WA Kaolin Limited

ABN 56 083 187 017

Annual Financial Report
30 June 2020

Contents

CORPORATE INFORMATION

ABN 56 083 187 017

Directors

Dr John White (Non-Executive Chairman)

Mr Alfred Baker (Executive Director)

Ms Cathy Moises (Non-Executive Director)

Mr Linton Putland (Non-Executive Director)

Mr Andrew Sorensen (Alternate Director)

Company secretary

Mr. Michael Kenyon

Registered office

First Floor, 11 Marlo Place
HALLAM VIC 3803
Telephone: +61 8 9439 6300

Principal place of business

Lot 3 Ward Road
EAST ROCKINGHAM WA 6168
Telephone: +61 8 9439 6300
Website: www.wakaolin.com.au

Share registry

Automic Share Registry
126 Phillip Street
SYDNEY NSW 2000
Telephone: 1300 288 664

Solicitors

Gilbert & Tobin
Level 16 Brookfield Place Tower
2/123 St George's Terrace
PERTH WA 6000
Telephone: +61 8 9413 8400

Bankers

National Australia Bank
255 George Street
SYDNEY NSW 2000

Auditors

BDO Audit WA Pty Ltd
Station Street
PERTH WA 6008

DIRECTORS' REPORT

The directors of WA Kaolin Limited (the "Company") submit the financial report for the year ended 30 June 2020. In order to comply with the provisions of *the Corporations Act 2001*, the directors report as follows:

Directors

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

Mr Keith Snell (resigned 24 July 2020)
Mr Alfred Baker
Mr Andrew Sorensen (alternate director, appointed 18 October 2019)
Dr John White (appointed 22 May 2020)
Ms Cathy Moises (appointed 22 May 2020)
Mr Linton Putland (appointed 22 May 2020)

Directors' Information

Dr John White (Non-Executive Chairman) (appointed 22 May 2020)

Dr White has been a director and/or CEO of several publicly listed and private Australian companies. Dr White is formerly the Chairman of the Federal Government's Uranium Industry Framework Council, a member of the Federal Government's Defence Procurement Board and Director of the DefenceSA Advisory Board.

Dr White had extensive involvement with Woodside's North West Shelf Offshore Gas and LNG Development from 1978 to 1984, and then participated in the RAN Collins Class Submarine Project tender as Project Director for the Australian-German owned AMEC proposal.

Dr White was CEO of Transfield Defence Systems Pty Ltd from 1988 to 1996 and then Global Chief Executive of the recycling/packaging group, Visy Industries. John is currently Chairman of Regenerative Australian Farmers Pty Ltd and Birdon Ltd.

Qualifications: BE(Hon), PhD

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chairman of Board of Directors, Member of Remuneration and Finance & Audit Committees

Interests in shares: None

Interests in options: 3,000,000 upon successful listing of the Company on the Australian Securities Exchange

Mr Keith Snell (resigned 24 July 2020)

Mr Snell had over fifty years' experience in the design, construction and logistic support of naval vessels in Australia, the United Kingdom and the United States of America - and throughout his career, successfully completed complex projects for maritime, land, aviation, electronic and industrial systems in Australia and internationally. Keith was also the co-owner and group Managing Director of Scientific Management Associates - Australia's largest supplier of Integrated Logistics Support services to the Department of Defence and Industry. Mr Snell passed away on 24 July 2020 after battling health issues for some time.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: None

Interests in shares: 59,860,289

Interests in options: 1,500,000 upon successful listing of the Company on the Australian Securities Exchange

Mr Alfred Baker (Executive Director)

Mr Baker has an engineering background with more than 40 years' experience in process technology and is co-founder of WA Kaolin. He is an experienced and successful businessman, authoring several patents and designs during his extensive career.

Since 1996, Mr Baker has founded and directed a number of companies, including:

- EMC Pacific Aust P/L (EMCPA), Australia's only manufacturer of power distribution insulators. EMCPA has formed a joint venture to commence manufacture of its products in USA, commencing April 2020.
- Pacific Polymers, a mineral treatment plant operating in Dandenong, Victoria, using patented technology.

Mr Baker was Managing Director of the highly successful PQ Australia (PQA) from 1976 to 1996, which he co-founded with his brother. PQA produces the inorganic chemical, Sodium Silicate, in both glass and liquid form, and the patented valuable downstream product 'Q-Cel' hollow microspheres.

In all cases, innovation, hands on determination and training of younger executives have led to success and low-cost producer status.

DIRECTORS' REPORT (continued)

Mr Alfred Baker (Executive Director) (continued)

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Executive Director

Interests in shares: 59,860,289

Interests in options: None

Ms Cathy Moises (Non-Executive Director) (appointed 22 May 2020)

Ms Moises has worked for a number of the most prominent Stock broking firms within Australia including Merrill Lynch, Citigroup, Evans and Partners (as a partner) and most recently worked as Head of Research for Patersons Securities.

Ms Moises has a Bachelor of Science (Hons) Geology in addition to a Securities Institute of Australia Diploma of Finance and Investment and has over 30 years' experience working within the resources industry primarily as a financial analyst. She has extensive capital markets, company management, financial analysis and Institutional Investor engagement experience.

Qualifications: BSc (Hons), GDAFI

Other current directorships: Arafura Resources Limited

Former directorships (last 3 years): None

Special responsibilities: Chair of Remuneration Committee, Member of Finance & Audit Committee

Interests in shares: None

Interests in options: 1,500,000 upon successful listing of the Company on the Australian Securities Exchange

Mr Linton Putland (Non-Executive Director) (appointed 22 May 2020)

Mr Putland holds degrees in Mining Engineering (Bachelor of Engineering, Western Australian School of Mines) and a Masters in Science (Mineral Economics, Western Australian School of Mines) with more than 30 years' experience in mining operations, joint ventures and corporate management in Australia, Africa and the Americas, over a wide range of commodities.

Mr Putland is principal of LJ Putland & Associates, a private mining consultancy company which was founded in 2002, providing advisory and consultancy services in mining project and company evaluation and due diligence appraisals with a focus on corporate growth. During this period, he has also been Managing Director of a privately-owned exploration company with joint venture interests in Africa.

Prior to this he held corporate and senior management roles in IAMGOLD, AurionGold, Delta Gold and Pancontinental Mining. He is a Member of AusIMM and a Graduate Member of AICD.

Qualifications: B Eng (Mining), MSc (Min Economics)

Other current directorships: Breaker Resources NL

Former directorships (last 3 years): Pacific Energy Limited (ceased 2 December 2019); Azumah Resources Limited (ceased 14 November 2019)

Special responsibilities: Chair of Finance & Audit Committee, Member of Remuneration Committee

Interests in shares: None

Interests in options: 1,500,000 upon successful listing of the Company on the Australian Securities Exchange

Mr Andrew Sorensen (Alternate Director) (appointed 18 October 2019) / Chief Executive Officer

Mr Sorensen joined WA Kaolin in 2006 and has more than 30 years' experience in operations management across a broad range of industries. He has a Bachelor's degree in Applied Science (Information Management) and a Master's of Business Administration.

Prior to joining WA Kaolin Mr Sorensen held various senior leadership positions including General Manager CMTP Pty Ltd Derrimut, Vice President / General Manager (Asia Pacific) for Potters Industries Inc. and Manufacturing Manager for PQ Australia Pty Ltd.

Mr Sorensen is responsible for considering and deciding on key strategic, business and operational matters. He oversees the operational team, guiding continuous improvement of the WA Kaolin project. He is also responsible for driving standards in health, safety, security, environment, IT and procurement.

Qualifications: B App Sci and MBA

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chief Executive Officer

Interests in shares: 7,425,068

Interests in options: 1,500,000 upon successful listing of the Company on the Australian Securities Exchange

DIRECTORS' REPORT (continued)

Mr Michael Kenyon (Company Secretary)

Mr Kenyon has held senior roles with both private and ASX-listed corporations over the past 22 years. He holds a Bachelor of Business degree from Edith Cowan University, is a Chartered Accountant and a graduate member of the Australian Institute of Company Directors.

He commenced his finance career with roles at then 'Big 6' professional services firms, Ernst & Whinney and Price Waterhouse before joining diversified industrial company, Vysarn Pty Ltd in 1997 as Chief Financial Officer.

Since that time, Mr Kenyon has held CFO roles with ASX-listed Forge Group Ltd, Matrix Composites and Engineering Ltd and is currently CFO for Pacific Energy Ltd and Resource Development Group Ltd. He is also a non-executive director with a small ASX-listed company and a leading Catholic health care services provider in Perth, Western Australia.

Directors' Meetings

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

	Directors' Meetings	Eligible to attend
Number of meetings held:	7	
Number of meetings attended:		
Mr Keith Snell	6	7
Mr Alfred Baker	7	7
Mr Andrew Sorensen	6	7
Dr John White	2	2
Ms Cathy Moises	2	2
Mr Linton Putland	2	2

Review of operations

The Company's operations for the financial year resulted in loss after tax of $5,162,653 (2019: $1,415,031).

The Company has current operations in a Company-owned facility in East Rockingham, Western Australia, where it operates a small-scale production plant producing beneficiated kaolin utilising its K99 Process. The Company also conducts mining operations at its mining tenement in East Wickepin, Western Australia, and transfers ore to East Rockingham for processing. The Company then sells the kaolin through a network of distributors both in Australia and overseas.

The Company is sole owner of a mining lease, a general-purpose lease, a miscellaneous licence and retention licences which comprise the Wickepin Kaolin Project (Project). The Project, which is one of the largest known remaining kaolin resources in the world, contains an Ore Reserve of 30 million tonnes and Mineral Resource (reported in accordance with JORC 2012) of 644.5 million tonnes of high-grade premium kaolinised granite.

In May 2020, the Company formalised an offtake agreement with one of its key customers, Dak Tai Trading Limited, for the supply of 338,000 tonnes of kaolin. It also has in place informal arrangements with other key distributors and customers which further support the Company's targeted production of kaolin.

WA Kaolin is also currently exploring a novel low capex wet processing method for kaolin, which will utilise the kaolin processed via the K99 Process as feedstock instead of raw ore. The Directors consider that this novel wet processing method could significantly lower the cost of entering the premium paper and packing market.

