Kalia limited

(formerly GB Energy Limited)

ABN 30 118 758 946

Annual Report

For the financial year ended 30 June 2018

CONTENTS

CORPORATE INFORMATION

Directors and Secretary in Service

The Hon. Mr David Johnston	Chairman
Mr. Terry Larkan	Managing Director
Mr. Peter Batten	Technical Director
Mr. Sean O'Brien	Non-Executive Director
Mr. Phillip Hartog	Chief Financial Officer and Company Secretary

Registered and Principal Office

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Website: www.kaliagroup.com

Share registry

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Telephone: 08 9389 8033

Solicitors

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Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000
Telephone: 08 9321 4000

Bankers

Bankwest
108 St. Georges Terrace
Perth WA 6000
Telephone: 08 137 000

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000
Telephone: 08 9227 7500

Securities Exchange Listing

Kalia Limited shares are listed on the Australian Securities Exchange (ASX: KLH), previously GB Energy Limited (ASX: GBX).

DIRECTORS' REPORT

Your directors present their report together with the financial statements of the Group consisting of Kalia Limited ("the Company") and the entities it controlled during the period for the financial year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

The Hon. David Johnston B.Juris LLB - Chairman appointed 28 September 2017

The Honourable David Johnston, former Senator, practiced law in Kalgoorlie, Western Australia specializing in mining conveyancing and tenement disputation. He practiced in Western Australia for 20 years before being elected to the Australian Parliament as a Senator for Western Australia. Mr Johnston was in Parliament for 14 years, and during that time was the Minister for Justice and Customs, the Shadow Minister for Minerals Energy and Tourism, The Shadow Minister for Defence and then the Minister for Defence.

Mr. Terry Larkan BCompt. MBA FGIA FCIS FCPA (Aust.) - Managing Director appointed 26 October 2017

Mr Terry Larkan has over 30 years mining finance and general management experience in Australasia, Africa and the Americas. Mr Larkan's previous roles include a director of Bellzone Mining, partner with Ernst & Young (Australia) and vice-president with Barrick Gold based in Toronto.

Mr. Peter Batten BSc Geology MAusIMM - Technical Director appointed 9 January 2018

Mr Peter Batten is Kalia Limited's Technical Director. Mr. Batten is a Geologist with 35 years of experience in the resources industry as a geologist, mine manager and consultant and has worked on nickel, gold, graphite, uranium and iron ore focussed projects. Mr Batten has worked in Bougainville, projects across Australia as well as in Botswana, Argentina, Guinea, Indonesia, Namibia, New Zealand, South Africa, Sweden, USA and Zimbabwe.

Mr. Sean O'Brien AdvDip Accounting (RMIT University Melbourne) - Non-Executive Director appointed 11 May 2018

Mr Sean O'Brien has experience in finance and general management across a broad range of primary industries. Mr O'Brien has extensive experience overseeing a portfolio of listed and unlisted investments including many in the natural resources sector. Mr O'Brien is currently a Director of Remasys Pty Ltd, a managed services software business based in Australia.

Mr. Stuart Rechner BSc LLB MAIG GAICD - Chairman resigned 28 September 2017

Mr Stuart Rechner is an experienced company director and geologist with a background in project generation and acquisition. Mr Rechner holds degrees in both geology and law and is a member of the Australian Institute of Geoscientists and the Australian Institute of Company Directors. For over ten years Mr Rechner was an Australian diplomat responsible for the resources sector with postings to Beijing and Jakarta.

Mr Rechner also served as a director of the following listed companies:

- Strategic Energy Resources Limited
- Kingston Resources Limited

Dr. David Detata BSc MSc PhD (Chemistry) MBA GAICD - Non-Executive Director resigned 26 October 2017

Dr David Detata is an experienced scientific professional with over 12 years industry experience in scientific research and investigations. Dr Detata holds a Doctor of Philosophy in energetic materials characterisation and Master of Business Administration from the University of Western Australia.

Mr. Nick Burn BSc (Hons) MBA MAIG - Exploration Manager and Executive Director resigned 9 January 2018

Mr Nick Burn has over 25 years' experience in the minerals exploration industry including extensive operational experience throughout Australia. Mr Burn was previously CEO of ASX Listed uranium explorer Regalpoint Resources Ltd and Exploration Manager for Energy Metals Ltd.

DIRECTORS' REPORT (continued)

Company Secretary

Mr. Phillip Hartog B. Compt, CPA (Aust.), IIA - appointed 29 March 2018

Phillip Hartog is an experienced mining and finance professional whose career has spanned more than 30 years. He has worked for big 4 accounting firms and in the resource sector in Australia, West Africa, DRC and in South Africa.

Phillip's resources industry experience has included finance and commercial roles at operational sites as well as senior corporate and CFO roles with private and listed companies (ASX / TSX / AIM).

Mrs. Anna MacKintosh B. Com (UWA) CPA - resigned 31 March 2018

Anna MacKintosh, has over 30 years commercial experience including working for BHP, and 10 years being employed as Compliance Manager, Finance Manager and Responsible Executive for Australian Financial Services licensee KSLCORP Pty Ltd. She was the Company Secretary for Kalia Limited (GB Energy Limited) for the previous 8 years.

Interests in the shares and options of the Company and related bodies corporate

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report.

Directors	Number of fully paid ordinary shares	Number of options over ordinary shares
The Hon. Mr. David Johnston	18,697,289	-
Mr. Terry Larkan	1,000,000	100,000,000
Mr. Peter Batten	36,144,578	-
Mr. Sean O'Brien	-	-

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activity of the entities within the Group during the year was mineral exploration with a focus on Copper / Gold in Bougainville subsequent to the acquisition of Kalia Holdings Pty Ltd and Iron Oxide / Copper / Gold / Uranium (IOCGU) mineralisation in Australia.

Other than as disclosed above, there have been no significant changes in the nature of those activities during the year.

Significant changes in the state of affairs

As noted in the previous annual report, the Company devoted significant resources to the review of new opportunities. The outcome of these efforts was that GB Energy Limited exercised the option to acquire Kalia Holdings Pty Ltd (as announced 20 March 2017) after the General Shareholders Meeting of GB Energy Limited that was held on the 21 August 2017 where the nine resolutions contained in the Notice, which in the most part sought approval to proceed with the Kalia Holdings Pty Ltd acquisition (Kalia Option), were approved.

GB Energy Limited was renamed as Kalia Limited after the exercise of the Kalia Option which delivered 72.29% of the equity in Kalia Holdings Pty Ltd.

On approvals granted by the shareholders at an Extraordinary General Meeting held on 16 May 2018 Kalia Limited acquired the remaining 27.71% of the equity in Kalia Holdings Pty Ltd from the minority shareholder, Global Resources Investment Trust plc (AIM: GRIT) thereby increasing Kalia Limited's beneficial interest in Kalia Investment Ltd from 72.29% to 100%.

Review of operations

During the financial year the Company successfully converted the two applications for exploration licences in Bougainville. Exploration Licence Application 007/2017 and Exploration Licence Application 008/2017 were converted into Exploration Licence 03/2017 covering an area of 865.3km^2 on the east side of the Tore region and Exploration Licence 04/2017 with an area of 838.7km^2 on the west side of the Tore region of Bougainville Island.

DIRECTORS' REPORT (continued)

Review of operations (continued)

The Bougainville Exploration Licences were part of several changes to the portfolio of exploration licences held and under application.

Tenement Ref.	Location	Name	Status
Released / Withdrawn			
EL5231	South Australia	Stuart Shelf	100%
EL5302	South Australia	Mt Denison	100%
EL5391	South Australia	Lake Blanche	100%
EPLA6589	Namibia	Bitterwasser	Application
EPLA6590	Namibia	Bitterwasser	Application
EPLA6591	Namibia	Bitterwasser	Application
Awarded / Acquired			
EL31542	Northern Territory	Indiana	100%
E80_5012	Western Australia	Mt Angelo	100%
E80_5013	Western Australia	Armanda River	100%
EL03	Bougainville	Tore East	75%
EL04	Bougainville	Tore West	75%
Brought forward			
EL31275	Northern Territory	Indiana	100%
EL31391	Northern Territory	Indiana	100%
ELA31392	Northern Territory	Ngalia	Application
ELA31393	Northern Territory	Ngalia	Application
ELA31537	Northern Territory	Indiana	Application

The addition of the high potential exploration areas of Bougainville Island, situated in the Autonomous Region of Bougainville of Papua New Guinea, to the Company's portfolio and the early indications of their potential has resulted in a full review of the exploration licences and explorations licence applications. The Company's focus will fall squarely on the Bougainville potential.

The Bougainville operations are managed by the Company and will be executed through Tore Joint Venture Limited ("TV"), a company incorporated in Papua New Guinea.

