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**294, 295, 298-300, 307, 308, 319, 321, 322**
Corporations Regulations
**1.0.08**

# 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
**30-06-2019**

## 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**

**NORTH SYDNEY NSW 2060**

## Certification

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**

## Signature

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**

## Authentication

This form has been authorised by

| | |
|---|---|
| Name | ROBERT JOHN WARING , Secretary |
| Date | 25-10-2019 |

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

A.B.N. 30 149 545 362

# FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

Liability limited by a scheme approved under Professional Standards Legislation

# CONTENTS

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

## CORPORATE DIRECTORY

**Directors**
Dr Brad Farrell
Mr Neil O'Loughlin
Mr Brad Pettersson
Mr Robert Bishop
Mr Jim Kerr
Mr Ian Warden

**Company Secretary**
Mr Robert Waring

**Principal Place of Business & Registered Office**
Level 1, 1002 Hay St
Perth WA 6000, Australia
Telephone: (+61 3) 5152 3130
Email: Info@kalbarresources.com.au

**Share Register**
Automic Registry Services
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Perth WA 6000
Telephone: 1300 288 664
International: (+61 2) 9698 5414
Email: hello@automic.com.au

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

## DIRECTORS' REPORT

The Directors present the annual report of Kalbar Resources Limited (Kalbar or the Company) for the financial year ended 30 June 2019.

**Directors**

| | |
|---|---|
| **Brad Farrell** | 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 of Basin Minerals Ltd which developed the Douglas Mineral Sands Project in Victoria before merging with Iluka Resources in October 2002. |
| Interest in shares and options | 15,124,526 ordinary shares |
| Other Directorships | Ceased to be a director of Oro Verde in November 2018 |
| **Neil O'Loughlin** | Executive Director - Technical & Project Development |
| *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 shares and options | 8,618,962 ordinary shares and 250,000 unlisted options exercisable at $0.60 and expiring on 23 December 2019 |
| Other Directorships | N/A |
| **Brad Pettersson** | 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 shares and options | 8,480,000 ordinary shares |
| Other Directorships | Mining Advisory Consultants Pte Ltd |

## DIRECTORS' REPORT

| | |
|---|---|
| **Robert Bishop** | Non-Executive Director |
| *Qualifications* | BEng(Chem) |
| *Experience* | 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. |
| Interest in shares and options | 12,838,446 ordinary shares. |
| Other Directorships | N/A |
| **Jim Kerr** | Non-Executive Director |
| *Qualifications* | Bsc (Geology), MSc (Mineral Economics), AusIMM, MSEG, Fellow LGS, MWASM |
| *Experience* | 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. |
| Interest in shares and options | 2,130,000 ordinary shares. |
| Other Directorships | N/A |
| **Ian Warden** | Non-Executive Director |
| *Qualifications* | B.A.Sc. Hons, G.Cert.BA |
| *Experience* | Ian is a geologist with 20 years 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. |
| Interest in shares and options | 3,562,940 ordinary shares |
| Other Directorships | N/A |

**DIRECTORS' REPORT**

## Chairman's Letter

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to report to Shareholders, Kalbar Resources Limited's ("Kalbar" or the "Company") activities in financial year 2019.

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 concentrate, intitially 300,000-400,000 tpa and eventually up to 600,000 tpa. This mineral sand concentrate is commonly termed heavy mineral concentrate ("HMC") and consists dominantly of the valuable economic minerals, ilmenite, zircon, rutile, leucoxene, monazite and xenotime. The HMC comprises approximately 5% of the mineralised sand and is removed from the sand ore in an environmentally friendly manner using a simple wet gravity separation method that separates the heavier mineral sand mineral grains as a concentrate from the light quartz sand. The clean tailings sand is returned to fill the mine pit void, overburden is replaced, and the new ensuing land surface rehabilitated and restored to productive farmland or native grassland.

Some of the concentrate will be shipped to Asia as zircon rich non-magnetic concentrate, approximately half of which is subject to offtake agreements with leading processor and end user partners in Thailand and China.

In addition to the non-magnetic sales, Kalbar has commenced a Definitive Feasibility Study ("DFS") to build a concentrate upgrading plant and mineral sands processing plant ("CUP/MSP") in southern China which will add considerable downstream value to shipped HMC. The MSP, through individual mineral separation circuits, will further process and value add the magnetic concentrate to produce ilmenite products and rare earths feedstock and also the non magnetic concentrate to finished rutile and zircon. Through this key step Kalbar will give shareholders further exposure to the rare earths sector and significantly value add the project.

Financial year 2019 was one of proud achievements for Kalbar as it;

- Completed a positive Bankable Feasibility Study ("BFS") on the Fingerboards Project;
- Achieved market recognition that the Fingerboards Project is a world class Tier 1 Mineral Sands asset that will create economic benefit for Victoria and East Gippsland.
- Commenced an Enhanced BFS ("EBFS") to optimise and fast track the Fingerboards Project which should be completed in September quarter 2019, which will then bring the Company to a state of operational readiness to fast track operations;
- Made significant progress on the Environmental Effects Statement ("EES"), to hopefully complete and lodge the EES Report September quarter 2019 for public review and the Minister's decision on Approval mid 2020, to allow commencement of mineral sands production on the Fingerboards Project.
- Completed a positive internal Pre-Feasibility Study and made significant progress on planning for a CUP/ MSP on a selected site in southern China. The CUP/MSP will be majority owned by Kalbar in a joint venture company with Chinese partners with deep experience in ilmenite and rare earths feedstocks.

- Commenced a DFS on the CUP/MSP in association with the leading Chinese design institute 'Changsa Research Insitute of Mining and Metallurgy Co. Ltd' (CRIMM) of Changsha City, Hunan Province China. A positive DFS will be followed by an Environmental Impact Assessment ("EIA") on the CUP/MSP site with its anticipated lodgement and approval in 2020, and subject to financing, CUP/MSP construction to coincide with development of the Fingerboards Project

In the coming months of the new financial year, there is a lot more to do before the Board can make a decision to commence mining. Obviously, the fore-mentioned completion and lodgement of the EES and EFBS in September quarter 2019 is a priority to commence securing project financing, and to obtain approvals. Listing the company on the ASX with a project equity raising is planned in the latter part of the financial year. The equity raising will compliment debt funding for the Fingerboards Project that is planned to be in place at this time.

The Board recognizes, it is also dependent on the ongoing trust of the East Gippsland community and it is committed to engaging with the community at all levels to obtain and maintain their trust. That trust is derived primarily from delivering on our commitments; doing what we say we will do commercially and operationally, especially with respect to health, safety and environmental management, and being a good corporate citizen.

Finally, the primary aim of the Board is to deliver sustainable profits and returns to Shareholders in future years 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 workforce and the Executive in Australia and China, "the Kalbar team", for their hard work over recent years to get us where we are today; poised to finalise technical and EES matters, to obtain the necessary approvals and financing in financial year 2020 to commence production in Victoria and China respectively in financial year 2021.

Yours sincerely

**Dr Brad Farrell**
**Non-Executive Chairman**

# DIRECTORS' REPORT

## Review of Operations

Kalbar Resources ("Kalbar" or "the Company") 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 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. Kalbar has carried out extensive drilling, metallurgical and development studies and is currently completing optimisation of the Bankable Feasibility Study completed in August 2018. The optimisation is referred to as the Enhanced Bankable Feasibility Study ("EBFS" or "Study") on the Fingerboards Project. Environmental Approval is being sought through the completion and lodgement in September quarter 2019 of the Fingerboards Project Environmental Effects Statement ("EES") study, the EES Report.

As a consequence of the EFBS and EES studies, the company has recruited several new staff and has moved into new office premises in Bairnsdale. The company has commenced a DFS on a concentrate upgrading plant/mineral sands processing plant ("CUP/MSP") on a selected site in southern China.

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 HMC 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.

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.

Operations during the financial year, to the date of this report, are described in greater detail in the following review below under the topics:

- Health, Safety and Environment.
- Exploration
- Tenement Status
- Fingerboards Project Enhancement study of the BFS ("EBFS")
- Engineering Studies
- Rehabilitation and Ecological Restoration

- Fingerboards Project Environmental Effects Statement ("EES") Studies
- Marketing Studies and Offtake Agreements
- Stakeholder Engagement
- China Update

**Health, Safety and Environment.**

Kalbar 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 work place 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.

**Exploration**

No exploration drilling occurred during the reporting period, as all the drilling required for the resource estimation was completed by June 2017. In October 2017, a Mineral Resource Estimate ("MRE") for the Fingerboards Project was stated by Kalbar for the Fingerboards Project. The resource was verified by CSA Global - Mineral Industry Consultants ("CSA") who also carried out reconciliation studies and made recommendations for resource classification. CSA then carried out a fully independent resource estimate for the Fingerboards Resource which is summarised in the table below.

