

## Copy of financial statements and reports

### Company details

Company name

**KALBAR LIMITED**

ACN

**149 545 362**

### Reason for lodgement of statement and reports

A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking

Dates on which financial  
year ends

Financial year end date

**30-06-2020**

### Auditor's report

Were the financial statements audited?

**Yes**

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

**No**

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

**No**

### Details of current auditor or auditors

Current auditor

Date of appointment **02-03-2011**

Name of auditor

**BDJ PARTNERS**

Address

**LEVEL 13  
122 ARTHUR STREET**

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**NORTH SYDNEY NSW 2060**

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**Certification**

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I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

**Yes**

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**Signature**

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Select the capacity in which you are lodging the form

**Secretary**

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

**Yes**

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**Authentication**

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This form has been authorised by

Name                      ROBERT JOHN WARING , Secretary

Date                        06-11-2020

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# KALBAR

Limited

A.B.N. 30 149 545 362

FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2020



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**KALBAR LIMITED**  
**A.B.N. 30 149 545 362**

**CORPORATE DIRECTORY**

Your directors present their report on the Kalbar Limited (the Company) and its controlled entity (the "Group") for the financial year ended 30 June 2020.

**Directors**

The names of the directors in office at any time during, or since the end of the year are:

Dr Brad Farrell  
Mr Neil O'Loughlin  
Mr Brad Pettersson  
Mr Robert Bishop  
Mr James Kerr  
Mr Ian Warden

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Company Secretary**

Mr Robert Waring

**Principal Place of Business and Registered Office**

48 Bailey Street  
Bairnsdale VIC 3875  
Telephone: (+61 3) 5152 3130  
Email: [Info@kalbarresources.com.au](mailto:Info@kalbarresources.com.au)

**Share Register**

Automic Registry Services  
Level 5, 126 Phillip Street  
Sydney NSW 2000  
Telephone: 1300 288 664  
International Telephone: (+61 2) 9698 5414  
Email: [hello@automic.com.au](mailto:hello@automic.com.au)

**Auditors**

Stantons International Audit and Consulting Pty Ltd  
Level 2, 1 Walker Avenue  
West Perth, WA 6005 Australia

**KALBAR LIMITED**  
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**DIRECTORS' DETAILS**

**Directors**

**Brad Farrell**

Non-Executive Chairman

*Qualifications*

BSc Hons. Eco. Geol., MSc, PhD, FAusIMM, CP, MIMM, CEng

*Experience*

Brad has some 45 years' experience in the resources industry. During this time he has been involved in several significant mineral sands discoveries and developments including Sierra Leone (Rotifunk); Western Australia (Scott Coastal Plain and Gwindinup – later mined by BeMax Ltd); and the Murray Basin of Victoria and NSW. He was the founder, Managing Director and Executive Chairman, and major shareholder of Basin Minerals Ltd which developed the Douglas Mineral Sands Project in Victoria before merging with Iluka Resources in October 2002.

*Interest in equity*

13,960,793 ordinary shares, 125,000 escrowed shares and 70,000 performance rights.

*Other directorships*

Ceased to be a director of ASX Ionic Rare Earths Ltd (*formerly* Oro Verde) in November 2018. Currently the Non-Executive Chairman and a Director of Kalbar Operations Pty Ltd.

**Neil O'Loughlin**

Non-Executive Director (Former Executive Director Technical and Project Development), Chairman of the Technical Committee of Kalbar Operations Pty Ltd

*Qualifications*

BSc, M.A. Analytical Science

*Experience*

Neil is a geologist with over 30 years' experience in mineral exploration and mine development. In the mineral sands industry, he is well known as the co-founder and Executive Director of Basin Minerals Ltd which developed the Douglas Mineral Sands Project in Victoria before merging with Iluka Resources in 2002.

*Interest in equity*

7,178,247 ordinary shares, 1,050,000 escrowed shares and 140,000 performance rights.

*Other Directorships*

None

**Brad Pettersson**

Non-Executive Director – Finance

*Qualifications*

B Commerce

*Experience*

Brad is an accountant with 25 years' experience specialising in tax law and commercial transactions. He commenced work with Arthur Andersen Sydney and became a Tax Partner with Ernst & Young within the Corporate and International Tax Practice. He then became Managing Director of Mining Advisory Consultants, a company providing support to clients in transactions, the financing of transactions, and effective tax structuring. Brad has held various advisory roles specialising in the Mining industry around financial strategy and M&A.

*Interest in equity*

8,435,000 ordinary shares, 125,000 escrowed shares and 144,740 performance rights.

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<i>Other Directorships</i>	Mining Advisory Consultants Pte Ltd. Currently a Director of Kalbar Operations Pty Ltd and a Member of its Finance Committee.
<b>Robert Bishop</b>	Non-Executive Director. Member of the Technical Committee of Kalbar Operations Pty Ltd
<i>Qualifications</i>	BEng (Chem)
<i>Experience</i>	Rob is a Chemical Engineer with 20 years' experience in the mining sector, including mineral sands at Tiwest Mineral Sands in Western Australia. As well as practical mining experience, Rob has spent over 10 years in the finance industry focusing on the resources sector. Rob is a founding director of Kalbar Resources, and was formerly Managing Director and Executive Chairman of Kalbar Resources.
<i>Interest in equity</i>	12,383,446 ordinary shares, 125,000 escrowed shares and 70,000 performance rights
<i>Other directorships</i>	None
<b>James Kerr</b>	Non-Executive Director
<i>Qualifications</i>	BSc (Geology), MSc (Mineral Economics), AusIMM, MSEG, Fellow LGS, MWASM
<i>Experience</i>	Jim is a Geologist who has over 25 years' experience in the global mining industry having developed projects across the commodity spectrum in Australia, Asia-Pacific and Sub-Sahara Africa. He has held senior executive roles for companies including Iscor, Barrick Gold Corporation, Mincor, Tethyan Copper, Lithic Metals and Energy (as MD) and Hillgrove Resources.
<i>Interest in equity</i>	2,005,000 ordinary shares, 125,000 escrowed shares and 127,436 performance rights.
<i>Other directorships</i>	None
<b>Ian Warden</b>	Non-Executive Director
<i>Qualifications</i>	B.A.Sc. Hons, G.Cert.BA
<i>Experience</i>	Ian is a geologist with 20 years of experience in nickel, gold and base metals, coal, and iron ore. He has held roles in the resources and resource finance sectors with Rio Tinto, AME Group, with Direct Nickel as Project Development Manager and President Director of their Indonesian subsidiary PT Direct Nickel, and with Global Mining Research.
<i>Interest in equity</i>	3,117,940 ordinary shares, 125,000 escrowed shares and 70,000 performance rights.
<i>Other directorships</i>	None

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**Company Secretary**

**Robert Waring**

*Qualifications*

BEC (Sydney), CA, FCIS, FFin, FAICD, MAusIMM

*Experience*

Robert is a Chartered Accountant with an initial nine years of experience with the major international accounting firm Coopers & Lybrand. He has also been a Company Secretary and a Director of a number of ASX-listed companies since 1990. Robert's experience has been gained over 40 years in financial corporate roles, including over 35 years of experience in the resources sector. He is currently Company Secretary for the ASX-listed companies Cobalt Blue Holdings Limited, Aeris Environmental Ltd, Vectus Biosystems Limited and Xref Limited.



**KALBAR LIMITED**  
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**CHAIRMAN'S LETTER TO SHAREHOLDERS**

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to report to Shareholders, Kalbar Limited's ("Kalbar" or the "Company") activities in financial year 2020.

As you are aware the Company plans to develop the Fingerboards mineral sands deposit, 25 kilometres northwest of Bairnsdale in East Gippsland, Victoria, and to produce in a staged manner, mineral sands heavy mineral concentrate ("HMC") which consists dominantly of the valuable economic minerals, ilmenite, zircon, rutile, leucoxene, monazite and xenotime, initially 300,000-400,000 tpa and eventually up to 600,000 tpa. Depending on market requirements, some or all of the planned HMC production will be magnetically separated to produce a zircon-rich with minor amounts of rutile and rare-earth minerals Non-Magnetic ("Non-Mag") concentrate, and an ilmenite rare-earth minerals, monazite and xenotime, rich Magnetic ("Mag") concentrate. These concentrates will be sold and shipped to mineral processors in China (including Kalbar itself) and South East Asia. There is also an option to sell HMC prior to magnetic separation.