The Bougainville Exploration Licence areas are largely unexplored.

The Company applied significant assets to obtaining historical data from previous geophysical studies and geochemistry reports. Through these reports the Company has developed a good understanding of the potential in the areas under licence, sufficient to identify areas for initial exploration focus.

The Bougainville Mining Act of 2015 vests ownership of the minerals to the individual landowners. The Company has been engaged with the landowner organisation, representing all the major clans of the region, since 2016. TJV reached an in principle agreement with landowners for access to the land for exploration in January 2018. The engagement process is based on getting acceptance for exploration through a process of discussion on mining exploration, permits, legislation and landowner rights.

The signing of the agreement in January 2018 did not mean automatic access to the focus areas for exploration. The landowners specific to each focus area require an individual agreement to enable access. The process can be lengthy and has delayed access for exploration fieldwork resulting in a limited amount of on-ground activity taking place during the year.

TJV has increased the resources focussed in engaging with the landowners and has opened up a number of areas for the geologists to access and on-ground exploration activity is now taking place.

TJV activities in Bougainville, driven by the Company, are being conducted with the support of the communities. Matters raised by the community that are required to be addressed are not directly related to exploration activities and in the main pertain to historical community matters or landowner organisational infrastructure developments.

Resources are being focussed directly at developing exploration targets for drilling on the base of community support and land access secured activities driven by the Company's comprehensive Community Engagement Plan.

DIRECTORS' REPORT (continued)

Review of operations (continued)

The Company resolved to make a significant investment to have nearly 10,000 line kilometres of helicopter geophysical survey conducted over 100% of both EL03 and EL04. The historical geophysical data covers just over 40% of the 865.3 km^2 under EL03 on the east side of the Tore region and there is no geophysical data for the 838.7 km^2 under EL04 on the west side.

The helicopter geophysical survey will provide information that will reduce the overall cost of fieldwork and increase the effectiveness of the exploration activity because effort can be directed to specific targets identified through the analysis of the data rather than having to cover ground trying to identify targets.

The Company raised a total of $2,557,428 via equity placements and exercise of options for 232,606,626 shares during the financial year and settled a loan through the placement of 20,000,000 shares at $0.012 per share.

During the period the Company elected to exercise the option to acquire 72.29% of shares in Kalia Holdings Pty Ltd. Kalia Holdings Pty Ltd is the parent company of Papua New Guinean registered subsidiary Kalia Investments Ltd, which held contractual rights with landowners to apply for exploration licences in the Tore Region of Bougainville Island. On 28 September 2017 the company issued 772,891,566 consideration shares to the shareholders of Kalia Holdings Pty Ltd for 72.29% of the shares in Kalia Holdings Pty Ltd.

The transaction to acquire the minority position in Kalia Holdings Pty Ltd was settled with the issue of 480,000,000 new shares to Global Resources Investment Trust plc (AIM: GRIT). The transaction also saw the Company access a $3,000,000 secured loan facility until 31 December 2018.

On 16 November 2017 the Company announced that it had been named as a defendant in legal action brought by various plaintiffs, including ASX quoted company RTG Mining Ltd. The Company has been defending the claims made against it and believes they are without merit. All parties to the action have been referred for mediation.

Risk and Opportunities

Our resources exploration focus exposes the Company to the general trends and conditions in exploration and relevant commodity prices.

Being a bona fide, active mineral explorer has allowed the Company to contemplate (and receive ASX approval for) a significant transaction such as the Bougainville opportunity.

Short and Long Term Analysis

In the short term, the Company will continue exploration on our existing projects focussed primarily on the Bougainville exploration areas. The historical geological results reported for the Bougainville exploration licence areas, supported by results from the limited exploration done by the Company in the financial year indicate tremendous potential. The short term objective is to have at least one drill target defined and operational in the coming 6 months.

The longer term view is that there is significant potential for multiple exploration developments on the exploration licences in Bougainville. The full extent of the potential will take years to exploit with production development likely to occur before the full geological potential is catalogued.

General Markets

Capital markets have once again warmed to exploration focussed entities; particularly those with drilling activities. We consider the next twelve months, with the identification of drill targets, is a time to further increase operational tempo and take some carefully considered risks.

Financial Position

The Company is using loan funds to accelerate the geological knowledge of our Bougainville exploration areas as well as accelerate exploration of identified focus areas to develop a drilling target. Further funds will be required to execute the Company strategy.

Sovereign and Social Risk

A referendum on the future status of the Autonomous Region of Bougainville regarding the relationship with Papua New Guinea is due to be held in 2019. The Company holds the view that the Bougainville Mining Act of 2015 will remain the statutory framework under which the mineral riches of Bougainville will be developed.

DIRECTORS' REPORT (continued)

Review of operations (continued)

Key to operating in Bougainville is landowner support. The implementation of the Community Engagement Plan forging close relationships with the landowners and their participation in activities through their joint venture arrangement with the Company mitigate the risks in this area.

Significant events after balance date

On 17 July 2018 and 17 August 2018, the company drew down $250,000 and $360,000 respectively on the loan facility. The Tore Joint Venture Limited was incorporated on 1 August 2018. Other than noted above, there has been no additional matter or circumstances that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in future financial periods.

Likely developments and expected result

There will be regular announcements of independent assay analysis of geological samples taken from exploration activities as well as expert technical analysis and interpretation of the geophysical data collected through the helicopter survey.

The Company expects to announce the identification of at least one drilling target and commence drilling activities on that target.

Environmental legislation

In the course of its normal exploration activities, the Group adheres to environmental regulations imposed on it by the various regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna.

The Group has complied with all material environmental requirements during the financial year.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Group.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

Remuneration report

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of Kalia Limited for the financial year ended 30 June 2018. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company. These persons are detailed in the Directors and Secretary section of this report.

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The Board has the authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the company and of the senior management. Compensation levels for directors and senior management of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

Remuneration levels in general are not dependent upon any performance criteria as the Company and the Group are not generating a profit. Certain share-based payments however could have performance conditions with a market condition to incentivise the recipients.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Remuneration committee

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a Board and executive team with the relevant expertise, experience and ability to best serve the Company's needs.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate level ($500,000) was set at the time of the company's incorporation and has not changed since.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The remuneration of non-executive directors for the year ended 30 June 2018 is detailed in page 11 of this report.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration only.

<u>Fixed Remuneration</u>
Fixed remuneration is reviewed annually by the Board of Directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

The fixed remuneration of the Company Directors and executives is detailed in page 11 of this report.

<u>2017 Annual General Meeting</u>

The company's most recent Annual General Meeting was held on 28 November 2017. The remuneration report for the financial year ended 30 June 2017 was adopted for the purposes of section 250R(2) of the Corporations Act 2001 and for all other purposes.

Employment Contracts

David Johnston – Chairman appointed 28 September 2017

The key terms of Mr. Johnston's service contract are:

- David is paid Chairman and consulting fees of $60,000 per annum plus statutory superannuation.
- Termination Notice 3 months by either party.
- No termination benefits

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Terry Larkan – Managing Director appointed 26 October 2017
The key terms of Mr. Larkan's service contract are:

- Terry will receive a salary component of $300,000 per annum, including superannuation at the current statutory level.
- Mr Larkan has agreed to defer part payment of his remuneration to prioritise cash flow to activities directly related to exploration. In addition, Terry will receive a Short and Long Term Incentive package.
- Termination Notice by company without reason is 6 months and 3 months by the executive.
- A termination payment of 12 months' salary will also be payable in the event of a change of control.

Peter Batten – Technical Director appointed 9 January 2018
The key terms of Mr. Batten's service contract are:

- Peter will receive a salary component of $250,000 per annum, including superannuation at the current statutory level.
- Termination Notice by company without reason is 6 months and 3 months by the executive.
- A termination payment of 6 months' salary will also be payable in the event of a change of control.

Stuart Rechner – Chairman resigned 28 December 2017
The key terms of Mr. Rechner's service contract are:

- Stuart was paid Chairman Fees of $25,000 per annum plus statutory superannuation. Any additional consulting work was charged at $800 (excl GST) per day.
- Termination Notice 3 months by either party.
- No termination benefits.

Nick Burn – Exploration Manager and Executive Director (appointed 10 October 2016 and resigned 9 January 2018)
The key employment terms of Mr. Burn's service contract are:

- Director's fee of $18,000 per annum plus statutory superannuation and approved employment expenses.
- Consulting fee of $500 per day plus GST for activities in addition to normal Directors duties.
- No termination benefits.

David Detata – Non-Executive Director resigned 26 October 2017
The key employment terms of Dr Detata's service contract are:

- Director's fee of $18,000 per annum plus statutory superannuation and approved employment expenses
- No termination benefits.