The Company is primarily focused on establishing itself as the preferred supplier of high-grade premium kaolin products globally through:

- construction of a scaled-up processing plant in East Wickepin, utilising the K99 Process;
- progressive increase in production to circa 200,000 tonnes per annum through the plant planned by the end of 2022;
- expansion of production capacity at the Wickepin plant to 400,000 tonnes per annum by the end of 2023 through the installation of a second stage of production equipment;

DIRECTORS' REPORT (continued)

Review of operations (continued)

- building on the existing Mineral Resource at the Project deposit;
- negotiation of sales agreements for product on suitable commercial terms with acceptable counterparties; and
- investment in further processing expansion including the construction of an additional wet processing plant to produce product suitable for use in premium paper and packaging markets and/or an expansion program for the construction of an additional processing plant to significantly increase production capacity utilising the K99 Process.

Coronavirus (COVID-19) may impact the ability of the Company to raise capital, however, the impact is unable to predicted by the Company.

Principal Activities
The principal activities of the Company were the exploration and development of an Inferred Mineral Resource of high-grade premium kaolinised granite, proprietary production and value-adding processes.

Significant events after reporting date

The Company is currently in the midst of preparing for an IPO process in which it will seek to raise between $22m and $25m. The Company will then subsequently seek to be listed on the Australian Securities Exchange during October 2020.

Further to a capital raising undertaking by the Company during June 2020, the Company sought out additional investors during late August 2020. A second round of pre-IPO funds were raised in the sum of $2,769,000 by way of Convertible Notes with the same terms and conditions as the first round of investment (refer Note 10 (iii)).

As a result of monies advanced to the Company in previous years by EMC Pacific Pty Ltd (EMCP), a company related to Mr A Baker (a director and shareholder of the Company), a security interest was granted in favour of EMCP. On 5 August 2020, a Deed of Release was executed between the parties as a result of the repayment of all monies and the security interest was subsequently removed.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while there has not been any financially material impact on the Company up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results

It is expected that the operations of the Company will continue in line with that of the current reporting period.

Environmental regulations

The Company is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The directors are not aware of any environmental law that is not being complied with.

Dividend paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year (2019: $Nil).

Remuneration report (Audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 30 June 2020. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

DIRECTORS' REPORT (continued)

Remuneration report (Audited) (continued)

- remuneration policy
- key management personnel emoluments
- service agreements
- options granted as part of remuneration
- share-based compensation
- Additional disclosures relating to key management personnel

Directors and Key Management Personnel ("KMP")

Mr Alfred Baker	Executive Director
Mr Keith Snell	Non-Executive Director (resigned 24 July 2020)
Dr John White	Non-Executive Chairman
Mr Linton Putland	Non-Executive Director
Ms Cathy Moises	Non-Executive Director
Mr Andrew Sorensen	Alternate Director / Chief Executive Officer
Mr Michael Kenyon	Chief Financial Officer / Company Secretary

Remuneration Policy

The Company does not yet have a formal remuneration policy however any remuneration has been designed to align directors' objectives with shareholders and business objectives and is in line with the market. The Board of the Directors (the Board) believes this approach to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the business, as well as create goal congruence between directors, executives and shareholders. The Board's policy for determining the nature and amount of remuneration for Board members of the Company is as follows:

The Board is responsible for determining and reviewing the compensation of the directors and the executive directors are responsible for determining and reviewing the remuneration of senior executives. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. The Board of Directors assesses market rates and seeks the advice of external advisers, where necessary, in connection with the structure of remuneration packages. The Board also recommends levels and form of remuneration for Non-Executive Directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to Non-Executive Directors shall not exceed the sum fixed by members of the Company in general meeting. The Company has not used a remuneration consultant.

There is no direct relationship between the Company's Remuneration Policy and its performance. However, in determining the remuneration to be paid in each subsequent financial year, the Board may have regard to the following indicators of performance in respect of the current financial year and the previous four financial years:

	2020	2019	2018	2017	2016
Net (loss after tax)	$(5,162,653)	$(1,415,031)	$(1,855,387)	$(1,739,848)	$(1,767,460)
Share price	N/A	N/A	N/A	N/A	N/A
Basic loss per share ($ per share)	$(0.04)	$(0.01)	$(0.07)	$(0.07)	$(0.07)
Dividend	$Nil	$Nil	$Nil	$Nil	$Nil

Non-executive director remuneration

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

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at a General Meeting held on 29 November 2019 when shareholders approved an aggregate remuneration of $350,000 per year.

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

DIRECTORS' REPORT (continued)

Remuneration report (Audited) (continued)

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Compensation levels for executives of the Company are competitively set to attract and retain appropriately qualified and experienced executives. The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The compensation structures consider:

- The capability and experience of the executive;
- The executive's ability to control the company's performance; and
- The Company's performance including:
  (a) The Company's earnings; and
  (b) The growth in share price and delivering constant returns on shareholder wealth.

Key Management Personnel Emoluments

The Company's policy for determining the nature and amount of emoluments of key management personnel is that directors are to be paid by salaries or consulting fees at commercial rates for professional services performed.

Details of the nature and amount of each element of the emoluments of each director of the Company are set out in the following tables:

DIRECTORS' REPORT (continued)

Remuneration report (Audited) (continued)

Key Management Personnel Emoluments (continued)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments			
	Cash salary and fees	**Cash bonus**	**Non-monetary ******	**Super-annuation**	**Long service leave**	**Equity-settled shares**	**Equity-settled options**	**Total**	**Perfor-mance related**
2020	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Executive Director:									
Mr A Baker*	173,000	-	27,529	-	-	-	-	200,529	-
Total Executive Director	*173,000*	-	*27,529*	-	-	-	-	*200,529*	-
Non-Executive Directors:									
Mr K Snell **	36,000	-	-	-	-	-	-	36,000	-
Dr J White ***	7,693	-	-	730	-	-	-	8,423	-
Ms C Moises ***	5,129	-	-	487	-	-	-	5,616	-
Mr L Putland ***	5,129	-	-	487	-	-	-	5,616	-
Total Non-Executive Directors	*53,951*	-	-	*1,704*	-	-	-	*55,655*	
Executives									
Mr A Sorensen (CEO)	142,833	-	31,899	14,283	-	-	-	189,015	-
Mr M Kenyon (CFO/ Company Secretary)	24,126	-	-	-	-	-	-	24,126	-
Total Executives	*166,959*	-	*31,899*	*14,283*	-	-	-	*213,141*	
Total	**393,910**	**-**	**59,428**	**15,987**	**-**	**-**	**-**	**469,325**	**-**

* Mr Baker's salary and fees includes $29,000 of director fees

** Mr K Snell resigned 24 July 2020

*** Dr J White, Ms C Moises and Mr L Putland were appointed on 22 May 2020

**** Non-monetary benefits relate to the payment for accommodation.

DIRECTORS' REPORT (continued)

Remuneration report (Audited) (continued)

Key Management Personnel Emoluments (continued)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments			
	Cash salary and fees	Cash bonus	Non-monetary ***	Super-annuation	Long service leave	Equity-settled shares	Equity-settled options	Total	Perfor-mance related
2019	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Executive Director:									
Mr A Baker	180,000	-	31,067	-	-	-	-	211,067	-
Total Executive Director	*180,000*	-	*31,067*	-	-	-	-	*211,067*	-
Non-Executive Directors:									
Mr K Snell	36,000	-	-	-	-	-	-	36,000	-
Dr J White *	-	-	-	-	-	-	-	-	-
Ms C Moises *	-	-	-	-	-	-	-	-	-
Mr L Putland *	-	-	-	-	-	-	-	-	-
Total Non-Executive Directors	*36,000*	-	-	-	-	-	-	*36,000*	-
Executives									
Mr A Sorensen (CEO)	130,000	-	18,500	13,000	-	-	-	161,500	
Mr M Kenyon (CFO/ Company Secretary)	-	-	-	-	-	-	-	-	-
Total Executives	*130,000*	-	*18,500*	*13,000*	-	-	-	*161,500*	-
Total	346,000	-	49,567	13,000	-	-	-	408,567	-

* Mr Baker's salary and fees includes $36,000 of director fees

**Dr J White, Ms C Moises and Mr L Putland were appointed as directors on 22 May 2020

*** Non-monetary benefits relate to the payment for accommodation.

DIRECTORS' REPORT (continued)

Remuneration report (Audited) (continued)

Service Agreements

Non-Executive Directors

On appointment to the Board, all directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms of appointment, including compensation relevant to the office of director. Remuneration and other terms of employment for the directors are also formalised in the letter as summarised below:

Dr J White (Chairman)

Term: Continuation of appointment is contingent upon successful election and re-election by shareholders of the Company at its Annual General Meeting as required by its Constitution

Fees: $72,000 per annum (exclusive of superannuation) until the Company's first operational cash flow positive quarter then increased to $96,000 per annum (exclusive of superannuation)

Notice periods: Not applicable

Termination payments: Not applicable

Ms C Moises (Non-executive Director)

Term: Continuation of appointment is contingent upon successful election and re-election by shareholders of the Company at its Annual General Meeting as required by its Constitution

Fees: $48,000 per annum (exclusive of superannuation) until the Company's first operational cash flow positive quarter then increased to $66,000 per annum (exclusive of superannuation)

Notice periods: Not applicable

Termination payments: Not applicable

Mr L Putland (Non-executive Director)

Term: Continuation of appointment is contingent upon successful election and re-election by shareholders of the Company at its Annual General Meeting as required by its Constitution

Fees: $48,000 per annum (exclusive of superannuation) until the Company's first operational cash flow positive quarter then increased to $66,000 per annum (exclusive of superannuation)

Notice periods: Not applicable

Termination payments: Not applicable

Executive Director

On appointment to the Board, all directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms of appointment, including compensation relevant to the office of director. Remuneration and other terms of employment for the directors are also formalised in the letter as summarised below:

Mr A Baker (Executive Director)

Term: Continuation of appointment is contingent upon successful election and re-election by shareholders of the Company at its Annual General Meeting as required by its Constitution

Fees: $24,000 per annum (exclusive of superannuation) until the Company's first operational cash flow positive quarter then increased to $33,000 per annum (exclusive of superannuation)

Notice periods: Not applicable

Termination payments: Not applicable

In addition, Mr Baker is engaged as a consultant to the Company, through a related entity of his (Wamco Industries Pty Ltd), by way of a Consultancy Deed with the following terms and conditions:

Term: Open-ended

Fees: (i) $12,000 per month (exclusive of GST); and (ii) following successful completion of the Company's IPO, $15,000 per month (exclusive of GST)

Termination: 6 months with no reason; immediately upon certain adverse events.