Financial Year 2020 has been transformational for the Company. The Board recognised that obtaining a large equity injection was an immediate priority activity for Financial Year 2020 for the development of the world class Fingerboards Mineral Sands Project ("Project") to unlock value for Kalbar shareholders. The Company explored various sources of equity funding for the Project and determined that an equity partner in the Project providing a one-stop complete equity funding solution for the Project through to first production of HMC, targeted for 2022, best fulfilled the needs of the Company and its shareholders. On 8 March 2020, Kalbar and its 100% owned subsidiary Kalbar Operations Pty Ltd ("KOPL") entered into a binding Subscription and Shareholders Agreement ("SSA") with ANRK B.V., an associated company of Appian Capital Advisory LLP ("Appian") regarding a staged equity investment of up to A\$164 million in KOPL by Appian to fund the Project. This means the Fingerboards Project is now in the enviable position of having its equity component funded.

Appian is a long term, UK based metals and mining private equity investor, that has made a series of investments, worldwide (currently totalling ~US\$1.1 billion) across high quality (1<sup>st</sup>/2<sup>nd</sup> cost quartile) projects in rare-earths, gold, copper, nickel and cobalt, and has successfully supported the majority of these projects through to production. Importantly Appian has an experienced financial and technical team and a demonstrated history of working alongside the management teams of its portfolio companies to share development, financing, and operational expertise.

To facilitate the investment by Appian in KOPL, a Project Acquisition Agreement ("PAA") between Kalbar and KOPL was also executed so that all of the assets (freehold land, tenements and staff) and liabilities of the Fingerboards Project were transferred from Kalbar to KOPL, the Project investment and operating vehicle of the joint venture parties. The SSA regulates both Appian's investment in KOPL and the joint venture relationship of the parties.

From the March signing of the SSA, KOPL and Appian technical teams have worked together to define the scope of work to be undertaken and to action those necessary works to close out the project definition to an acceptable level for financial close of conventional debt funding and Financial Investment Decision ("FID") in early June quarter 2021, subject to attaining all necessary Project Approvals leading to production in financial year 2022.

Effectively from 1 May 2020 Kalbar itself has become an investment holding company, being the current major passive investor in KOPL rather than an active hand on operator. Kalbar is expected to hold a 77-86% (~82%) equity interest in the Project pre-FID and 46-59% (~54%) equity interest post-FID on Project production.

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The above is a summary background to this Director's report. As a consequence, the contents of this Annual Report have been simplified as there is now no immediate need for listing the Company on the ASX with an associated project equity raising to compliment Kalbar's share of debt for the Fingerboards Project. Notwithstanding the Annual Report no longer reflects and conforms to ASX guidelines which it did in Financial year 2020, it still conforms and adheres to corporate financial reporting requirements under the *Corporations Act 2001 (Cth)*.

In conclusion, the ongoing primary aim of the Board going forward is to ensure the delivery of sustainable profits and returns to Shareholders in future years from its major investment in KOPL from its operations in Australia and China. This necessitates a workforce that is skilled, engaged, diverse and empowered to achieve that aim. On those points, the Board of Kalbar thanks our growing capable KOPL workforce especially the Executive in Australia and China, "the KOPL team" going forward with the Project, for their hard work to get us where we are today; poised to finalise technical and EES matters, and to obtain the necessary approvals and debt financing in the latter half of financial year 2021 to commence production on the Fingerboards Project in financial year 2022.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Brad Farrell', with a stylized flourish at the end.

Dr Brad Farrell  
Non-Executive Chairman

**KALBAR LIMITED**  
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**REVIEW OF OPERATIONS**

**Review of Financial Statement**

Kalbar's core business was exploration and project development until 1 May 2020 when it became a passive major shareholder investor in Kalbar Operations Pty Ltd ("KOPL"). The Group's only income has been derived from interest on cash holdings and rebates received from research and development. The loss of the Group for the financial year amounted to \$6,425,297 (2019 loss of the Company \$5,296,952).

**Review of Operations**

Kalbar Resources Ltd became Kalbar Limited ("Kalbar" or "the Company") in the first half of Financial Year 2020 through a corporate restructure. It is developing its 100% owned Fingerboards Project ("the Project") located within the Shire of East Gippsland in the State of Victoria, Australia. The Fingerboards Project represents the first phase of production (15-20 years) from the broader Glenaladale Resource which in turn is part of the Gippsland Mineral Sands Project which was purchased from Rio Tinto in 2013.

The investment premise in the Glenaladale Resource for Kalbar was the recognition that mineral processing was progressively moving from countries like Australia, where the minerals were being mined, to China, where the minerals were being consumed. The creation of significant low capital cost, mineral processing capacity in China meant that the development of a mineral sands mine in Australia with a sufficiently high enough assemblage value would allow for a concentrate to be exported to China. This negated the requirement to build a mineral processing plant within Australia, which is capital intensive in Australian dollar terms. As a result, Kalbar sought to find and develop a simple mineral sands project which could produce a concentrate with a high enough value to profitably cover shipping to China (or elsewhere) for secondary processing. The Fingerboards Project provides a strong strategic fit with the original investment objectives of Kalbar.

The project plans to mine the minerals zircon, rutile, ilmenite, monazite and xenotime that have accumulated together in the deposit because of their similar heavy densities through sedimentological processes in an offshore marine geological setting. These accumulated minerals collectively form what is termed natural heavy mineral concentrate ("HMC"). Mining of areas of enriched HMC grades, generally less than 5% of the volume of the deposit occurring close to surface within the Fingerboards Resource, will be carried out by conventional dry surface mining methodology used in the mineral sands industry worldwide. The minerals will be concentrated using wet gravity processing which separates the heavier mineral sand minerals from the light quartz dominated sand ore to produce a 90-95% primary HMC. The treated ore, termed tailings from the mining and concentrating process, will be returned to the mining void and once filled the land rehabilitated.

Depending on market requirements, some or all of the planned 500-600,000 tpa HMC production will be magnetically separated to produce a Non-Magnetic ("Non-Mag") concentrate and a Magnetic ("Mag") concentrate. The Non-Mag concentrate is zircon-rich with minor amounts of rutile and rare-earth minerals, monazite and xenotime, whilst the Mag concentrate is ilmenite rich, with minor amounts of rare-earth minerals, monazite and xenotime. These concentrates will be sold and shipped to mineral processors in China (including Kalbar itself) and South East Asia. There is also an option to sell HMC prior to magnetic separation.

At the end of Financial Year 2019 Kalbar was completing the optimisation of the Bankable Feasibility Study on the Fingerboards Project completed in August 2018, the optimisation referred to as the Bankable Feasibility Study Update ("BFSU"). Environmental Approval was also being sought through the completion and lodgement of the Fingerboards Project Environmental Effects Statement ("EES"), the EES Report. The Company had also commenced a Definitive Feasibility Study ("DFS") on a concentrate upgrading plant/mineral sands processing plant ("CUP/MSP") on a selected site in southern China as part of its sales strategy for HMC production. Importantly, the Board recognised that obtaining a large equity injection was an immediate priority activity for Financial Year 2020 for the development of the Project to unlock value for Kalbar shareholders.

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**Project Financing**

The Company explored various sources of equity funding for the Project and determined that an equity partner in the Project providing a one-stop complete equity funding solution for the Project through to first production of HMC, targeted for 2022, best fulfilled the needs of the Company and its shareholders. It would also be advantageous for Kalbar if such a partner also had deep experience in the mining sector and an ability to add value through the development phase.

***Appian Project Funding***

On 8 March 2020, Kalbar and its 100% owned subsidiary Kalbar Operations Pty Ltd (“KOPL”) entered into a binding Subscription and Shareholders Agreement (“SSA”) with ANRK B.V., an associated company of Appian Capital Advisory LLP (“Appian”) regarding a staged equity investment of up to \$164 million in KOPL by Appian to fund the Project. To facilitate the investment by Appian in KOPL, a Project Acquisition Agreement (“PAA”) between Kalbar and KOPL was also executed so that all of the assets (freehold land, tenements and staff) and liabilities of the Fingerboards Project were transferred from Kalbar to KOPL, the Project investment vehicle. The SSA regulates both Appian’s investment in KOPL and the joint venture relationship of the parties.

Appian a long term, UK based metals and mining private equity investor, has made a series of investments, worldwide (currently totalling ~US\$1.1 billion) across high quality (1<sup>st</sup>/2<sup>nd</sup> cost quartile) projects in rare-earths, gold, copper, nickel and cobalt, and has successfully supported the majority of these projects through to production and has an experienced team and a demonstrated history of working alongside the management teams of its portfolio companies to share development, financing and operational expertise. The transaction was made at an attractive valuation considering the challenges in securing development capital for projects in the current, difficult, worldwide financial and social (COVID-19) environment.

