

Where:

N = the number of Shares to be issued;

L = The Note Amount; and

IPOP = 80% of the IPO or RTO Price

(ii) twelve (12) months after the date of this Agreement, the Noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{X}$$

Where:

N = the number of Shares to be issued;

L = the Note Amount; and

X = 80% of the last proposed and documented IPO or RTO Price.

(iii) if extended eighteen (18) months after the date of this Agreement, the Noteholder is entitled to the number of Shares calculated as follows:

$$N = \frac{L}{X}$$

Where:

N = the number of Shares to be issued;

L = the Note Amount; and

X = 60% of the last proposed and documented IPO or RTO Price or the last completed financing.

Change of Control Event means:

(a) if JADE comes under the Control of a person (acting alone or together with its Associates) who did not Control JADE on the date which JADE became party to this Agreement; or

(b) if a person (acting alone or together with its Associates) who was in Control of JADE on the date JADE became party to this Agreement stops having Control of JADE.

**Ranking of Shares**

Each Conversion Share shall rank equally in all respects with all other Shares at the date of the conversion.

**No distributions before conversion**

The Noteholder is not entitled to receive any dividend (in cash or in specie), return of capital or other distribution or benefit to which the holder of Shares would be entitled to participate before the conversion of the Note Amount into Shares.

**Note 18. Equity - Reserves**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Foreign exchange reserve on the conversion of subsidiary Undertakings	56,267
Other reserve for compensation of former non-controlling interest	(571,202)
	<u>(514,935)</u>

**Note 19. Equity - Retained profits**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Retained profits at the beginning of the financial year	-
Adjustment for change in accounting policy (note 1)	-
Retained profits at the beginning of the financial year – restated	-
Profit after income tax expense for the year	(1,237,790)
Dividends paid	-
Retained profits at the end of the financial year	<u>(1,237,790)</u>

**Note 20: Controlled Entities**

Controlled entities consolidated	Country of incorporation	Principal Activity	Percentage owned (%)
Subsidiaries of Jade Gas Pty Ltd			<b>30 June 2020</b>
<b>Direct</b>			
Jade Methane FILLC <sup>(1)</sup>	Mongolia	Coal seam gas exploration	100
Methane Gas Resources LLC <sup>(2)</sup>	Mongolia	Coal seam gas exploration	60
Jade Gas Mongolia LLC <sup>(3)</sup>	Mongolia	Coal seam gas exploration	100
Baruun Naran Gas LLC <sup>(4)</sup>	Mongolia	Coal seam gas exploration	66

(1) On 14th May 2019 Jade Methane FILLC (JM) was incorporated and Jade Gas Pty Ltd acquired an 85% interest in it. On 14th May 2020 Jade Gas acquired the remaining 15% from UB Methane LLC, a Mongolian corporation. The consideration for this was the obligation to issue 5,250,000 ordinary shares, 8,250,000 Class B shares and 8,250,000 Class C Performance Shares in Jade Gas Pty Ltd pursuant to a Share Sale Agreement dated 30 September 2019. That agreement was conditional upon the proposed ASX reverse takeover transaction and necessary consents and approvals, and the directors expect that although Jade Gas Pty Ltd has now acquired the 15% interest in JM, it will revert to UB Methane LLC if these conditions are not met.

(2) Methane Gas Resources LLC is a 60% subsidiary of JM. It was incorporated on 21st May 2019 and acquired by Jade Gas Pty Ltd on 21st May 2019 as part of the JM acquisition.

(3) Jade Gas Mongolia FILLC (JGM) is a 100% subsidiary of Jade Gas Pty Ltd. It was incorporated on 14th May 2019 and acquired by Jade Gas Pty Ltd on 14th May 2019

(4) Baruun Naran Gas is a 66% subsidiary of JGM. It was incorporated on 27th September 2019 and acquired by Jade Gas Pty Ltd on 27th September 2019 as part of the JGM acquisition.

Jade Gas Pty Ltd via its subsidiary Jade Methane FILLC, owns 60% of Methane Gas Resource LLC (MGR). MGR holds a Production Sharing Agreement providing the rights to explore for and exploit coal seam gas from the area surrounding and including the Tavan Tolgoi coal field in Mongolia. Jade Gas will fund 100% of the costs to the point of a Detailed Feasibility Study (DFS), after which costs will be shared on a pro rata basis. At the completion of the DFS, each party has an option to increase its equity in MGR subject to certain terms and conditions.