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

| Class | Mass (Mt) Note 1 | In Situ Grades | | | | | Contained Tonnes | | |
|---|---|---|---|---|---|---|---|---|---|
| | | $ZrO_2$+ $HfO_2$ (%) | $TiO_2$ (%) | REO+ $Y_2O_3$ (%) | Zircon (%) Note 2 | Zircon Equiv (%) Note 3 | Zircon Tonnes | Rare Earths ($REO+Y_2O_3$) Tonnes | $TiO_2$ 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 |
| TOTAL | 910 | 0.4 | 1.2 | 0.06 | 0.7 | 1.1 | 6,005,300 | 554,000 | 10,609,000 |

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

| Class | Mass (Mt) Note 1 | In Situ Grades | | | | | Contained Tonnes | | |
|---|---|---|---|---|---|---|---|---|---|
| | | $ZrO_2$+ $HfO_2$ (%) | $TiO_2$ (%) | REO+ $Y_2O_3$ (%) | Zircon (%) Note 2 | Zircon Equiv (%) Note 3 | Zircon Tonnes | Rare Earths ($REO+Y_2O_3$) Tonnes | $TiO_2$ 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 |
| TOTAL | 290 | 0.6 | 1.5 | 0.09 | 0.9 | 1.5 | 2,725,000 | 250,000 | 4,404,500 |

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%

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 ($ZrO_2$+$HfO_2$/0.66).*
   *Zircon equivalent is calculated based on $ZrO_2$/t, $TiO_2$/t and REO/t pricing which is derived from the contained value of zircon ($ZrO_2$), ilmenite, High Titanium ("HiTi") and rutile ($TiO_2$) 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 take into account mineral recoveries; product quality; and processing margins. Totals might not add up due to roundings*

Ore reserve optimisation and associated studies carried out in November 2017 by Kalbar personnel in conjunction with Orelogy Consultants were reported using the operating costs and assumptions updated from the May 2017 Pre-Feasibility studies. The outcome of this optimisation was reported to shareholders in November 2017. Following on from the studies and the operating and capital cost estimates in the BFS, a revised ore reserve estimate was stated which is shown in Table 2.

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

| | | | In Situ Grades | | | | | Contained Tonnes | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Year | Reserve Classification | Ore[1,2,3] (Mt) | $ZrO_2$ + $HfO_2$ % | $TiO_2$ (%) | TREO* (%) | Zircon (%) | Zircon Equiv[4] (%) | Zircon (kt) | $TiO_2$ (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 + $Y_2O_3$*

1 *The Mineral Resource and Ore Reserve are prepared and presented to the guidelines of the Australasian Code for Reporting of 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 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 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 re that recoverable value without credits of the other valuable minerals. Assumed recoveries and sales prices shown below.*

**Additional Disclosure**

*The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this report has been presented in accordance with the JORC Code.*

*Information in this report relating to Exploration results is based on information compiled by Dr Brad Farrell (an employee and shareholder of Kalbar Resources Limited), who is a Fellow of The Australasian Institute of Mining and Metallurgy and a Chartered Professional of the organisation. Dr Farrell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Farrell consents to the inclusion of the data in the form and context in which it appears.*

*There is information in this report relating to:*

*The Mineral Resource Estimate for the Finger Boards Project, which was previously announced on November 2017;*

*Other than as disclosed in those announcements, the Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements, and that all material assumptions and technical parameters have not materially changed. The Company also confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.*

*Forward Looking Statements:*
*Any forward-looking information contained in this report is made as of the date of this news release. Except as required under applicable securities legislation, Kalbar Resources Limited does not intend, and does not assume any obligation, to update this forward-looking information. Any forward-looking information contained in this report is based on numerous assumptions and is subject to all of the risks and uncertainties inherent in the Company's business, including risks inherent in resource exploration and development. As a result, actual results may vary materially from those described in the forward-looking information. Readers are cautioned not to place undue reliance on forward-looking information due to the inherent uncertainty thereof.*

One water exploration hole was drilled in June 2018 to determine the occurrence of a deep aquifer at 300m within the LaTrobe Group of sediments. This exploration hole was subsequently developed into a production well and pump tests were carried out to determine the potential yield of the aquifer. An additional seven water exploration holes were drilled during the financial year to assess the location and scale of the LaTrobe Group aquifer, south of the project area. The drilling has discovered varying thicknesses of aquifer gravels, with the thickest layers found within four kilometres of the project area. The assessment of the thick aquifer gravels will be carried out in the coming financial year by drilling production wells with pump testing to establish a bore field for part of the project's water requirements.

**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.

A further payment of $120,000 was made in June 2019 to Rio Tinto Exploration Pty Ltd in relation to the agreement whereby Kalbar purchased the remaining royalties and payments which were outstanding in relation to the 2013 acquisition of the Gippsland Mineral Sands Project. Kalbar has a single outstanding payment of $2M due in December 2019.

No tenement activity took place at Kalbar's 100% owned bauxite project in the Tiwi Islands, Northern Territory.

**Fingerboards Project Enhancement study of the BFS ("EBFS")**

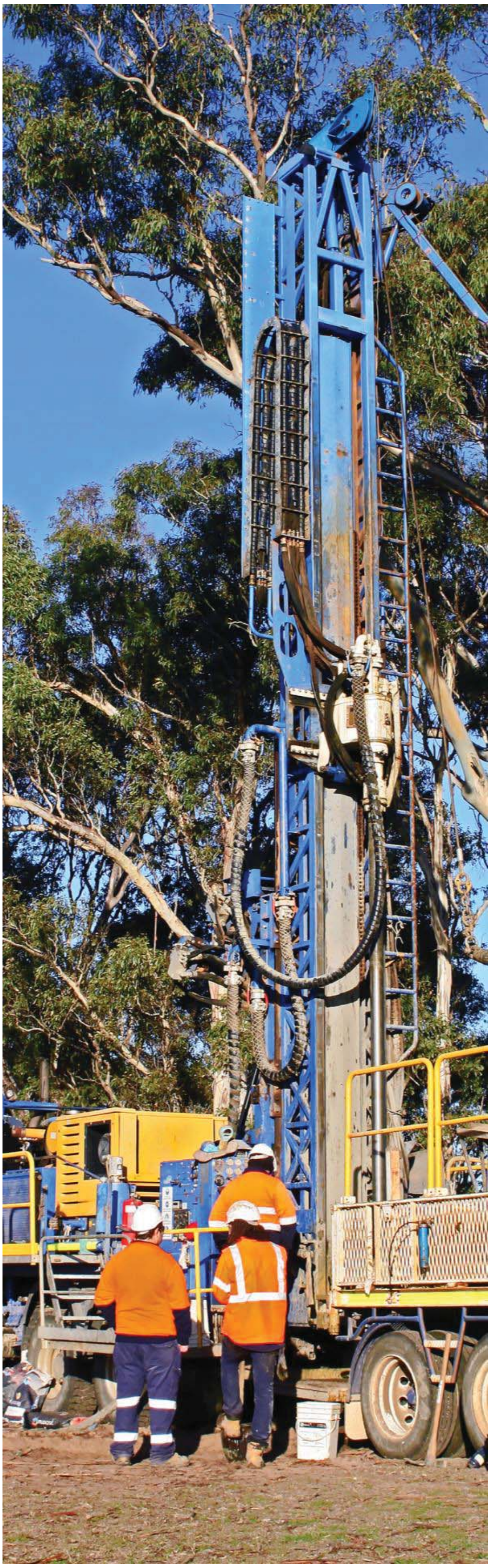
During the BFS, Kalbar was able to identify several areas for potential project improvements which included further test work on alternative mineral separation processes, modularisation of the plant, mechanisation of the mining plants and further optimisation of the mine path.

Kalbar has carried out metallurgical test work using two principal separation technologies. Conventional spiral circuits 'spirals' and the FLSmidth Reflux Classifier ("RC") Unit. RC technology has been tested several times on the Fingerboards ore with very positive results, at Nagrom laboratories in Perth, and over several phases at the University of Newcastle, New South Wales, metallurgical laboratory. The technology has had limited application in mineral sands to date, but the tight size range of the heavy minerals and sand, and the very clean nature of the ore with no coatings, and only trace levels of oversize (<2%), has made it highly suited to the Fingerboards Project. At the time of the BFS it was decided to follow the more conservative spiral flowsheet while further scaled up test work was carried out on the RC classifier.


The Bankable Feasibility Study flowsheet was based on a conventional spiral circuit and comprised two stages of Mineral Technologies MG12 spirals, followed by a screen to remove the residual coarse quartz, before separation using Wet High Intensity Magnetic Separation ("WHIMS") and final spiral cleaning of the non-magnetic fraction to achieve the required grade specifications.

Recent RC test work has demonstrated that higher recoveries at product specification can be achieved using a much simpler circuit requiring screening of the ore, a single stage of RC separation and screening of the final product.

A 20t sample processed with the RC300 test unit at CSIRO Minerals in Brisbane, recently achieved very high recoveries of zircon and rare earths (>96%) from a single pass and produced a high grade HMC of commercial grade which has now been shipped to China for DFS test work at Changsa Research Insitute of Mining and Metallurgy Co. Ltd ("CRIIM") for the China located JV CUP/MSP test work, refer section below China Update.



**Engineering Studies**

FLSmidth and Kalbar entered into a commercial 'sole source' agreement in March 2019 whereby FLS is carrying out Front End Engineering Design ("FEED") on a modular RC concentrator plant for the Fingerboards Project. This plant design and estimate, accurate to 5%, has the potential to significantly lower footprint due to the technology, and can be designed into containerised modules, thereby reducing the project capital and construction time.

Kalbar continues to assess opportunities to lower the impact of the operation through appropriate engineering studies in critical areas such as water supply, tailings handling and rehabilitation.

**Rehabilitation and Ecological Restoration**

The landscape of the Fingerboards project is highly degraded and eroded by stream systems that have produced a number of deep gullies which is an effect of historical agriculture development over the last 160 years. In its rehabilitation plan, Kalbar plans to tackle these long-term erosion issues through large scale planting of native species on steep slopes and in gullies. To further mitigate risk, in areas where there is a high risk of continued erosion, the topographic profile may be modified to reduce land form erosion.

The Fingerboards project area soils, termed sodasols, also have low fertility for cultivation in general. On areas intended to be returned to grazing, rehabilitation will involve measures to reduce pH and improve the moisture holding capacity of the soil. These measures have been tested and trialled by Kalbar and demonstrate improvements to pasture yield with the consequence of greater livestock carrying capacity.