The Board of KOPL comprises four Directors, with two Directors being appointed by each shareholder. Chairmanship of the KOPL board will rotate between the shareholders on a two-yearly cycle, with Kalbar initially holding the Chair position.

Following completion of conditions precedent, inclusive of respective shareholder meetings to approve the transaction under both the SSA and the PAA, KOPL received the first tranche of A\$11.1 million of equity funding from Appian (A\$10 million) and Kalbar (A\$1.1 million) in June and May respectively pursuant to the terms of the SSA. Post the 30 June 2020 reporting date, further equity from Appian (A\$15.0 million) and Kalbar (A\$3.9m) was received, bringing the total equity contributed by both shareholders to A\$30.0 million as at the date of this report. Partial funds were used at the end of the financial year to make the final payment to Rio Tinto Exploration Pty Ltd (“Rio”) in relation to the 2013 agreement whereby Kalbar purchased Rio’s Gippsland Mineral Sands Project and royalty. The Gippsland Mineral Sands Project is now an unencumbered wholly-owned asset of KOPL.



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***Other Capital Raisings***

Kalbar had an outstanding A\$670,000 loan to major shareholder Inkjar Pty Ltd (“Inkjar”) due 13 December 2019. As project funding at that date had not materially advanced for its repayment and further capital was required for an immediate Project property purchase obligation and for general working purposes, Inkjar advanced a further A\$4,417,000 to assist. The now total \$5,087,000 loan was collateralised by Kalbar’s Fingerboards assets and was due 30 March 2020 with Kalbar having the right at that date to extend the loan term on a quarterly basis until it could be paid from Project funding. The Inkjar loan obligation was incorporated into the SSA and novated to KOPL to become part of Appian’s pre- FID funding commitment, but with repayment being no later than 31 December 2020. It was subsequently repaid in full post financial year end 2020, on 15 October 2020.

In early June 2020, Kalbar finalised a fundraising by way of a placement to interested shareholders of 730,000 fully paid ordinary shares at a price of \$1.50 per share to raise \$1,095,000. The funds raised were used for the purchase of shares in KOPL, to be used by KOPL to fund work on the Project, and for Kalbar’s working capital.

**Advance to Production**

On 1 May 2020 KOPL became the operating entity for the Fingerboards Project. All of the assets (freehold land, tenements and staff) and liabilities of the Fingerboards Project had been transferred from Kalbar to KOPL, the Project investment and operating vehicle, and Kalbar itself had become an investment holding company, being the current major passive investor in KOPL rather than an active operator. The principle offices of the Kalbar group of companies had also moved from Perth to Bairnsdale, and ASIC has been advised of this change for Kalbar and its subsidiaries.

The Kalbar Board was cognisant of the fact that new leadership and people skills were required to advance to production and into production itself. This search commenced as part of financial negotiations in late 2019 and culminated in the appointment of Jozsef Patarica as the new CEO of Kalbar on 1 April 2020 and subsequently his transfer to KOPL as its CEO from 1 May 2020. The previous CEO, Dr Victor Hugo, has stayed on as a consultant to advise on the important Fingerboards Project EES Studies, final EES Report and Approvals process. Mr Patarica is building his KOPL operation team to go forward with subsequent appointments of a CFO and Project Director.

Kalbar completed the BFSU in December 2019 which was undertaken to improve the project economics of the 2018 feasibility study. However the BFSU has not been completed to a standard typically required for Definitive or Bankable Feasibility Studies (“DFS”) and all project risks have not yet been fully addressed to a level that allows for a commercial debt due-diligence to be completed and FID to be taken. As part of the Appian agreement a DFS is now underway, refer below.

Outside the scope of the BFSU, ongoing metallurgical work and market studies were also undertaken focussing on addressing downstream process and market risks. These studies have resulted in the following proposals also requiring investigation:

- processing the Mag concentrate through a Concentrate Upgrade Plant (CUP) to make a zircon rich Non-Mag concentrate, primary and secondary ilmenite products, and rare earth streams; and
- further processing of the zircon rich Non-Mag concentrate through a Mineral Separation Plant (MSP) to produce premium zircon, rutile/HiTi products and a marketable zircon enriched tailings concentrate product (“ZIC”).

From March signing of the SSA, Kalbar and Appian technical teams have worked together to define the scope of work to be undertaken to close out the project definition to an acceptable level for financial close and Financial Investment Decision (“FID”). A risk definition and management approach has been taken to define the risks and the scope of work required to define and manage the risks to a tolerable level to result in the final deliverable of the process, a DFS document, complete with all chapters and supporting documents, such as technical appendices and a project execution plan for commercial debt due-diligence to be completed and attained, and FID to be taken.

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After completion of a series of planning workshops on necessary work-streams to develop an overarching high-level plan of getting the Project to FID and eventually production, KOPL commenced the undertaking of a DFS on the Fingerboards Project with the specific aims of:

- Generating sufficient DFS information to support a positive FID
- Close project debt financing with financial institutions
- Being execution ready to move to Project build on financing, and
- Obtain all corporate and environmental statutory/regulatory approvals

The DFS is being supported by the following eight work-streams (scope developed using a risk management approach) for project management and reporting purposes:

- Overarching KOPL Corporate Activities / Land Acquisition / Pre-FID Capital
- Products and Marketing
- Metallurgy and Process Engineering
- Non-Process Infrastructure
- Geology and Resources
- Mining
- DFS Development
- EES and Permitting

The DFS is scheduled for completion mid-March 2021 with anticipated EES approval and final FID approval by KOPL Board early June quarter 2021 for production to commence in Financial Year 2022.

The Concentrate Upgrade Plant (CUP) study at a site in southern China remained unfinished at financial year end and will be completed in Financial Year 2021 in parallel with the Fingerboards DFS under a separate work-stream and budget. Changsa Research Institute of Mining and Metallurgy Co. Ltd (“CRIIM”) in Hunan Province, China, work is yet to be finalised as dry processing studies undertaken in Australia requires integration into their study. It is expected a positive study will be followed by completion and lodgement of an Environmental Impact Assessment (“EIA”) on the CUP site with its anticipated approval in 2021, and subject to financing, CUP construction and operations to receive Mag concentrate from the Fingerboards Project.

### **Fingerboards Project Environmental Effects Statement (“EES”)**

The EES process, with completion and lodgement of the EES Report, now forms the primary mechanism upon which any project, especially in Victoria, will obtain its required approvals. Although the Victoria government calibrates the EES development with the mining approvals process, the assessment of the EES is not an approval itself; it informs local and state governments, government agencies and statutory authorities with regards to the issuance of permits and consents necessary to progress the project.

The Fingerboards Project requires approval under both Victorian and Commonwealth legislation to construct and operate the Project. As an EES under Victorian legislation was already being prepared, the Commonwealth Minister for the Environment and Energy accredited the EES process under the bilateral agreement between the Commonwealth and the State of Victoria to Victoria’s Department of Environment, Land, Water and Planning (“DELWP”). The EES scoping requirements to also incorporate the Commonwealth Government’s requirements for the assessment of impacts on Environment Matters of National Environmental Significance (“MNES”).

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The EES process involves seven major steps:

- Scoping requirements;
- Technical studies;
- Impact assessment;
- The EES Report;
- Exhibition;
- Public Inquiry; and
- Minister's decision.

Since commencement of the EES process in November 2016, Kalbar has systematically completed the required technical and impact assessment studies of a range of environmental topics. These have been reviewed by the Technical Reference Group ("TRG"), which is a committee of regulators and experts established to review the Kalbar EES. The Company in turn has incorporated these reviewed studies into the EES Report which was lodged in March quarter 2020 for adequacy to commence the final steps in the approval process; EES exhibition, the Public Inquiry and Minister's decision on approval. In March 2020 KOPL became the proponent for the EES and attended to outstanding EES Report adequacy matters raised by DWELP.

Post 2020 financial year, 25 August 2020 DELWP advised KOPL the EES Report was adequate and could proceed to Exhibition for public review and comment. After advertising the fact that the EES Report was completed and available in both hard and digital format for perusal and comment, public Exhibition commenced on 3 September 2020 which will last 40 business days, to close 29 October 2020, 5pm. After compilation of submissions from the public and government agencies the EES after a Directions Hearing on 14 December 2020, will be subject of a 2-3 week public panel Inquiry commencing 1 February 2021 which will likely be conducted online because of COVID-19 concerns. The Minister's decision on Approval is not likely to be known until early June quarter 2021.