Jade Gas Pty Ltd via its subsidiary Jade Gas Mongolia FILLC, owns 66% of Baruun Naraan Gas LLC (BNG). BNG is a joint venture with Khangad Exploration LLC, a wholly owned subsidiary of Mongolia Mining Corporation (MMC). The joint venture was established to explore for coal seam gas within coal mining licences held by MMC in the South Gobi region of Mongolia. Under the joint venture agreements, Jade will fund 100% of the costs of exploration to the point of a Detailed Feasibility Study, after which costs will be shared on a pro rata basis.

**Note 21. Equity - non-controlling interest**

	<b>Consolidated</b>
	<b>2020</b>
	<b>\$</b>
Issued capital	55,347
Retained profits	(8,399)
	<hr/>
	46,948
	<hr/> <hr/>

## **Note 22: Related Party Transactions**

Transactions between Jade Gas Pty Ltd and other entities in the group during the period consisted of:

Loans advanced by Jade Gas Pty Ltd to Jade Gas Mongolia LLC \$324,779

Loans advanced by Jade Gas Pty Ltd to Jade Methane LLC \$158,760

Loans provided by the Company to entities are made on an interest free basis and are repayable on demand.

All inter-entity transactions and balances are eliminated in the consolidated financial statements.

### **Loans from shareholders**

The following Loans were advanced from shareholders to Jade Gas Pty Ltd in May 2020. These loans have subsequently been repaid in July 2020

Anthony Hall	\$100,000
Joseph Burke	\$100,000
Daniel Eddington	\$100,000

**Total** **\$300,000**

### **Directors remuneration**

Consulting Fees paid to Joseph Patrick Burke for the period 7<sup>th</sup> February 2019 to 30<sup>th</sup> June 2020 totaled \$165,000. In addition reimbursement of expenditure totaling \$56,847 was paid. \$10,000 is owed to Joseph Patrick Burke at 30 June 2020.

Advisory Fees paid to Corporate Advisory Pty Ltd an entity controlled by Daniel William Eddington for the period 7<sup>th</sup> February 2019 to 30<sup>th</sup> June 2020 totaled \$34,100 including GST

Directors fees paid to Daniel William Eddington for the period 7<sup>th</sup> February 2019 to 30<sup>th</sup> June 2020 totaled \$50,228. In addition statutory superannuation guarantee totaling \$4,772 was paid. \$3,300 is owed to Daniel William Eddington at 30 June 2020.

### **Directors shareholdings**

The following shares were issued to directors and their associates

#### **Jospeh Patrick Burke**

##### **Ordinary shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	17-Feb-19	4,000	-
At the end of the reporting period	30-Jun-20	4,000	-
Post Balance Date Transactions		-	-
Balance Held		4,000	-

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**Class B shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	48,750,000	4,875
At the end of the reporting period 30/6/2020		48,750,000	4,875
Post Balance Date Transactions Cancel B Class and Issue Ordinary		-48,750,000	-4,875
Balance Held		-	-

**Class C shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	48,750,000	4,875
At the end of the reporting period 30/6/2020		48,750,000	4,875
At the end of the reporting period 30/6/2020		48,750,000	4,875
Post Balance Date Transactions Cancel B Class and Issue Ordinary		-48,750,000	-4,875
Balance Held		-	-

**GM Ventures & Investments Limited - An entity associated with Joseph Patrick Burke**

**Ordinary shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	28-May-19	29,600,000	2,960
At the end of the reporting period	30-Jun-20	29,600,000	2,960
Post Balance Date Transactions Share Issue	05-Aug-20	10,210,000	1,021
Cancel B Class and Issue Ordinary	05-Aug-20	21,875,000	2,188
Cancel C Class and Issue Ordinary	05-Aug-20	21,875,000	2,188

**Jade Gas Pty Ltd**  
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Balance Held	83,560,000	8,356
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**Class B shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	21,875,000	2,188
At the end of the reporting period 30/6/2020		21,875,000	2,188
Post Balance Date Transactions Cancel B Class and Issue Ordinary	05-Aug-20	-21,875,000	(2,188)
Balance Held		-	-

**Class C shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	21,875,000	2,188
At the end of the reporting period 30/6/2020		21,875,000	2,188
At the end of the reporting period 30/6/2020		21,875,000	2,188
Post Balance Date Transactions Cancel B Class and Issue Ordinary	05-Aug-20	-21,875,000	(2,188)
Balance Held		-	-

**Scor go Luath Limited - An entity associated with Joseph Patrick Burke**

**Ordinary shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	28-May-19	7,810,334	781
At the end of the reporting period	30-Jun-20	7,810,334	781
<b>Post Balance Date Transactions</b> Share Issue	05-Aug-20	12,273,332	1,227
Balance Held		20,083,666	2,008



