Kalia limited

# Interim Financial Report
# 31 December 2018

**CONTENTS**

## DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 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 interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

| | |
|---|---|
| David Johnston | Chairman |
| Terence Larkan | Managing Director |
| Peter Batten | Technical Director |
| Sean O'Brien | Non-Executive Director |

### Review of Operations

**Operations**

The net profit of the Group for the six months to 31 December 2018 is $1,157,355 (31 December 2017: ($16,587,169)).

During the half-year to 31 December 2018:

- The Annual Report for the financial year ended 30 June 2018 was released on the 21st September 2018.
- Quarterly Activity report issued on 29 October 2018 noted the identification of a copper anomaly, straddling Nenepai and Poupouato Creeks, within the epithermal alteration zone, that exceeds 1,000m in length and over 400m in width.
- The Annual General Meeting of members held on 29 November 2018 had all resolutions approved and there were no changes to the Board of Directors.
- On 3 December 2018 the Group announced that the data collection for the geophysics survey work over both Bougainville exploration licences was completed.

**Subsequent to the half-year end:**

On 2nd January 2019 the Group announced that it secured further funding of $1,000,000 from Tygola Pty Ltd, the existing secured loan funder; subject to approval at a General Meeting of Shareholders and specific disclosure requirements imposed by the ASX. As at date of this report the Group had received $750,000 of the $1,000,000 loan.

**Strategy**

The Group is focussed on applying resources as aggressively as possible to exploration activities where it is believed that shareholder value can best be created.

All assets have been reviewed. There is no doubt, confirmed by the geophysics programme and assays of samples, that the most prospective ground in the portfolio lies in Bougainville. As a result, the exploration licence portfolio is being reshaped and sole focus of resources will be to advance the exploration on the Bougainville Exploration Licences 03/2017 and 04/2017. As at date of this report all the Australian tenements and applications have been surrendered and withdrawn with the exception of EL 31391 Indiana in the Northern Territory.

**Financial Position**

The cash balance at the end of the half-year was $99,998 with Tygola Pty Ltd $3,000,000 loan facility fully drawn down. Funds will be required in the coming half-year to fund exploration activities and working capital requirements. The scope of exploration activities is constrained only by the funds available. The Group is exploring all avenues to ensure that funding will be available to develop activities to reveal the undoubted potential of the Bougainville exploration licences.

**Auditor's Independence Declaration**

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 review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

**Terrence Larkan**
**Managing Director**
**12 March 2019**

HLB MANN JUDD
ADVISORY AND ACCOUNTING

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the consolidated financial report of Kalia Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

**Perth, Western Australia**
**12 March 2019**

**M R Ohm**
**Partner**

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

| | Notes | 31 December 2018 $ | 31 December 2017 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Interest income | | 158 | 49 |
| Other income | 5.1 | 3,750,000 | - |
| Accounting expenses | | (23,780) | (17,179) |
| Administrative and employee expense | | (1,082,302) | (710,034) |
| Depreciation and amortisation expense | | (24,964) | (37) |
| Project generation | | (1,257,415) | (352,969) |
| Finance cost | | (191,742) | - |
| Impairment of exploration asset | | - | (1,466) |
| Acquisition cost of Kalia Holdings Pty Ltd | 6 | - | (15,505,774) |
| Foreign exchange | | (15,600) | 241 |
| **Net profit / (loss) for the period** | | **1,157,355** | **(16,587,169)** |
| | | | |
| **Other comprehensive income, net of income tax** | | | |
| ***Items that may be reclassified to profit or loss*** | | | |
| Exchange differences on translation of foreign operations | | (31,188) | (8,779) |
| **Total comprehensive income / (loss) for the period, net of income tax** | | 1,126,167 | (16,595,948) |
| | | | |
| **Profit / (Loss) attributable to:** | | | |
| **Owners of the parent** | | 1,126,167 | (16,138,725) |
| **Non-controlling interests** | | - | (448,444) |
| | | 1,126,167 | (16,587,169) |
| | | | |
| **Total comprehensive income / (loss) attributable to:** | | | |
| **Owners of the parent** | | 1,126,167 | (16,145,071) |
| **Non-controlling interests** | | - | (450,877) |
| | | 1,126,167 | (16,595,948) |
| | | | |
| Basic earnings / (loss) per share (cents per share) | | 0.05 | (1.11) |
| Diluted earnings / (loss) per share (cents per share) | | 0.05 | (1.11) |