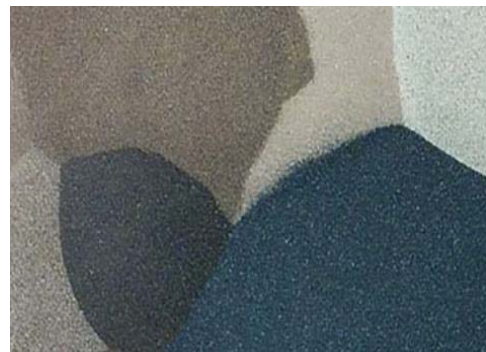
### **Stakeholder Engagement**

An EES Consultation Plan for stakeholders in accordance with guidelines prepared by the DELWP was prepared and approved in May 2017 and was updated and revised in April 2018, and again approved by DWELP.

A Community Engagement Plan ("CEP") sets out the Company's overall approach to stakeholder engagement for the Project. It describes the strategic framework, objectives, methods and actions to meet stakeholder engagement requirements for the life of the project and gives a clear and effective framework to achieve the best possible stakeholder engagement outcomes. The plan has been developed in accordance with the Community Engagement Guidelines for Mining and Mineral Exploration in Victoria and incorporates concepts developed by the International Association for Public Participation ("IAP2"). This plan aims to ensure Kalbar engages purposefully, honestly and effectively with all stakeholders for the life of the project.

During the reporting period Kalbar, and subsequently KOPL, has undertaken all components of the stakeholder consultation plan including:

- community meetings and drop-in sessions;
- briefings to government, regulators and community interest groups;
- participation in community events, such as the East Gippsland Field Days;
- webinars, with the onset of COVID-19 restrictions (social distancing) limiting much of the above;
- mail-outs to over 800 people on Kalbar's email database;
- project updates posted on the Company's website; and
- newspaper articles and adverts updating readers on the progress of the project and the environmental approval process.



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**Health, Safety and Environment**

Kalbar inclusive of KOPL is committed to managing its business, focusing on the health, safety and the wellbeing of its employees and community at large, and in caring for the environment in which it operates. Kalbar does this by providing a safe workplace where no injury or harm to health is considered acceptable and through acknowledging a responsibility to our environment by using resources efficiently and responsibly.

There were no Health, Safety and Environment reportable incidents in the financial year. However, the worldwide COVID-19 pandemic from early March to date has affected operations, such as delays due to people and resources not being able to travel into Victoria or from Melbourne to site and the general business and government drop in activity levels to requests and services due to adopting strict COVID preventative procedures. The second wave currently seen in Melbourne is not impacting regional areas at this stage allowing the resumption of field activities (drilling) on the Project. However, KOPL has adopted a COVID-19 plan with strict procedures (social distancing, hygiene, use of face masks, working from home, weekly and if necessary daily COVID update meetings) and adherence to the Victorian government's strict requirements.

Kalbar and now KOPL, supports a range of environmental initiatives throughout the process of gaining approvals for the Project. Kalbar's commitment to the local environment is evident with its flagship Native Grasses Rehabilitation project discussed in depth in the Financial Year.

2019 Annual Report. It was initiated and is led by Dr Paul Gibson-Roy and the Fingerboards Project has set itself an ambitious goal to play a part in reversing critical native biota. As part of its post-mining rehabilitation, Kalbar has committed to plans that will attempt, over the 15-20 year mine life, to restore species-rich native Red gum Grassy Woodland to ~200 hectares of its project site in an area that is currently degraded Blue gum plantation forestry. If successful, this would be likely to represent the largest and most complex ecological restoration of its type in Australia.

**Social Responsibility**

The Fingerboards Project will generate numerous benefits and opportunities for the East Gippsland area, state and wider Australia, including economic benefits through A\$190-200 million of capital expenditure, operating costs of ~A\$2.4 billion and revenue of ~A\$4.9 billion over the life of the Project. Royalties to the state government are expected to ~A\$115 million, and total state and federal taxes and fees over A\$650 million.

The project will create 200 permanent jobs in the area, with a further 200 created in support services and industries that will supply the mine. It will preferentially employ local and regionally based personnel and services where practicable. Kalbar and now KOPL have been proactively engaging with East Gippsland businesses and suppliers to understand the impact that the Project could have on local businesses should the Fingerboards Project be granted approval to proceed. This engagement has resulted in over 580 registered businesses expressing their interest in supplying goods and services to the Project.



Kalbar and now KOPL has also been undertaking a diverse range of sponsorship programmes, ranging from sport (East Gippsland Football & Netball league teams; Aislin Jones, from Lakes Entrance, a national skeet shooting champion and participant in the Brisbane Commonwealth Games and Rio Olympic games and now a Tokyo Olympic games hopeful; and, the Twin Rivers Bream 2019 Classic event in the Bairnsdale-Lakes Entrance area, which besides showcasing the pristine waters of East Gippsland for tourism is promoting more people into fishing as an outdoor activity), to health issues (Biggest Blokes BBQ for Prostate Cancer).



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**Exploration**

No exploration drilling occurred during the reporting period as all the drilling required for the resource estimation under JORC 2012 was completed by June 2017. Resource and Reserve estimates statements, independently made and verified by recognised mineral industry consultants and reported in the Annual Report for Financial Year ending 2019, remain unchanged, refer Tables 1A and 1B, and Table 2. Some adjustments may arise in Financial Year 2021 as a consequence of an ~9,400m drilling programme to be carried out to finalise the DFS which will target at increasing confidence primarily around modifying factors used to define the Resource to Reserve conversion and the production environment for the first two years of the mine plan.

**Table 1 A Mineral Resource Estimate for Fingerboards Resource JORC 2012 classification**

Class	Mass (Mt) Note 1	In Situ Grades					Contained Tonnes		
		ZrO <sub>2</sub> +HfO <sub>2</sub> (%)	TiO <sub>2</sub> (%)	REO+Y <sub>2</sub> O <sub>3</sub> (%)	Zircon (%) Note 2	Zircon Equiv (%) Note 3	Zircon Tonnes	Rare Earths (REO+Y <sub>2</sub> O <sub>3</sub> ) Tonnes	TiO <sub>2</sub> Tonnes
Measured Total	88.5	0.69	1.65	0.093	1.04	1.69	924,000	82,100	1,457,000
Indicated Total	314.6	0.52	1.34	0.073	0.79	1.30	2,480,300	230,900	4,209,500
Inferred Total	510	0.3	1.0	0.05	0.5	0.8	2,601,000	241,000	4,943,000
<b>TOTAL</b>	<b>910</b>	<b>0.4</b>	<b>1.2</b>	<b>0.06</b>	<b>0.7</b>	<b>1.1</b>	<b>6,005,300</b>	<b>554,000</b>	<b>10,609,000</b>

**Table 1 B Mineral Resource Estimate for Fingerboards Resource JORC 2012 classification within the Project Area**

Table note: This table reflects the Mineral Resource Statement and contained assemblage for Fingerboard Resource, and above a zircon equivalent cut-off grade of 0.2%.

Class	Mass (Mt) Note 1	In Situ Grades					Contained Tonnes		
		ZrO <sub>2</sub> +HfO <sub>2</sub> (%)	TiO <sub>2</sub> (%)	REO+Y <sub>2</sub> O <sub>3</sub> (%)	Zircon (%) Note 2	Zircon Equiv (%) Note 3	Zircon Tonnes	Rare Earths (REO+Y <sub>2</sub> O <sub>3</sub> ) Tonnes	TiO <sub>2</sub> Tonnes
Measured Total	88.0	0.69	1.64	0.092	1.04	1.68	913,800	81,100	1,444,000
Indicated Total	183.7	0.60	1.48	0.085	0.91	1.50	1,674,200	155,900	2,715,500
Inferred Total	20	0.4	1.2	0.06	0.6	1.1	137,000	13,000	245,000
<b>TOTAL</b>	<b>290</b>	<b>0.6</b>	<b>1.5</b>	<b>0.09</b>	<b>0.9</b>	<b>1.5</b>	<b>2,725,000</b>	<b>250,000</b>	<b>4,404,500</b>

1. Depending on zone, oversize content (>2mm) varies from 0.7%-2.0%, Fines content (-38u) varies between 17.5%-22.5%, clay content (<2um) is less than 2% in situ and is kaolinite.
2. In situ Zircon content is based on direct analysis by XRF and back calculation only (ZrO<sub>2</sub>+HfO<sub>2</sub>/0.66). Zircon equivalent is calculated based on ZrO<sub>2</sub>/t, TiO<sub>2</sub>/t and REO/t pricing which is derived from the contained value of zircon (ZrO<sub>2</sub>), ilmenite, High Titanium ("HiTi") and rutile (TiO<sub>2</sub>) and monazite and xenotime (REO) in the Heavy Mineral Concentrate (HMC) sold to mineral processing companies in China and SE Asia. The values are calculated from final mineral product prices; and consider mineral recoveries; product quality; and processing margins. Totals might not add up due to rounding.

