MT MARSHALL KAOLIN PTY LTD

ACN 626 494 399

Interim Report - 31 December 2019

Mt Marshall Kaolin Pty Ltd
Directors' report
31 December 2019

The directors present their report, together with the financial statements, of Mt Marshall Kaolin Pty Ltd (referred to hereafter as the 'Company') at the end of, or during, the half-year ended 31 December 2019.

Directors
The following persons were directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mark Balfour
Aaron Banks
Peter Croft
Robert Fitzgerald

Principal activities
The Company is an Australian proprietary company limited by shares, incorporated on 30 May 2018. The Company commenced trading in October 2019 when it acquired exploration licence E70/5039 (Kaolin Tenement), which makes up the Kaolin project (Kaolin Project). The Company entered into the Mt Marshall Agreement, being an agreement between the shareholders of the Company and Ultracharge Limited, a publicly listed Australian company, whereby the Company's shareholders have agreed to sell their shares in the Company in exchange for 75,000,000 shares in Ultracharge Limited. The Company received an option fee of $150,000 from Ultracharge Limited when Ultracharge Limited exercised its option to enter into the Mt Marshall Agreement. Other than entering into the Mt Marshall Agreement and taking a transfer of the Kaolin Tenement, the Company has had no material business operations except for exploration activities on its Kaolin Tenement.

Significant changes in the state of affairs
Other than as stated under the heading of Principal activities, there were no significant changes in the state of affairs of the Company during the half-year.

Matters subsequent to the end of the financial half-year

On 28 January 2020, Ultracharge Limited (ASX: UTR) announced that it will hold an Extraordinary General Meeting ("EGM") to enable its shareholders to approve a number of plans and transactions, including the acquisition of Mt Marshall Kaolin Pty Ltd.

Other than the matters noted above the Board is not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operation of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Peter Croft
Director

26 February 2020
Perth

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF MT MARSHALL KAOLIN PTY LTD

As lead auditor for the review of Mt Marshall Kaolin Pty Ltd for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 26 February 2020

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General information

The financial statements are a special purpose financial report that covers Mt Marshall Kaolin Pty Ltd. The financial statements are presented in Australian dollars, which is Mt Marshall Kaolin Pty Ltd's functional and presentation currency.

Mt Marshall Kaolin Pty Ltd is a private company limited by shares, incorporated and domiciled in Australia. The Company was incorporated on 30 May 2018 and was dormant until it commenced trading on 1 October 2019.

Its registered office and principal place of business are:

Registered office

Level 10, 182 St George's Terrace
Perth WA 6000

Principal place of business

Level 10, 182 St George's Terrace
Perth WA 6000

A description of the nature of the Company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 February 2020.

Mt Marshall Kaolin Pty Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	31 Dec 2019 $	31 Dec 2018 $
Other income	150,040	-
Administration expenses	(4,745)	-
Profit before income tax expense	145,295	-
Income tax expense	-	-
Profit after income tax expense for the half-year	145,295	-
Other comprehensive income for the half-year, net of tax	-	-
Total comprehensive profit for the half-year	145,295	-

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

Mt Marshall Kaolin Pty Ltd
Statement of financial position
As at 31 December 2019

	Note	31 Dec 2019 $	30 Jun 2019 $
Assets			
Current assets			
Cash and cash equivalents		91,987	300
Other receivables	2	23,932	-
Total current assets		115,919	300
Non-current assets			
Exploration and evaluation expenditure	3	48,000	-
Total non-current asset		48,000	-
Total assets		163,919	300
Liabilities			
Current liabilities			
Trade and other payables		18,324	-
Total current liabilities		18,324	-
Total liabilities		18,324	-
Net assets		145,595	300
Equity			
Issued capital	4	300	300
Accumulated profits	3	145,295	-
Total equity		145,595	300

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

Mt Marshall Kaolin Pty Ltd
Statement of changes in equity
For the half-year ended 31 December 2019

	Issued capital $	Reserves $	Accumulated profits $	Total equity $
Balance at 1 July 2018	300	-	-	300
Profit after income tax expense for the half-year	-	-	-	-
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive profit for the half-year	-	-	-	-
Balance at 31 December 2018	300	-	-	300
Balance at 1 July 2019	300	-	-	300
Profit after income tax expense for the half-year	-	-	145,295	145,295
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive profit for the half-year	-	-	145,295	145,295
Balance at 31 December 2019	300	-	145,295	145,595

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

Mt Marshall Kaolin Pty Ltd
Statement of cash flows
For the half-year ended 31 December 2019

	Note	31 Dec 2019 $	31 Dec 2018 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(5,220)	-
Option fee received		150,000	-
Interest received		40	-
Net cash from operating activities		144,820	-
Cash flows from investing activities			
Payments for exploration and evaluation		(29,201)	-
Net cash used in financing activities		(29,201)	-
Cash flows from financing activities			
Loan to related entity		(23,932)	-
Net cash used in financing activities		(23,932)	-
Net increase in cash and cash equivalents		91,687	-
Cash and cash equivalents at the beginning of the financial half-year		300	300
Cash and cash equivalents at the end of the financial half-year		91,987	300

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

Note 1. Significant accounting policies

(a) Basis of preparation

These interim financial statements are special purpose financial statements prepared in accordance with requirements of Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These interim financial statements were authorised for issue on 26 February 2020.