DIRECTORS' REPORT (continued)

Remuneration report (Audited) (continued)

Service Agreements (continued)

Management

The Company's management are employed under an Executive Employment Contract and a Contract Services Agreement, respectively, as detailed below:

Mr A Sorensen (CEO)

Commencement date: 1 October 2019

Total remuneration package: Base salary – 1) On commencement $144,000 per annum, 2) After pre-IPO funding $192,000 per annum, 3) After IPO listing $240,000 per annum; superannuation at 10% per annum. Remuneration to be reviewed annually by the Board.

Notice period: 3 months by either party

Restraint area/period: Australia / 36 months

Mr M Kenyon (CFO/Company Secretary)

Commencement date: 4 June 2019

Fees: $1,300 per day (or part thereof)

Notice period: 8 weeks by either party

Additional disclosures relating to key management personnel

Share options granted to directors and officers

No options over unissued ordinary shares were granted during or since the end of the financial year (2019: Nil).

Shares under option

No options over unissued ordinary shares were outstanding at the end of the financial year (2019: 750,000).

Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the company that were granted as compensation to the key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options	Grant date	Fair value of option at grant date ($)	Exercise price per option ($)	Expiry date	Vesting date	Number of options vested & exercised during 2020
Mr A Sorensen	500,000	1 Jan 2018	$0.0039	$0.01	31 Dec 2019	28 Aug 2019	500,000

The options were provided at no cost to the recipient.

Since the end of the financial year no options over ordinary shares have been granted to key management personnel.

DIRECTORS' REPORT (continued)

Remuneration report (Audited) (continued)

Key Management Personnel equity holdings

Ordinary shares held in WA Kaolin Limited (number)

30 June 2020	Balance at beginning of period	Balance on appointment	Disposed	On exercise of options	Net change other[2]	Balance on resignation	Balance at end of period
Directors							
Mr A Baker	12,480,000	-	(960,000)	-	48,340,289	-	59,860,289
Mr K Snell	12,480,000	-	(960,000)	-	48,340,289	-	59,860,289
Dr J White[1]	-	-	-	-	-	-	-
Ms C Moises[1]	-	-	-	-	-	-	-
Mr L Putland[1]	-	-	-	-	-	-	-
Executives							
Mr A Sorensen	1,040,000	-	(80,000)	500,000	5,965,068	-	7,425,068
Mr M Kenyon	-	-	-	-	-	-	-

[1] Dr White, Ms Moises and Mr Putland were appointed as directors on 22 May 2020

[2] Net change other – on 5 September 2019 a share subdivision was undertaken for shares held on that date at the rate of 4.8734 shares for each share held

Additional disclosures relating to key management personnel (continued)

Other transactions with directors and officers

Royalty Deed

On 1 July 2019, a Royalty Deed was executed between the Company and Wamco Industries Group Pty Ltd (Wamco), a company in which Mr. A Baker, Mr. A Sorensen and the estate of Mr. K Snell, all have an ownership interest.

WA Kaolin has agreed to pay a royalty to Wamco until the earlier of 1 July 2049 and the date WA Kaolin relinquishes, surrenders or conveys to WAMCO all of the Tenements (other than L70/156 and G70/251).

WA Kaolin owes to Wamco a royalty for each quarter in which WA Kaolin either mines or sells kaolin ore ex-works, FCA or FOB or mines and processes kaolin ore to produce a kaolin product which is sold ex-works, FCA or FOB, which must be paid quarterly.

The royalty is the greater of:

(a) $1.50 per tonne of dry kaolin ore or product sold in a quarter, provided that if kaolin product has been sold after processing, then tonnage used to calculate the royalty will be twice the actual tonnage of the processed kaolin; or

(b) 1.5% of the price received for the sale of kaolin ore or product in a quarter.

Current Security interest

The Company granted Scientific Management Associates (Victoria) Pty Ltd (SMA), a company in which the estate of Mr. K Snell has an ownership interest, a security interest as a result of a loan from SMA to the Company The security interest is a fixed charge (in respect of freehold and leasehold land, fixtures, plant, equipment, intellectual property and fixed assets, among other things), a floating charge in regard to all other assets and has a maximum prospective liability of $12,000,000. The Company must not create or permit any encumbrance subsequent to the charge without the prior written consent of SMA.

DIRECTORS' REPORT (continued)

Remuneration report (Audited) (continued)

Release of Security interest

As a result of monies advanced to the Company in previous years by EMC Pacific Pty Ltd (EMCP), a company related to Mr. A Baker (a director and shareholder of the Company), a security interest was granted in favour of EMCP. On 5 August 2020, a Deed of Release was executed between the parties as a result of the repayment of all monies and the security interest was subsequently removed.

Fees and salaries

Mr. A Baker, Mr. A Sorensen and Mr. K Snell (estate) have chosen to not to be paid any director fees during the period, instead allowing the Company to accrue such amounts, including amounts accrued in prior financial years, to be paid at a later date as the Company's cash flow allows. Details of the amounts owing can be found in the table below and are recorded in Trade and other payables within the Statement of Financial Position.

30 June 2020

	A Baker	**K Snell**	**A Sorensen**
Opening balance	663,000	411,000	234,000
Fees and salaries	173,000	36,000	157,116
Payments	(144,000)	-	(157,116)
Closing balance	692,000	447,000	234,000

30 June 2019

	A Baker	K Snell	A Sorensen
Opening balance	627,000	375,000	234,000
Fees and salaries	180,000	36,000	143,000
Payments	(144,000)	-	(143,000)
Closing balance	663,000	411,000	234,000

Mr A Baker is a director and major shareholder of the Company. During the reporting period, the Company has borrowed funds from several entities of which Mr Baker is a director and major shareholder.

Mr K Snell was a director and major shareholder of the Company. During the reporting period, the Company has borrowed funds from several of entities of which Mr Snell was a director and major shareholder.

Mr A Sorensen is a key management person of the Company and has advanced funds to the Company.

Details of those loans can be found in the table below:

Related party borrowings

30 June 2020

Entities associated with:	**A Baker[1]**	**K Snell[2]**	**A Sorensen[3]**
Opening balance	3,520,566	15,013,332	5,000
Interest	10,258	490,014	-
Funds advanced	356,116	-	95,000
Funds repaid	(348,410)	-	(5,000)
Other – finance cost on related party borrowing (Note 5)	212,910	1,140,900	
Closing balance	3,751,440	16,644,246	95,000

DIRECTORS' REPORT (continued)

Remuneration report (Audited) (continued)

Related party borrowings (continued)

30 June 2019

Entities associated with:	A Baker[1]	K Snell[2]	A Sorensen[3]
Opening balance	4,094,774	31,564,795	-
Interest	2,679	313,929	-
Funds advanced	602,431	140,000	5,000
Funds repaid	(303,783)	-	-
Other – discount as per note 12(d)	(875,535)	(6,450,918)	
Other – debt written off	-	(10,554,474)	-
Closing balance	3,520,566	15,013,332	5,000

Entities associated with the following key management personnel are as follows:

[1] A Baker : Wamco Industries Group Pty Ltd, Wamco Industries Pty Ltd, Pacific Polymers R&D Pty Ltd, Pacific Polymers Pty Ltd, EMC Pacific Pty Ltd

[2] K Snell : Scientific Management Associates (Victoria) Pty Ltd, Scientific Management Associates (Operations) Pty Ltd

[3] A Sorensen : Loans are held in Wamco Industries Group Pty Ltd on behalf of Mr Sorensen

Pre-IPO options

Ms. Cathy Moises, a non-executive director of the Company participated in the capital raising during June 2020 through a related entity and subscribed for 100,000 Convertible Notes in the Company at a face value of $1 per note which were settled prior to 30 June 2020. Once the Company becomes is listed on the Australian Securities Exchange, a total of 937,500 options will be granted to Ms. Moises' related entity. The options will have a 12-month vesting period and 3-year expiry period from date of issue, respectively, and a $0.25 exercise price.

Mr. Michael Kenyon, the Company's Chief Financial Officer and Company Secretary, participated in the capital raising during June 2020 through a related entity and subscribed for 22,500 Convertible Notes in the Company at a face value of $1 per note which were settled prior to 30 June 2020. Once the Company becomes listed is listed on the Australian Securities Exchange, a total of 210,938 options will be granted to Mr. Kenyon's related entity. The options will have a 12-month vesting period and 3-year expiry period from date of issue, respectively, and a $0.25 exercise price.

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT (continued)

Significant changes in the state of affairs of the company

There have been no significant changes in the state of the affairs of the company throughout 2020.

The Company is currently in the midst of preparing for an IPO process in which it will seek to raise between $22m and $25m. The Company will then subsequently seek to be listed on the Australian Securities Exchange during October 2020.

Further to a capital raising undertaking by the Company during June 2020, the Company sought out additional investors during late August 2020. A second round of pre-IPO funds were raised in the sum of $2,769,000 by way of Convertible Notes with the same terms and conditions as the first round of investment (refer Note 10 (iii)).

Indemnification and insurance of Directors and Officers

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

Indemnification and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Auditor Independence

Section 307C of *the Corporations Act 2001* requires our auditors, BDO Audit WA Pty Ltd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 17 and forms part of this directors' report for the year ended 30 June 2020.

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 17 to the financial statements. An amount of $46,327 (2019: $Nil) was paid for non-audit services provided by another person on the auditor's behalf.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by *the Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 17 to the financial statements do not compromise the external auditor's independence requirements of *the Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards

Signed in accordance with a resolution of the directors.