Anna MacKintosh –Company Secretary/CFO resigned 31 March 2018
12 month service agreement between Kalia and Anna MacKintosh as Company Secretary/CFO with the following key employment terms:

- Fees of $90,000 per annum plus statutory superannuation.
- Term 12 months with option to extend by agreement.
- Termination Notice 3 months by either party.
- No termination benefits.
- Employment terms reviewed 6 months from the commencement date.

Phillip Hartog –Company Secretary/CFO appointed 29 March 2018
The key employment terms of Mr. Hartog's employment are:

- Salary $175,000 per annum plus statutory superannuation.
- Termination Notice 1 month by either party.
- No termination benefits.

DIRECTORS' REPORT (continued)

Remuneration report (continued)

Key Management Personnel remuneration for the years ended 30 June 2018 and 30 June 2017

	Short-term employment benefits		Post-employment benefit			
30 June 2018	Salary $	Consulting fees $	Superannuation $	Share based payment $	Total $	Performance related %
Directors						
D Johnston[(i)]	45,000	35,000	4,275	-	84,275	-
S O'Brien[(ii)]	-	-	-	-	-	-
T Larkan[(iii)]	220,731	-	20,049	20,440	261,220	8
P Batten[(iv)]	181,307	-	15,807	-	197,114	-
S Rechner [(v)]	6,253	27,200	594	-	34,047	-
D Detata[(vi)]	6,000	-	570	-	6,570	-
N Burn [(vii)]	10,500	103,350	997	-	114,847	-
Executives						
P Hartog[(viii)]	50,480	-	4,795	-	55,275	-
A MacKintosh[(ix)]	57,500	-	5,462	-	62,962	-
Total	577,771	165,550	52,549	20,440	816,310	-

	Short-term employment benefits		Post-employment benefit			
30 June 2017	Salary $	Consulting fees $	Superannuation $	Share based payment $	Total $	Performance related %
Directors						
S Rechner	23,065	47,200	2,191	34,451	106,907	-
D Detata	19,500	-	1,710	8,613	29,823	-
N Burn [(x)]	13,016	56,872	1,237	21,532	92,657	
G Kirke [(xi)]	6,250	-	-	-	6,250	-
Executives						
A MacKintosh	60,000	-	5,700	-	65,700	-
Total	121,831	104,072	10,837	64,596	301,336	-

(i) Appointed 28 September 2017
(ii) Appointed 11 May 2018
(iii) Appointed 26 October 2017
(iv) Appointed 9 January 2018
(v) Resigned 28 September 2017
(vi) Resigned 26 October 2017
(vii) Resigned 9 January 2018
(viii) Appointed 29 March 2018
(ix) Resigned 31 March 2018
(x) Appointed 10 October 2016
(xi) Resigned 10 October 2016

No member of key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Bonuses

No bonuses were granted during the year.

DIRECTORS' REPORT (continued)
Remuneration report (continued)

Shareholdings of Key Management Personnel

30 June 2018	Balance at beginning of period Number	Granted as remuneration Number	On Exercise of Options Number	Net Change Other Number	Balance at end of period Number
Directors					
The Hon. Mr David Johnston	-	-	-	19,322,289	19,322,289
Mr Sean O'Brien	-	-	-	-	-
Mr Terry Larkan	-	-	-	1,000,000	1,000,000
Mr Peter Batten	-	-	-	36,144,758	36,144,578
Mr Stuart Rechner	11,718,750	-	-	-	11,718,750 (i)
Dr David Detata	9,000,000	-	-	-	9,000,000 (i)
Mr Nick Burn	5,125,000 (ii)	-	-	-	5,125,000 (i)
Executives					
Mr Phillip Hartog	-	-	-	-	-
Mrs Anna MacKintosh	2,300,000	-	-	10,000,000	12,300,000 (i)

(i) At the time of resignation of director and or executive
(ii) At the time of appointment of director

30 June 2017	Balance at beginning of period Number	Granted as remuneration Number	On Exercise of Options Number	Net Change Other Number	Balance at end of period Number
Directors					
Mr Stuart Rechner	11,718,750	-	-	-	11,718,750
Dr David Detata	4,000,000	-	5,000,000	-	9,000,000
Mr Nick Burn	3,125,000 (ii)	-	2,000,000	-	5,125,000
Mr Graeme Kirke	131,442,510	-	-	1,371,000	132,813,510 (i)
Executives					
Mrs Anna MacKintosh	2,300,000	-	-	-	2,300,000

(i) At the time of resignation of director
(ii) At the time of appointment of director

All equity transactions with key management have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

DIRECTORS' REPORT (continued)
Remuneration report (continued)

Option holdings of Key Management Personnel

30 June 2018	Balance at beginning of period Number	Granted as remuneration Number	Options exercised Number	Net Change Other Number	Balance at end of period Number
Directors					
The Hon. Mr David Johnston	-	-	-	-	-
Mr Sean O'Brien	-	-	-	-	-
Mr Terry Larkan	-	100,000,000	-	-	100,000,000
Mr Peter Batten	-	-	-	-	-
Mr Stuart Rechner	20,000,000		(5,000,000)	-	15,000,000(i)
Dr David Detata	-	-	-	-	-
Mr Nick Burn	10,500,000		(1,000,000)	-	9,500,000(i)
Executive					
Mr Phillip Hartog	-	-	-	-	-
Mrs Anna MacKintosh	-	-	-	-	-

(i) At the time of resignation of director.

30 June 2017	Balance at beginning of period Number	Granted as remuneration Number	Options exercised Number	Net Change Other Number	Balance at end of period Number
Directors					
Mr Stuart Rechner	-	20,000,000	-	-	20,000,000
Dr David Detata	-	5,000,000	(5,000,000)	-	-
Mr Nick Burn	-	12,500,000	(2,000,000)	-	10,500,000
Mr Graeme Kirke	-	-	-	-	-
Executive					
Mrs Anna MacKintosh	-	-	-	-	-

Options Exercised during 2018 financial year

	Options exercised Number	Grant Date	Value at exercise date(i)
Directors			
Mr Stuart Rechner	(5,000,000)	25 Nov 2016	$0.01
Mr Nick Burn	(1,000,000)	25 Nov 2016	$0.01

Options Exercised during 2017 financial year

	Options exercised Number	Grant Date	Value at exercise date(i)
Directors			
Dr David Detata	(5,000,000)	25 Nov 2016	$0.01
Mr Nick Burn	(2,000,000)	25 Nov 2016	$0.01

(i) The value at the date of exercise of options that were granted as part of remuneration and exercised during the year has been determined as the intrinsic value of the options as at exercise date.

DIRECTORS' REPORT (continued)
Remuneration report (continued)

Options granted as compensation during 2018 financial year

	Granted Number	Grant Date	Value per option at grant date $	Value of options at grant date $
Director				
Mr Terry Larkan	35,000,000	16 May 2018	$0.0057	$199,500
Mr Terry Larkan	35,000,000	16 May 2018	$0.0063	$220,500
Mr Terry Larkan	30,000,000	16 May 2018	$0.0068	$204,000

The value of options at grant date will be allocated over the vesting period and $20,440 in value has been expensed in the reported financial year

End of Remuneration Report

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors meetings
Number of meetings held:	3
Number of meetings attended:	
The Hon. Mr D Johnston	3
Mr T Larkan	3
Mr P Batten	2
Mr S O'Brien	1
Mr Stuart Rechner (resigned 28 September 2017)	-
Dr David Detata (resigned 26 October 2017)	1
Mr Nick Burn (resigned 9 January 2018)	1

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

Auditor Independence
Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 15 and forms part of this directors' report for the year ended 30 June 2018.

Non-Audit Services
No non-audit services were provided during the year by the auditor.

Signed in accordance with a resolution of the directors.