The accompanying notes form part of these financial statements

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

| | Notes | 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 99,998 | 291,655 |
| Trade and other receivables | | 16,647 | 23,016 |
| Prepayments | 7 | 29,014 | 445,158 |
| **Total current assets** | | 145,659 | 759,829 |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 227,775 | 89,909 |
| Exploration and evaluation expenditure | 3 | - | - |
| **Total non-current assets** | | 227,775 | 89,909 |
| **Total assets** | | 373,434 | 849,738 |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 255,080 | 208,312 |
| Borrowings | 9 | 3,000,000 | 1,070,000 |
| Other payables | | 374,746 | 285,744 |
| **Total current liabilities** | | 3,629,826 | 1,564,056 |
| **Total liabilities** | | 3,629,826 | 1,564,056 |
| **Net liabilities** | | (3,256,392) | (714,318) |
| | | | |
| **Equity** | | | |
| Share capital | 4 | 30,037,228 | 29,162,228 |
| Reserves | 5 | (5,474,130) | (899,701) |
| Accumulated losses | | (27,819,490) | (28,976,845) |
| **Total Equity** | | (3,256,392) | (714,318) |

The accompanying notes form part of these financial statements

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| | $ | $ |
| **Cash flows from operating activities** | | |
| Payments to suppliers and employees | (884,469) | (611,907) |
| Project generation | (873,653) | - |
| Interest received | 158 | 49 |
| Income tax paid | (2,839) | - |
| **Net cash outflow from operating activities** | (1,760,803) | (611,858) |
| | | |
| **Cash flows from investing activities** | | |
| Payments for exploration and evaluation expenditure and project generation | - | (744,647) |
| PACE grant received | - | 134,216 |
| Payment for plant and equipment | (162,830) | (1,451) |
| Proceeds on sale of tenement | - | 30,000 |
| **Net cash outflow from investing activities** | (162,830) | (581,882) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issue of equity securities | - | 2,536,427 |
| Payment for share issue costs | - | (167,200) |
| Interest on borrowings | (101,524) | - |
| Proceeds from borrowings | 1,930,000 | 120,000 |
| Transaction costs related to borrowings | (96,500) | - |
| **Net cash inflow from financing activities** | 1,731,976 | 2,489,227 |
| | | |
| Net (decrease)/increase in cash held | (191,657) | 1,295,487 |
| Cash and cash equivalents at the beginning of the period | 291,655 | 57,259 |
| **Cash and cash equivalents at the end of the period** | 99,998 | 1,352,746 |

The accompanying notes form part of these financial statements

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) are general purpose interim financial statements and have been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

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

The interim financial statements do not include full disclosures of the type normally included in the full financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2018 and any public announcements made by the Company and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

### Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### Standards and Interpretations applicable to 31 December 2018

In the period ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2018. As a result of this review, the Group has initially applied AASB 9 and AASB 15 from 1 July 2018.

The Directors have determined that there is no material impact of the other new and revised Standards and Interpretations on the Group 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 of the new and revised Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2018.

As a result of this review the Directors have determined that AASB 16 Leases may have a material effect on the application in future periods.