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**Table 2 Fingerboards Ore Reserve 2018 estimate within the Fingerboards Project area, reported in accordance with the JORC 2012 Code**

Year	Reserve Classification	Ore <sup>1,2,3</sup> (Mt)	In Situ Grades					Contained Tonnes		
			ZrO <sub>2</sub> + HfO <sub>2</sub> (%)	TiO <sub>2</sub> (%)	TREO* (%)	Zircon (%)	Zircon Equiv <sup>4</sup> (%)	Zircon (kt)	TiO <sub>2</sub> (kt)	TREO (kt)
2018	Proved	73	0.79	1.8	0.11	1.2	2.1	870	1340	77
	Probable	100	0.82	1.9	0.11	1.2	2.2	1240	1890	114
	Total	173	0.81	1.9	0.11	1.2	2.1	2110	3230	191

\* TREO means Total Rare Earth Oxides + Y<sub>2</sub>O<sub>3</sub>

- 1 The Mineral Resource and Ore Reserve are prepared and presented to the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (JORC Code).
- 2 Fingerboards Ore Reserve is contained within the Fingerboards Resource which forms part of the Glenaladale Mineral Sands Resource. The reserve lies entirely within the Fingerboards Project Area.
- 3 Mineral resource cells are nominated as ore if within the Fingerboards Mine Package of SM, MA, USM, or USA and carrying a recoverable revenue in excess of \$2/t of ore.
- 4 Zircon Equivalent considers the recoverable revenue of the valuable minerals and presents the zircon grade that would be required to produce that recoverable value without credits of the other valuable minerals. Assumed recoveries and sales prices shown below.

## Water

Further gravity geophysics and drilling (4 holes for a total of 1,082m) continued in the September quarter of 2019, delineating, and evaluating the Eocene age river system that hosts the productive La Trobe aquifer Colquhoun Gravels for a bore field. The aquifer is located at 200-300m depth, 4 to 5 kilometres south of the immediate Project area in the EES demarcated PSA area. The objective of this work is to ensure a primary water supply over the life of the project of 3GL of water per annum from a bore field instead of reliance on Mitchell River water winter fill. On Project approval a mixed water supply from both is probable as winter fill is a well-regulated seasonal river water supply which should be well received by both the community and regulators.

Gravity geophysics has outlined in a skeletal manner the paleo-relief that hosts the aquifer. A paleo-trough in a valley representing the thickest part of the sedimentary sequence has been found in the south-west of the existing PSA. The drilling of Target 1 by hole LA\_07 located a thick (+70m) zone of the aquifer gravels on the flanks of this trough. Further work is proposed in financial year 2021 as part of the DFS to finalise bore field matters. This will include further definition of the valley trough relief that hosts the aquifer by gravity geophysics, with a drilling programme to define through production testing of necessary completed bore holes in the aquifer the groundwater resource, and the necessary associated infrastructure requirements for the eventual bore field.



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**Tenement Status**

No tenement activity related to the Glenaladale and Mossiface projects took place in the financial year and they all are in good standing. Kalbar relinquished its exploration tenements near Orbost in East Gippsland during the financial year.

Kalbar's 100% owned bauxite project in the Tiwi Islands, Northern Territory was relinquished.

**Marketing Studies and Offtake Agreements**

Three marketing standardised off-take agreements signed between Kalbar and customers and novated to KOPL, presently account for about 50% of the planned Non-Mag concentrate production. In financial year 2021, as part of the DFS, as processing outcomes for HMC becomes final, KOPL will further refine or renegotiate offtake contracts and execute further JV and offtake agreement for both Non-Mag, and particularly Mag concentrates for the China CUP, so that KOPL has a full sales book entering production.

3 November 2020

Board of Directors  
Kalbar Limited  
48 Bailey Street  
Bairnsdale, VIC 3875

Dear Directors

**RE: KALBAR LIMITED**

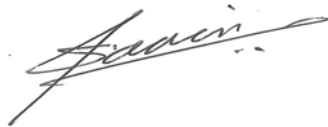
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Kalbar Limited.

As Audit Director for the audit of the financial statements of Kalbar Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Samir Tirodkar**  
**Director**

**KALBAR LIMITED**  
**A.B.N. 30 149 545 362**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
**For the financial year ended 30 June 2020**

	Notes	Group 2020 \$	Company 2019 \$
<b>Income</b>			
Other income	2	271,145	292,642
		<b>271,145</b>	<b>292,642</b>
<b>Expenses</b>			
Accounting expenses		(119,858)	(224,503)
Legal costs		(43,687)	-
Depreciation and amortisation		(45,924)	(46,828)
Share based payments		(942,204)	(3,425,038)
Travel costs		(119,255)	(300,818)
Wages and salaries		(784,089)	(452,654)
Director fees		(615,605)	(507,613)
Transaction costs		(2,857,421)	-
Other expenses	3	(538,149)	(499,712)
Loss sale of fixed assets		(52)	-
<b>Operating (loss)</b>		<b>(5,795,099)</b>	<b>(5,164,524)</b>
Interest income		6,359	21,711
Interest expense		(585,687)	(154,139)
Finance costs		(50,870)	-
<b>Net finance expenses</b>		<b>(630,198)</b>	<b>(132,428)</b>
<b>Loss before income tax</b>		<b>(6,425,297)</b>	<b>(5,296,952)</b>
Income tax expense		-	-
<b>Loss for the year</b>		<b>(6,425,297)</b>	<b>(5,296,952)</b>
<b>Other comprehensive income</b>		-	-
<i>Items that may be subsequently reclassified to income statement</i>		-	-
<b>Total comprehensive income for the year</b>		<b>(6,425,297)</b>	<b>(5,296,952)</b>
<b>Loss after tax attributable to:</b>			
Owners of the Company		(6,312,610)	(5,296,952)
Non-controlling interest		(112,687)	-
Loss for the year		<b>(6,425,297)</b>	<b>(5,296,952)</b>
<b>Total comprehensive income is attributable to:</b>			
Owners of the Company		(6,312,610)	(5,296,952)
Non-controlling interest		(112,687)	-
<b>Total comprehensive income for the year</b>		<b>(6,425,297)</b>	<b>(5,296,952)</b>
Operating loss for the year attributable to equity holders of the Company		<b>(6,312,610)</b>	<b>(5,296,952)</b>

*The accompanying notes form part of these financial statements.*

**KALBAR LIMITED**  
**A.B.N. 30 149 545 362**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2020**

	Notes	Group 2020 \$	Company 2019 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	6,914,875	3,511,588
Trade and other receivables	5	111,437	244,380
Prepayments		31,874	38,704
<b>TOTAL CURRENT ASSETS</b>		<u>7,058,186</u>	<u>3,794,672</u>
<b>NON-CURRENT ASSETS</b>			
Bank guarantee	6	138,850	126,249
Right of use asset	7	102,343	-
Property, plant and equipment	12	162,723	167,742
Deferred exploration and evaluation expenditure	9	33,019,881	24,988,321
<b>TOTAL NON-CURRENT ASSETS</b>		<u>33,423,797</u>	<u>25,282,312</u>
<b>TOTAL ASSETS</b>		<u>40,481,983</u>	<u>29,076,984</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	800,895	907,847
Loan from related party	11	5,401,332	670,000
Lease liabilities	8	47,900	-
Employee benefits		58,733	117,131
Other provisions	13	2,000,000	2,000,000
<b>TOTAL CURRENT LIABILITIES</b>		<u>8,308,860</u>	<u>3,694,978</u>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits		24,054	-
Lease liabilities	8	54,443	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>78,497</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>8,387,357</u>	<u>3,694,978</u>
<b>NET ASSETS</b>		<u><b>32,094,626</b></u>	<u><b>25,382,006</b></u>
<b>EQUITY</b>			
Issued capital	14	35,785,332	33,777,499
Reserves	16	1,444,893	314,809
Accumulated losses	15	(15,022,912)	(8,710,302)
Non-controlling interest	18	9,887,313	-
<b>TOTAL EQUITY</b>		<u><b>32,094,626</b></u>	<u><b>25,382,006</b></u>