As part of Kalbar's rehabilitation plan for the Fingerboards project the Company has committed to native grassland restoration in certain areas of the project. Native grasslands and woodlands once covered great swathes of Australia, inclusive of the Fingerboards area, but with the onset of European settlement and agriculture these diverse and beautiful habitats have largely disappeared. Less than 10% of native grasslands in south-eastern Australia now remain and are not in high ecological condition. Some species that are dependent on native grasslands have declined along with their native grassland habitat such that the natural temperate grasslands are considered to be one of the most threatened Australian ecosystems.

Native grasslands have a number of advantages over introduced 'exotic' grasses that form the now dominant new grasslands. Many native grassland species are more resilient to extreme conditions than exotic ones, especially with respect to 'climate change'. They are therefore able to cope better in more marginal farming environments and under extreme conditions. They don't need to be cut as often and they produce lower fuel loads so are potentially less of a fire risk. Many of the native wildflowers in native grasslands attract good beneficial insects that can assist with pollination or predation of pest insects. They also are pretty in flower. It is thus possible to add beauty and restore native biodiversity by restoration of native grasslands and at the same time, other plants and birds, mammals, insects, and reptiles, recolonise restored native grasslands increasing biodiversity and complexity.

Until recently, broad-scale restoration of native grasslands and grassy woodlands was thought to be unachievable due to a scarcity of wild seeds and traditional agricultural seeders being unsuitable for sowing most native species, but state and federal agencies and private organisations have shown otherwise. One private organisation, Greening Australia, has carried out a number of successful trials in NSW, Victoria and WA in collaboration with local, state and federal government agencies. As part of Kalbar's rehabilitation plan for the Fingerboards project the Company has committed to native grassland restoration in certain areas of the project.

In early 2019, Dr Paul Gibson-Roy joined Kalbar as Manager Ecological Restoration from Greening Australia where he was the lead scientist for native grassland restoration. He will supervise Kalbar's project of native grassland restoration in certain areas of the Fingerboards project. This is planned to be Australia's largest grassland restoration project, which will have economic, environmental and aesthetic benefits to make it a clear winner with many Australians.

His first task is to overcome the problem of seed scarcity and will establish Kalbar's own 'seed bank' from small amounts of native seed collected from the wild. From these seeds, by the use of horticultural techniques, healthy native crops can be grown which will become the source for the seeds needed for the restoration work. The creation of the seed bank will take a number of years. Once restoration is required of mined land 'purpose built' seeders will be employed that allow sowing as many selected species as is required at a time. Direct seeding with a complex range of species is a completely new shift in approach to restoration in Australia as it takes restoration from being largely focused on planting in straight lines, to a more holistic and ecologically efficient process, which enables restoration of very complex habitat in a way that is has the potential to further evolve and transition with appropriate management.

**Fingerboards Project Environmental Effects Statement ("EES") Studies**

The Fingerboards Project requires approval under Victorian and Commonwealth legislation to construct and operate the Fingerboards Mineral Sands Project. The Project was referred to the Minister on 11 November 2016. On 18 December 2016, the Minister determined that the project would require the preparation of an Environmental Effects Statement (''EES'').

An Environmental Protection and Biodiversity Conservation Act 1999 ("EPBC Act") referral (EPBC 2017/7919) for the project was also submitted to the Commonwealth Department of the Environment and Energy in April 2017. As an EES under Victorian legislation was already being prepared, the Minister for the Environment and Energy accredited the EES process under the bilateral agreement between the Commonwealth and the State of Victoria. The EES scoping requirements incorporate the Commonwealth Government's requirements for the assessment of impacts on Environment Matters of National Environmental Significance ("MNES").

The EES process now forms the primary mechanism upon which Kalbar will obtain it's 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 EES process involves six major steps:

- Scoping requirements
- Technical studies
- Impact assessment
- The EES Report
- Public review
- Minister's decision.

The scoping requirements on a range of environmental topics were finalised and approved by the Minister for Planning in March 2018. Following approval Kalbar has systematically completed the required technical and impact assessment studies of these topics. These have been reviewed by the Technical Reference Group ("TRG"), which is a committee of regulators established to review the Kalbar EES. Three studies – water, air quality and rehabilitation have undergone independent peer review. The final round of reviews and responses was underway at the end of June 2019. The Company is planning to complete and lodge the EES Report in the December quarter 2019, to commence the final steps in the approval process; the public review and Minister's decision on approval mid-2020.

**Marketing Studies and Offtake Agreements**

Three marketing off-take agreements have been signed between Kalbar and customers which account for about 50% of the planned Non-Mag concentrate production. All the off-take agreements have the following common features:

- Multiple year volume agreements, with options to extend;
- Concentrate pricing linked to mineral product prices;
- Agreed pricing mechanisms, as outlined in the section below;
- Flexible shipping arrangements with options for Kalbar to arrange bulk or container shipments;
- Agreed concentrate specifications;
- Agreed payment terms and method of payment (letter of credit or telegraphic transfer);
- Agreed governing law; and
- Other standard terms and conditions common to international off-take agreements.
- All the off-take agreements include clauses which give Kalbar the right to either have back-to-back agreements with third parties or toll-treatment agreements, which allow Kalbar to sell the rare earth concentrates (monazite) produced by the mineral processor. This allows Kalbar to manage the channel to market of the rare earth concentrate. It has also allowed Kalbar to enter into discussions regarding off-take and or joint-venture with major Chinese rare earth producers, which should give Kalbar greater exposure to the rare earth value chain and provide greater value to Kalbar shareholders.

**Stakeholder Engagement**

An EES Consultation Plan has been prepared and approved (May 2017) for stakeholders in accordance with guidelines prepared by the Department of Environment, Land, Water and Planning ("DELWP"). The plan was updated and revised in April 2018.

Kalbar's Community Engagement Plan ("CEP") sets out the Company's overall approach to stakeholder engagement for the Fingerboards Mineral Sands Project. It describes the strategic framework, objectives, methods and actions to meet stakeholder engagement requirements for the life of the project and gives Kalbar 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 undertook all components of the stakeholder consultation plan including:

- community meetings and drop-in sessions
- mail-outs to over 800 people on Kalbar's e-mail database
- project updates posted on the company's website
- briefings to government, regulators and community interest groups
- participation in community events, such as the East Gippsland Field Days
- newspaper articles and adverts updating readers on the progress of the project and the environmental approval process.

**China Update**

As China is Kalbar's main market for its mineral sands products, the Company decided towards the end of last financial year to investigate the siting of a CUP /MSP in China with established Chinese partners. A CUP gives the benefits of shipping HMC to China and then seperating the three intermediate products; a zircon rich Non-Mag concentrate, an ilmenite rich Mag concentrate, and a rare earth concentrate for sale to customers. The MSP adds individual mineral separation circuits to treat the three concentrate streams and gives considerable additional value by extracting all valuable minerals from the original shipped HMC. This gives Kalbar greater exposure to all the mineral sands products in the value chain (especially with respect to the emerging important rare earth minerals, monazite and xenotime) to provide upside reward to Kalbar shareholders.

Kalbar has made significant progress on the CUP/MSP. Firstly, locating a preferred plant site and secondly, after an internal positive pre-feasibility study ("PFS"), has commenced a definitive feasibility study ("DFS"). The DFS is being carried out by the prestiguous Changsa Research Insitute of Mining and Metallurgy Co. Ltd ("CRIIM") in Hunan Province, China. It is expected a positive DFS will be followed by completion and lodgement of an Environmental Impact Assessment ("EIA") on the CUP/MSP site with its anticipated approval in 2020, and subject to financing, CUP/MSP construction and operations in 2021.

**Results of Operations**

The Company's core business is exploration and project development. The Company's only income is derived from interest on cash holdings and rebates received from research and development. The loss of the Company for the financial year amounted to $5,296,952 (2018 loss of $3,187,626).

Inkjar Pty Ltd is a company owned by Dr Brad Farrell who loaned funds to the company to acquire a piece of land in 2015. The loan is secured by the land and has interest of 6% per annum. During the year, Inkjar Pty Ltd loaned additional $120,000 to the company that was used to pay interest to Rio Tinto for extending the payment date to December 2019 (Note 14). The loan to Inkjar Pty Ltd is payable on 13 December 2019.

### Dividends

No dividends were paid during the year and no recommendation is made as to the dividends.
The directors do not recommend the payment of a dividend.

### Capital raising

In November 2018, a total capital of $9,953,823 was raised following the issuance of 5,276,676 ordinary shares at an issue price of $1.50 per share and 4,247,519 ordinary shares upon exercise of options at $0.48 per share.

## CORPORATE STRUCTURE

Kalbar Resources Limited is an Australian registered public company limited by shares.

### Nature of Operations and Principal Activities

During the financial year, the Company's principal activity was mineral exploration. The Company currently holds the sole interest in the Fingerboards Mineral Sands Project in Victoria Australia. During the 2019 financial year there were no changes in the principal activities from the prior financial year.

## EMPLOYEES

The Company had 18 employees at 30 June 2019 (2018: 17 employees).

## SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year that significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company will continue to carry out its business plan by finalising technical and EES matters to obtain the necessary approvals and financing in financial year 2020 to commence production in Victoria and China respectively in financial year 2021.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company carries out operations that are subject to environmental regulations under Commonwealth and State legislation in the Australia. The Company has procedures in place to ensure regulations are adhered to. The Company is not aware of any breaches in relation to environmental matters.

## SHARE OPTIONS

During the year, 150,000 options exercisable at $0.60 expiring on 23 December 2019 were issued.