Dr John White, Chairman
Perth, Western Australia
24 September 2020

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Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF WA KAOLIN LIMITED

As lead auditor of WA Kaolin Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 24 September 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Continuing operations			
Other income	3(a)	351,206	578,297
Rental expenses and outgoings	3(b)	(236,160)	(270,378)
Employee benefits expense	3(b)	(644,826)	(477,969)
Depreciation and amortisation	3(b)	(59,118)	(41,813)
Other expenses	3(b)	(1,310,238)	(794,779)
Results from operating activities		(1,899,136)	(1,006,642)
Finance income		1,058	5,790
Finance costs	3(b)	(3,264,575)	(414,179)
Net finance costs		(3,263,517)	(408,389)
(Loss)/Profit before income tax		**(5,162,653)**	**(1,415,031)**
Income tax (expense)/benefit	4	-	-
(Loss)/Profit after income tax from continuing operations		**(5,162,653)**	**(1,415,031)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or losses (net of tax)			
Revaluation of land and buildings		(1,231,000)	-
Total comprehensive loss for the year		(1,231,000)	-
Other comprehensive loss for the period, net of income tax		(1,231,000)	-
Total comprehensive (loss)/profit		**(6,393,653)**	**(1,415,031)**
(Loss)/Profit per share for the period attributable to the members of the Company			
Basic (loss)/profit per share (cents per share)	14	**$(0.04)**	**$(0.01)**
Diluted (loss)/profit per share (cents per share)	14	**$(0.04)**	**$(0.01)**

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

Assets	Notes	2020 $	2019 $
Current assets			
Cash and cash equivalents	5	2,020,295	-
Trade and other receivables	6	257,206	52,251
Total current assets		**2,277,501**	**52,251**
Non-current assets			
Property, plant and equipment	7	3,843,902	4,968,681
Deferred exploration and evaluation expenditure	8	1,756,132	1,756,132
Total non-current assets		**5,600,034**	**6,724,813**
Total assets		**7,877,535**	**6,777,064**
Liabilities			
Current liabilities			
Bank overdraft		-	26,355
Trade and other payables	9	2,548,241	2,986,075
Borrowings	10	9,155,327	3,343,800
Provisions	11	65,563	40,259
Total current liabilities		**11,769,131**	**6,396,489**
Non-current liabilities			
Borrowings	10	17,710,243	15,638,842
Total non-current liabilities		17,710,243	15,638,842
Total liabilities		**29,479,374**	**22,035,331**
Net assets		**(21,601,839)**	**(15,258,267)**
Equity			
Issued capital	12	3,070,081	3,020,000
Reserves	12	19,828,645	21,059,645
Accumulated loss		(44,500,565)	(39,337,912)
Total equity		**(21,601,839)**	**(15,258,267)**

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Issued capital $	Accumulated losses $	Asset revaluation reserve $	Share-based payment reserve $	Capital contribution reserve $	Total equity $
Balance as at 1 July 2018	3,020,000	(37,922,881)	3,175,779	2,939	-	(31,724,163)
Loss for the year	-	(1,415,031)	-	-	-	(1,415,031)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	(1,415,031)	-	-	-	(1,415,031)
Transactions with owners in their capacity as owners:						
Fair value adjustment to related party borrowings	-	-	-	-	7,326,453	7,326,453
Debt forgiveness by shareholders in their capacity as owners	-	-	-	-	10,554,474	10,554,474
	-	-	-	-	17,880,927	17,880,927
Balance at 30 June 2019	3,020,000	(39,337,912)	3,175,779	2,939	17,880,927	(15,258,267)
Balance as at 1 July 2019	3,020,000	(39,337,912)	3,175,779	2,939	17,880,927	(15,258,267)
Loss for the year	-	(5,162,653)	-	-	-	(5,162,653)
Revaluation of land	-	-	(1,231,000)	-	-	(1,231,000)
Total comprehensive loss for the year	-	(5,162,653)	(1,231,000)	-	-	(6,393,653)
Transactions with owners in their capacity as owners:						
Issue of shares	39,642	-	-	-	-	39,642
Exercise of options	10,439	-	-	-	-	10,439
Balance at 30 June 2020	3,070,081	(44,500,565)	1,944,779	2,939	17,880,927	(21,601,839)

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from product sales		434,009	26,474
Payments to suppliers and employees		(3,192,452)	(877,429)
Interest received		1,058	5,790
R&D Tax credit		268,233	420,544
Receipt of COVID-19 subsidy		50,000	-
Receipt of subsidies		13,256	-
Net cash outflow from operating activities	5(ii)	(2,425,896)	(424,621)
Cash flows from investing activities			
Purchase of property, plant and equipment		(165,342)	(31,818)
Net cash outflow from investing activities		(165,342)	(31,818)
Cash flows from financing activities			
Loan interest paid		(443,478)	(100,250)
Repayment of Borrowings		(642,394)	-
Proceeds from Borrowings		5,676,618	512,814
Issue of shares		47,142	-
Net cash inflow from financing activities		4,637,888	412,564
Net increase/(decrease) in cash held		2,046,650	(43,876)
Cash and cash equivalents at the beginning of the year		(26,355)	17,521
Cash and cash equivalents at the end of the year	5	2,020,295	(26,355)

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial report

This financial report is a general-purpose financial report that has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report covers WA Kaolin Limited (the "Company"). WA Kaolin Limited is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is Frist floor, 11 Marlo Place, Hallam, Victoria 3803. WA Kaolin Limited is a for-profit entity for the purpose of preparing the financial report.

The financial statements of WA Kaolin Limited for the year ended 30 June 2020 were authorised for issue in accordance with the resolution of the directors on 24 September 2020.

Compliance with IFRS

The financial report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Functional and presentation currency

The financial statements are presented in Australian dollars which is the Company's functional currency.

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Comparative information

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(b) Adoption of new and revised standards

The Company has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 *Leases*.

AASB 16 replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

   i. investment property, the lease applies the fair value model in AASB 140 *Investment Property* to the right-of-use asset; or
   ii. property, plant or equipment, the lessee applies the revaluation model in AASB 116 *Property, Plant and Equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment; and

b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

The Company does not have any leases and so there has been no material impact of adoption of AASB 16.

(c) Going concern

The Company incurred a net loss before tax of $5,162,653 (2019: $1,415,031) during the reporting period ended 30 June 2020, and had a net cash outflow of $2,425,896 (2019: $424,621) from operating activities.

The ability of the Company to continue as a going concern is dependent on the financial support from its shareholders or other investors to fund its working capital requirements and/or successfully raise capital.

These conditions indicate a material uncertainty that may cast significant doubt about the entity’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company has raised some initial capital by way of an issue of convertible notes in the sum of $3.9m during May 2020. In August 2020, the Company conducted a subsequent capital raising by issuing further convertible notes in the sum of $2.8m, all of which were settled prior to the end of that month.

The Company also has plans to raise further equity between $22m and $25m in order to develop its production facility to a full-scale at the Company’s tenement located near Wickepin, Western Australia as well as having sufficient working capital to fund its production targets.

In anticipation of its initial capital raising, the Company has also recently been able to renegotiate terms on its related-party borrowings including reduced or no interest terms, extended terms for repayment and forgiveness on a substantial amount of interest accrued on its largest borrowing.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

Should the Company not achieve the matters set out above or not complete any other alternative forms of fund raisings, there is uncertainty whether the Company would continue as a going concern and therefore would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

(d) Foreign currency transactions and balances

Functional and presentation currency

The financial statements are presented in Australian dollars which is the Company’s functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Company only has one operating segment.

(f) Revenue

(i) Revenue from contracts with customers

The Company requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards.

Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

(ii) Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iii) Other revenue

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

(g) Income tax

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

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 reporting period end date.

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities.

(h) Other taxes

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

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

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

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

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

(i) Impairment of assets

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

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(j) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade and other receivables are estimated with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

(l) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment for buildings. Land is not depreciated. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment – over 2 to 20 years

Motor Vehicle – over 4 to 6 years

Leasehold improvements – over 10 to 13 years

Derecognition and disposal

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

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

Impairment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.For plant and equipment, impairment losses are recognised in the statement of profit or loss and other comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

(m) Trade and other payables

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

(n) 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. Provisions are not recognised for future operating losses.

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

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

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

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

(o) Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities accruing to employees in respect of wages and salaries, annual leave and long service leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Company.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or is a present obligation that arises from past events but is not recognised because either it is not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised. Rather, contingent liabilities are disclosed in the financial statements unless the possibility of an outflow of economic benefits is remote. Contingent liabilities may develop in ways not initially expected. Therefore, they are assessed continually to determine whether an outflow of economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs (except in the extremely rare circumstances where no reliable estimate can be made).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of lease arrangements, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale

(r) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(s) Dividend

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

(t) Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

- In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(u) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Convertible notes issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder. The conversion feature is contingent on an event such as an IPO occurring and the conversion price is not fixed but is based on the IPO/capital raising price. Furthermore upon conversion the holder is entitled to free attaching options. Consequently the note fails the fixed for fixed requirement of AASB 132 and no equity component is recognised on initial recognition. The company had elected upon initial recognition of the convertible notes (including its embedded derivatives which is the free attaching options) to recognise the whole instrument as a *financial liability carried at fair value through profit or loss*.

On initial recognition the fair value of the convertible note will equate to the proceeds received as no gain or loss on initial recognition can be recognised per the requirements of the accounting standards AASB9. The financial liability will subsequently be measured at fair value at each reporting period or until settlement and fair value movements will be recognised in profit or loss as a finance cost.

The fair value of the liability takes into account the value of the conversion feature (the discount and the free attaching options) and the probability of the contingent event occurring.

(v) Exploration, Evaluation and Development Expenditure

Exploration and evaluation costs including costs of studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities along with those for general and administrative costs are expensed in the period they are incurred. Acquisition costs of acquiring are capitalised until the viability of the area of interest is determined. Those acquisition costs are carried forward when the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Share based payment

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(x) Earnings per share

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

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

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

(y) Government grants

Government grants are recognised when there is reasonable certainty that the grant will be received and all grant conditions are met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Grants relating to depreciable assets are credited to deferred income and are recognised in profit or loss over the period and in the proportions in which depreciation expense on those assets is recognised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Critical accounting estimates and judgements

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

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

Convertible note

The company issued short term convertible notes during the year which is accounted for at fair value through profit or loss which are convertible to shares and options in the company upon IPO. The fair value of the convertible note is based on its conversion feature (discount to IPO and free attaching options) rather than its redemption value on the basis that its 100% likely that IPO will be successful. Should the IPO not be successful, then the value of the note will be recalculated based on its redemption value.

Recovery of capitalised exploration

The Company assesses impairment of capitalised exploration at each reporting date by evaluating conditions specific to the Company and to exploration assets that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Impairment of Property, Plant and Equipment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Fair value of land

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount.

Discount rate on borrowings

As some of the Company's borrowings are on interest-free terms, present value calculations have been performed on the basis of an implied 12% discount rate as determined by the directors.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 6, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment

The Company measures the cost of equity-settled transactions with employees and convertible noteholders 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 either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 13 for further information.

Contingent liabilities

The Company has assessed that the Royalty Deed entered into with Wamco Industries Group Pty Ltd and has determined that this represents a contingent liability. This is on the basis that the royalty is only payable if WA Kaolin either mines or sells kaolin ore or a kaolin product. At present, the Company is in the exploration and evaluation phase of its Wickepin Kaolin Project ("Project") and the future development of the Project (and consequent royalty payments) is dependent on, amongst other things, future kaolin prices and the overall economic feasibility of the Project.