*The accompanying notes form part of these financial statements.*

**KALBAR LIMITED**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the financial year ended 30 June 2020**

	Note	Issued Capital \$	(Accumulated losses) \$	Reserves \$	Non- Controlling Interest \$	Total \$
<b>Company</b>						
<b>Balance at 1 July 2018</b>		19,504,337	(3,413,350)	230,374	-	16,321,361
Issue of ordinary shares		14,649,639	-	84,435	-	14,734,074
Capital raising costs		(376,477)	-	-	-	(376,477)
Loss attributable to equity shareholders		-	(5,296,952)	-	-	(5,296,952)
<b>Balance at 30 June 2019</b>	<b>14</b>	<b>33,777,499</b>	<b>(8,710,302)</b>	<b>314,809</b>	<b>-</b>	<b>25,382,006</b>
<b>Group</b>						
Issue of ordinary shares		2,303,803	-	-	10,000,000	12,303,803
Capital Raising Costs		(295,970)	-	-	-	(295,970)
Value of options and/or performance rights issued		-	-	1,130,084	-	1,130,084
Loss for the year		-	(6,312,610)	-	(112,687)	(6,425,297)
<b>Balance at 30 June 2020</b>	<b>14</b>	<b>35,785,332</b>	<b>(15,022,912)</b>	<b>1,444,893</b>	<b>9,887,313</b>	<b>32,094,626</b>

*The accompanying notes form part of these financial statements.*

**KALBAR LIMITED**  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the financial year ended 30 June 2020**

	Notes	Group 2020 \$	Company 2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from tax concessions/refunds		247,989	861,733
Sundry income		23,155	-
Payments to suppliers and employees		(2,034,492)	(2,360,590)
Interest (paid)/received		(321,554)	20,525
Merger costs		(2,857,421)	-
<b>Net cash (used in) operating activities</b>		<u>(4,942,323)</u>	<u>(1,478,332)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property plant and equipment		(34,365)	(103,537)
Interest received		6,359	-
Payment for additional security deposits		(25,000)	-
Payment for exploration and evaluation		(8,214,369)	(8,897,844)
<b>Net cash (used in) investing activities</b>		<u>(8,267,375)</u>	<u>(9,001,381)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue		12,491,683	9,953,823
Cost of Issue of Shares		(295,970)	(376,477)
Loan from related party		4,417,000	-
<b>Net cash provided by financing activities</b>		<u>16,612,713</u>	<u>9,577,346</u>
Net increase/ (decrease) in cash and cash equivalents		3,403,286	(902,367)
Cash at beginning of financial year		3,511,588	4,413,955
<b>Cash at end of financial year</b>	4	<u><b>6,914,874</b></u>	<u><b>3,511,588</b></u>

*The accompanying notes form part of these financial statements.*



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the financial year ended 30 June 2020**

**1 Summary of Significant Accounting Policies**

Kalbar Limited is a company limited by shares, incorporated and domiciled in Australia.

**Basis of Preparation**

The directors have prepared special purpose financials statements, as a change from general purpose financial statements in prior year, on the basis that the Group is a non-reporting entity and that there are no users dependent on general purpose financial statements. These special purpose financial statements that have been prepared in order to meet the requirements of the Corporations Act 2001.

The financial statements have been prepared in accordance with recognition and measurement criteria in the Australian Accounting Standards and the disclosure requirements of AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows and AASB 108 Accounting Policies, AASB 1031 Materiality, AASB 1048 Interpretation of Standards, AASB1054 Australian Additional Disclosures, Changes in Accounting Estimates and Errors, and the significant accounting policies disclosed below which the directors have determined are appropriate to meet the purposes of preparation. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs unless stated otherwise in the notes. The accounting policies that have been adopted in the preparation of these statements are set out below.

**Income Tax**

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

Deferred tax is not provided for the following:

- 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 accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the financial year ended 30 June 2020**

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

**Property, Plant and Equipment**

Classes of property, plant and equipment are measured using the cost model.

Asset are carried at cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

**Plant and equipment**

Plant and equipment are measured using the cost model.

**Depreciation**

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight line method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

<i>Fixed Asset Class</i>	
Plant and Equipment	20.00% Diminishing
Motor Vehicle	25.00% Diminishing
Computer Equipment	25.00% Diminishing
Furniture and Fittings	25.00% Diminishing

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

**Equity based payment transactions**

The Company provides benefits to employees (including directors) in the form of equity-based payment transactions as an incentive for performance, whereby employees render services in exchange for shares or options or rights over shares ("share based payments" or "equity settled transactions"). The Kalbar Equity Incentive Plan ("KEIP") provides these benefits to employees.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date they are granted.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the financial year ended 30 June 2020**

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

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Consolidated Statement of Profit or Loss and Other Comprehensive Income charge or credit for the period represents the movement in the 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 conditional upon a market condition. Where 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 increase in the value of the transaction as a result of the modification as measured at the date of modification.

Where an equity-settled award is cancelled (other than cancellation when a vesting condition is not satisfied), 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 the outstanding equity is reflected as additional share dilution in the computation of loss per share.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that Standard.

**KALBAR LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the financial year ended 30 June 2020**

At the end of each reporting period, property, plant and equipment and deferred exploration expenditure are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the present value of the asset's future cash flows discounted at the expected rate of return. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**Significant accounting judgements, estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Capitalised exploration and evaluation expenditure**

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the size and composition of any future mineral resource and ore reserve estimates, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

**Share Based Payment Transactions**

The Company 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 the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted.

**Trade and Other Receivables**

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost, less any allowance for credit losses.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
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**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

**Revenue and Other Income**

Revenue is recognised when a performance obligation in the contract with a customer is satisfied or when control of the goods or service underlying the particular performance obligation is transferred to the customer:

*Interest Income*

Interest income is recognised as the interest accrues.

*Government grants*

Grants received from government are recognized upon receipt of cash.

**Trade and Other Payables**

Trade and other payables represent the liabilities at the end of the reporting period for goods and services received by the Group that remain unpaid.

Trade payables are recognised initially at fair value and subsequently measured at amortised costs. Trade payables are obligations on the basis of normal credit terms.

**Comparative Amounts**

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening statement of financial position at the earliest date of the comparative period has been presented.

Current year figures are that of the Group and the comparative are for the single entity.

**Going Concern**

The financial statements of the Group have been prepared on a going concern basis which anticipates the ability of the entity to meet its obligations in the normal course of business.

At 30 June 2020, the Group had net assets of \$32,094,626, cash and cash equivalents of \$6,914,875. The Group had incurred a loss for the year ended 30 June 2020 of \$6,425,297.

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The Group's ability to continue as a going concern is dependent upon it maintaining sufficient funds for its operations and commitments. The Directors continue to be focused on meeting the Group's business objectives and is mindful of the funding requirements to meet these objectives.

The Directors consider the basis of going concern to be appropriate for the following reasons:

- The current cash of the Group relative to its fixed and discretionary commitments;
- The contingent nature of certain of the Group's project expenditure commitments;
- The ability of the Group to terminate certain agreements without any further on-going obligation beyond what has accrued up to the date of termination;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
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- The underlying prospects for the Group to raise funds from the capital markets as currently the Group is in the final stages of raising substantial share capital.

The Directors are confident that the Group can continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

### **Principles of consolidation and equity accounting**

#### ***Subsidiaries***

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

The acquisition method of accounting is used to account for business combinations by the group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

#### **Exploration and Evaluation Expenditure**

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the financial year ended 30 June 2020**

**Leases**

***New and amended standards adopted by the entity***

The Group has adopted AASB 16: Leases using modified retrospective approach with the cumulative effect of initially applying AASB 16 recognised as at 1 July 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated. The impact of the adoption of this standard and the respective account policies is disclosed below.