At the date of this report there were 1,532,037 unlisted options exercisable at $0.60 expiring on 23 December 2019 over unissued ordinary shares and 150,000 unlisted options exercisable at $0.60, expiring on 11 July 2019.

During or since the end of the financial year, 3,398,015 options were exercised at an issue price of $0.48 per share. No other options or unissued shares in the company have lapsed, expired or cancelled.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

There were 102,408,925 Shares on issue at the reporting date.

### Indemnification of Officers

The Company indemnifies to the extent permitted by law, officers of the Company when acting in their capacity in good faith in respect of liabilities to third parties and costs and expenses of successfully defending legal proceedings. The Directors named in this report have the benefit of indemnity.

The Company has paid insurance premiums in respect of contracts insuring all Directors and Secretaries against liabilities incurred in their capacity as Directors and Secretaries. The contract prohibits disclosure of the nature of the liabilities and the amount of premiums paid and Corporations Act (2001) does not require disclosure under such circumstances.

### Directors' Meetings

During the financial year, in addition to regular informal Board discussions and decisions made via circulating resolutions, the number of Directors' meetings (including meetings of Committees) held during the year, and the numbers of meetings attended by each Director were as follows:

| | Directors Meetings | | Audit Committee Meetings | | Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|
| Name | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended |
| Dr Brad Farrell | 7 | 7 | - | - | 4 | 4 |
| Mr Neil O'Loughlin | 7 | 7 | 1 | 1 | - | - |
| Mr Brad Pettersson | 7 | 7 | 1 | 1 | 4 | 4 |
| Mr Ian Warden | 7 | 7 | - | - | 4 | 4 |
| Mr Robert Bishop | 7 | 7 | 1 | 1 | - | - |
| Mr James Kerr | 7 | 7 | - | - | - | - |

### Proceedings On Behalf Of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

### Corporate Governance

The Board of Directors is responsible for the overall strategy, governance and performance of the Company. The Board has adopted a corporate governance framework which it considers to be suitable given the size, nature of operations and strategy of the Company. The Company's Corporate Governance Statements, are available on the Company's website:
http://fingerboardsproject.com.au/about-us/governance/

### Auditor's Independence And Non-Audit Services

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Kalbar Resources Limited with an Independence Declaration in relation to the audit of the full-year financial report. A copy of that declaration is included on pages 61 of this report. There were no non-audit services provided by the Company's auditor.

### Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for Directors and other key management personnel of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purpose of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

### Details of Directors And Key Management Personnel

The directors and other KMP of the Company during the financial year were:

### Non-Executive Directors

Dr Brad Farrell Chairman
Mr Brad Pettersson Non-Executive Director - Finance
Mr Robert Bishop Non-Executive Director
Mr Jim Kerr Non-Executive Director
Mr Ian Warden Non-Executive Director

### Executive Officers (KMP)

| | |
|---|---|
| Mr Neil O'Loughlin | Executive Director – Technical & Project Development |
| Mr Robert Waring | Company secretary |
| Mr Victor Hugo | Chief Executive Officer |
| Mr Chris Cook | Regional Manager, Gippsland |

## DIRECTORS' REPORT

### Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors and management. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. The lack of a performance link at this time is not considered to have a negative impact on retaining and motivating Directors.

The rewards for Directors' have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board will determine appropriate levels of performance rewards as and when they consider rewards are warranted.

### Use of Remuneration Consultants

During the year, there was no external specialist engaged on matters relating to remuneration.

The table below shows the performance of the Company as measured by (loss) per share during the year and previous year:

| | 2019 | 2018* |
|---|---|---|
| Loss per share | $0.056 | $0.036 |
| Share price at reporting date | $1.50 | $1.30 |

*adjusted on a post-Consolidation basis

## DIRECTORS' REPORT

Details of the nature and amount of each element of the emolument of Directors and KMP of the Company for the financial year are as follows:

| | Short Term Benefits | | | | | |
|---|---|---|---|---|---|---|
| **Director** | **Base Salary $** | **Director Fees $** | **Consulting Fees $** | **Super-annuation $** | **Share Based Payments – KEIP $** | **Total $** |
| **2019** | | | | | | |
| *Non-Executive Directors* | | | | | | |
| Dr Brad Farrell | - | 74,384 | - | 7,066 | 112,500 | 193,950 |
| Mr Robert Bishop | - | 96,397 | - | 9,158 | 112,500 | 218,055 |
| Mr Brad Pettersson | - | - | 57,200 | 4,784 | 112,500 | 174,484 |
| Mr Jim Kerr | - | - | - | 3,800 | 112,500 | 116,300 |
| Mr Ian Warden | - | 45,999 | - | 4,370 | 112,500 | 162,869 |
| *Executive Officers (KMP)* | | | | | | |
| Mr Neil O'Loughlin | 291,270 | - | - | 20,531 | 1,205,000 | 1,516,801 |
| Mr Robert Waring | - | - | 75,234 | - | - | 75,234 |
| Mr Victor Hugo | 343,468 | - | - | 20,531 | 980,000 | 1,343,999 |
| Mr Chris Cook | 154,520 | - | - | 14,679 | 225,000 | 394,199 |
| | 789,258 | 216,780 | 132,434 | 84,919 | 2,972,500 | 4,195,891 |
| **2018** | | | | | | |
| *Non-Executive Directors* | | | | | | |
| Dr Brad Farrell | - | 40,000 | - | 3,800 | 50,000 | 93,800 |
| Mr Brad Pettersson | - | 40,000 | - | 3,800 | 50,000 | 93,800 |
| Mr Robert Bishop | - | 122,534 | 20,823 | 11,641 | 50,000 | 205,008 |
| Mr Jim Kerr | - | 40,000 | - | 3,800 | 50,000 | 93,800 |
| Mr Ian Warden | - | 40,000 | - | 3,800 | 50,000 | 93,800 |
| *Executive Officers (KMP)* | | | | | | |
| Mr Neil O'Loughlin | - | - | 323,478 | - | 160,000 | 483,478 |
| Mr Robert Waring | - | - | 55,038 | - | - | 55,038 |
| Mr Victor Hugo | 186,389 | - | - | 15,602 | 380,000 | 581,991 |
| Mr Chris Cook | 151,242 | - | - | 14,368 | 100,000 | 265,610 |
| | **337,631** | 282,534 | **399,349** | 56,811 | **890,000** | 1,966,325 |

KEIP – Kalbar Employee Incentive Plan

There were no other key management personnel of the Company during the financial years ended 30 June 2019 and 30 June 2018.

### Shareholdings of Directors and Key Management Personnel

The number of shares in the Company held during the financial year by Directors and Key Management Personnel of the Company, including their personally related parties, is set out below.

| | Balance at the start of the year | Granted as compensation | Received on exercise of options | Acquired on Market | Balance on resignation date / Other | Balance at the end of the year |
|---|---|---|---|---|---|---|
| **30 June 2019** | | | | | | |
| *Non-Executive Directors* | | | | | | |
| Mr Robert Bishop | 12,764,721 | 125,000 | - | - | (51,275) | 12,838,446 |
| Mr Jim Kerr | 1,925,000 | 205,000 | - | - | - | 2,130,000 |
| Mr Brad Pettersson | 7,650,000 | 205,000 | 625,000 | - | - | 8,480,000 |
| Dr Brad Farrell | 13,580,000 | 174,526 | 1,250,000 | 120,000 | - | 15,124,526 |
| Mr Ian Warden | 3,387,540 | 175,400 | - | - | - | 3,562,940 |
| *Executive Officers (KMP)* | | | | | | |
| Mr Neil O'Loughlin | 7,468,962 | 1,050,000 | - | - | - | 8,518,962 |
| Mr Robert Waring | 521,925 | - | 18,750 | - | - | 540,675 |
| Mr Victor Hugo | 800,000 | 150,000 | 781,250 | 50,000 | - | 1,781,250 |
| Mr Chris Cook | - | 250,000 | - | - | - | 250,000 |
| **30 June 2018** | | | | | | |
| *Non-Executive Directors* | | | | | | |
| Mr Robert Bishop | 16,516,474 | - | - | - | (3,751,753) | 12,764,721 |
| Mr Brad Pettersson | 10,050,000 | - | 5,000,000 | 100,000 | (7,500,000) | 7,650,000 |
| Dr Brad Farrell | 11,550,000 | 80,000 | 1,750,000 | 200,000 | - | 13,580,000 |
| Mr Jim Kerr | 1,925,000 | - | - | - | - | 1,925,000 |
| Mr Ian Warden | 3,342,540 | - | - | - | 45,000 | 3,387,540 |
| *Executive Officers (KMP)* | | | | | | |
| Mr Neil O'Loughlin | 5,732,857 | - | 1,736,105 | - | - | 7,468,962 |
| Mr Robert Waring | 521,925 | - | - | - | - | 521,925 |
| Mr Victor Hugo | 625,000 | - | - | 175,000 | - | 800,000 |
| Mr Chris Cook | - | - | - | - | - | - |