(aa) New standards and interpretations not yet adopted

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

New or Revised Requirements	Effective date for entity	Impact
AASB 2018-6 Amendments to Australian Account Standards - Definition of a business This standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.	1 January 2020	The Directors have determined that there will be no impact on the financial position of the company as a result of the change.
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material This standard makes amendments intended to address concerns that the wording in the definition of 'material' was different in the Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments address these concerns by: replacing the term 'cold influence with 'could reasonably be expected to influence'; including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating' information in the definition of material; clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to the Conceptual Framework; and aligning the definition of material across Australian Accounting Standards and other publications.	1 January 2020	The Directors have determined that there will be no impact on the financial position of the company as a result of the change.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New or Revised Requirements	Effective date for entity	Impact
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework The revised conceptual framework: • Reintroduces the terms stewardship and prudence. • Introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces but does not change the distinction between a liability and an equity instrument. • Removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement. • Discusses historical cost and current value measures and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability. • States that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability. • Discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.	1 January 2020	The Directors have determined that there will be no impact on the financial position of the company as a result of the change.
AASB 2019 -3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform This standard amends AASB 7, AASB 9 and AASB 139 to modify some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the interest rate benchmark reform. In addition, the amendments require entities to provide additional information about their hedging relationships that are directly affected by these uncertainties.	1 January 2020	The Directors have determined that there will be no impact on the financial position of the company as a result of the change.
AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia This standards amends AASB 1054 Australian Additional Disclosures to add a requirement for entities that intend to be compliant with IFRS standards to disclose the information required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (specifically paragraphs 30 and 31) for the potential effect of each IFRS pronouncement that has not yet been issued by the AASB.	1 January 2020	The Directors have determined that there will be no impact on the financial position of the company as a result of the change.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New or Revised Requirements	Effective date for entity	Impact
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current This standards amends AASB 101 Presentation of Financial Statements to: Clarify that the classification of liabilities as current or non-current is based on rights that in existence at the end of the reporting period; Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; Explain that rights are in existence if covenants are complied with at the end of the reporting period; and Introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	1 January 2022	The Directors have not yet assessed the impact that the application of this standard will have on the Company's financial statements
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments This standard amends numerous Standards to effect of number of minor changes. The amendments apply to annual reporting periods beginning on or after 1 January 2022 (apart from the amendments to AASB 16 which affect the Illustrative Examples which accompanying but are not part of the Standard and so do not have an effective date) The annual improvements amend the following standards: AASB 1, AASB 9, AASB 16 and AASB 137.	1 January 2022	The Directors anticipate that the application of the amendments will not have impact on the Company's financial statements, as many of the amendments either do not have affect the Company's existing accounting policies, or apply to situations, transactions and events that the Company does not undertake.
AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions This standard amends AASB 16 Leases to provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19, by including an additional practical expedient in the standard. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying AASB 16 if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met: The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and there is no substantive change to other terms and conditions of the lease.	1 June 2020	The Directors do not anticipate that the amendments will have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: SEGMENT REPORTING

The Company identifies its operating segments based on the internal reports that are reviewed and used by the Board of directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Company operates primarily in the exploration and development of an Inferred Mineral Resource of high-grade premium kaolinised granite in Australia. The financial information presented in the statement of comprehensive income and the statement of financial position is the same as that presented to the chief operating decision maker.

NOTE 3: REVENUE AND EXPENSES

	2020 $	2019 $
(a) Other income		
Wages recovery	-	29,521
Consultancy fees	-	20,524
R&D Tax refund	268,233	420,544
Lease option reversal	-	94,459
Cashflow Boost from COVID-19	50,000	-
Other income	32,973	13,249
	351,206	578,297

(b) Expenses

Profit before income tax includes the following specific expenses:

	2020 $	2019 $
Rental expenses and outgoings		
Property rental	44,429	34,567
Landowner's payments	42,662	91,963
Tenement rentals	114,611	110,180
Tenement rates	34,458	33,668
Total rental expenses and outgoings	236,160	270,378
Employee benefits expense		
Directors fees	82,951	72,000
Salaries and wages	485,504	358,133
Superannuation	51,977	37,513
Leave entitlements	24,394	10,323
Total employee benefits expenses	644,826	477,969

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: REVENUE AND EXPENSES (continued)

	2020 $	2019 $
Depreciation		
Plant & equipment	28,065	10,872
Leasehold improvements	23,174	23,083
Motor vehicles	7,879	7,858
Total depreciation	59,118	41,813
Finance costs		
Interest and finance charges paid/payable on borrowings	2,027,901	414,179
Fair value adjustment on convertible notes (refer Note 15)	1,236,674	-
	3,264,575	414,179
Other expenses		
Accounting and administration fees	74,039	41,380
Capital raising fees	163,600	-
Consulting fees	805,031	437,285
Insurance	56,780	19,185
Research & development costs	147,163	32,164
Other	63,625	264,765
	1,310,238	794,779

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4: INCOME TAX

	2020 $	2019 $
Income tax recognised in profit or loss:		
The major components of tax expense are:		
Current tax	-	-
Deferred tax	-	-
Under/(over) provision in prior years	-	-
Total income tax expense	-	-

Reconciliation of income tax expense to prima facie tax payable:		
(Loss)/Profit from continuing operations before income tax expense	(5,162,653)	(1,415,031)
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	(1,419,730)	(389,134)
Tax effect of amounts which are non-deductible (taxable) in calculating taxable income:		
Other permanent differences	(13,750)	-
Research and development expenses	-	-
Research and development credit	(73,764)	(115,650)
Change in corporate tax rate	-	74,222
Timing movements not recognised	(11,895)	(9,964)
Deferred tax assets not brought to account	1,519,139	440,526
Income tax expense/(benefit)	-	-
The applicable weighted average effective tax rates	0%	0%

	2020 $	2019 $
Unrecognised deferred tax asset		
Tax losses	6,232,168	4,810,583
Provisions and accruals	11,895	14,234
s40-880	-	59,377
Net deferred tax assets unrecognised	6,244,063	4,884,194

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4: INCOME TAX (continued)

Deferred Tax Assets Not Recognised

The tax benefits of the above deferred tax assets will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- The Company continues to comply with the conditions for deductibility imposed by law; and
- No changes in income tax legislation adversely affect the Company in utilising the benefits.

NOTE 5: CASH AND CASH EQUIVALENTS

	2020	2019
	$	$
Cash at bank and on hand	2,020,295	-

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

Security deposits are restricted cash used as collateral to obtain bank guarantee facilities. These deposits are interest bearing and the interest is compounded and added to operating cash reserves.

(i) Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Balance as above	2,020,295	-
Bank overdraft	-	(26,355)
Balance as per statement of cash flows	2,020,295	(26,355)

(ii) Reconciliation of net (loss)/profit for the year to net cash flows from operating activities

	2020	2019
	$	$
Net loss for the year	(5,162,653)	(1,415,031)
Depreciation	59,118	41,813
Financing costs	3,295,124	414,179
(Increase)/decrease in operating assets:		
Trade and other receivables	(204,955)	26,474
(Decrease)/increase in operating liabilities:		
Trade and other payables	(437,834)	507,944
Provisions	25,304	-
Net cash used in operating activities	(2,425,896)	(424,621)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5: CASH AND CASH EQUIVALENTS (continued)

(iii) Changes in liabilities arising from financing activities

	Convertible notes $	Related party borrowings $	Other borrowings $	Total $
Balance at 1 July 2018	-	35,659,567	377,257	36,036,824
Net cash from financing activities	-	446,327	66,487	512,814
Other changes	-	(17,566,998)	-	(17,566,998)
Balance at 30 June 2019	-	18,926,840	443,744	18,982,640
Net cash from financing activities	3,832,500	597,979	815,813	5,246,292
Other changes	1,282,828	1,353,811	-	2,636,639
Balance at 30 June 2020	5,115,328	20,490,686	1,259,557	26,865,571

(iv) Non-cash investing and financing activities

	2020 **$**	**2019** **$**
Fair value adjustment to related party borrowings	-	7,326,453
Finance cost on related party borrowings	(1,353,811)	-
Fair value adjustment to convertible note	(1,282,828)	-
Interest accrued	-	(313,929)
Forgiveness of accrued interest	-	10,554,474
	(2,636,639)	17,566,998

NOTE 6: CURRENT TRADE AND OTHER RECEIVABLES

	2020 **$**	**2019** **$**
Other receivables	115,501	17,352
Allowance for impairment	-	-
	115,501	17,352
Sundry debtors	745	684
Deposits paid	100,000	-
Other receivable – GST (net)	40,960	34,215
	141,705	34,899
Total trade and other receivables	257,206	52,251

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 6: CURRENT TRADE AND OTHER RECEIVABLES (continued)

	2020	2019
	$	**$**
Analysis of other receivables		
Within initial terms	115,501	17,352
Aging of past due but not impaired		
30 – 60 days	-	-
60 – 90 days	-	-
90+ days	-	-
	-	-
Gross amount of other receivables	115,501	17,352

Impairment of receivables

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade and other receivables are estimated with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

There was no significant change in the gross carrying amount of receivables as there was no lifetime expected credit loss for the years 2019 and 2020.

The impact of the Coronavirus (COVID-19) pandemic up to 30 June 2020 has not been financially material on trade and other receivables of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment	Motor vehicles	Land and buildings	Total
	$	$	$	$
Year ended 30 June 2019				
At 1 July 2018, net of accumulated depreciation and impairment	9,153	49,210	4,920,313	4,978,676
Additions	31,818	-	-	31,818
Disposals	-	-	-	-
Depreciation charge for the year	(10,872)	(7,858)	(23,083)	(41,813)
At 30 June 2019, net of accumulated depreciation and impairment	30,099	41,352	4,897,230	4,968,681
At 30 June 2019				
Cost or fair value	8,371,455	65,277	5,188,081	13,624,813
Accumulated depreciation and impairment	(8,341,356)	(23,925)	(290,851)	(8,656,132)
Net carrying amount	30,099	41,352	4,897,230	4,968,681

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: PROPERTY, PLANT AND EQUIPMENT (continued)

	Property, plant and equipment	Motor vehicles	Land and buildings	Total
	$	$	$	$
Year ended 30 June 2020				
At 1 July 2019, net of accumulated depreciation and impairment	30,099	41,352	4,897,230	4,968,681
Additions	158,539	-	6,800	165,339
Revaluation	-	-	(1,231,000)	(1,231,000)
Depreciation charge for the year	(28,065)	(7,879)	(23,174)	(59,118)
At 30 June 2020, net of accumulated depreciation and impairment	160,573	33,473	3,649,856	3,843,902
At 30 June 2020				
Cost or fair value	8,529,996	65,277	3,963,881	12,559,154
Accumulated depreciation and impairment	(8,369,423)	(31,804)	(314,025)	(8,715,252)
Net carrying amount	160,573	33,473	3,649,856	3,843,902

The useful life of the assets was estimated as follows for both 2020 and 2019:

- Plant and equipment — 2 to 20 years
- Motor vehicles — 4 to 6 years
- Leasehold improvements — 10 to 13 years
- Buildings — 40 years

The Company's land and buildings had a carrying value of $4,874,056 prior to a revaluation undertaken by Acumentis (WA) Pty Ltd on 16 July 2020, with an effective date of 30 June 2020. The outcome of the valuation was a downward adjustment to the carrying value of the land and buildings by $1,231,000 (refer Note 15 for further details).
If land and buildings were stated under the historical cost convention, the carrying value would be $1,705,077 (2019: $1,721,451).