AASB 16 replaces AASB 117 Leases and related interpretations.
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 statement of financial position 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 the expense recognition with interest and depreciation replacing operating lease expense. Operating lease commitments on the property lease that were payable as at 31 December 2018 are $102,938. These leases will be capitalised on the statement of financial position by recognising a lease liability for the present value obligation and a 'right of use' asset. There are exemptions for short- term leases and leases of low-value items.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

This Standard will primarily affect the accounting for the Group's operating lease commitments predominately relating to property leases and may result in an increase in reported earnings before interest, tax and depreciation and amortisation (EBITDA) and increase in lease assets and liabilities recognition. The Standard may also have an impact on deferred tax balances. The impact 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 Standard.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.
Other than the above, there is no material impact of the new and revised Standards and Interpretations on the Group and therefore, no material change is necessary to Group accounting policies.

**Significant accounting judgments and key estimates**
The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2018.

**Going concern**
The results for the half-year reflect the current nature of the Group's activities being mineral exploration and project development with the Group incurring a net profit after tax of $1,157,355 primarily due to a reassessment of vesting conditions of Class C Performance Shares in relation to the acquisition of Kalia Holdings Pty Ltd. This was partially offset by project generation, administrative and employee expenditure of $2,336,878. The Group incurred net cash outflows from operating and investing activities of $1,923,633 for the half year ended 31 December 2018.

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

The Group has historically met its working capital requirements by raising the required capital through the placing of shares with investors. During the half-year the Group secured a $3 million loan which has been applied to operations. As at 31 December 2018 the Group had cash of $99,998. As at date of this report the Group received $750,000 of the $1,000,000 loan from Tygola Pty Ltd, entered into 2nd January 2019.

The Group will need to secure sources of external funding before the end of April 2019 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.

**Statement of compliance**
The interim financial statements were authorised for issue on 12 March 2018.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 2: OPERATING SEGMENTS

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 Exploration license (EL's) held in the Northern Territory and one application in the Northern Territory. The Group holds a 100% interest in these licences through GBE Exploration Pty Ltd a wholly owned subsidiary of Kalia Limited.

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

The other sector relates to 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 2: SEGMENT REPORTING (continued)

The following table presents the revenue and loss information regarding the segment information provided to the Board of Kalia Limited for the half-year periods ended 31 December 2018 and 31 December 2017.

| | Continuing operations | | | |
|---|---|---|---|---|
| | Exploration and evaluation-Australia | Exploration and evaluation - Bougainville | Other | Consolidated |
| 31 December 2018 | $ | $ | $ | $ |
| Segment revenue | - | 70 | 3,750,088 | 3,750,158 |
| Segment result | (42,242) | (2,169,548) | 3,369,145 | 1,157,355 |
| Segment assets | 3,811 | 251,722 | 117,901 | 373,434 |
| Segment liabilities | 116 | 228,268 | 3,401,442 | 3,629,826 |

| | Continuing operations | | | |
|---|---|---|---|---|
| | Exploration and evaluation-Australia | Exploration and evaluation – Bougainville | Other | Consolidated |
| 31 December 2017 | $ | $ | $ | $ |
| Segment revenue | 13 | - | 36 | 49 |
| Segment result | (20,695) | (16,211,353) | (355,121) | (16,587,169) |
| Segment assets | 330,245 | 84,536 | 1,369,767 | 1,784,548 |
| Segment liabilities | 5,720 | 213,550 | 207,007 | 426,277 |

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 3: EXPLORATION AND EVALUATION EXPENDITURE

| | Six months to 31 December 2018 $ | Year to 30 June 2018 $ |
|---|---|---|
| Costs carried forward in respect of areas of interest in the following phases: | | |
| Exploration and evaluation phase – at cost | | |
| Balance at beginning of period | - | 263,182 |
| Expenditure incurred | - | 107,583 |
| Impaired exploration (i) | - | (370,765) |
| Total exploration and evaluation expenditure | - | - |

(i) Exploration expenditure impaired in the 30 June 2018 financial year is as follows: 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.