Dated: 21 September 2018

Terrence Larkan
Managing Director

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Kalia Limited (formerly GB Energy Limited) for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
21 September 2018

M R Ohm
Partner

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Continuing operations			
Interest income	2	191	381
Administrative and employee benefits expense	2	(1,844,980)	(334,432)
Depreciation expense	10	(4,410)	(482)
Accounting expenses		(51,886)	(34,880)
Project generation		(794,483)	(46,669)
Finance cost		(81,182)	-
Loss on sale of tenements		(12,800)	-
Acquisition costs of Kalia Holdings Pty Ltd	6	(15,506,074)	-
Impairment of exploration assets	11	(370,765)	(545,650)
Loss before income tax expense		(18,666,389)	(961,732)
Income tax benefit	3	-	-
Loss for the year		(18,666,389)	(961,732)
Other comprehensive income, net of income tax			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(43,585)	-
Other comprehensive income/(loss) for the year, net of tax		(43,585)	-
Total comprehensive loss for the year attributable to owners of the parent		(18,709,974)	(961,732)
Loss attributable to:			
Owners of the parent		(17,981,198)	-
Non-controlling interest		(685,191)	-
		(18,666,389)	-
Total Comprehensive loss attributable to:			
Owners of the parent		(18,024,783)	-
Non-controlling interest		(685,191)	-
		(18,709,974)	-
Basic loss per share (cents per share)	5	0.010	0.102
Diluted loss per share (cents per share)	5	0.010	0.102

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	7	291,655	57,259
Trade and other receivables	8a	23,016	158,326
Prepayments and deposits	9	445,158	2,872
Assets classified as held for sale	11	-	30,000
Total current assets		759,829	248,457
Non-current assets			
Loan Kalia Holdings Pty Ltd	8b	-	600,000
Property, plant and equipment	10	89,909	-
Deferred exploration and evaluation expenditure	11	-	263,182
Total non-current assets		89,909	863,182
Total assets		849,738	1,111,639
Liabilities			
Current liabilities			
Trade payables	12a	208,312	4,122
Borrowings	12b	1,070,000	100,000
Other payables	12a	285,744	315,902
Total current liabilities		1,564,056	420,024
Total liabilities		1,564,056	420,024
Net liabilities		(714,318)	691,615
Equity			
Issued capital	13	29,162,228	11,223,627
Reserves	14	(899,701)	463,635
Accumulated losses	14	(28,976,845)	(10,995,647)
Total equity		(714,318)	691,615

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Note	Share capital	Option premium reserve	Share-based payment reserve	Foreign currency translation reserve	Minority Interest acquisition reserve	Accumulated losses	Attributable to owners of the Company	Non-controlling Interest	Total Equity
		$	$	$	$	$	$	$	$	$
Balance at 1 July 2016		10,578,054	245,660	165,923	-	-	(10,033,915)	955,722	-	955,722
Loss for the period		-	-	-	-	-	(961,732)	(961,732)	-	(961,732)
Total comprehensive loss for the period		-	-	-	-	-	(961,732)	(961,732)	-	(961,732)
Issue of Shares		645,573	-	-	-	-	-	645,573	-	645,573
Recognition of share-based payments		-	-	52,052	-	-	-	52,052	-	52,052
Balance at 30 June 2017		11,223,627	245,660	217,975	-	-	(10,995,647)	691,615	-	691,615
Balance at 1 July 2017		11,223,627	245,660	217,975	-	-	(10,995,647)	691,615	-	691,615
Loss for the period		-	-	-	-	-	(17,981,198)	(17,981,198)	(685,191)	(18,666,389)
Exchange differences arising on translation of foreign operations		-	-	-	(43,585)	-	-	(43,585)	-	(43,585)
Total comprehensive loss for the period		-	-	-	(43,585)	-	(17,981,198)	(18,024,783)	(685,191)	(18,709,974)
Issue of Shares		2,476,428	-	-	-	-	-	2,476,428	-	2,476,428
Acquisition of Non-controlling interest	6	5,280,000	-	-	-	(5,965,191)	-	(685,191)	685,191	-
Acquisition and Performance Shares	6	10,843,373	-	3,750,000	-	-	-	14,593,373	-	14,593,373
Shares issued in settlement of loan		300,000	-	-	-	-	-	300,000	-	300,000
Shares issued on exercise of options	13	81,000	-	-	-	-	-	81,000	-	81,000
Director options issued		-		20,440	-	-	-	20,440	-	20,440
Recognition of Adviser Options	15	-	-	875,000	-	-	-	875,000	-	875,000
Share Issue Costs		(1,042,200)	-	-	-	-	-	(1,042,200)	-	(1,042,200)
Balance at 30 June 2018		29,162,228	245,660	4,863,415	(43,585)	(5,965,191)	(28,976,845)	(714,318)	-	(714,318)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,732,128)	(360,777)
Project generation		(1,123,702)	-
Interest received		191	381
Net cash (outflows) from operating activities	7	(2,855,639)	(360,396)
Cash flows from investing activities			
Exploration and evaluation expenditure		(405,190)	(196,455)
Loan to Kalia Holding Pty Ltd		-	(600,000)
Interest on borrowings		(1,400)	-
Payment for plant and equipment		(94,319)	-
Proceeds on sale of tenement		30,000	-
Pace grant received		134,217	-
Net cash (outflows) from investing activities		(336,692)	(796,455)
Cash flows from financing activities			
Proceeds from issue of shares		2,557,427	645,575
Payments for share issue costs		(167,200)	-
Repayment of borrowings		(100,000)	-
Proceeds from borrowings		1,190,000	100,000
Transaction costs related to borrowings		(53,500)	-
Net cash inflows from financing activities		3,426,727	745,575
Net increase/(decrease) in cash and cash equivalents		234,396	(411,276)
Cash and cash equivalents at the beginning of the year		57,259	468,535
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at the end of the year	7	291,655	57,259

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Kalia Limited and its subsidiaries.

The financial statements have been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements are presented in Australian dollars.

The Company is a listed public company, incorporated in Australia and operating in Australia. The entity's principal activities are exploration focused on copper, gold and energy metals.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2018

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issued but are not yet adopted for the year ended 30 June 2018. As a result of this review the Directors have determined that the following Standards and Interpretations may have a material effect on Group accounting policies in future financial periods, namely:

- AASB 16 *Leases*

The Company has elected not to early adopt these Standards and Interpretations.

<u>*AASB 16 Leases*</u>

AASB 16 replaces the AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases-Incentives and Interpretation* 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Most leases will be capitalised on the balance sheet by recognising a lease liability for the present value obligation and a 'right-of-use' asset. The right of use asset is calculated based on the lease liability plus initial direct costs, prepaid lease payments and estimated restoration costs less lease incentives received. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and deprecation replacing operating lease expense. There are exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

This standard will primarily affect the accounting for the Group's operating lease. As at 30 June 2018, the Group has $130,379 of non-cancellable operating lease commitments, predominantly relating to a property lease. The Group is considering the available options to account for this transition but the Group expects a change in reported earnings before interest, tax, depreciation and amortisation (EBITDA) and increase in lease assets and liabilities recognition. The lease standard is also expected a considerable impact on deferred tax balances. This will however be dependent on the lease arrangements in place when the new standard is effective. The Group has commenced the process of evaluating the impact of the new lease standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that also adopt AASB 15. A lessee can choose to apply the standard using a full retrospective or a modified retrospective approach.

Other than the above, the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no material change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue by the directors on 21 September 2018.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kalia Limited ('Company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Kalia Limited and its subsidiaries are referred to in this financial report as the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(e) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions:
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Impairment of exploration expenditure
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. When assessing impairment of exploration and evaluation assets, the carrying amount of exploration and evaluation is compared to its recoverable amount. The estimated recoverable amount is used to determine the extent of the impairment loss (if any).

As at 30 June 2018, the Directors reviewed the Group's exploration portfolio for indicators of impairment. As a result of this review, a total of $370,765 of capitalised exploration expenditure was written off in relation to Australian tenements. Refer to Note 11 also.

(f) Acquisition of Kalia Holdings Pty Ltd
During the year the Company acquired Kalia Holdings Pty Ltd as described in note 6 to the financial statements. The acquisition was treated as an asset acquisition rather than a business combination as the acquiree did not meet the definition of a business under AASB 3 *Business Combinations*. For further information on the acquisition refer to note 6.

(g) Going concern
The Group has incurred a net loss after tax of $18,666,389 (2017: $961,732) primarily due to Kalia Holdings Pty Ltd acquisition costs and incurred net cash outflows from operating and investing activities of $3,192,331 for the year ended 30 June 2018 (2017: $1,156,851).

The nature of the Group's current activities does not provide the Group with revenues.

The Group has historically met its cash flow requirements by raising the required capital through the placing of shares with investors. During the financial year the Group effectively raised $2,557,427, prior to share issue costs, which has been applied to operations and the settling of debt. As at 30 June 2018 the Group had cash assets of $291,655 and an available loan facility of $1,930,000 that will see planned activities through to November 2018. On 31 December 2018 the Company has to repay the full drawn down amount up to a limit of $3,000,000.

The Group will need to secure sources of external funding to enable it to continue to meet its liabilities as and when they fall due. The Group has a variety of options for sourcing additional funds but it is principally dependent on its ability to raise additional capital.