NOTE 8: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2020	2019
	$	$
Exploration and evaluation costs	1,752,251	1,752,251
Formation costs	3,881	3,881
	1,756,132	1,756,132

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 9: TRADE AND OTHER PAYABLES

Current	2020 $	2019 $
Trade payables	2,506,344	2,956,258
Accruals	21,832	-
Other employment-related payables	20,065	29,817
	2,548,241	2,986,075

NOTE 10: BORROWINGS

	2020 $	2019 $
Current		
Loans from related parties (i)	3,788,000	3,293,000
Loans from other parties (ii)	252,000	50,800
Convertible notes (iii)	5,115,327	-
	9,155,327	3,343,800
Non-current		
Loans from related parties (i)	16,702,686	15,245,898
Loans from other parties (ii)	1,007,557	392,944
	17,710,243	15,638,842
Total borrowings	**26,865,570**	**18,982,642**

(i) The Company has the following executed loan agreements in place with its related parties at the reporting date with the respective terms and conditions:

(a) Lender: Wamco Industries Group Limited
Agreement date: 30 June 2019
Expiry date: 30 June 2023
Interest rate: 0%
Repayments: 1) Prior to the IPO date - $276,000; 2) 10 Business days after the IPO date - $100,000; 3) Fourth anniversary of the agreement - $500,000; 4) Any balance repayable upon the Company achieving positive free cash flow for one quarter
Collateral securities: None

(b) Lender: Scientific Management Associates (Victoria) Pty Ltd
Agreement date: 30 June 2019
Expiry date: 30 June 2025
Interest rate: 0%
Repayments: 1) 10 Business days after the IPO date - $1,242,000; 2) Fourth anniversary of the agreement - $4,635,000; 3) Fifth anniversary of the agreement - $7,405,000; 4) Any balance repayable upon the Company achieving positive free cash flow for one quarter
Collateral securities: Deed of Charge dated 11 September 2009

(c) Lender: Wamco Industries Limited
Agreement date: 30 June 2019
Expiry date: 30 June 2023
Interest rate: 0%
Repayments: 1) Prior to the IPO date - $144,000; 2) 10 Business days after the IPO date - $150,000; 3) Second anniversary of the agreement - $250,000; 4) Third anniversary of the agreement - $61,000; 5) Fourth anniversary of the agreement - $839,000; 6) Any balance repayable upon the Company achieving positive free cash flow for one quarter
Collateral securities: None

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: BORROWINGS (continued)

(d) Lender: Scientific Management Associates (Operations) Pty Ltd
Agreement date: 30 June 2019
Expiry date: 30 June 2024
Interest rate: 6% per annum
Repayments: 1) 10 Business days after the IPO date - $300,000; 2) Fourth anniversary of the agreement - $8,000,000; 3) Any balance repayable upon the Company achieving positive free cash flow for one quarter
Collateral securities: None

(e) Lender: Pacific Polymers Pty Ltd
Agreement date: 30 June 2019
Expiry date: 30 June 2023
Interest rate: 0%
Repayments: 1) 10 Business days after the IPO date - $1,076,000; 2) Second anniversary of the agreement - $250,000; 3) Third anniversary of the agreement - $61,000; 4) Fourth anniversary of the agreement - $689,000; 5) Any balance repayable upon the Company achieving positive free cash flow for one quarter
Collateral securities: None

(ii) The Company has the following executed loan agreements in place with it other parties at the reporting date with the respective terms and conditions:

(a) Lender: Nathan Allbut
Expiry date: 31 December 2020
Interest rate: 6% per annum
Repayment date: The earlier of 10 days after the IPO date or 31 December 2020
Collateral securities: None

(b) Lender: Stanco International Corp.
Expiry date: 27 December 2020
Interest rate: 4% per annum, paid quarterly in arrears
Repayments: None
Collateral securities: None

(c) Lender: Boneyard Investment Pty Ltd
Expiry date: 19 November 2021
Interest rate: 5% per annum, paid quarterly in arrears
Repayments: None
Collateral securities: Registered mortgage over the Company's property located at Lot 3 Ward Road, East Rockingham and more particularly described as Lot 3 on Deposited Plan 42679 being the whole of the land contained in Certificate of Title Volume 2595 Folio 745.

(iii) In May and June 2020, the Company issued 3,832,500 convertible notes, with a face value of $1 each, for total proceeds of $3,832,500. Interest is paid at maturity which is the earlier of either 6 months from the issue date or a successful IPO at a rate of 10% per annum based on the face value. The notes are convertible into ordinary shares at the earlier of a successful IPO event or at maturity in mid-November 2020. The conversion price of the notes is based on a 20% discount to the proposed issue price per share, being $0.20 at the date of a successful IPO. Noteholders are also entitled to pre-IPO options at the rate of 1.5 options for each ordinary share (ex price 25% premium on IPO price and 3 year expiry period). Transaction costs of $163,500 were expensed.

The convertible notes are unsecured and are all treated as a current liability as at 30 June 2020. The table below reflects the movements relating to the convertible notes during the financial year:

Convertible Notes	**2020**	**2019**
	$	**$**
Opening balance	-	-
Notes issued	3,832,500	-
Interest accrued	46,153	
Fair value adjustment	1,236,674	-
At 30 June	5,115,327	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: PROVISIONS

Employee Entitlements:	**2020**	**2019**
	$	**$**
At 1 July	40,259	29,937
Net movements	25,304	10,322
At 30 June	65,563	40,259

2019	**Employee benefits**	**Total**
	$	**$**
Current	40,259	40,259
Non-current	-	-
	40,259	40,259

2020	**Employee benefits**	**Total**
	$	**$**
Current	65,563	65,563
Non-current	-	-
	65,563	65,563

NOTE 12: CAPITAL AND RESERVES

	30 June 2020		**30 June 2019**	
	Number of shares	**$**	**Number of shares**	**$**
(a) Paid up capital	150,000,000	3,070,081	26,065,000	3,020,000

(b) Movements in ordinary share capital

	Year to 30 June 2020		**Year to 30 June 2019**	
	Number of shares	**$**	**Number of shares**	**$**
Balance at beginning of financial period	26,065,000	3,020,000	26,065,000	3,020,000
Issue of shares to third parties	3,964,203	39,642	-	-
Exercise of options by employees	750,000	10,439	-	-
Balance at end of financial period	30,779,203	3,070,081	26,065,000	3,020,000
Change to number of shares on issue above as a result of share division (4.873:1) on 5 September 2019	150,000,000	3,070,081	-	-

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 12: CAPITAL AND RESERVES (continued)

(c) Asset revaluation reserve	2020	2019
	$	$
Opening balance	3,175,779	3,175,779
Movement	(1,231,000)	-
Closing balance	1,944,779	3,175,779

(d) Capital contribution reserve

Opening balance	17,880,927	-
Fair value adjustment to related party borrowings (i)	-	7,326,453
Forgiveness of interest accrued (ii)	-	10,554,474
Closing balance	17,880,927	17,880,927

(i) Loans from related parties were discounted using a market interest rate of 12% on initial recognition, any gain being the difference between their fair value and the carrying amount is recognised in equity as a transaction with owners.

(ii) On 6 June 2019, Scientific Management Associates (Victoria) Pty Ltd (SMA) and Wamco Industries Group Pty Ltd (Wamco) entered into a debt novation agreement. An effect of the agreement is that SMA released the Company from an obligation to pay it an amount of $10,554,474. In consideration for this release, the Company agreed to grant a royalty interest to Wamco as disclosed in note 18.

(e) Share-based payment reserve

Opening balance	2,939	2,939
Closing balance	2,939	2,939
Total reserves	19,828,645	21,059,645

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve has been used to record increases in the fair value of land and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

Capital contribution reserve

The capital contribution reserve has been used to record increases in net assets arising from transactions with owners in their capacity as owners and that are not recognised as income.

Share option reserve

The share option reserve arises as share-based payments are issued.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 13: SHARE-BASED PAYMENT RESERVES

Options issue

Unlisted options over ordinary shares in the company are granted to key management personnel and employees as a long-term incentive component of their performance based remuneration.

As at 30 June 2020, the following options had been issued and were exercised in the year:

Grant date / employees entitled	Number of instruments	Vesting conditions
Options granted to employees on 1 January 2018	250,000	None
Options granted to director on 1 January 2018	500,000	None
Total share options	750,000	

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2020	Number of options 2020	Weighted average exercise price 2019	Number of options 2019
Outstanding at the beginning of the period	$0.01	750,000	$0.01	750,000
Granted during the period	-	-	-	-
Exercised during the period	$0.01	(750,000)	-	-
Exercisable at the end of the period	-	-	$0.01	750,000

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the binomial option valuation methodology with the following inputs:

Grant date	Expiry date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Expected dividend yield
1 Jan 2018	31 Dec 2020	$0.0039	$0.01	$0.006	150%	2.15%	Nil

Expected volatility is estimated by considering historic average share price volatility. The options are unlisted and non-transferable, however these features were not taken into account in determining fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14: EARNINGS PER SHARE

	2020	2019
Loss after income tax attributable to owners of WA Kaolin Limited used to calculate basic loss per share	($5,162,653)	($1,415,031)
	$ per share	**$ per share**
Basic (loss)/profit per share	(0.04)	(0.01)
Diluted (loss)/profit per share	(0.04)	(0.01)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (2019 amended to reflect share division of 4.873:1 on 5 September 2019).	146,349,291	127,014,745

NOTE 15: FINANCIAL INSTRUMENTS

(a) Capital risk management

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

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings/(accumulated losses).