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 4: SHARE CAPITAL

| | 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|
| *Shares* | | |
| Issued and fully paid | 30,037,228 | 29,162,228 |
| | 30,037,228 | 29,162,228 |

| | Six months to 31 December 2018 | | Year to 30 June 2018 | |
|---|---|---|---|---|
| | Number | $ | Number | $ |
| *Movements in ordinary shares* | | | | |
| Balance at beginning of period | 2,514,347,391 | 29,162,228 | 1,058,849,199 | 11,223,627 |
| Placement of shares | - | - | 219,106,626 | 2,476,428 |
| 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 |
| Conversion of options to shares | - | - | 13,500,000 | 81,000 |
| Share issue costs (Note 5.2) | - | 875,000 | - | (1,042,200) |
| Balance at end of period | 2,514,347,391 | 30,037,228 | 2,514,347,391 | 29,162,228 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 5.1: SHARE BASED PAYMENTS

The Company during the period ended December 2018 did not make any new equity based payments to the Directors. Options issued to Directors are not issued under an Employee Share Option Plan and are subject to approval by shareholders and attaching vesting conditions.

| | December 2018 | | June 2018 | |
|---|---|---|---|---|
| | Number | $ | Number | $ |
| Balance at beginning of year | 1,144,500,000 | 4,863,415 | 58,000,000 | 217,975 |
| Performance Rights Class C (3) | - | (3,750,000) | 250,000,000 | 3,750,000 |
| Performance Rights Class A and B (3) | - | - | 500,000,000 | - |
| Exercise of Options (1) | - | - | (13,500,000) | - |
| Director Options (4) | - | 81,759 | 100,000,000 | 20,440 |
| Advisor Options (2) | - | (875,000) | 250,000,000 | 875,000 |
| Balance at end of year | 1,144,500,000 | 320,174 | 1,144,500,000 | 4,863,415 |

(1) Options have an exercise price of $0.006 and expiry of 13 May 2019
(2) Advisor Options have an exercise price of $0.003 and expiry of 30 June 2019 (Note 5.2)
(3) The Directors have assessed the vesting probabilities associated with the performance shares issued in relation to the acquisition of Kalia Holdings Pty Ltd. As a result of this assessment, 3,750,000 Class A performance shares have been considered not probable to vest and have been reversed in the current period. The following is a summary of the key terms of the Performance Rights which relate to the Kalia acquisition (see note 6).

**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.

**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.

**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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 5.1: SHARE BASED PAYMENTS (continued)

(4) The following is a summary of options issued to a director.

| Series | Number | Grant date | Expiry date | Exercise price cents | Fair value at grant date cents |
|---|---|---|---|---|---|
| Director | | | | | |
| Options Issued Tranche 1 (i) | 35,000,000 | 16/05/2018 | 16/05/2021 | $0.020 | $0.0057 |
| Options issued Tranche 2 (i) | 35,000,000 | 16/05/2018 | 16/05/2022 | $0.025 | $0.0063 |
| Options Issued Tranche 3 (i) | 30,000,000 | 16/05/2018 | 16/05/2023 | $0.030 | $0.0068 |

(i) 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 |

### NOTE 5.2: OPTION RESERVE

On 25 November 2016, 250,000,000 escrowed Adviser options were issued in lieu of assistance provided to the Company to raise funds. 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. As at 31 December 2018 the following assumptions were made, resulting in a valuation of $0.00.

Exercise price $0.003

Fair value of options at 31 December 2018 $0.003

Number of unlisted options 250,000,000

Discount for lack of marketability (as shares are held in escrow) 30%

### NOTE 5.3: RESERVES

Movements in reserves were as follows:

| Consolidated | Option premium reserve | Share based payment reserve | Foreign currency translation reserve | Minority Interest acquisition reserve | Total |
|---|---|---|---|---|---|
| 31 December 2018 | $ | $ | $ | $ | $ |
| Balance at beginning of year 1 July 2018 | 245,660 | 4,863,415 | (43,585) | (5,965,191) | (899,701) |
| Adviser Options | - | (875,000) | - | - | (875,000) |
| Performance Shares Class C | - | (3,750,000) | - | - | (3,750,000) |
| Director options issued | - | 81,759 | - | - | 81,759 |
| Foreign currency translation | - | - | (31,188) | - | (31,188) |
| Balance at end of period | 245,660 | 320,174 | (74,773) | (5,965,191) | (5,474,130) |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 6: ACQUISITION OF KALIA HOLDINGS PTY LTD

During the year ended 30 June 2018 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.