While the Directors believe that the Group will obtain sufficient funding, the Directors have concluded that the lack of committed funds represents a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern, and therefore the Group and Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

After considering the uncertainties mentioned above, the Directors have a reasonable expectation that the Group will be able to obtain additional funding that will provide the Group with sufficient resources to continue in operational existence for the foreseeable future. For this reason, the Directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(h) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Kalia Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign currency translation

Both the functional and presentation currency of Kalia Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

As at the balance date the assets and liabilities of this subsidiary are translated into the presentation currency of Kalia Limited at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

In addition, in relation to the partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

(j) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(k) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of 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 profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(l) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(m) Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(n) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(o) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade 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 the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

(q) Financial assets

Classification

The consolidated entity classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is a part of an identified portfolio of financial instruments that the consolidated entity manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated and effective as a hedging instrument.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the consolidated entity's management has the positive intention and ability to hold to maturity. If the consolidated entity were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date – the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Subsequent measurement
Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the consolidated entity's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair value
The fair values of quoted investments are based on last trade prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment
The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

(r) Property, plant and equipment
Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment	3 - 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment
The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

Derecognition and disposal
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(r) Trade and other payables
Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(s) Borrowings
Borrowings are initially recognised at fair value. Interest and fees are recognised as finance cost. Borrowings are classified as current liabilities if settlement is within 12 months after the reporting period.

(t) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Share-based payment transactions

Equity settled transactions

The Group in a previous financial year provided benefits to employees of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

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

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

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

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

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. Refer Note 5.

(v) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(w) Loss per share

Basic loss per share is calculated as net loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:

  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in

exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

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.

(y) Parent entity financial information

The financial information for the parent entity, Kalia Limited, disclosed in Note 18 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the parent entity's financial statements.

(z) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 2: REVENUE AND EXPENSES

	2018 $	2017 $
Revenue		
Interest income	191	381
	191	381

	2018 $	2017 $
Expenses		
Employee benefit expenses	886,814	128,710
Share-based payment expenses	20,440	52,053
Legal fees	347,024	53,892
Travel costs	143,981	13,440
Consulting fees	125,697	-
Office & IT costs	121,126	29,114
Statutory fees	117,584	42,136
Other	82,314	15,087
	1,844,980	334,432

NOTE 3: INCOME TAX

Income tax recognised in profit or loss
The major components of tax expense are:

	2018 $	2017 $
Current tax expense/(income)	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce:		
• Current tax expense	-	-
• Deferred tax expense	-	-
Write-downs/ (reversal of write-downs) of deferred tax assets	-	-
Total tax expense /(income)	-	-

Reconciliation:
The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

	2018 $	2017 $
Accounting loss before tax from continuing operations	(18,666,389)	(961,732)
Gain before tax from discontinued operations	-	-
Accounting loss before income tax	(18,666,389)	(961,732)
Income tax benefit calculated at 27.5%	(5,133,257)	(264,476)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 3: INCOME TAX (continued)

Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
• Impairment expense	63,249	-
• Amortisation expense	-	-
• Investment allowance	-	-
• Share-based payments	4,286,292	-
Difference in overseas tax rates	37,720	-
Previously unrecognised tax losses now recouped to reduce current tax expense	-	-
Previously unrecognised tax losses used to reduce deferred tax expense	-	-
Unused tax losses not recognised as deferred tax assets	745,996	264,476
Income tax expense reported in the consolidated statement of comprehensive income	-	-
Income tax attributable to discontinued operations	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law.

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items:

	2018 $	2017 $
Tax losses – revenue	2,658,194	2,062,070
Tax losses – capital	406,309	402,789
Deductible temporary differences	68,181	(76,190)
	3,132,684	2,388,669

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

NOTE 4: SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Board of Directors for the purposes of resource allocation and assessment of performance is more specifically focused on the exploration and development of uranium resource projects. The Group's reportable segments under AASB 8 are therefore as follows:

- Exploration and evaluation - Australia
- Exploration and evaluation - Bougainville
- Other sector

Exploration and evaluation - Australia refers to three EL's held in the Northern Territory and two held in Western Australia. The Group holds a 100% interest in these licences through GBE Exploration Pty Ltd a wholly owned subsidiary of Kalia Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 4: SEGMENT REPORTING (continued)

Exploration and evaluation - Bougainville refers to two Exploration Licences held in Bougainville which were granted on 15 November 2017.

The other sector relates to Australian head office operations, including cash management.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following table presents the revenue and loss information regarding the segment information provided to the Board of Kalia Limited for the year ended 30 June 2018 and 30 June 2017.

	Exploration and evaluation-Australia	Exploration and evaluation - Bougainville	Other	Consolidated
30 June 2018	$	$	$	$
Segment revenue	95	13	83	191
Segment result	(390,971)	(950,856)	(17,324,562)	(18,666,389)
Segment assets	4,981	537,063	307,694	849,738
Segment liabilities	44	181,681	1,382,331	1,564,056

	Exploration and evaluation-Australia	Exploration and evaluation - Bougainville	Other	Consolidated
Cash flow information	$	$	$	$
Net cash flow from operating activities	(7,862)	(2,153,329)	(694,448)	(2,855,639)
Net cash flow from investing activities	-	(317,705)	(18,987)	(336,692)
Net Cash from financing activities	-	-	3,426,727	3,426,727

	Exploration and evaluation Australia	Exploration and evaluation Bougainville	Other	Consolidated
30 June 2017	$	$	$	$
Segment revenue	3	-	378	381
Segment result	(593,473)	-	(368,259)	(961,732)
Segment assets	456,258	-	655,381	1,111,639
Segment liabilities	291,385	-	128,639	420,024

	Exploration and evaluation-Australia	Exploration and evaluation - Bougainville	Other	Consolidated
Cash flow information	$	$	$	$
Net cash flow from operating activities	-	-	(360,396)	(360,396)
Net cash flow from investing activities	(196,455)	-	(600,000)	(796,455)
Net Cash from financing activities	-	-	745,575	745,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 4: SEGMENT REPORTING (continued)

The revenue reported above represents revenue generated from external customers. Intersegment revenues have been eliminated.

Segment results earned by each segment are without allocation of central administration costs and directors' salaries, share of profits from associates, investment revenue and finance costs, income tax expense, gains or losses of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The revenue and results of this segment are those of the Group as a whole and are set out in the consolidated statement of comprehensive income and the assets and liabilities of the Group as a whole are set out in the consolidated statement of financial position.

NOTE 5: LOSS PER SHARE

	2018	2017
Basic and diluted loss per share	Cents per share	Cents per share
Continuing operations	(0.010)	(0.102)
Total basic loss per share	(0.010)	(0.102)

Basic and diluted loss per share

The earnings and weighted average number of ordinary shares used in the calculation of loss per share is as follows:

	2018	2017
	$	$
Loss	(17,981,198)	(961,732)
Loss from continuing operations	(17,981,198)	(961,732)

	2018	2017
	Number	Number
Weighted average number of ordinary shares for Basic and diluted earnings per share	1,827,165,932	944,393,826

NOTE 6: ACQUISITION OF KALIA HOLDINGS PTY LTD

During the period the Company elected to exercise the option to acquire 72.29% of shares in Kalia Holdings Pty Ltd. Kalia Holdings Pty Ltd is the parent company of Papua New Guinean registered subsidiary Kalia Investment Ltd, which held contractual rights with landowners to apply for exploration licences in the Tore Region of Bougainville Island. On 28 September 2017 the company issued 772,891,566 consideration shares to the shareholders of Kalia Holdings Pty Ltd for 72.29% of the shares in Kalia Holdings Pty Ltd.

Acquisition date fair value of the consideration transferred:

	2018
	$
Shares issued at fair value	10,843,373
Performance shares issued (i)	3,750,000
Total consideration	14,593,373
Net liabilities assumed	912,701
Acquisition cost (ii)	15,506,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 6: ACQUISITION OF KALIA HOLDINGS PTY LTD (continued)

(i) The Directors have assessed the vesting probabilities associated with the performance shares issued in relation to the acquisition. As a result of this assessment, 3,750,000 Class A performance shares have been considered probable to vest and have been included in the acquisition consideration at their measurement date fair value of $0.015.

(ii) The acquired subsidiaries did not have legal rights to tenure of the Bougainville area of interest at the time of acquisition. Tenure was subsequently granted on 15 November 2017 by the Autonomous Region of Bougainville but tenure remains subject to landowner access agreements. The non-controlling interest of 27.71% in Kalia Holdings Pty Ltd at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquirees identifiable net assets and amounted to ($252,909).

Subsequent to the above transaction the remaining shareholder of Kalia Holdings Pty Ltd was Global Resources Investments Trust PLC (GRIT) holding 27.71% shareholding in Kalia Holdings Pty Ltd. The proposed GRIT transaction was approved at the Extraordinary General meeting held on 11 May 2018 whereafter, on 16 May 2018, GRIT was issued 48,000,000 shares from Kalia Limited valued at $5,280,000. The non-controlling interest of 27.71% in Kalia Holdings Pty Ltd at the date of acquiring the additional 27.71% was measured by reference to the non-controlling interests' proportionate share of the acquirees identifiable net assets and amounted to ($685,191). The difference between the amount by which the non-controlling interest were adjusted and the fair value of consideration paid was recognised in Minority interest acquisition reserve.