## Option holdings of Directors and Key Management Personnel

The numbers of options over ordinary shares in the Company held during the financial year by Directors and Key Management Personnel of the Group, including their personally related parties, are set out below:

| | Balance at the start of the year | Granted as compensation | Exercised during the year | Balance on resignation date / Other | Balance at the end of the year |
|---|---|---|---|---|---|
| **30 June 2019** | | | | | |
| *Non-Executive Directors* | | | | | |
| Mr Robert Bishop | - | - | - | - | - |
| Mr Jim Kerr | - | - | - | - | - |
| Mr Brad Pettersson | 500,000 | - | (500,000) | - | - |
| Dr Brad Farrell | 1,000,000 | - | (1,000,000) | - | - |
| Mr Ian Warden | - | - | - | - | - |
| *Executive Officers (KMP)* | | | | | |
| Mr Neil O'Loughlin | 250,000 | - | - | - | 250,000 |
| Mr Robert Waring | 15,000 | - | (15,000) | - | - |
| Mr Victor Hugo | 625,000 | - | (625,000) | - | - |
| Mr Chris Cook | 150,000 | - | - | - | 150,000 |
| **30 June 2018** | | | | | |
| *Non-Executive Directors* | | | | | |
| Mr Robert Bishop | 918,247 | - | (218,247) | (700,000) | - |
| Mr Jim Kerr | - | - | - | - | - |
| Dr Brad Farrell | 2,750,000 | - | (1,750,000) | - | 1,000,000 |
| Mr Brad Pettersson | 6,000,000 | - | (5,000,000) | (500,000) | 500,000 |
| Mr Ian Warden | 25,000 | - | (25,000) | - | - |
| *Executive Officers (KMP)* | | | | | |
| Mr Neil O'Loughlin | 2,043,248 | - | (1,793,248) | - | 250,000 |
| Mr Robert Waring | 15,000 | - | - | - | 15,000 |
| Mr Victor Hugo | 625,000 | - | - | - | 625,000 |
| Mr Chris Cook | 150,000 | - | - | - | 150,000 |

**Service Agreements**

**Executive Officers**

The Executive Chairman, Dr. B Farrell consults to the Company is remunerated on a monthly basis at a rate of $64,384 per year (excluding GST). Mr. Farrell is not entitled to any termination benefits.

Executive Director – Technical and Project Development, Mr. N O'Loughlin consults to the Company and is remunerated on a monthly basis at a rate of $23,333 per month (excluding GST). Mr. O'Loughlin is not entitled to any termination benefits.

The Finance Director, Mr. B Pettersson consults to the Company and is remunerated on a monthly basis at a rate of $50,362 per year (excluding GST). Mr. Pettersson is not entitled to any termination benefits.

The Company Secretary Mr. R Waring contracts to the Company and is remunerated on a monthly basis at a rate of $63,600 (excluding GST). Mr. Waring is not entitled to any termination benefits.

**Non-Executive Directors**

Mr. R Bishop $43,800, Mr J Kerr $40,000 and Mr. I Warden $46,000 are paid Director's fees on a yearly basis. No notice period is required should a non-executive director elect to resign.

**END OF REMUNERATION REPORT (Audited)**

Signed on behalf of the board in accordance with a resolution of the Directors.

**Dr Brad Farrell**
Chairman
17 October 2019

Stantons International Audit and Consulting Pty Ltd
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17 October 2019

Board of Directors
Kalbar Resources Ltd
Level 1, 1002 Hay Street
PERTH WA 6000

Dear Directors

**RE: KALBAR RESOURCES LTD**

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 Resources Ltd.

As Audit Director for the audit of the financial statements of Kalbar Resources Ltd for the year ended 30 June 2019, 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 faithfully

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

**Samir Tirodkar**
**Director**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial year ended 30 June 2019

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Income** | | | |
| Research and development rebate | | 292,642 | - |
| Interest income | | 21,711 | 26,801 |
| **Expenditure** | | | |
| Accounting expenses | | (224,503) | (99,175) |
| Interest expense | | (154,139) | (23,632) |
| Depreciation | | (46,828) | (27,124) |
| Share-based payments | 25 | (3,425,038) | (930,000) |
| Travelling expense | | (300,818) | (226,043) |
| Wages and Salaries | | (452,654) | (662,562) |
| Directors fees | | (507,613) | (687,356) |
| Other expenses | 5 | (499,712) | (558,535) |
| **Loss before income tax** | | (5,296,952) | (3,187,626) |
| Income tax expense | 6 | - | - |
| **Loss for the year** | | (5,296,952) | (3,187,626) |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | (5,296,952) | (3,187,626) |

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

**STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2019**

| | Note | 30 June 2019 $ | 30 June 2018 $ (As Restated) | 1 July 2017 $ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **CURRENT ASSETS** | | | | |
| Cash and cash equivalents | 7 | 3,511,588 | 4,414,225 | 3,683,407 |
| Trade and other receivables | 8 | 244,380 | 358,946 | 132,147 |
| Prepayments | | 38,704 | 4,637 | 4,000 |
| **TOTAL CURRENT ASSETS** | | 3,794,672 | 4,777,808 | 3,819,554 |
| **NON-CURRENT ASSETS** | | | | |
| Bank guarantee | 9 | 126,249 | 126,249 | 90,000 |
| Property, plant and equipment | 10 | 167,742 | 111,034 | 70,265 |
| Capitalised exploration and evaluation expenditure | 11 | 24,988,321 | 16,090,477 | 6,598,814 |
| **TOTAL NON-CURRENT ASSETS** | | 25,282,312 | 16,327,760 | 6,759,079 |
| **TOTAL ASSETS** | | 29,076,984 | 21,105,568 | 10,578,633 |
| **LIABILITIES** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | 12 | 907,847 | 2,177,012 | 804,785 |
| Loan from related party | 13 | 670,000 | 550,000 | 61,635 |
| Provisions | 14 | 2,117,131 | 2,057,194 | - |
| **TOTAL CURRENT LIABILITIES** | | 3,694,978 | 4,784,206 | 866,420 |
| **TOTAL LIABILITIES** | | 3,694,978 | 4,784,206 | 866,420 |
| **NET ASSETS** | | 25,382,006 | 16,321,361 | 9,712,213 |
| **EQUITY** | | | | |
| Issued Capital | 15 | 33,777,499 | 19,504,337 | 9,939,883 |
| Reserves | 16 | 314,809 | 230,374 | 230,374 |
| (Accumulates losses) | 17 | (8,710,302) | (3,413,350) | (458,044) |
| **TOTAL EQUITY** | | 25,382,006 | 16,321,361 | 9,712,213 |

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

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 JUNE 2019**

| | Note | Issued Capital $ | (Accumulated losses) $ | Reserve $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2017** | | 9,939,883 | (458,044) | 230,374 | 9,712,213 |
| Issue of ordinary shares | | 9,769,254 | - | - | 9,769,254 |
| Capital Raising Costs | | (204,800) | - | - | (204,800) |
| Net effect of a correction of error | | - | 232, 320 | - | 232,320 |
| Loss attributable to equity shareholders | | - | (3,187,626) | - | (3,187,626) |
| **Balance at 30 June 2018, as restated** | | 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) |
| **Balance at 30 June 2019** | | 33,777,499 | (8,710,302) | 314,809 | 25,382,006 |

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2019

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITES** | | | |
| Receipts from tax concessions/refunds | | 861,733 | - |
| Payments to suppliers and employees | | (2,360,590) | (1,329,631) |
| Interest received | | 20,525 | 26,801 |
| **Net cash used in operating activities** | | (1,478,332) | (1,302,830) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for fixed assets | | (103,537) | (67,893) |
| Payment for Bank Guarantees | | - | (36,249) |
| Expenditure on mining interests and land | | (8,897,844) | (7,491,664) |
| **Net cash used in investing activities** | | (9,001,381) | (7,595,806) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from share issue | | 9,953,823 | 9,631,954 |
| Cost of Issue of Shares | | (376,477) | (2,500) |
| **Net cash provided by financing activities** | | 9,577,346 | 9,629,454 |
| Cash at beginning of financial year | | 4,414,225 | 730,818 |
| Net (decrease)/increase in cash held | | (902,367) | 3,683,407 |
| Cash at end of financial year | | 3,511,588 | 4,414,225 |

## 1. Corporate Information

The financial report of Kalbar Resources Limited (Kalbar Resources or the Company) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 16 October 2019.

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

The nature of the operations and principal activities of the Company are described in the Directors' report.

## 2. Going Concern

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.

For the year ended 30 June 2019, the Company incurred a loss from operations of $5,296,952 (2018: loss of $3,187,626) and recorded net cash outflows from operating activities of $1,478,332 (2018: inflows of $1,302,830).

The Company'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 Company'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 balance of the Company relative to its fixed and discretionary commitments;
- given the Company's capitalisation based on the last raising at $1.50 per share and the underlying prospects for the Company to raise further funds from the capital markets; and
- the fact that future exploration and evaluation expenditure are generally discretionary in nature (i.e. at the discretion of the Directors having regard to an assessment of the Company's eligible expenditure to date and the timing and quantum of its remaining earn-in expenditure requirements). Subject to meeting certain minimum expenditure commitments, further exploration activities may be slowed or suspended as part of the management of the Company's working capital.

The Directors are confident that the Company 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. However, should the Company be unable to raise further required financing, there is uncertainty which may cast doubt as to whether or not the Company will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

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 Company not continue as a going concern.

## 3. Summary of Significant Accounting Policies

### Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Company is for profit entity for financial reporting purposes under Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

### (a) Compliance Statement

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### (b) New accounting standards and interpretations

***New and revised accounting requirement applicable to the current reporting period***

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2018 and that are applicable to the Company.

The Company has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* which became effective for financial reporting periods commencing on or after 1 January 2018.

**AASB 15 *Revenue from contracts with customers***

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company has applied the new Standard effective from 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated.

The adoption of AASB 15 does not have a significant impact on the Company as the Group Company does not currently have any revenue from customers.

**Correction of prior period errors**

In 2018, the Company allotted a total of 290,400 shares to the non-executive directors as payment for directors fees at an issue price of $0.50 per share. However, the value of the share based payment was incorrectly valued at $1.30 per share which resulted to overstatement of expenses and accrued liability in prior year.

The following table summarises the impact of the error on the Company's financial statements which resulted to the restatement of prior period balances in accordance with AASB108 Accounting Policies, changes in accounting estimates and errors.