The interim financial statements have been presented in Australian dollars (AUD), which is the Company's functional and presentation currency.

Going Concern
The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.
The Company has no recurring cash inflows from operations and had cash and cash equivalents of $91,987 at period end.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon the success of fundraising under the Ultracharge prospectus or alternatively, financial support from its shareholders.

The Directors believe that the Company will continue as a going concern. As a result the financial report has been prepared on a going concern basis which contemplates the continuity of the normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following:

- The Company entered into the Mt Marshall Agreement, being an agreement between the shareholders of the Company and Ultracharge Limited, a publicly listed Australian company, whereby the Company's shareholders have agreed to sell their shares in the Company in exchange for 75,000,000 shares in Ultracharge Limited. Ultracharge Limited is conducting a capital raise under a prospectus to raise $5,000,000 - $6,000,000.

Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(b) Significant accounting policies

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

Exploration and evaluation expenditure
The Company applies the most appropriate accounting policy for exploration and evaluation expenditure incurred for each area of interest. From 1 July 2019, the Company has adopted its accounting policy for exploration and evaluation expenditure incurred in the Kaolin Project, Western Australia area of interest to capitalise as follows:
Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has legal rights to explore in the specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource.
Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such deposit.
Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure prior to securing the legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

a) The rights to tenure of the area of interest are current; and
b) At least one of the following conditions is also met:

i. The expenditure is expected to be recouped through the successful development and commercial exploitation of an area of interest, or alternatively by its sale; and
ii. Exploration and evaluation activities in the area of interest have no, at reporting 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. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Impairment testing of exploration and evaluation expenditure
Exploration and evaluation expenditure is assessed for impairment if insufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation expenditure is tested for impairment when any of the following facts and circumstances exist:

a) The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
b) Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
c) Exploration for and evaluation of mineral resources in the specific area of interest have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area;
d) Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

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

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

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

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

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

(c) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent historical collection rates.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may

lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Exploration and evaluation expenditure
Exploration and evaluation expenditure is capitalised on the basis that the Company will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

	31 Dec 2019 $	30 Jun 2019 $
Note 2. Other Receivable - Watershed		
Opening balance	-	-
Additions[1]	23,932	-
Closing balance	23,932	-

[1]During the period, the Company loaned $23,932 of funds to Watershed Enterprise Solutions Pty Ltd, which is considered to be fully recoverable on the basis of Watershed Enterprise Solutions Pty being in a net asset position and has available cash to repay the loan.

	31 Dec 2019 $	30 Jun 2019 $
Note 3. Exploration and evaluation expenditure		
Opening balance	-	-
Additions[1]	48,000	-
Impairment	-	-
Closing balance	48,000	-

[1]During the period, the Company incurred exploration costs relating to exploration licence E70/5039 (Kaolin Tenement), which makes up the Kaolin project (Kaolin Project). The Company had rights to tenure for its tenements during the half-year period.

Note 4. Equity - issued capital

	31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 $	30 Jun 2019 $
Ordinary shares - fully paid	300	300	300	300

Movements in share capital

	No of shares	Issue price	$
Opening balance as at 1 July 2019	300		300
Issued during the period	-	-	-
Closing balance as at 31 December 2019	300		300

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

	31 Dec 2019 $	30 Jun 2019 $
Note 5. Equity – Accumulated losses		
Accumulated profits at the beginning of the financial period	-	-
Profit after income tax expense for the period	145,295	-
Accumulated profits at the end of the financial period	145,295	-

Note 6. Contingent liabilities

The Company does not have any contingent liabilities as at 31 December 2019 (30 June 2019: nil).

Note 7. Events after the reporting period

On 28 January 2020, Ultracharge Limited (ASX: UTR) announced that it will hold an Extraordinary General Meeting ("EGM") to enable its shareholders to approve a number of plans and transactions, including the acquisition of Mt Marshall Kaolin Pty Ltd.

Other than the matters noted above the Board is not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operation of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Mt Marshall Kaolin Pty Ltd
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Peter Croft
Director

26 February 2020
Perth

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mt Marshall Kaolin Pty Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Mt Marshall Kaolin Pty Ltd (the Company) which comprises the statement of financial posaition as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Company's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2019 and its financial 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 Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 26 February 2020