NOTE 7: CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash at bank and on hand	291,655	57,259

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Reconciliation of loss for the year to net cash flows from operating activities

	2018 $	2017 $
Loss for the year	(18,666,389)	(961,732)
Depreciation and amortisation	4,410	482
Other	-	7,032
Share based payment	20,440	52,052
Impairment of exploration	370,765	545,650
Loss on sale of tenements	12,800	-
Interest and finance cost	97,597	-
Acquisition cost Kalia Holdings Pty Ltd	15,506,074	-
(Increase)/decrease in assets:		
Trade and other receivables	(441,193)	(30,797)
Other current assets	-	(1,330)
Increase/(decrease) in liabilities:		
Trade and other payables	239,857	28,247
Net cash from operating activities	(2,855,639)	(360,396)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 8a: TRADE AND OTHER RECEIVABLES

	2018	2017
	$	$
Other receivables	-	134,217
GST receivable	23,016	24,109
	23,016	158,326

NOTE 8b: LOAN KALIA HOLDINGS PTY LTD

	2018	2017
	$	$
Loan Kalia Holdings Pty Ltd (i)	-	600,000

(i) During the previous period the Company extended a $600,000 loan to Kalia Holdings Pty Ltd. The loan is interest free. During the current period the Company completed the acquisition of 100% of Kalia Holdings Pty Ltd as detailed in note 6.

NOTE 9: OTHER FINANCIAL ASSETS

	2018	2017
Current	$	$
Prepayments (i)	445,158	2,872

(i) Prepayments of $372,048 relates to an Aerial Survey to be conducted in Bougainville and remaining balance relates to insurance and deposits.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment
	$
Gross carrying amount	
Balance at 1 July 2016	84,743
Additions	-
Disposals	(1,781)
Balance at 1 July 2017	82,962
Additions	94,319
Disposals	-
Balance at 30 June 2018	177,281
Accumulated depreciation and impairment	
Balance at 1 July 2016	87,261
Depreciation expense	482
Disposals	(4,781)
Balance at 1 July 2017	82,962
Depreciation expense	4,410
Disposals	-
Balance at 30 June 2018	87,372
Carrying value	
30 June 2018	89,909
30 June 2017	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 11: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2018 $	2017 $
Costs carried forward in respect of:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	263,182	506,156
Expenditure incurred	107,583	454,692
Plan for accelerating exploration (PACE) grant South Aust (i)	-	(122,016)
Impaired exploration expenditure (ii)	(370,765)	(545,650)
Available for Sale EL 5391 (iii)	-	(30,000)
Total exploration and evaluation expenditure	-	263,182

(i) The Company was successful in obtaining a grant from the South Australian Government in respect of the drilling program undertaken on EL 5302 in June 2017. Actual funds were received 21 July 2017.

(ii) Exploration expenditure impaired in the current financial year, EL 5302 relinquished $1,466, EL5231 relinquished $245,377, EL 31275 impaired $43,462, EL 31391 Impaired $23,511, EL 31542 impaired $12,826, E80/5012 impaired $15,317 and E80/5013 impaired $28,806.

(iii) EL5391 reclassified to Assets available for sale at the agreed sale value of $30,000 and sold during 30 June 2018 financial year.

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTE 12a: TRADE AND OTHER PAYABLES (CURRENT)

	2018 $	2017 $
Trade payables (*i*)	208,312	4,122
Accruals	180,407	315,902
Leave entitlements and superannuation	105,337	-
	494,056	320,024

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

Information regarding the interest rate, foreign exchange and liquidity risk exposure is set out in Note 15.

NOTE 12b: BOROWINGS

	2018 $	2017 $
Unsecured		
Loan KSL Corp Pty Ltd (ii)	-	100,000
Secured		
Loan Tygola Pty Ltd (*iii*)	1,070,000	-
Total borrowings	1,070,000	100,000

(ii) Represents unsecured bridging loan that was repaid on 20 October 2017 with shares.

(iii) Represents secured bridging loan to be repaid by 31 December 2018. The facility limit is $3,000,000. A 5% facility fee on drawdowns and interest of 10% is payable on balances owing. First ranking security interest over the assets**.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 13: ISSUED CAPITAL

	2018	2017
	$	$
2,514,347,391 Ordinary shares issued and fully paid (2017: 1,058,849,199)	29,162,228	11,223,627

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

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.

Movement in ordinary shares on issue

	2018		2017	
	Number	$	Number	$
Balance at beginning of year	1,058,849,199	11,223,627	905,955,825	10,578,054
Placement shares	219,106,626	2,476,428	135,893,374	543,573
Acquisition of 72.29% of Kalia Holdings Pty Ltd	722,891,566	10,843,373	-	-
Loan repayment	20,000,000	300,000	-	-
Acquisition of 27.71% of Kalia Holdings Pty Ltd	480,000,000	5,280,000	-	-
Share issue cost	-	(1,042,200)	-	-
Conversion of options to shares	13,500,000	81,000	17,000,000	102,000
Balance at end of year	2,514,347,391	29,162,228	1,058,849,199	11,223,627

Share options and Performance Rights

The Company during the current financial year made an equity based payment to the Lead Consultant and Directors of the Company approved at the 2016 Annual General Meeting. Refer Note 15.

	2018		2017	
	Number	$	Number	$
Balance at beginning of year	58,000,000	217,975	75,000,000	165,923
Forfeiture of options (20 Oct 2016)	-	-	(37,500,000)	(12,543)
Issue of Options to Director	100,000,000	20,440	37,500,000	64,596
Exercise of options	(13,500,000)	-	(17,000,000)	-
Performance Right Class C	250,000,000	3,750,000	-	-
Performance Right Class A & B	500,000,000	-	-	-
Advisor Options	250,000,000	875,000	-	-
Balance at end of year	1,144,500,000	4,863,415	58,000,000	217,975

NOTE 14: RESERVES AND ACCUMULATED LOSSES

Reserves

Movements in reserves were as follows:

	Option premium reserve	Share based payment reserve	Minority interest acquisition reserve	Foreign currency translation reserve	Total
2018	$	$	$	$	$
Balance at beginning of year	245,660	217,975	-	-	463,635
Equity based payment (options)	-	4,645,440	-	-	4,645,440
Foreign Currency Translation reserve	-	-	-	(43,585)	(43,585)
Acquisition of Non-controlling interest	-	-	(5,965,191)	-	(5,965,191)
Balance at end of year	245,660	4,863,415	(5,965,191)	(43,585)	(899,701)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14: RESERVES AND ACCUMULATED LOSSES (continued)

2017	Option premium reserve $	Share based payment reserve $	Minority Interest acquisition reserve $	Foreign currency translation reserve $	Total $
Balance at beginning of year	245,660	165,923	-	-	411,583
Equity based payment	-	64,595	-	-	64,595
Forfeiture of Options		(12,543)	-	-	(12,543)
Balance at end of year	245,660	217,975	-	-	463,635

Nature and purpose of reserves

Share based payment and option premium reserve
The share based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. The option premium reserve arises on the grant of share options for consideration.

Minority interest acquisition reserve
The minority interest acquisition reserve is used to reflect changes in ownership interest which do not result in a loss of control. The reserve represents the difference between consideration of the non-controlling interest proportional share in net assets at the date of acquisition.

Foreign currency translation reserve
Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

Accumulated Losses

Movements in accumulated losses were as follows:

	2018 $	2017 $
Balance at beginning of year	(10,995,647)	(10,033,915)
Net loss for the year	(17,981,198)	(961,732)
Balance at end of year	(28,976,845)	(10,995,647)

NOTE 15: SHARE BASED PAYMENT

Options issued to Directors are not issued under an Employee Share Option Plan and are subject to approval by shareholders and attaching vesting conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15: SHARE BASED PAYMENT (continued)

The following share-based payment arrangements were in place during the current period:

Series	Number	Grant date	Expiry date	Exercise price cents	Fair value at grant date Cents
Consultant					
1. Options issued 13/05/2016	20,000,000	13/05/2016	13/05/2019	$0.006	$0.0004
2. Advisor Options issued 21/11/17 (i)	250,000,000	21/11/2017	30/06/2019	$0.003	-
3. Performance Right Class A (ii)	250,000,000	11/12/2017	01/06/2020	-	-
4. Performance Right Class B (iii)	250,000,000	11/12/2017	03/03/2022	-	-
5. Performance Right Class C (iv)	250,000,000	11/12/2017	01/06/2019	-	-
Directors					
6. Options issued (v)	24,500,000	25/11/2016	13/05/2019	$0.006	$0.0017
7. Options Issued Tranche 1 (vi)	35,000,000	16/05/2018	16/05/2021	$0.020	$0.0057
8. Options issued Tranche 2 (vi)	35,000,000	16/05/2018	16/05/2022	$0.025	$0.0063
9. Options Issued Tranche 3 (vi)	30,000,000	16/05/2018	16/05/2023	$0.030	$0.0068

(i)During the period, 250,000,000 escrowed Adviser options were issued for assistance provided to the Company to raise funds. The following assumptions were made, resulting in a valuation of $875,000.