**Extract of statement of financial position**

| 30 June 2018 | As previously reported<br>$ | Adjustments<br>$ | As restated<br>$ |
|---|---|---|---|
| Trade and other payables | 2,409,332 | (232,320) | 2,177,012 |
| Total Liabilities | 5,016,526 | (232,320) | 4,784,206 |

**Extract of statement of profit and loss and other comprehensive income**

| For the year ended 30 June 2018 | | | |
|---|---|---|---|
| Directors Fees | (687,356) | 232,320 | (455,036) |
| Total Comprehensive Income for the year | (3,187,626) | 232,320 | (2,955,306) |

**AASB 9 *Financial Instruments***

AASB 9 *Financial Instruments* replaces AASB 139 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

As a result of adopting AASB 9 *Financial Instruments*, the Company has amended its financial instruments accounting policies to align with AASB 9. AASB 9 makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

There were no financial instruments which the Company designated at fair value through profit or loss under AASB 139 that were subject to reclassification. The Board assessed the Company's financial assets and determined the application of AASB 9 does not result in a change in the classification of the Company's financial instruments.

The adoption of AASB 9 does not have a significant impact on the financial report.

### *New accounting standards and interpretations issued but not yet effective*

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. The Company has not elected to early adopt any new Standards or Interpretations. The adoption of the Standards or Interpretations are not expected to have material impact on the financial statements of the Company.

*AASB 16: Leases applies to annual reporting periods beginning on or after 1 January 2019.*

This Standard supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB intrpretation 115 *Operating Leases-Incentives* and AASB intrpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The key features of AASB 16 are as follows:

- Leases are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.

- Assets and Liabilities arising from the lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be mad in optional periods if the lessee is reasonably certain to exercise an option to extend to lease, or not to exercise an option to terminate the lease.

- AASB 16 contains disclosure requirements for leases.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor’s risk exposure, particularly to residual value risk.

Due to the adoption of AASB 16, the Group's operating profit will not change materially as the Company does not incur revenue, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under AASB 117.

**Other standards not yet applicable**

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (c) Income Tax

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

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

No deferred income tax will be recognised from the initial recognition of goodwill or of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

No deferred income tax will be recognised in respect of temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the near future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited to Profit or Loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

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

### (d) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities in the Statement of Financial Position. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

**(e) Financial Instruments**

*Financial assets*

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets at amortised cost includes trade receivables.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost.

The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*(ii) Financial Liabilities*

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

*(iii) Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**(f) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance expenditure is charged to Profit or Loss during the financial period in which it is incurred.

*Depreciation*
The depreciable amount of most of the fixed assets are depreciated on a diminishing balance method and some of the fixed assets are depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

| *Class of Fixed Asset* | *Depreciation Rate* |
|---|---|
| Plant and Equipment | 20% Diminishing |
| Motor Vehicle | 25% Diminishing |
| Computer Equipment | 20% - 50% Diminishing |

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the Profit or Loss.

*Impairment*
Carrying values of plant and equipment are reviewed at each balance date to determine whether there are any objective indicators of impairment that may indicate the carrying values may be impaired.

Where an asset does not generate cash flows that are largely independent it is assigned to a cash generating unit and the recoverable amount test applied to the cash generating unit as a whole.

Recoverable amount is determined as the greater of fair value less costs to sell and value in use. The assessment of value in use considers the present value of future cash flows discounted using an appropriate pre-tax discount rate reflecting the current market assessments of the time value of money and risks specific to the asset. If the carrying value of the asset is determined to be in excess of its recoverable amount, the asset or cash generating unit is written down to its recoverable amount.

**(g) Exploration Expenditure**

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or

- exploration and evaluation 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, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is written off, furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Company’s rights of tenure to that area of interest are current.

**(h) Impairment of Non-Financial Assets**

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

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

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

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(i) Trade and Other Payables**

Liabilities for trade creditors and other amounts are measured at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Company.

**(j) Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

### (k) Revenue

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 customer:

*Interest Income*
Interest income is recognised as the interest accrues.

### (l) Earnings Per Share

*Basic Earnings Per Share*
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

*Diluted Earnings Per Share*
Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

### (m) Share Based Payment Transactions

The Company provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Company in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares (‘equity settled transactions’).

There is currently the Kalbar Employee Incentive Plan (KEIP) in place, which provides benefits to Directors and individuals providing services similar to those provided by an employee. The Company may also issue options outside of the KEIP to consultants and other service providers.

The cost of these equity settled transactions is measured by reference to the fair value 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.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the Company’s shares (‘market conditions’).

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance 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 (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the 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 the modification.

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

The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 20).

**(n) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which is receivable from or payable to the ATO, are disclosed as operating cash flows.

**(o) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease. Leases are classified as operating leases where substantially all the risks and benefits remain with the lessor.

Payments in relation to operating leases are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(p) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO of Kalbar Resources Limited.

**(q) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(r) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year Where the Company retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

**4. Critical Accounting Estimates and Judgements**

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.

## 5. Other Expenses

| | 2019 $ | 2018 $ |
|---|---|---|
| Recruitment - Exploration | 13,288 | 1,466 |
| Payroll Tax | 74,882 | 21,262 |
| Legal Expenses | 67,942 | 239,600 |
| Telephone & Internet & IT | 40,880 | 25,628 |
| Consumables | 1,943 | - |
| Recruitment - Corporate | 16,186 | - |
| Company Secretary Fees | 61,605 | - |
| Motor Vehicle Expense* | - | 8,184 |
| Meals* | - | 7,854 |
| Bank Fees | 4,170 | 3,643 |
| Rent, Rates and Outgoings – WA* | 71,131 | 13,839 |
| Printing & Stationery | 26,556 | 13,466 |
| Insurance | 41,928 | 17,156 |
| Staff Training | 2,065 | - |
| Listing and Registration Costs | 895 | 1,470 |
| Freight & Courier | 1,184 | 676 |
| Software Licenses and Subscriptions | 57,344 | 112,675 |
| Subscriptions & Conferences | 17,713 | 36,578 |
| **TOTAL** | **499,712** | **558,535** |

*** Classification change from prior year**

| | 2019<br>$ | 2018<br>$ |
|---|---|---|

## 6 Income Tax

### (a) Income Tax Expense

| | | |
|---|---|---|
| Current tax | - | - |
| Deferred tax | - | - |

### (b) Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:

| | | |
|---|---|---|
| (Loss) from operations before income tax expense | (5,296,952) | (3,187,626) |
| Tax at the company rate of 27.5% (2018: 27.5%) | (1,456,662) | (876,597) |
| Research & Development tax rebate | (80,477) | - |
| Other non-deductible expenses | 905,838 | 253,490 |
| Expenditure subject to R&D tax incentive claim | 22,456 | 22,456 |
| Other Adjustment | (105,446) | 143,993 |
| Unrecognised tax losses | (714,291) | (456,658) |
| Income Tax Expense | - | - |

### (c) Deferred tax

***Statement of financial position***

The following deferred tax balances have not been brought to account:

| | | |
|---|---|---|
| *Deferred Tax Liabilities* | - | - |
| Unrealised forex gain | - | - |
| Exploration (foreign @ 30%) | - | - |
| Deferred tax liability not recognised | - | - |
| | | |
| *Deferred Tax Assets* | | |
| Foreign carry forward revenue losses (@ 30%) | - | - |
| Australian carry forward revenue losses (@ 27.5%) | 1,312,511 | 598,220 |
| Deferred Tax Assets not recognised | 1,312,511 | 598,220 |
| Accrued expenses | 241,422 | 793,952 |

Due to uncertainty regarding the utilisation of prior year tax loses in future years the tax losses have not been recognised as an asset.

The benefit for tax losses will only be obtained if:

(i) the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and

| | 2019 $ | 2018 $ |
|---|---|---|

(ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and

(iii) no changes in tax legislation in Australia, adversely affect the Company in realising the benefit from the deductions for the losses.

## 7 Cash and Cash Equivalents

| | 2019 $ | 2018 $ |
|---|---|---|
| **Reconciliation of cash** | | |
| Cash balance comprises: | | |
| ANZ Bus Classic AC | 186,797 | 378,512 |
| ANZ Bus Online Saver AC | 3,324,791 | 4,035,713 |
| Cash and cash equivalents | 3,511,588 | 4,414,225 |

| | 2019 $ | 2018 $ |
|---|---|---|
| **Reconciliation of Cash Flow from Operations with Loss after Income Tax** | | |
| Loss after income tax | (5,296,952) | (3,187,626) |
| **Non-cash flows in loss** | | |
| Depreciation | 46,828 | 27,124 |
| Salaries/Directors Fees to be paid in shares | - | 522,832 |
| Share based payments | 3,425,038 | 930,000 |
| **Changes in assets and liabilities** | | |
| Decrease/ (increase) in trade and other receivables prepayments | 80,499 | (227,436) |
| Increase in trade and other payables and provision | 266,255 | 632,276 |
| | (1,478,332) | (1,302,830) |

## 8 Trade and Other Receivables

| | 2019 $ | 2018 $ |
|---|---|---|
| **Current** | | |
| GST receivable | 142,359 | 356,611 |
| Other Receivables | 19,430 | - |
| Securities Deposits | 2,589 | 2,333 |
| Investment in Shares | 2 | 2 |
| Term Deposit | 80,000 | - |
| | 244,380 | 358,946 |

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 approximate their fair value.

| | 2019 $ | 2018 $ |
|---|---|---|

## 9 Bank Guarantee

| | 2019 $ | 2018 $ |
|---|---|---|
| **Non-Current** | | |
| Bank Guarantees | 126,249 | 126,249 |