Acquisition date fair value of the consideration transferred:

| | 30 June 2018 $ |
|---|---|
| Shares issued at fair value | 10,843,373 |
| Performance shares issued [i] | 3,750,000 |
| Total consideration | 14,593,373 |
| Net liabilities assumed | 912,401 |
| Acquisition Cost [ii] | 15,505,774 |

(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 C 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. 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 where after, 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 the minority interest acquisition reserve.

### NOTE 7: PREPAYMENTS

| | 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|
| Prepayments (i) | 29,014 | 445,158 |

(i) During the previous period prepayments of $372,048 related to an Aerial Survey to be conducted in Bougainville and remaining balance related to insurance and other deposits. The Aerial Survey was completed in the current period. The current period prepayments relates to deposits.

### NOTE 8: PROPERTY, PLANT AND EQUIPMENT

During the period the Group purchased two light vehicles for Bougainville $123,839 and spend a further $38,991 on IT and office equipment in Perth and Bougainville. Group depreciation for the 6 months period was $24,964.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

### NOTE 9: BORROWINGS

| | 31 December 2018 $ | 30 June 2018 $ |
|---|---|---|
| Loan Tygola Pty Ltd (i) | 3,000,000 | 1,070,000 |
| | | |
| Balance at beginning of period drawn down | 1,070,000 | - |
| Funds drawn down under loan facility during the period | 1,930,000 | 1,070,000 |
| Balance at end of period drawn down | 3,000,000 | 1,070,000 |
| | | |
| Interest paid during the period | 101,524 | 1,400 |
| Facility fees paid during the period | 96,500 | 53,500 |

**(i)** 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**.** The terms of repayment of the loan will be extended after approval from shareholders are obtained at the general meeting. Tygola Pty Ltd has provided a letter of comfort that no legal action will be taken to enforce the first ranking security until such a time as the general meeting has been held.

### NOTE 10: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

### NOTE 11: RELATED PARTY TRANSACTIONS

There has been no change in the nature of related party transactions since the last annual reporting date.

### NOTE 12: EVENTS SUBSEQUENT TO REPORTING DATE

On 2nd January 2019 the Group announced that it secured further funding of $1,000,000 from Tygola Pty Ltd, the existing secured loan funder; subject to approval at a General Meeting of Shareholders and specific disclosure requirements imposed by the ASX. As at date of this report the Group had received $750,000 of the $1,000,000 loan.

### NOTE 13: FINANCIAL INSTRUMENTS

The methods and valuation techniques used for the purposes of measuring fair value are unchanged compared to the previous reporting period. The carrying amounts of the financial assets and financial liabilities are considered to be a reasonable approximation of their fair value.

## DIRECTORS' DECLARATION

1. In the opinion of the Directors of Kalia Limited ('the company'):

   a. the accompanying interim 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 31 December 2018 and of its performance for the half-year the ended; and

      (ii) complying with Australian Accounting Standards, the *Corporation 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 interim 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 303(5) of the *Corporations Act 2001* for the half year ended 31 December 2018.

**Terrence Larkan**
**Managing Director**

**Dated this 12th day of March 2019**

**INDEPENDENT AUDITOR'S REVIEW REPORT**
To the members of Kalia Limited

**Report on the Condensed Interim Financial Report**

*Conclusion*

We have reviewed the accompanying interim financial report of Kalia Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Kalia Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Emphasis of matter - material uncertainty related to going concern*

We draw attention to Note 1 in the interim 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 conclusion is not modified in respect of this matter.

*Directors' responsibility for the interim financial report*

The directors of the Group are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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HLB MANN JUDD
ADVISORY AND ACCOUNTING

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

**HLB Mann Judd**
**Chartered Accountants**

**M R Ohm**
**Partner**

**Perth, Western Australia**
**12 March 2019**