The Company is not subject to externally imposed capital requirements.

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

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

	2020	2019
	$	$
(b) Categories of financial instruments		
Financial assets		
Cash and cash equivalents	2,020,295	-
Trade and other receivables	257,206	52,251
Financial liabilities		
Bank overdraft	-	26,355
Trade and other payables	2,548,241	2,986,075
Borrowings	26,865,570	18,982,642

(c) Financial risk management objectives

The Company is exposed to currency risk, market risk including fair value interest rate risk and price risk, credit risk, liquidity risk and cash flow interest rate risk.

Currency risk

The Company undertakes transactions denominated in foreign currencies. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group manages its currency risk in accordance with approved policies, utilising forward exchange contracts.

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities at the reporting date are:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: FINANCIAL INSTRUMENTS (continued)

	2020 $	2019 $
United States Dollar denominated	13,523	3
	13,523	3

Sensitivity

As shown in table above, the Company is primarily exposed to changes in USD/AUD exchange rate. Impact on post tax profit as a result of movements in USD/AUD exchange rate were immaterial for both 2019 and 2020.

(d) Market risk

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

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

The Company does not have investments that would expose it to unmanageable market risks.

(e) Interest rate risk management

The Company is exposed to interest rate risk as the Company borrows funds at variable interest rates. The Company's policy is to manage its exposure to movements in interest rates by fixing the interest rate on financial instruments, including bank loans, finance leases and hire purchase liabilities, wherever possible. In addition, the Company utilises a number of financial institutions to obtain the best interest rate possible and to manage its risk. The Company does not enter into interest rate hedges.

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Fixed / variable rate
30 June 2020	**$**	**$**	**$**	
(i) Financial assets				
Cash	-	2,020,295	2,020,295	Variable
Total financial assets	-	2,020,295	2,020,295	
(ii) Financial liabilities				
Borrowings	13,772,851	13,092,719	26,865,570	Fixed
Total financial liabilities	13,772,851	13,092,719	26,865,570	
30 June 2019				
(i) Financial assets				
Cash	-	-	-	Variable
Total financial assets	-	-	-	
(ii) Financial liabilities				
Bank overdraft	-	26,355	26,355	Variable
Borrowings	7,072,587	11,910,055	18,982,642	Fixed
Total financial liabilities	7,072,587	11,936,410	19,008,997	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: FINANCIAL INSTRUMENTS (continued)

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

Interest rate risk sensitivity analysis

The Company only had fixed rate borrowings at 30 June 2020 and 2019, therefore interest rate sensitivity analysis is not required to be undertaken for the purpose of this report.

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above.

This information is supplied by independent rating agencies where available and, if not available, the Company uses publicly available financial information and its own trading record to rate its counterparties. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

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

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

(g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table outlines the Company's remaining contractual maturities for non-derivative financial liabilities. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities, allocated to time bands based on the earliest date on which the Company can be required to pay.

	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount	Weighted average interest rate
30 June 2020	**$**	**$**	**$**	**$**	**$**	
Payables	2,548,241	-	-	2,548,241	2,548,241	Nil
Borrowings	-	4,040,000	23,683,785	27,723,785	21,750,243	1.9%
Convertible Notes	-	5,115,327	-	5,115,327	5,115,327	10.0%
	2,548,241	9,155,327	23,683,785	35,387,353	29,413,811	
30 June 2019						
Payables	2,986,075	-	-	2,986,075	2,986,075	Nil
Bank overdraft	26,355	-	-	26,355	26,355	8.0%
Borrowings	-	3,343,800	22,965,294	26,309,094	18,982,642	1.9%
	3,012,430	3,343,800	22,965,294	29,321,524	21,995,072	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: FINANCIAL INSTRUMENTS (continued)

(h) Fair value of financial instruments

The directors consider that the carrying value of the financial assets and financial liabilities as recognised in the financial statements approximate their fair values.

Fair value hierarchy

The following tables detail the company's assets and liabilities, measured or disclosed at fair value, using a three- level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Year ended 30 June 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Land and buildings	-	-	3,649,856	3,649,856
Total assets	-	-	3,649,856	3,649,856
Liabilities				
Convertible notes	-	-	5,115,327	5,115,327
Total liabilities	-	-	5,115,327	5,115,327

Year ended 30 June 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Land and buildings	-	-	4,897,229	4,897,229
Total assets	-	-	4,897,229	4,897,229
Liabilities				
Total liabilities	-	-	-	-

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.
The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 3

Land and buildings
The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued on 30 June 2020 based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Convertible note
The fair value of the note is dependent upon the conversion feature as this is the most likely outcome of settlement as the group is seeking to IPO in the near future. Upon IPO the investors are guaranteed to increase the value of their investment due to the 20% discount feature and the free attaching options (see note 10). The fair value of the note on IPO based on the proposed price of $0.20 is calculated to be $9,034,000 ($4,853,000 on the value of conversion shares and $4,181,000 on the value of the free attaching options). The options were valued using a Black Scholes Valuation Model which takes into account the terms of the options and share price volatility of the company of 100%. The difference between the face value of the note on initial recognition being $3,832,500 and the fair value of the convertible note is accreted on a rational basis over the life of the note (i.e. 6 months). As a result a financing cost of $1,236,674 was recognised in the profit or loss for the financial year.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	Assets	
	Land and buildings	**Convertible notes**
	$	**$**
Balance at 1 July 2018	4,897,230	-
Deemed capital contribution recognised in equity	-	-
Losses recognised in profit or loss	-	-
Additions (net)	-	-
Present value adjustment in equity	-	-
Balance at 30 June 2019	4,897,230	-
Losses recognised in other comprehensive income	(1,231,000)	-
Additions	6,800	(3,832,500)
Other adjustments	(23,174)	-
Fair value adjustment and finance costs	-	(1,282,827)
Balance at 30 June 2020	3,649,856	(5,115,327)

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	**Unobservable inputs**	**Value**	**Sensitivity**
Assets			
Land and buildings	Direct comparison – market rate ($/m^2)	$130	$5 change would increase / decrease fair value by $141,500
	Capitalisation rate	5.75%	0.25% change would increase / decrease fair value by $164,790

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 16: DIVIDENDS

No dividends were paid, declared or recommended since the start of the financial year (2019: $Nil).

NOTE 17: AUDITOR'S REMUNERATION

	2020	2019
Amounts paid and payable to BDO for:	**$**	**$**
(i) Audit and other assurance services		
Audit of financial statements	31,281	45,945
Total audit and other assurance services	31,281	45,945
(ii) Other non-audit services		
Taxation services	30,359	-
Corporate finance services	15,968	-
Total non-audit services	46,327	-

NOTE 18: COMMITMENTS AND CONTINGENCIES

Capital commitments

No capital expenditure commitments have been made for items of plant and machinery as at 30 June 2020 (2019: Nil).

	2020	2019
Exploration commitments	**$**	**$**
Payable:		
Within one year	99,700	99,700
Within two to five years	299,100	398,800
	398,800	498,500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

Royalty Deed
On 1 July 2019, a Royalty Deed was executed between the Company and Wamco Industries Group Pty Ltd, on behalf of several of the original and other owners of the Company since formation. Key details of the Royalty Deed are as follows:

Parties	WA Kaolin Wamco Industries Group Pty Ltd (**WAMCO**)
Brief description	WA Kaolin has agreed to pay a royalty (described below) to WAMCO until the earlier of 1 July 2049 and the date WA Kaolin relinquishes, surrenders or conveys to WAMCO all of the Tenements (other than L70/156 and G70/251).
Commencement date	1 July 2019.
Key terms	**Royalty:** WA Kaolin owes to WAMCO a royalty for each quarter in which WA Kaolin either mines or sells kaolin ore ex-works, FCA or FOB or mines and processes kaolin ore to produce a kaolin product which is sold ex-works, FCA or FOB, which must be paid quarterly. The royalty is the greater of: (a) $1.50 per tonne of dry kaolin ore or product sold in a quarter, provided that if kaolin product has been sold after processing, then tonnage used to calculate the royalty will be twice the actual tonnage of the processed kaolin; or (b) 1.5% of the price received for the sale of kaolin ore or product in a quarter.
	Payment and interest: Within 30 days after the end of each quarter, WA Kaolin must calculate the royalty payable for that quarter and give to WAMCO a statement in respect of that quarter (even if there is no royalty payable in that quarter) and if a royalty is payable, pay to WAMCO the royalty due by it for that relevant quarter in immediately available funds without demand, reduction or set off, by direct deposit. If payment is late, interest on the amount due is payable. **Assignment:** If WAMCO wishes to sell, transfer, grant, assign or otherwise dispose of (**Assign**) the whole of its interest in the royalty, it must first give notice to WA Kaolin. The notice must specify the price and the terms on which WAMCO is prepared to Assign the interest and give WA Kaolin a right to acquire the interest or to discharge its obligations under the agreement by paying the price to WAMCO. WA Kaolin may accept the notice in writing within 20 business days of receiving the notice. If WA Kaolin does not accept the offer, WAMCO may within 60 days enter into an agreement to Assign the interest, provided the assignment is on terms and conditions not less favourable to WAMCO than those offered to WA Kaolin. WA Kaolin may only Assign its interest in the Tenements (other than L70/156 and G70/251) or any rights in relation to the kaolin ore or kaolin products to a third party or related body corporate or related entity if it first delivers to WAMCO an assumption deed in favour of WAMCO, executed by WA Kaolin and the assignee. **Encumbrances:** WA Kaolin may grant an encumbrance over the Tenements, its rights under the Royalty Deed or any rights in relation to kaolin ore or products, without the prior written consent of WAMCO, provided that the Company gives WAMCO written notice of any such grant. WAMCO shall promptly do anything which WA Kaolin may reasonably request (including signing documents or supplying information) to ensure or enable any encumbrances to which it is a party is fully effective, enforceable and perfected with the contemplated priority. **Confidentiality:** A party must not disclose any confidential information, subject to exceptions. **Termination:** Unless otherwise agreed by the parties, the Royalty Deed terminates (with the exception of certain provisions, for example in relation to rehabilitation obligations) and has no further force or effect upon the earlier of 1 July 2049 and the date WA Kaolin relinquishes, surrenders or conveys to WAMCO all of the Tenements (other than L70/156 and G70/251).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 18: COMMITMENTS AND CONTINGENCIES (continued)

Security Interest

As a result of a loan agreement between the Company and its major lender, Scientific Management Associates (Victoria) Pty Ltd (SMA), a security interest in favour of SMA was granted. The security interest is a fixed charge (in respect of freehold and leasehold land, fixtures, plant, equipment, intellectual property and fixed assets, among other things), a floating charge in regard to all other assets and has a maximum prospective liability of $12,000,000. The Company must not create or permit any encumbrance subsequent to the charge without the prior written consent of Scientific Management Associates (Victoria) Pty Ltd.