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

## 10 Property, Plant and Equipment

| | 2019 $ | 2018 $ |
|---|---|---|
| **Plant and equipment:** | | |
| At cost | 144,885 | 57,592 |
| Accumulated Depreciation | (38,955) | (16,008) |
| **Total Plant and Equipment** | 105,930 | 41,584 |
| **Motor Vehicles** | | |
| At cost | 48,984 | 48,984 |
| Accumulated Depreciation | (23,569) | (15,098) |
| **Total Motor Vehicles** | 25,415 | 33,886 |
| **Computer Equipment** | | |
| At cost | 57,736 | 41,493 |
| Accumulated Depreciation | (21,339) | (5,929) |
| **Total Computer Equipment** | 36,397 | 35,564 |
| **Movements in the carrying amount of Property, Plant and Equipment** | | |
| At Cost | 251,605 | 148,069 |
| Accumulated Depreciation | (83,863) | (37,035) |
| **Total Property, Plant and Equipment** | 167,742 | 111,034 |
| **Plant and Equipment** | | |
| Carrying amount at beginning of year | 41,584 | 31,191 |
| Additions | 87,293 | 26,401 |
| Depreciation expense | (22,947) | (16,008) |
| Carrying amount at end of year | 105,930 | 41,584 |
| **Motor Vehicles** | | |
| Carrying amount at beginning of year | 33,886 | 44,198 |
| Depreciation expense | (8,472) | (10,312) |
| Carrying amount at end of year | 25,414 | 33,886 |

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Computer Equipment** | | |
| Carrying amount at beginning of year | 35,564 | - |
| Additions | 16,244 | 41,493 |
| Depreciation expense | (15,410) | (5,929) |
| Carrying amount at end of year | 36,398 | 35,564 |
| | | |
| **Total property, plant and equipment** | 167,742 | 111,034 |

## 11. Capitalised Exploration and Evaluation Expenditure

| | | |
|---|---|---|
| **Acquisition costs** | | |
| Gippsland HMS Project | 335,950 | 335,950 |
| Rio Tinto Encumbrance | 2,750,000 | 2,750,000 |
| Land acquisition | 3,026,168 | 1,184,992 |
| Capitalised expenditure | 18,876,203 | 11,819,535 |
| Total | 24,988,321 | 16,090,477 |

The Directors' assessment of the carrying amount for the Company's exploration and development expenditure was after consideration of prevailing market conditions; previous expenditure for exploration work carried out; and the potential for mineralisation based on the Company's independent geological reports. The recoverability of the carrying amount of the deferred exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

## 12 Trade and Other Payables

| | | |
|---|---|---|
| **Current** | | (as restated) |
| Trade Creditors and accruals | 632,750 | 793,482 |
| Creditors to be paid in shares | 50,000 | 290,510 |
| Payroll Liabilities | 225,097 | 98,020 |
| Accrued Share Based Payments | - | 995,000 |
| **Total** | 907,847 | 2,177,012 |

Trade and Creditors and Accruals are non-interest bearing and generally payable on 30-day terms.

## 13 Loan From a Related Company

| | | |
|---|---|---|
| Inkjar Pty Ltd | 670,000 | 550,000 |
| **Total** | 670,000 | 550,000 |

Inkjar Pty Ltd is a company owned by Dr Brad Farrell who loaned funds to the company to acquire a piece of land in 2015. The loan is secured by the land and has interest of 6% per annum. During the year, Inkjar Pty Ltd loaned additional $120,000 to the company that was used to pay interest to Rio Tinto for extending the payment date to December 2019 (Note 14). The loan to Inkjar Pty Ltd is payable on 13 December 2019.

| | 2019 $ | 2018 $ |
|---|---|---|

## 14 Provision

| | | |
|---|---|---|
| Amount payable to Rio Tinto | 2,000,000 | 2,000,000 |
| Annual Leave | 89,341 | 57,194 |
| Long Service Accrual | 27,790 | - |
| **Total** | 2,117,131 | 2,057,194 |

The amount payable to Rio Tinto refers to the fourth tranche of the Deed of Amendment dated 14 March 2017. The payment date was extended to 27 December 2019 (previously 30 June 2019) as per Deed of Amendment dated 12 June 2019.

## 15 Contributed Equity

**(a) Issued and paid up capital**

| | | |
|---|---|---|
| Beginning balance | 19,504,337 | 9,939,883 |
| Issued during the year | 14,649,639 | 9,769,254 |
| Less: Capital Raising Costs | (376,477) | (204,800) |
| Balance at the end of the year | 33,777,499 | 19,504,337 |
| | | |
| Total number of shares on issue at the start of the year | 89,099,744 | 67,704,860 |
| Shares issued during the year: | | |
| - Share issued from Capital Raising | 5,276,676 | 7,362,289 |
| - Share issued from Exercise of Options | 4,247,519 | 13,757,995 |
| - Share issued as Share Based Payments | 3,784,986 | 274,600 |
| Total shares issued during the year | 13,309,181 | 21,394,884 |
| | | |
| Total number of shares on issue at the end of the year | 102,408,925 | 89,099,744 |

There are no externally imposed capital requirements.

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

**(c) Ordinary Shares**

The Company does not have authorised capital nor par value in respect of its issued capital. Shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

**(d) Capital Risk Management**

The Company's capital comprises share capital, reserves less accumulated losses amounting to $25,382,006 at 30 June 2019 (2018: $16,321,361). The Company manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Company was ungeared at year end and not subject to any externally imposed capital requirements. Refer to Note 24 for further information on the Company's financial risk management policies.

| | 2019 $ | 2018 $ |
|---|---|---|

**(e) Share options**

At 30 June 2019, there were 1,682,037 options over unissued Shares (2018: 4,930,052 options). During the financial year, 150,000 options have expired. 3,398,015 options were exercised during the financial year. Since the end of the financial year, no options have been exercised and no options have expired.

The Company has outstanding 1,682,037 options of which 1,532,037 are attached to shares and 150,000 options were granted to employees under KEIP. Each options are exercisable at $0.60 on or before 23/12/2019 date.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Information relating to the Options granted by the Company, including details of options issued under the Plan, is set out in Note 25.

## 16 Accumulated losses

| | | (As Restated) |
|---|---|---|
| Movements in accumulated losses were as follows: | | |
| At 1 July | 3,413,350 | 458,044 |
| Loss for the year | 5,296,952 | 2,955,306 |
| At 30 June | 8,710,302 | 3,413,350 |

## 17 Reserves

| | | |
|---|---|---|
| Share based payments reserves | 314,809 | 230,374 |
| | | |
| **Movement in reserves:** | **No of Options** | **No of Options** |
| *Share based payments* | | |
| Balance at beginning of year | 4,930,052 | - |
| Options issued to employee | 150,000 | 4,930,052 |
| Options exercised | (3,398,015) | - |
| Equity benefits expense | - | - |
| Balance at end of year | 1,682,037 | 4,930,052 |

The Share based payment reserve is used to record the value of equity benefits provided to individuals acting as employees, directors as part of their remuneration, and consultants and for their services. Refer to Note 25 for details of share based payments during the financial year and prior year.

| | 2019 $ | 2018 $ |
|---|---|---|

## 18. Expenditure Commitments

### (a) Tenement expenditure commitments within one year

| | |
|---|---|
| RL2023 | $279,000 |
| RL2026 | $400,000 |
| RL2025 | $450,000 |
| EL5506 | $20,237 |

### (b) Services Agreement

None Noted

### (c) Operating lease commitments

The Company leases its office in Perth and Victoria. The lease is for a period of 1-2 years period. The operating lease rentals are payable as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Within 1 year | 80,319 | 80,319 |
| Within 2-5 years | - | 27,520 |
| | 80,319 | 107,839 |

## 19 Subsequent Events

No matters or circumstances have arisen since the end of financial year that significantly affect or may affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

## 20. Loss per Share

| | 2019 $ | 2018 $ |
|---|---|---|
| Loss used in calculating basic and dilutive EPS | (5,296,952) | (3,187,626) |
| Weighted average number of ordinary shares used in calculating basic loss per share: | 97,963,678 | 76,786,682 |
| Basic loss per share (cents per share) | 5.6 | 4.2 |

## 21. Auditor's Remuneration

During the financial year, the following audit fees were paid or payable:

| | 2019 $ | 2018 $ |
|---|---|---|
| Stantons International Audit and Consulting Pty Ltd. | 30,000 | 19,953 |

| | 2019 $ | 2018 $ |
|---|---|---|

## 22. Key Management Personnel Disclosures

### (a) Details of key Management Personnel

Non-Executive Directors

| | |
|---|---|
| Mr Robert Bishop | Non-Executive Director |
| Mr Brad Pettersson | Director - Finance |
| Dr Brad Farrell | Chairman |
| Mr Jim Kerr | Non-Executive Director |
| Mr Ian Warden | Non-Executive Director |

Executive Officers (KMP)

| | |
|---|---|
| Mr Neil O'Loughlin | Executive Director – Technical & Project Development |
| Mr Rob Waring | Company secretary |
| Mr Victor Hugo | Chief Executive Officer |
| Mr Chris Cook | Regional Manager, Gippsland |

### (b) Remuneration of Key Management Personnel

Details of the nature and amount of each element of the emolument of each Director and Executive of the Company for the financial year are as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Consulting and director fees | 1,223,391 | 1,076,325 |
| Share based compensation | 2,972,500 | 890,000 |
| Total remuneration | 4,195,891 | 1,966,325 |

## 23. Related Party Disclosures

The Company has a loan from Inkjar Pty Ltd, an entity controlled by Dr Brad Farrell $670,000 for the year ended 30 June 2019 (2018: $550,000).