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**Class B shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	7,291,666	729
At the end of the reporting period 30/6/2020		7,291,666	729
Post Balance Date Transactions Cancel B Class and Issue Ordinary		-7,291,666	-729
Balance Held		-	-

**Class C shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	7,291,666	729
At the end of the reporting period 30/6/2020		7,291,666	729
At the end of the reporting period 30/6/2020		7,291,666	729
Post Balance Date Transactions Cancel B Class and Issue Ordinary		-7,291,666	-729
Balance Held		-	-

**Daniel William Eddington & Julie Eddington**

**Ordinary shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	28-May-19	4,608,333	461
At the end of the reporting period	30-Jun-20	4,608,333	461
<b>Post Balance Date Transactions</b>			
Share Issue	05-Aug-20	7,273,334	727
Balance Held		11,881,667	1,188

**Jade Gas Pty Ltd**  
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**Class B shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	4,791,667	479
At the end of the reporting period 30/6/2020		4,791,667	479
<b>Post Balance Date Transactions</b>			
Cancel B Class and Issue Ordinary		-4,791,667	-479
Balance Held		-	-

**Class C shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	4,791,667	479
At the end of the reporting period 30/6/2020		4,791,667	479
At the end of the reporting period 30/6/2020		4,791,667	479
<b>Post Balance Date Transactions</b>			
Cancel B Class and Issue Ordinary		-4,791,667	-479
Balance Held		-	-

**Dacama Pty Ltd - An entity associated with Daniel William Eddington**

**Ordinary shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period	17-Feb-19	-	-
Share Issue	28-May-19	1,700,000	170
At the end of the reporting period	30-Jun-20	1,700,000	170
<b>Post Balance Date Transactions</b>			
Cancel B Class and Issue Ordinary	05-Aug-20	1,500,000	150
Cancel C Class and Issue Ordinary	05-Aug-20	1,500,000	150
Balance Held		4,700,000	470

**Jade Gas Pty Ltd**  
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**30 June 2020**

**Class B shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	1,500,000	150
At the end of the reporting period 30/6/2020		1,500,000	150
Post Balance Date Transactions Cancel B Class and Issue Ordinary	05-Aug-20	-1,500,000	-150
Balance Held		-	-

**Class C shares**

	<b>Date</b>	<b>Number</b>	<b>\$</b>
At the beginning of the reporting period 17/2/2019		-	-
Share Issue	28-May-19	1,500,000	150
At the end of the reporting period 30/6/2020		1,500,000	150
Post Balance Date Transactions Cancel B Class and Issue Ordinary	05-Aug-20	-1,500,000	-150
Balance Held		-	-

**Convertible Notes**

The directors did not participate in the convertible note issue.

## **Note 23: Financial Risk Management**

This note presents information about the Group's exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company and the Group through regular reviews of the risks.

The totals for each category of financial instruments, measured in accordance with AASB 9, as detailed in the accounting policies to these financial statements, are as follows:

<b>Categories of financial instruments</b>	<b>Note</b>	<b>Consolidated</b>
		<b>2020</b>
		<b>\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	3	564,759
Trade and other receivables	4	61,166
		<u>625,925</u>
<b>Financial liabilities</b>		
Trade and other payables	12	251,603
Lease liabilities	13	45,271
Borrowings	14	300,000
		<u>596,874</u>

### **a. General objectives, policies and processes**

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The principal financial instruments from which financial instrument risk arises:

- trade and other receivables
- cash at bank
- trade and other payables
- borrowings

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Group's finance function.

The Group's risk management policies and objectives are therefore designed to minimise the potential impact of these risks on the results of the Group where such impacts may be material.

### **Specific financial risk exposures and management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

### **b. Credit risks**

**Jade Gas Pty Ltd**  
**Notes to the financial statements**  
**30 June 2020**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of the contract obligations that could lead to a financial loss to the Group. There is no material amount of collateral held as security at 30 June 2020

*Cash and cash equivalents*

The Group limits its exposure to credit risk by only depositing cash at banks or financial institutions that have an acceptable credit rating.

*Trade and other receivables*

As the Group operates primarily in investment and exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Group, where necessary, establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. Management does not expect any counterparty to fail to meet its obligations.