No other contingencies were noted as at 30 June 2020 (2019: Nil).

NOTE 19: EVENTS AFTER THE REPORTING PERIOD

The Company is currently in the midst of preparing for an IPO process in which it will seek to raise between $22m and $25m. The Company will then subsequently seek to be listed on the Australian Securities Exchange around early October 2020.

Further to a capital raising undertaking by the Company during June 2020, the Company sought out additional investors during late August 2020. A second round of pre-IPO funds were raised in the sum of $2,769,000 by way of Convertible Notes with the same terms and conditions as the first round of investment (refer Note 10 (ii)).

As a result of monies advanced to the Company in previous years by EMC Pacific Pty Ltd (EMCP), a company related to Mr A Baker (a director and shareholder of the Company), a security interest was granted in favour of EMCP. On 5 August 2020, a Deed of Release was executed between the parties as a result of the repayment of all monies and the security interest was subsequently removed.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while there has not been any financially material impact on the Company up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

NOTE 20: RELATED PARTIES

Key management personnel compensation

The key management personnel compensation is as follows:

	2020 $	2019 $
Short-term employee benefits	453,338	395,567
Post-employment benefits	15,987	13,000
	469,325	408,567

Other key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm’s length basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: RELATED PARTIES (continued)

Other key management personnel and director transactions (continued)

Mr A Baker is a director and major shareholder of the Company. During the reporting period, the Company has borrowed funds from several entities of which Mr Baker is a director and major shareholder. Details of those loans can be found in the table below and at Note 10(i).

Mr K Snell was a director and major shareholder of the Company. During the reporting period, the Company has borrowed funds from several of entities of which Mr Snell was a director and major shareholder. Details of those loans can be found in the table below and at Note 10(i).

Mr A Sorensen is a key management person of the Company and has advanced funds to the Company, as detailed below.

Related party borrowings

30 June 2020

Entities associated with:	**A Baker[1]**	**K Snell[2]**	**A Sorensen[3]**
Opening balance	3,520,566	15,013,332	5,000
Interest	10,258	490,014	-
Funds advanced	356,116	-	95,000
Funds repaid	(348,410)	-	(5,000)
Other – finance cost on related party borrowing (Note 5)	212,910	1,140,900	-
Closing balance	3,751,440	16,644,246	95,000

30 June 2019

Entities associated with:	A Baker[1]	K Snell[2]	A Sorensen[3]
Opening balance	4,094,774	31,564,795	-
Interest	2,679	313,929	-
Funds advanced	602,431	140,000	5,000
Funds repaid	(303,783)	-	-
Other – discount as per note 12(d)	(875,535)	(6,450,918)	-
Other – debt written off	-	(10,554,474)	-
Closing balance	3,520,566	15,013,332	5,000

Entities associated with the following key management personnel are as follows:

[1] A Baker : Wamco Industries Group Pty Ltd, Wamco Industries Pty Ltd, Pacific Polymers R&D Pty Ltd, Pacific Polymers Pty Ltd, EMC Pacific Pty Ltd

[2] K Snell : Scientific Management Associates (Victoria) Pty Ltd, Scientific Management Associates (Operations) Pty Ltd

[3] A Sorensen : Loans are held in Wamco Industries Group Pty Ltd on behalf of Mr Sorensen

Full details of the lenders can be found at Note 10 (Borrowings).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: RELATED PARTIES (continued)

Fees and salaries

Mr Baker has chosen to not to be paid any director fees during the period, instead allowing the Company to accrue such amounts, to be paid at a later date as the Company's cash flow allows. Details of those amounts owing can be found in the table below and are recorded in Trade and other payables within the Statement of Financial Position.

Mr Snell has also chosen to not to be paid any director fees during the period, instead allowing the Company to accrue such amounts, to be paid at a later date as the Company's cash flow allows. Details of those amounts owing can be found in the table below. Details of those amounts owing can be found in the table below and are recorded in Trade and other payables within the Statement of Financial Position.

Mr Sorensen has certain amounts accrued on his behalf relating to his director fees during prior reporting periods, to be paid at a time when the Company's cash flow allows. Details of those amounts owing can be found in the table below and are recorded in Trade and other payables within the Statement of Financial Position.

30 June 2020

	A Baker	**K Snell**	**A Sorensen**
Opening balance	663,000	411,000	234,000
Fees and salaries	173,000	36,000	157,116
Payments	(144,000)	-	(157,116)
Closing balance	692,000	447,000	234,000

30 June 2019

	A Baker	K Snell	A Sorensen
Opening balance	627,000	375,000	234,000
Fees and salaries	180,000	36,000	143,000
Payments	(144,000)	-	(143,000)
Closing balance	663,000	411,000	234,000

Other transactions

On 1 July 2019, a Royalty Deed was executed between the Company and Wamco Industries Group Pty Ltd, a company in which Mr. A Baker, Mr. A Sorensen and the estate of Mr. K Snell, all have an ownership interest. Details of Royalty Agreement can be found in Note 18 (Commitments and Contingencies).

The Company granted Scientific Management Associates (Victoria) Pty Ltd (SMA), a company in which the estate of Mr. K Snell has an ownership interest, a security interest as a result of a loan from SMA to the Company. Details of the security interest can be found in Note 18 (Commitments and Contingencies).

As a result of monies advanced to the Company in previous years by EMC Pacific Pty Ltd (EMCP), a company related to Mr. A Baker (a director and shareholder of the Company), a security interest was granted in favour of EMCP. On 5 August 2020, a Deed of Release was executed between the parties as a result of the repayment of all monies and the security interest was subsequently removed.

Ms. Cathy Moises, a non-executive director of the Company participated in the capital raising during June 2020 through a related entity and subscribed for 100,000 Convertible Notes in the Company at a face value of $1 per note which were settled prior to 30 June 2020. Once the Company becomes is listed on the Australian Securities Exchange, a total of 937,500 options will be granted to Ms. Moises' related entity. The options will have a 12-month vesting period and 3-year expiry period from date of issue, respectively, and a $0.25 exercise price.

Mr. Michael Kenyon, the Company's Chief Financial Officer and Company Secretary, participated in the capital raising during June 2020 through a related entity and subscribed for 22,500 Convertible Notes in the Company at a face value of $1 per note which were settled prior to 30 June 2020. Once the Company becomes listed is listed on the Australian Securities Exchange, a total of 210,938 options will be granted to Mr. Kenyon's related entity. The options will have a 12-month vesting period and 3-year expiry period from date of issue, respectively, and a $0.25 exercise price.

DIRECTORS' DECLARATION

1. In the opinion of the directors of WA Kaolin Limited ("the 'Company'):

   a. the accompanying financial statements and notes thereto, as set out on pages 18 to 59, are in accordance with the Corporations Act 2001, including:

      i. complying with Australian Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;

      ii. as stated in Note 1 the financial statements also comply with International Financial Reporting Standards; and

      ii. give a true and fair view of the financial position of the Company as at 30 June 2020 and of its performance for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the Directors, in accordance with section 295A of the Corporations Act 201 for the financial year ended 30 June 2020.

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

JJ White

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Dr John White
Chairman

Dated this 24 September 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of WA Kaolin Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of WA Kaolin Limited (the Company), which comprises the statement of financial position as at 30 June 2020, 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 report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of WA Kaolin Limited, 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 2020 and of its financial performance for the year ended on that date; 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 Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

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

Key audit matters

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

Valuation of Exploration and Evaluation Asset

Key audit matter	How the matter was addressed in our audit
As disclosed in Note 8 to the financial report, the carrying value of the exploration and evaluation asset represents a significant asset of the Group. In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6), the recoverability of exploration and evaluation expenditure required significant judgement by management in determining whether there are any facts or circumstances that exist to suggest the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.	Our procedures, included but were not limited to: • Obtaining a schedule of areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at reporting date; • Considering the status of ongoing exploration programs in the respective areas of interest by holding discussions with management and reviewing the Group's cash flow budget for the level of budgeted spend on exploration projects; • Considering whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether there are any other facts or circumstances that existed to indicate impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 1(u) and Note 8 of the financial report.

Valuation of Land and Buildings

Key audit matter	How the matter was addressed in our audit
As at the reporting date, land and buildings carried at fair value, classified as Property, Plant & Equipment is a significant asset to the Group, as disclosed in Note 7.	Our procedures, included but were not limited to the following: • Assessing the objectivity, independence, competence and qualification of the property valuer engaged by the Group and challenging the methodology adopted and assumptions used; • Reviewing the suitability of the valuation scope and methodology for the financial report;

Key audit matter	How the matter was addressed in our audit
We identified valuation of land and buildings as a key audit matter because the determination of the fair values involves significant judgment and estimation, particularly determining the underlying assumptions, and because the valuations are sensitive to the key assumptions applied. Refer to Note 1(l) and Note 7 in the financial report.	• Assessing the data inputs underpinning the valuation against our knowledge of the business and industry, to assess the accuracy, reliability and completeness thereof; and • Assessing the adequacy of the related disclosures in Note 1(l) and Note 7 of the financial report

Accounting for Convertible Notes

Key audit matter	How the matter was addressed in our audit
During the year, the Group issued convertible notes as disclosed in Note 10. Accounting for convertible notes was considered to be a key audit matter due to the complexity involved in assessing whether to account for the notes as equity, a liability or combination of both as well as the subsequent measurement of the individual components of the liability based on the terms and conditions of the agreement. The assessment includes significant judgement in determining the fair value of the separate components of the liability.	Our procedures included, but were not limited to the following: • Obtaining an understanding of and assessing the terms and conditions of the convertible note agreements to determine if the convertible notes are to be accounted for as equity, a liability or a combination of both; • Considering the appropriateness of the valuation methodology against the requirements of the relevant Australian Accounting Standard; • Considering the reasonableness of the inputs to the valuation and • Assessing the adequacy of the related disclosures in Note 1(t) and Note 10 of the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 Company's ability 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.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 15 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of WA Kaolin Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 24 September 2020