## 24. Financial Instruments and Financial Risk Management

Exposure to interest rate, liquidity and credit risk arises in the normal course of the Company's business. The Company does not hold or issue derivative financial instruments.

The Company uses different methods as discussed below to manage risks that arise from financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

### (a) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

| | 2019 $ | 2018 $ |
|---|---|---|

Alternatives for sourcing our future capital needs include our cash position and the issue of equity instruments. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. We expect that, absent a material adverse change in a combination of our sources of liquidity, present levels of liquidity will be adequate to meet our expected capital needs.

*Maturity analysis for financial liabilities*

Financial liabilities of the Company comprise trade and other payables. As at 30 June 2019 and 30 June 2018, all financial liabilities are contractually matured within 60 days.

**(b) Interest Rate Risk**
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Group's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Company manages the risk by investing in short term deposits.

**Interest rate sensitivity**

The following table demonstrates the sensitivity of the Company's statement of profit or loss and other comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

***Consolidated***

| Change in Basis Points | Effect on Post Tax Loss Increase/(Decrease) | | Effect on Equity including accumulated losses Increase/(Decrease) | |
|---|---|---|---|---|
| Judgements of reasonably possible movements | 2019 $ | 2018 $ | 2019 $ | 2018 $ |
| Increase 100 basis points | 20 | 26 | 20 | 26 |
| Decrease 100 basis points | (20) | (26) | (20) | (26) |

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends. The analysis was performed on the same basis in 2018.

**(c) Credit Risk Exposures**

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's maximum credit exposure is the carrying amounts on the statement of financial position. The Company holds financial instruments with credit worthy third parties.

| | **2019** | **2018** |
|---|---:|---:|
| | **$** | **$** |

At 30 June 2019, the Company held cash deposits. Cash deposits were held with financial institutions with a rating from Standard & Poors of AAA or above (long term). The Company has no past due or impaired debtors as at 30 June 2019 (2018: Nil).

**(d) Foreign Currency Risk Exposure**

The Company has no significant foreign currency risk exposure.

**(e) Fair Value**

The aggregate net fair values of the Company's financial assets and financial liabilities both recognised and unrecognised are as follows:

| | Carrying Amount in the Financial Statements 2019 $ | Aggregate Net Fair Value 2019 $ | Carrying Amount in the Financial Statements 2018 $ | Aggregate Net Fair Value 2018 $ |
|---|---:|---:|---:|---:|
| *Financial Assets* | | | | |
| Cash and cash equivalents | 3,511,588 | 3,511,588 | 4,414,225 | 4,414,225 |
| Trade and other receivables | 102,021 | 102,021 | 2,335 | 2,335 |
| *Financial Liabilities* | | | | |
| Trade and other payables | 907,847 | 907,847 | 1,414,333 | 1,414,333 |
| Borrowings | 670,000 | 690,100 | 550,000 | 550,000 |

## 25. Share Based Payment Plans

**(a) Recognised share based payment expenses**

Total expenses arising from share based payment transactions recognised during the year as part of share based payment expense were as follows:

| | | |
|---|---:|---:|
| ***Operating expenditure*** | | |
| Options issued to employees and directors | 3,425,038 | 930,000 |

**(b) Share based payment to employees**

The Company has established the Kalbar Employee Incentive Plan (KEIP) to issue options, shares and performance rights to executive officers, directors, consultants and employees outside the Plan. The objective of KEIP is to assist in the recruitment, reward, retention and motivation of the recipients and/or reduce the level of cash remuneration that would otherwise be paid to the recipient. An eligible person may receive the options or nominate a relative or

| | 2019 $ | 2018 $ |
|---|---|---|

associate to receive the options. Details of Options granted, exercised, expired under KEIP are as follows:

**2019**

| Grant date | Expiry date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number Number | Expired during the year Number | Balance at end of the year Number | Exercisable at end of the year Number Number |
|---|---|---|---|---|---|---|---|---|
| 3 July 16 | 11 July 19 | 0.60 | 150,000 | - | - | - | 150,000 | 150,000 |
| | | | 150,000 | - | - | - | 150,000 | 150,000 |

Weighted remaining contractual life (years) 0.48 year

Weighted average exercise price 0.60

**2018**

| Grant date | Expiry date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number Number | Expired during the year Number | Balance at end of the year Number | Exercisable at end of the year Number Number |
|---|---|---|---|---|---|---|---|---|
| 3 July 16 | 11 July 19 | 0.60 | 150,000 | - | - | - | 150,000 | 150,000 |
| | | | 150,000 | - | - | - | 150,000 | 150,000 |

Weighted remaining contractual life (years) 1.48 year

Weighted average exercise price 0.60

## 26. Contingent Liabilities

At the date of this report, the Company does not have any contingent liabilities.

## 27. Operating Segment

For management purposes, the Company is organised into one main operating segment, which involves mineral exploration, predominantly for Mineral Sands. Kalbar Resources consist of only one functioning entity. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. The Group currently operates in Australia only.

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |

## 28. Dividends

No dividend was paid or declared by the Company in the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2019 (2018: Nil). The balance of the franking account as at 30 June 2019 is Nil (2018: Nil).

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Kalbar Resources Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 3(a);

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

On behalf of the Board

**Dr Brad Farrell**
Chairman
17 October 2019

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
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# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF
# KALBAR RESOURCES LIMITED

## Report on the Audit of the Financial Report

### *Opinion*

We have audited the financial report of Kalbar Resources Limited ("the Company"), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2019 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 Company's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of the Directors for the Financial Report***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

***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 Company'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 Company 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 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 Tirodkar**
Director
West Perth, Western Australia
17 October 2019

## Additional Information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The additional information was applicable as at 5 Oct 2019.

Information in relation to the Company's securities is provided on a post-Consolidation basis.

### Distribution of Security Holders

Analysis of numbers of listed equity security holders by size of holding:

| Holding | Number of shareholders |
|---|---|
| 1 - 1,000 | 0 |
| 1,001 - 5,000 | 2 |
| 5,001 - 10,000 | 8 |
| 10,001 - 100,000 | 63 |
| 100,001 and over | 73 |
| | 140 |

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

### Statement of Restricted Securities

There are 3,132,000 shares that are subject to Company-imposed escrow. The shares come out of escrow on various dates from July 2019 to May 2021.

### Substantial Shareholders

The substantial shareholders of the Company are as follows:

| Shareholder | Number of shares |
|---|---|
| CLOVIS CLOTILDE PTY LTD | 12,340,199 |
| INKJAR PTY LTD | 11,540,000 |
| BEDROCK INTERNATIONAL HOLDINGS | 8,125,000 |
| GIDGEE INVESTMENTS LIMITED | 8,125,000 |

### 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.

#### *Options*

*These securities have no voting rights.*

**Quoted Equity Security Holders**

The names of the twenty largest ordinary shareholders of the Company as at 30 June 2019 are as follows:

| Shareholder | Number of Shares | % of Issued Capital |
|---|---|---|
| CLOVIS CLOTILDE PTY LTD | 12,340,199 | 12.45% |
| INKJAR PTY LTD | 11,589,526 | 11.64% |
| BEDROCK INTERNATIONAL HOLDINGS | 8,125,000 | 8.20% |
| GIDGEE INVESTMENTS LIMITED | 8,125,000 | 8.20% |
| HAMISH JOHN WYLLIE | 6,450,000 | 6.51% |
| SABINE CAPITAL LTD | 5,763,143 | 5.81% |
| MR KRIANGSAK LAWATANATRAKUL | 3,900,000 | 3.93% |
| INDI HOLDINGS PTY LTD | 3,257,857 | 3.29% |
| IAN ROSS WARDEN | 3,117,940 | 3.15% |
| NEIL THOMAS O'LOUGHLIN & | 2,793,248 | 2.82% |
| SUPARELL PTY LTD | 2,160,000 | 2.18% |
| CITICORP NOMINEES PTY LIMITED | 2,000,000 | 2.02% |
| HUGO AND HUGO PTY LTD | 1,406,250 | 1.42% |
| PROCONA PTY LTD | 1,385,000 | 1.40% |
| PETER JOHN CHAPMAN & | 1,373,958 | 1.39% |
| ARLINGTON PARTNERS FUND | 1,341,370 | 1.35% |
| ARROWSMITH CAPITAL PTY LTD | 1,330,000 | 1.34% |
| FARVEST PTY LTD | 1,250,000 | 1.26% |
| WOLF GERHARD MARTINICK | 1,000,000 | 1.01% |
| CATHERINE ELIZABETH O'LOUGHLIN | 942,857 | 0.95% |
| | **79,651,348** | **80.30%** |

**Unquoted Equity Security Holders**

| Class | Number of options | Number of holders | Holders with more than 20% |
|---|---|---|---|
| Unlisted stock options each exercisable at $0.60 on or before 23/12/2019 | 1,682,037 | 8 | 0 |
| Escrowed Ordinary Shares | 3,262,000 | 12 | 0 |

**Tenement Schedule**

The tenement interests held by the Company as at the date of this report are listed below:

| Project | Location | Licence(s) | | Ownership Interest |
|---|---|---|---|---|
| | | Claim | ADL # | |
| Fingerboards Project | Gippsland, Victoria, Australia | RL2023<br>RL2026<br>RLA6049<br>ELA6048<br>ELA6579<br>ELA6578<br>ELA6021<br>ELA5539<br>ELA6027<br>ELA6381<br>ELA6580<br>RLA2022<br>EL4968<br>RL2025<br>EL5506 | | %100 |

## Notes

**KALBAR RESOURCES LIMITED**

A.B.N. 30 149 545 362