**Changes in accounting policy**

The Group has recognised a lease liability and right-of-use asset for all leases (with exception of short-term and low value leases) recognised as operating leases under AASB 117: Leases where the Group is a lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets were measured at their carrying values as if AASB 16 Leases had been applied since the commencement date but discounted using the Group's incremental borrowing rate per lease term as at 1 July 2019. The right-of-use assets have been recognised in the statement of financial position as at 1 July 2019.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- For a portfolio of leases that have been reasonably similar characteristics, a single discount rate has been applied.
- Leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term lease.
- The use of hindsight to determine lease terms or contracts that have options to extend or terminate.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 5%.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the financial year ended 30 June 2020**

**2 Other income**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
Cash flow boost	50,000	-
Research and development offset	197,989	292,642
Others	23,156	21,711
<b>Total other income</b>	<b>271,145</b>	<b>314,353</b>

**3 Other expenses**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
Recruitment – Exploration	-	13,288
Payroll Tax	41,542	74,882
Legal Expenses	-	67,942
Consultants	90,267	-
Telephone and Internet and IT	33,543	40,880
Consumables	-	1,943
Recruitment – Corporate	-	16,186
Company Secretary Fees	96,095	61,605
Motor Vehicle Expense	4,086	-
Entertainment	16,676	-
Bank Fees	3,812	4,170
Rent, Rates and Outgoings	75,109	71,131
Printing and Stationery	9,813	26,556
Insurance	53,940	41,928
Staff Training	-	2,065
Listing and Registration Costs	-	895
Freight and Courier	1,387	1,184
Software Licenses and Subscriptions	94,737	57,344
Subscriptions and Conferences	17,142	17,713
<b>Total other expenses</b>	<b>538,149</b>	<b>499,712</b>

**4 Cash and cash equivalents**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
ANZ Business Classic	196,654	186,797
ANZ Business Online Saver	-	3,324,791
ANZ KOPL Business Account	6,718,221	-
<b>Total cash and cash equivalents</b>	<b>6,914,875</b>	<b>3,511,588</b>



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the financial year ended 30 June 2020**

**5 Trade and other receivables**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
GST receivable	-	142,359
Other receivables	3,886	19,470
Investment in shares	2	2
Term deposit	105,000	80,000
Securities Deposit	2,549	2,549
<b>Total trade and other receivables</b>	<b>111,437</b>	<b>244,380</b>

Trade debtors and other debtors are non-interest bearing and generally receivable on 30-day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short-term nature of these receivables, their carrying value is assumed to be their fair value.

**6 Bank guarantee**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
Bank guarantee	138,850	126,249

The bank guarantees are non-interest bearing and generally act as bonds for tenements held by the Group.

**7 Right-of-use assets**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
Cost at the date of adoption of AASB 16	108,886	-
Accumulated depreciation	(6,543)	-
<b>Total right-of-use assets as at 30 June 2020</b>	<b>102,343</b>	<b>-</b>

The Group has two operating leases for its premises, the lease terms are 24 months with options to extend for further 24 months terms.

In previous years, the Group disclosed commitments for lease payments on leased premises. As the Group has adopted AASB 16 in the current year, these commitments are factored into the balances above.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the financial year ended 30 June 2020**

**8 Lease liabilities**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
At the date of adoption of AASB 16	108,886	-
Interest expense	670	-
Repayments during the year	(7,213)	-
<b>Total lease liabilities as at 30 June 2020</b>	<b>102,343</b>	-
Current portion	47,900	-
Non-current portion	54,443	-
	<b>102,343</b>	-

**9 Deferred exploration and evaluation expenditure**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
<i>Acquisitions costs</i>		
Gippsland HMS Project	335,950	335,950
Rio Tinto Encumbrance	4,750,000	2,750,000
Land Acquisition	5,373,688	3,026,168
Capitalised Expenditure	22,560,243	18,876,203
<b>Total deferred exploration and evaluation expenditure</b>	<b>33,019,881</b>	<b>24,988,321</b>

**10 Trade and other payables**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
Trade creditors and accruals	713,901	632,750
Creditors to be paid in shares	-	50,000
Payroll liabilities	86,994	225,097
<b>Total trade and other payables</b>	<b>800,895</b>	<b>907,847</b>

**11 Loan from a related company**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
Inkjar Pty Ltd	5,401,323	670,000
<b>Total loan from a related company</b>	<b>5,401,323</b>	<b>670,000</b>

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Inkjar Pty Ltd is a company owned by Kalbar director, Dr Brad Farrell. The initial loan of \$670,000 is subject to interest of 6-7% per annum. During the year, the Group received additional loan from Inkjar Pty Ltd which amounted to \$4,417,000 subject to interest of 11.5% per annum. All loans are secured by registered first mortgage.

The total amount of loan was repaid in full on 15 October 2020 including accrued interest of \$179,822 at the date of payment.

**12 Property, plant and equipment**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
<i>Plant and Equipment</i>		
At cost	64,826	38,465
Accumulated Depreciation	(14,403)	(5,497)
Total Plant and Equipment	50,423	32,968
<i>Computer Equipment</i>		
At Cost	58,301	57,736
Accumulated Depreciation	(29,099)	(21,339)
Total Computer Equipment	29,202	36,397
<i>Leasehold Improvement</i>		
At Cost	14,378	14,378
Accumulated Depreciation	(667)	(318)
Total Leasehold Improvement	13,711	14,060
<i>Furniture and Fittings</i>		
At Cost	94,817	92,043
Accumulated Depreciation	(44,788)	(33,141)
Total Leasehold Improvement	50,029	58,902
<i>Motor Vehicle</i>		
At Cost	48,984	48,984
Accumulated Depreciation	(29,626)	(23,569)
Total Leasehold Improvement	19,358	25,415
<b><i>Property, Plant and Equipment</i></b>		
At Cost	169,348	251,606
Accumulated Depreciation	(6,625)	(83,864)
<b>Carrying amount</b>	<b>162,723</b>	<b>167,742</b>

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**For the financial year ended 30 June 2020**

*Movements in Carrying Amounts of Property, Plant and Equipment*

The movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

<b>GROUP – 2020</b>	<b>Plant and Equipment \$</b>	<b>Computer Equipment \$</b>	<b>Leasehold Improvement \$</b>	<b>Furniture and fittings \$</b>	<b>Motor Vehicle \$</b>	<b>Total \$</b>
Carrying amount at beginning of the year	32,968	36,397	14,060	58,902	25,415	167,742
Additions	26,361	9,826	-	4,033	-	40,220
Disposals	-	(9,261)	-	(1,259)	-	(10,520)
Depreciation	(8,906)	(7,760)	(349)	(11,647)	(6,057)	(34,719)
Carrying amount at the end of the year	50,423	29,202	13,711	50,029	19,358	162,723

<b>COMPANY – 2019</b>	<b>Plant and Equipment \$</b>	<b>Computer Equipment \$</b>	<b>Leasehold Improvement \$</b>	<b>Furniture and fittings \$</b>	<b>Motor Vehicle \$</b>	<b>Total \$</b>
Carrying amount at the beginning of the year	1,795	35,562	-	39,789	33,886	111,032
Additions	36,501	16,245	14,378	36,415	-	103,539
Depreciation	(5,328)	(15,410)	(318)	(17,302)	(8,471)	(46,829)
Carrying amount at the end of the year	32,968	36,397	14,060	58,902	25,415	167,742

**13 Other provision**

	<b>Group 2020 \$</b>	<b>Company 2019 \$</b>
Amount payable to Rio Tinto	2,000,000	2,000,000

The amount payable to Rio Tinto refers to the fourth tranche of the Deed of Amendment date 14 March 2017. The payment date was extended to 1 July 2020 (previously 27 December 2019) as per the Deed of Amendment. **This amount has been paid in full subsequent to financial year end.**

**14 Issued capital**

	<b>Group 2020 \$</b>	<b>Company 2019 \$</b>
Fully Paid Ordinary Shares	33,777,499	19,504,337
Issued during the year	2,303,803	14,649,639
Capital raising costs	(295,970)	(376,477)
<b>Total issued capital</b>	<b>35,785,332</b>	<b>33,777,499</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
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	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
Total number of shares on issue at the start of the year	<b>102,408,925</b>	<b>89,099,744</b>
<i>Shares issued during the year:</i>		
Shares issued from Capital raising	756,923	5,276,676
Shares issued from Exercise of Options	1,432,037	4,247,519
Shares issued as Share Based Payments	149,526	3,784,986
Total shares issued during the year	<u>2,338,486</u>	<u>13,309,181</u>
<b>Total number of shares on issue at the end of the year</b>	<b>104,747,411</b>	<b>102,408,925</b>

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

**15 Accumulated losses**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
Accumulated losses at the beginning of the financial year	8,710,302	3,413,350
Net loss attributable to members of the Company	6,312,610	5,296,952
<b>Accumulated losses at the end of the financial year</b>	<u><b>15,022,912</b></u>	<u><b>8,710,302</b></u>

**16 Reserves**

	<b>Group</b>	<b>Company</b>
	2020	2019
	\$	\$
Share-based payment reserves	<u>1,444,893</u>	<u>314,809</u>
<i>Movement in reserves</i>		
	<u>No. of options</u>	
Balance at beginning of year	1,738,327	4,930,052
Options issued to employee	-	150,000
Options exercised	(1,432,037)	(3,398,015)
Options expired	(250,000)	-
Performance Right granted	760,312	56,290
Performance Right converted to shares	(6,923)	-
Balance at the end of year	<u><b>809,679</b></u>	<u><b>1,738,327</b></u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the financial year ended 30 June 2020**

**17 Cash flow information**

Reconciliation of cash flow from operations with loss after income tax:

	<b>Group</b> 2020 \$	<b>Company</b> 2019 \$
Loss after income tax	(6,425,297)	(5,296,952)
<i>Non-cash flows in loss</i>		
Depreciation	45,924	46,828
Share Based Payments	942,204	3,425,038
<i>Changes in assets and liabilities</i>		
Decrease in current receivables and prepayment	139,774	80,499
Increase in other payables and provisions	355,072	266,255
<b>Cash flows (used in) operating activities</b>	<b>(4,942,323)</b>	<b>(1,478,332)</b>

**18 Non-controlling interest**

On 8 March 2020, Kalbar and its 100% owned subsidiary KOPL entered into a binding Subscription and Shareholders Agreement (“SSA”) with ANRK B.V., an associated company of Appian Capital Advisory LLP (“Appian”) regarding a staged equity investment of up to \$164 million in KOPL by Appian to fund the Project. To facilitate the investment by Appian in KOPL, a Project Acquisition Agreement (“PAA”) between Kalbar and KOPL was also executed so that all of the assets, freehold land, options on freehold land, tenements, ongoing lease and contracts and staff and liabilities of the Fingerboards Project were transferred from Kalbar to KOPL, the Project investment vehicle so that KOPL has unencumbered right-of-use of Kalbar’s assets. Effectively from 1 May 2020, Kalbar itself has become an investment holding company, being the current major passive investor in KOPL rather than an active hand on operator

Following completion of conditions precedent, inclusive of respective shareholder meetings to approve the transaction under both the SSA and the PAA, KOPL received the first tranche of A\$11.1 million of equity funding from Appian (A\$10 million) and Kalbar (A\$1.1 million) in June and May respectively pursuant to the terms of the SSA.

As at 30 June 2020, Appian owns 6.3% of the total capital of KOPL. The breakdown of the non-controlling interest as at 30 June 2020 are as follows:

	2020 \$
Capital injection	10,000,000
Loss for the year attributable to non-controlling interest	(112,687)
<b>Total non-controlling interest</b>	<b>9,887,313</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the financial year ended 30 June 2020**

**19 Events after the reporting date**

The following events occurred post financial year to the 3 November 2020 signing of this financial report and will be accounted for in the Annual Report for 2021.

**Finalisation of Kalbar purchase of Rio's Gippsland Mineral Sands Project and Royalty**

On 2 July 2020, \$A2.04 million was advanced from Appian to KOPL and thence KOPL to Kalbar on 6 July 2020 to make the final payment to Rio Tinto Exploration Pty Ltd ("Rio") in relation to the 2013 agreement whereby Kalbar purchased Rio's Gippsland Mineral Sands Project and royalty. The Gippsland Mineral Sands Project is now an unencumbered wholly owned asset of KOPL.

**Repayment of Inkjar Pty Ltd Loan**

The \$5,087,000 loan at was repaid on 15 October 2020 and was \$5,581,164 at that date reflecting further accrued interest of \$179,823 on the 30 June 2020 loan. The accrued interest will be taken up in the Financial Year 2021.

**Liquidity Offer**

As part of the SSA, Appian also committed to fund a capped A\$10m Liquidity Offer whereby Kalbar shareholders may elect to reduce their investment in Kalbar via a selective capital return of 6.35% of their shareholding with subsequent share cancellation at a price per share of A\$1.50 (equivalent to the initial subscription price payable by Appian). The A\$10 million was fully applied for by Kalbar shareholders at the offer closing date of 21 April 2020. To affect the return of capital two Special Resolutions, being the Selective Capital Return Resolution and the Share Cancellation Resolution, were put and passed at Kalbar's General Meeting and Special Meeting post 2020 financial year on 3 August 2020. A precursor General Meeting was also held post 2020 financial by KOPL on 22 July 2020 where the only eligible shareholder, Appian voted in favour of KOPL to make a selective capital reduction of A\$10 million, to be effected by KOPL paying Kalbar the amount of A\$10 million this being conditional on the two Special Resolutions being passed at Kalbar's General Meeting and Special Meeting. Following shareholder approval 6,666,667 shares (equivalent in value to A\$10 million) will be bought back and cancelled in Kalbar with settlement occurring on or about 31 October 2020 for the Liquidity Offer after A\$10 million is first received from Appian.

**Other Raisings**

On 15 July 2020, Kalbar entered into an agreement with Lionhead Capital ("Lionhead") to raise in a staged manner because of FIRB approval, A\$15 million at A\$1.50 per share for 10 million shares, to facilitate an additional investment by Kalbar into KOPL under the SSA. This capital raising was completed on 12 October 2020. This means Kalbar has its equity component fully funded for the Fingerboards Project.

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**DIRECTORS' DECLARATION**

The Directors have determined that the Group is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the Group declare that:

1. The financial statements and notes, as set out on pages 18 to 36 are in accordance with the Corporations Act 2001;
  - (a) comply with Australian Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2020 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debt as and when they become due and payable.

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

**Director:**



Dr Brad Farrell

Dated this 3 November 2020



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
KALBAR LIMITED**

**Report on the Audit of the Financial Report**

***Opinion***

We have audited the financial report of Kalbar Limited (the "Company") and its controlled entity (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, 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 consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 2020 and of its financial performance for the year then ended; and
- (ii) 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 Company 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.

***Other Information***

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 2020, 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 opinion 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 has no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Financial Report***

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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.

We 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 obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit and Consulting Pty Ltd*  
*Samir*

**Samir Tirodkar**  
Director  
West Perth, Western Australia  
3 November 2020

## ADDITIONAL INFORMATION

Information in relation to the Group's securities as of 2 October 2020 is provided below.

### Distribution of Security Holders

The issued non-restricted capital of the Group is 104,648,667 fully paid ordinary shares. Numbers of non-restricted security holders by holding:

Holding	Number of Shareholders
1 - 1,000	0
1,001 – 5,000	2
5,001 – 10,000	10
10,001 – 100,000	64
100,001 and over	71
	<hr/>
	147
	<hr/>

There are no shareholders holding less than a marketable parcel of ordinary shares.

### Statement of Restricted Securities

There are 2,940,000 shares that are subject to Group-imposed escrow. The shares come out of escrow on 31 July 2021.

There are 880,501 Performance Rights issued that are in escrow to be converted to ordinary shares in July 2022.

### Substantial Shareholders

The substantial shareholders of the Group are as follows:

Shareholder	Number of Shares
CLOVIS CLOTILDE PTY LTD	12,340,199
INKJAR PTY LTD	11,800,793
BRADLEY PETTERSSON	8,435,000
KENNETH FARRELL	8,158,620

### Voting Rights

The voting rights attached to each class of equity security are as follows:

#### Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called otherwise each member present at a meeting or by proxy has one vote on a show of hands.

#### Performance Rights

These securities have no voting rights.

### Issued Non-restricted Security Holders

The names of the 20 largest fully paid ordinary shareholders of the Company as of 15 October 2020 holding 79.32% of the 104,648,667 issued capital are as follows:

Number	Shareholder	Number of Shares	% of Issued Capital
1	CLOVIS CLOTILDE PTY LTD	12,340,199	11.79%
2	INKJAR PTY LTD	11,800,793	11.27%
3	BRADLEY PETTERSSON	8,435,000	8.06%
4	KENNETH FARRELL	8,158,620	7.79%
5	HAMISH JOHN WYLLIE	6,450,000	6.16%
6	SABINE CAPITAL LTD	6,133,143	5.86%
7	MR KRIANGSAK LAWATANATRAKUL	3,900,000	3.72%
8	INDI HOLDINGS PTY LTD	3,407,857	3.25%
9	CHALLENGER INVESTMENT FUND	3,170,390	3.03%
10	IAN ROSS WARDEN	3,117,940	2.98%
11	HERMES SPECIAL PURPOSE ENTITY LTD	2,769,999	2.64%
12	SUPARELL PTY LTD	2,160,000	2.06%
13	CITICORP NOMINEES PTY LIMITED	2,000,000	1.91%
14	ARLINGTON PARTNERS FUND	1,426,643	1.36%
15	HUGO AND HUGO PTY LTD	1,406,250	1.34%
16	PROCONA PTY LTD	1,385,000	1.32%
17	WAVERLEY SUPERANNUATION FUND	1,373,958	1.31%
18	ARROWSMITH CAPITAL PTY LTD	1,330,000	1.27%
19	FARVEST PTY LTD	1,250,000	1.12%
20	WOLF GERHARD MARTINICK	1,000,000	0.96%
		<b>83,015,792</b>	<b>79.32%</b>

### Restricted and Issued Security Holders

Class	Number	Number of holders	Holders with more than 20%
Escrowed Ordinary Shares	2,940,000	11	0
Performance Rights	880,501	15	0