- Exercise price $0.003
- Fair value of options at 30 June 2018 $0.008
- Number of unlisted options 250,000,000
- Discount for lack of marketability (as shares are held in escrow) 30%

The advisor options were issued for assistance in various capital raisings which occurred during the year. The allocation of the options to advisors is in the process of being determined by management although the terms and conditions have been agreed. As the service to which the options relate have already been provided but the grant date aggregate value cannot yet be determined, the options have been valued at intrinsic value under AASB 2.

(ii)Conversion of Class A Performance Shares on achievement of A Milestone
Upon the Company announcing on or before 1 June 2020, from a project held by Kalia or a subsidiary, a JORC 2012 compliant inferred resource of either:

(i) at least 190Mt at a minimum grade of 0.3g/t of gold (Au); or
(ii) at least 160Mt at a minimum grade of 0.3% copper (Cu),
("**A Milestone**")
each Class A Performance Share will convert into a Share on a one for one basis.

(iii)Conversion of Class B Performance Shares on achievement of B Milestone

Upon the Company announcing on or before 1 March 2022, from a project held by Kalia or a subsidiary, a JORC 2012 compliant inferred resource of either:

(i) at least 285Mt at a minimum grade of 0.3g/t gold (Au); or
(ii) at least 240Mt at a minimum grade of 0.3% copper (Cu),
("**B Milestone**")
each Class B Performance Share will convert into a Share on a one for one basis.

(iv)Conversion of Class C Performance Shares on achievement of C Milestone

(i) Upon the grant of an exploration licence to Kalia or a subsidiary in the Tinputz district of Bougainville and the period of 180 days thereafter; and
(ii) Kalia, through the Company's funding, undertaking initial mapping and then drilling on a project held by Kalia or a subsidiary of a minimum of 2,000 metres,
and being on or before 1 June 2019 ("**C Milestone**") each Class C Performance Share will convert into a Share on a one for one basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15: SHARE BASED PAYMENT (continued)

(v) The fair value of the 2017 unlisted options was determined using the Black Scholes Method. Inputs used to determine the valuation were:

Number of Options: 37,500,000 Share Price: $0.003 Exercise Price: $0.006 Expected Volatility:191% Expiry date (years): 2.5 Expected dividend yield: nil Risk free rate: 2.5% Issued 25 November 2016

(vi) The vesting conditions meet the definition of a market condition and the value of the options determined using the Hoadley Trading & Investment Tools.

Assumptions	Tranche1	Tranche 2	Tranche 3
Spot Price 15 May 2018	$0.0110	$0.0110	$0.0110
Vesting Hurdle	$0.0300	$0.0375	$0.0450
Expected future volatility	102%	102%	102%
Risk free rate	2.22%	2.22%	2.22%
Dividend yield	Nil	Nil	Nil

The following table illustrates the number and weighted average exercise prices of, and movements in, share options on issue during the 2017 and 2018 years.

	2018		2017	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding at the beginning of year	58,000,000	-	75,000,000	-
Granted during the year	350,000,000	-	37,500,000	$0.006
Forfeited during the year	-	-	(37,500,000)	$0.006
Exercised during the year	(13,500,000)	$0.006	(17,000,000)	$0.006
Outstanding at the end of year	394,500,000	-	58,000,000	$0.006
Exercisable at the end of year	144,500,000	-	58,000,000	$0.006

NOTE 16: FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, and general administrative outgoings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16: FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	2018 $	2017 $
Financial assets		
Cash and cash equivalents	291,655	57,259
Receivables	23,016	158,326
Loan Kalia Holdings Pty Ltd	-	600,000
Financial liabilities		
Trade payables	208,312	4,122
Borrowings	1,070,000	100,000

Financial risk management objectives
The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period

Foreign currency exchange rate risk management
The Group undertakes certain transactions nominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed utilising foreign exchange specialists.

The carrying amounts of the Group's currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Liabilities		Assets	
	2018 $	2017 $	2018 $	2017 $
Papua New Guinea Kina	-	-	25,481	-

Foreign currency sensitivity analysis
The Group's sensitivity to foreign exchange has not changed significantly from the prior year.

Interest rate risk management
The Group's exposures to interest rates on financial assets and financial liabilities are confined to variable interest rates on its cash holdings of $291,655 at balance date. Interests on loans are fixed at 10%.

Interest rate risk sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At balance date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the impact on the net loss and equity would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16: FINANCIAL INSTRUMENTS (continued)

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Contracted maturity
The following tables detail the Group's expected contractual maturity for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The tables include both interest and principal cash flows.

30 June 2018	Weighted average interest rate %	Less than 1 month	1 - 3 months	3 months – 1 year
Fixed interest rate borrowings	10.52%	6,282	27,080	1,070,000
Non-interest bearing trade payables	-	208,312	-	-

30 June 2017	Weighted average interest rate %	Less than 1 month	1 - 3 months	3 months – 1 year
Non-interest bearing borrowings	-	-	-	100,000
Non-interest bearing trade payables	-	4,122	-	-

Fair Values

The carrying amount of the Group's financial assets and liabilities approximates their carrying amounts at balance date.

NOTE 17: COMMITMENTS AND CONTINGENCIES

a) *Australia and Bougainville minerals exploration program*

As at 30 June 2018, GBE Exploration (100% subsidiary of Kalia Ltd) held five Exploration licences ("EL") in Australia. Kalia Investment Limited holds two EL in the Mt Tore region on the island of Bougainville.

Future minimum payments for mineral exploration as at 30 June 2018 are as follows:

	2018 $	2017 $
Within one year	1,895,275	100,000
After one year but not more than five years	4,371,966	140,000
More than five years	-	-
	6,267,241	240,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

b) *Operating lease commitments*

Kalia Limited has entered into a contracted Perth head office and Buka AROB lease arrangements.

Future minimum payments for above properties as at 30 June 2018 are as follows:

	2018 $	2017 $
Within one year	102,938	-
After one year but not more than five years	27,441	-
More than five years	-	-
	130,379	-

c) *Contingent liabilities*

Kalia Limited and its subsidiary Kalia Holdings Pty Ltd were named as second and third defendants in an action brought by Central Exploration Pty Ltd, Central Area Ltd and RTG Mining in the Supreme Court of Western Australia. The matter relates to the alleged breach of a Deed of Settlement on activity relating to the Panguna Mine in the Autonomous Region of Bougainville, Paua New Guinea. The Company has been defending the claims made against it and believes they are without merit. All parties to the action have been referred for mediation.

NOTE 18: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Kalia Limited and the subsidiaries listed in the following table.

	Country of incorporation	% Ownership interest 2018	2017
Parent Entity			
Kalia Limited	Australia		
Subsidiaries			
Kalia Holdings Pty Ltd	Australia	100	-
Kalia Investment Ltd	Papua New Guinea	100	-
GBE Exploration Pty Ltd	Australia	100	100
Namib Pty Ltd(i)	Australia	100	100

Kalia Limited is the ultimate Australian parent entity and ultimate parent of the Group.

(i) Namib Pty Ltd was incorporated in the previous financial year for the Company's activities in Namibia. No transactions or activities have occurred during the current financial year.

Transactions with Key Management Personnel
In the current financial year D Johnston, S Rechner and N Burn invoiced the company for consulting fees of $165,550 with none owing as at 30 June 2018. Refer Key Management Personnel remuneration in Remuneration Report for details. Other than as indicated in Note 18 and Note 22, there were no other transactions with key management personnel during the year.

Loans to Key Management Personnel
Prior to acquiring Kalia Holdings Pty Ltd a former director Mr Graeme Kirke loaned $100,000 to Kalia Holdings Pty Ltd which was repaid on 24 October 2017. Mr Graeme Kirk a director of KSL Corp Pty Ltd loaned the Company $100,000 during the prior financial year and a further $120,000 during the current financial year of which the full balance was repaid with shares from the Company in the current financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 18: RELATED PARTY DISCLOSURE (continued)

Other transactions and balances with Key Management Personnel

Legal fees incurred by D Johnston of $31,848 and T Larkan of $79,869 as a result of legal action bought by RTG Mining Ltd were paid by the Company.

Unpaid Director fees owing to Mr T Larkan were $139,073.