*Exposure to credit risk*

The carrying amount of the group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at balance date is as follows:

	<b>Note</b>	<b>2020</b>
		<b>\$</b>
Trade and other receivables	4	61,166
		<u>61,166</u>

**c. Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual flows. The Group does not have any external borrowings.

The Group may need to raise additional capital in the next 12 months if forecast operational activities are completed earlier than anticipated. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

**Financial liability and financial asset maturity analysis**  
**Consolidated**

<b>At 30 June 2020</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities due for payment</b>				
Trade and other payables	251,603	-	-	251,603
Lease liabilities	45,271			45,271
Borrowings	300,000			300,000
<b>Total expected outflows</b>	<b>596,874</b>	<b>-</b>	<b>-</b>	<b>596,874</b>
<b>Financial assets – cash flows realizable</b>				
Cash and cash equivalents	564,759	-	-	564,759
Trade and other receivables	61,166	-	-	61,166

**Jade Gas Pty Ltd**  
**Notes to the financial statements**  
**30 June 2020**

<b>Total anticipated inflows</b>	625,925	-	-	625,925
<b>Net inflow/(outflow) on financial instruments</b>	(29,051)	-	-	(29,051)
<b>At 30 June 2020</b>	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>				
Trade and other payables	251,603	-	-	251,603
Lease liabilities	45,271	-	-	45,271
Borrowings	300,000			300,000
<b>Total expected outflows</b>	596,874	-	-	596,874
<b>Financial assets – cash flows realizable</b>				
Cash and cash equivalents	564,759	-	-	564,759
Trade and other receivables	61,166	-	-	61,166
<b>Total anticipated inflows</b>	625,925	-	-	625,925
<b>Net inflow/(outflow) on financial instruments</b>	29,051	-	-	29,051

**d. Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

**i) Foreign exchange risk**

At balance date, the following cash, amounts receivable and amounts payable in foreign currency.

	<b>2020</b>
	<b>Consolidated</b>
<u>Mongolian MNT</u>	<b>MNT</b>
Cash & Cash equivalents	<b>42,696,363</b>
	<b>42,696,363</b>
<u>US Dollars</u>	<b>USD</b>
Cash & Cash equivalents	<b>302,207</b>
	<b>302,207</b>

**ii) Interest rate risk**

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents on short term deposit at best available market interest rates.

**Profile**

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

**2020**

	\$
<b>Variable rate instruments</b>	
Financial assets – cash and cash equivalents	<u>564,759</u>

***Fair value sensitivity analysis for variable rate instruments***

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

***Cash flow sensitivity analysis for variable rate instruments***

The group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the prior period.

	<b>Profit or loss</b>	<b>100bp</b>	<b>Equity</b>	<b>100bp</b>
	<b>100bp</b>	<b>decrease</b>	<b>100bp</b>	<b>decrease</b>
	<b>Increase</b>		<b>increase</b>	
	\$	\$	\$	\$
<b>30 June 2020</b>				
Variable rate instruments	5,648	(5,648)	5,648	(5,648)

**e. Fair values**

Fair values of financial assets and liabilities are equivalent to carrying values due to their short term to maturity

**Note 24. Capital Commitments**

The terms of the Production Sharing Contract held by MGR include minimum expenditure requirements over the period of the agreement. The terms of the PSC are commercial in confidence.

**Note 25. Events after the reporting period**

At 30<sup>th</sup> June 2020 \$416,000 had been received by the company for a convertible note issue. Subsequent to 30<sup>th</sup> June 2020 an addition \$404,000 was received, bringing the total of the Convertible Note issue to \$820,000

Additional shares have been issued after the reporting date. Details of these share issues are described in note 16 Share Capital.

Subsequent to 30 June 2020 the company completed two further capital placements, issuing 5,000,000 ordinary shares at \$0.12 each, raising a total of \$600,000 in cash.

Approval was granted for the purchase of Jade Gas Pty Ltd shares by High Grade Metals Ltd at the High Grade Metals Ltd AGM on 30 June 2021 with the effect that Jade Gas Pty Ltd will become the accounting parent of High Grade Metals Ltd.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.



**Jade Gas Pty Ltd**  
**Directors' declaration**  
**30 June 2020**

In the directors' opinion:

- the attached financial statements and notes comply with the, the Accounting Standards, and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial period ended on that date; and
- 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 Directors



Joseph Burke

Director

5 July 2021

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JADE GAS PTY LTD

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Jade Gas Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2020, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2020, and its financial performance and its cash flows for the period then ended in accordance with Australian Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 A 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 Group's ability to continue as a going concern and therefore the Group 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.

#### Responsibilities of the directors for the Financial Report

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



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

**Auditor's responsibilities for the audit of the Financial Report**

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

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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)

This description forms part of our auditor's report.

A stylized blue ink signature of the BDO firm, consisting of the letters 'BDO' in a cursive, handwritten style.

**BDO Audit (SA) Pty Ltd**

A blue ink signature of G K Edwards, written in a cursive, handwritten style.

G K Edwards  
Director

Adelaide, 5 July 2021