Expenses incurred by Mr P Batten owing are $167,856.

NOTE 19: PARENT ENTITY DISCLOSURES

Financial position

	2018 $	2017 $
Assets		
Current assets	291,739	54,257
Non-current assets	376,274	601,125
Total assets	668,013	655,382
Liabilities		
Current liabilities	1,382,331	128,765
Non-current liabilities	-	-
Total liabilities	1,382,331	128,765
Equity		
Issued capital	29,162,228	11,223,627
Option premium reserve	245,660	245,660
Equity settled employee benefits	4,863,415	217,975
Accumulated losses	(34,985,621)	(11,160,647)
Total equity	(714,318)	526,615

Financial performance

	2018 $	2017 $
Loss for the year	(23,824,974)	(607,254)
Other comprehensive loss	-	-
Total comprehensive loss	(23,824,974)	(607,255)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Kalia Limited has not entered into any deed of cross guarantee with its wholly-owned subsidiaries during the year ended 30 June 2018 (2017: Nil).

NOTE 20: EVENTS AFTER THE REPORTING PERIOD

On 17 July 2018 and 17 August 2018, the company drew down $250,000 and $360,000 respectively on the loan facility. The Tore Joint Venture Limited was incorporated on 1 August 2018. Other than noted above, there has been no additional matter or circumstances that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in future financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 21: AUDITOR'S REMUNERATION

The auditor of Kalia Limited is HLB Mann Judd.

	2018 $	2017 $
Auditor of the parent entity		
Audit or review of the financial statements	37,300	29,500
	37,300	29,500

NOTE 22: DIRECTORS AND EXECUTIVES DISCLOSURES

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. Total remuneration paid to key management personnel is as follows:

	2018 $	2017 $
Remuneration type		
Short- term employee benefits	577,771	121,831
Post-employment benefits	52,549	10,837
Non-monetary benefit	20,440	64,596
Total	650,760	197,264

DIRECTORS' DECLARATION

1. In the opinion of the directors of Kalia Limited (the 'Company'):

    a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

        i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year then ended; and
        ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

    b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

    c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

This declaration is signed in accordance with a resolution of the Board of Directors.

Terrence Larkan
Managing Director

Dated 21 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report to the Members of Kalia Limited (formerly GB Energy Limited)

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Kalia Limited (formerly GB Energy Limited) ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Kalia Limited (formerly GB Energy Limited) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 auditor independence requirements of 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* ("the Code") that are relevant to our audit of the financial report in Australia.

We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(g) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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HLB Mann Judd

Key Audit Matter	How our audit addressed the key audit matter
Exploration and evaluation expenditure (Refer to Note 10)	
In accordance with *AASB 6 Exploration for and Evaluation of Mineral Resources*, the Group capitalises exploration and evaluation expenditure and at 30 June 2018 recognised an impairment of $370,765 and reduced the carrying value of deferred exploration and evaluation expenditure to nil. Exploration and evaluation expenditure was determined to be a key audit matter as it is important to the users understanding of the financial statements as a whole and was an area which involved the most audit effort and communication with those charged with governance.	Our procedures included but were not limited to: - We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values; - We considered the Director's assessment of potential indicators of impairment; - We obtained evidence that the Group has current rights to tenure of its area of interest; - We considered the nature and extent of planned ongoing activities; - We enquired with management, reviewed ASX announcements and minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation of its area of interests; and - We examined the disclosures made in the financial report.
Acquisition of Kalia Holdings Pty Ltd (Refer to Note 6)	
On 28 September 2017 the company issued 772,891,566 consideration shares to the shareholders of Kalia Holdings Pty Ltd for 72.29% of the shares in Kalia Holdings Pty Ltd. On 16 May 2018 the company issued 480,000,000 consideration shares to the minority shareholders of Kalia Holdings Pty Ltd for acquisition of the non-controlling interest of 27.71%. The acquisition of Kalia Holdings Pty Ltd and the subsequent acquisition of the minority interest is considered a key audit matter due to its importance to the users understanding of the financial report as a whole, and involved a significant degree of audit effort and communication with those charged with governance.	Our procedures included but were not limited to: - We considered the appropriate treatment of the acquisition and whether it was within the scope of AASB 3; - We considered the valuation of consideration issued in relation to the initial acquisition of 72.29% of Kalia Holdings Pty Ltd and the subsequent acquisition of the non-controlling interests; - We considered the Directors' assessment of probabilities that milestones would be achieved associated with the Performance Shares issued as part consideration for the purchase of 72.29% of Kalia Holdings Pty Ltd; - We considered the existence of rights of tenure in relation to the projects of the acquiree; - We considered the requirements of AASB 10 in relation to the acquisition of the non-controlling interest; and - We considered AASB 11 Joint Arrangement in reference to contractual arrangements between Kalia Investments and its exploration partner.

HLB Mann Judd

Share-based payments (Refer to Note 15)	
The Company has entered into various share-based payment arrangements during the year. During the year, the company issued 100,000,000 unlisted options to a director with associated market vesting conditions. In addition, 250,000,000 adviser options were issued in relation to services provided by brokers with respect to capital raisings during the year. We considered this to be a key audit matter as the valuation of share-based payments are subject to complexity and significant judgement and are material to the users understanding of the financial statements as a whole.	Our procedures included but were not limited to: - We considered the appropriate treatment of the share-based payments with reference to the requirements of AASB 2; - We reviewed the valuations prepared by both management and, in the case of the options with a market condition, by an external expert; - We considered the appropriateness of the treatment of the relevant vesting conditions with reference to the requirements of AASB 2.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* 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 have 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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

HLB Mann Judd

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Kalia Limited (formerly GB Energy Limited) for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
21 September 2018

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance disclosure is available on the Company's website at:

http://kaliagroup.com/corporate-governance/

ADDITIONAL SECURITIES EXCHANGE INFORMATION

ASX additional information as at 11 September 2018

Number of holders of equity securities

Ordinary share capital

2,514,347,391 fully paid ordinary shares are held by 739 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

Nil

Distribution of holders of equity securities

	Fully paid ordinary shares	
1 – 1,000	29	5,908
1,001 – 5,000	14	41,649
5,001 – 10,000	46	445,555
10,001 – 100,000	214	11,637,655
100,001 and over	436	2,502,216,624
	739	2,514,347,391
Holding less than a marketable parcel	240	

Substantial shareholders

Ordinary shareholders	**Fully paid ordinary shares Number**
NIKOLAJS ZUKS AND FAMILY	554,702,717
GLOBAL RESOURCES INVESTMENT	535,150,000
GLENEAGLE SECURITIES NOMINEES	122,905,985

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares Number	Percentage
GLOBAL RESOURCES INVESTMENT	535,150,000	21.28
NIKOLAJS ZUKS	225,000,000	8.95
GLENEAGLE SECURITIES NOMINEES	122,905,985	4.89
KSLCORP PTY LTD	107,000,000	4.26
J P MORGAN NOMINEES AUSTRALIA	106,729,202	4.24
ENZED NOMINEES PTY LTD	75,301,205	2.99
ENZED NOMINEES PTY LTD	67,934,157	2.70
GREYWOOD HOLDINGS PTY LTD	62,000,000	2.47
MRS MELANIE THERESE VERHEGGEN	60,000,000	2.39
CARLA MICHELLE PTY LTD	56,581,988	2.25
PILLAGE INVESTMENTS PTY LTD	55,000,000	2.19
MAYSTAR PTY LTD	54,216,867	2.16
JESSIKA ERIN PTY LTD	40,662,651	1.62
PETER BATTEN	36,144,578	1.44
FINROW LIMITED	31,200,000	1.24
SUZAN BAKER	30,552,651	1.22
LSAF HOLDINGS PTY LTD	30,000,000	1.19
IAN SANDOVER & ASSOCIATES PTY	25,000,000	0.99
AMRIC PTY LTD	24,550,000	0.98
MR JOHN MALCOLM BURRELL &	24,000,000	0.95
	1,769,929,284	**70.39**

Company Secretary

Mr Phillip Hartog

On-market buy-back

Currently there is no on-market buy-back of the Company's securities

Registered and principal office

Castlecragg House
17 Rheola Street
WEST PERTH WA 6005

Share registry

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009

TENEMENT SCHEDULE

As at 11 September 2018

Granted

TENEMENT	LOCATION	INTEREST
EL31275	Northern Territory	100%
EL31391	Northern Territory	100%
EL31542	Northern Territory	100%
E80 5012	Western Australia	100%
E80 5013	Western Australia	100%
EL 03	Bougainville	75%
EL 04	Bougainville	75%

Applications

TENEMENT	LOCATION	INTEREST
ELA31537	Northern Territory	
ELA31392	Northern Territory	
ELA31393	Northern Territory	