Yilgarn Minerals Limited

ABN 85 115 050 452

Annual Report - 30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Yilgarn Minerals Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors
The following persons were directors of Yilgarn Minerals Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Clive Trist (appointed 23 July 2018)
Hugh Dai
Marc Italia

Clive Trist, Independent, Non-Executive Chairman

Clive Trist's career as a Company Director, Corporate Advisor and investment Banker spans some 30 years' experience across a broad range of sectors including, mining and resources, energy, technology, manufacturing, life sciences, communications, transport and logistics. This is underpinned by an international track record in business transformation, development and leadership through appointments as an Independent Chairman and Non – Executive Chairman and Non-Executive Director in publicly listed and private companies, both in Australia and overseas.

In 2004 he founded Australian mining company Van Dieman Mines plc. As Managing Director he led its successful listing on the LSE, the securing of mining and environmental approvals and the establishment on site of mining and processing infrastructure. Prior to that, as corporate advisor to life sciences company Cryosite Ltd, he oversaw the company's successful listing on the ASX. Internationally, as Non –Executive Chairman of UK headquartered process engineering company Barr and Murphy Group, he led for over 10 years the Group's growth throughout Europe, North America & SE Asia.

Between 1991 and 1995 he was a founding partner in the international investment banking firm MACC Partners Australia and prior to that he was a founding Director of the Corporate Advisory Services division of Australian merchant bank Spedley Limited. Mr Trist is currently Chairman of Hanbury Capital Limited, an unlisted corporate advisory, M&A and capital markets firm founded in 1996 and which operates in association with corporate advisory and investment banking professionals.

Clive holds a Bachelor's Degree in Engineering, a Masters Degree in Business Administration and Post Graduate Studies in Industrial Law and Labour Relations. He is a foundation fellow of the Australian Institute of Company Directors, a member of the Australian Institute of Mining and Metallurgy holding Chartered Professional status and a member of the Australian Institute of Energy.

Hugh Renhuo Shao Dai, Managing Director

Mr Dai was appointed to the Board of Directors in September 2009.

Mr Dai began his career in resource investment with an investment bank in China in 1986. He has been involved in mining, resources, investment and marketing businesses for over 30 years and has extensive experience in trading and investment in both China and Australia. During his career, Mr Dai has worked in many senior management roles developing a network of high-level contacts in both government and private sectors in China. He has regularly played a key role in negotiating and securing international trade and mining agreements, especially the formation of the investment ventures between Chinese corporations and Australian mining companies.

Mr Dai was Managing Director/CEO of International Coal Ltd (ICX), an ASX listed company, from 2011 to 2015 and was instrumental in raising seed capital to IPO the company on the ASX. Subsequent to its listing the company was successful in confirming mineral reserves of over billion tonnes of coal.

Mr Dai's diverse range of experience across regulatory bodies, financial institutions and relevant government agencies in both Australia and China provides a key link between mining a resource and marketing its products. He is currently a director on several proprietary company boards, and is a member of the Australian Institute of Company Directors. Mr Dai is a graduate of University of Hunan, China, with a Bachelor of Economics Degree and Master of Arts in International Studies at Griffith University, Australia.

Marc Italia, Non-Executive Director

Mr Italia was appointed to the Board of Directors in November, 2011.

Marc's career has spanned some 20 years across a broad industry base; infrastructure (tollways, water and gas distribution), renewable energy and communication sector, agriculture and horticulture, property development, investments (incl. Investment banking), hotels and accommodation, casino and entertainment industries - ranging in size from $1M to multi-billion dollar corporations; CityLink, Westar Gas, Crown (Casino), Southern Pacific Hotel Corporation (SPHC), AWB Ltd (Australian Wheat Board), Renzella Property & Hospitality, Olive Plantations of Australia Ltd, AIRSTAYZ™, Integrated Energy Corporation Pty Limited and overseeing a range of off-market investments in the technology sectors.

His years of experience at both operational, Executive and Board level demonstrated to him there is a definite need for clarity in decision making when balancing the risk reward equation. Marc's core skill base is corporate finance and advisory/corporate development and he holds a Bachelor of Business in Hotel Management and Finance, an MBA (Australia) specializing in International Business and has undertaken the CPA program (Australia).

Company Secretary and Chief Financial Officer

Ross Lorking

Mr Ross Lorking CA, ACIS is a Chartered Accountant and Chartered Secretary and has been with Yilgarn Minerals Limited since incorporation. Mr Lorking has had over 35 years financial experience and after qualifying with Deloitte, has worked in commerce and various consulting engagements with large Australian corporations. In addition to his role as Company Secretary, Mr Lorking is also the Chief Financial Officer of the Company.

Principal activities
The 2019 financial year saw the consolidation of the Yilgarn Groups assets and infrastructure in preparation for the commencement of operations both in Australia and in China.

In Australia the granting by the Queensland government of mining lease ML100075 on 1st August 2018, relating to tenement EPM 19373 and the subsequent final execution of the Native Title Agreement with the indigenous landowners paved the way for negotiations with contract miners to undertake mining at the “Iceberg” quartz deposit.

By end June 2019 agreements had been signed with a local Mt Isa mining contractor to commence mining, with a logistics operator to transport to and containerise our quartz ore at Townsville port and a stevedoring firm to arrange its shipment to China.

In China, the Group entered into an agreement (the Agreement’) to acquire the ex Sinosteel HPQ (high purity quartz) plant and equipment, subject to the successful completion of a fundraising initiative, such as an IPO. A long-term lease was also executed with a Chinese state owned entity which in turn owns the land and buildings which house the HPQ plant and equipment.

Also in China, Sinoquartz Material (Lianyungang) Co Ltd (‘SML) was incorporated, owned 70% through Sinoquartz Tech (Lianyungang) Co Ltd (‘STL’), being a wholly owned subsidiary of the Company and 30% held by a local Chinese corporation ('LFQT'). The principals of LFQT have extensive experience in the Chinese HPQ market and in the successful operation of HPQ processing plants. They are responsible, under Yilgarn direction, for the refurbishment and ongoing operation of the HPQ plant and equipment.

In April 2019 SML received environmental approval in China to commence construction of a 2,000tpa High Purity Quartz Sand Production Line – a significant achievement as China develops further its environmental protection credentials.

The Group raised capital totalling $1,469,460 during the year, $56,960 was raised in August – December 2018 as part of 2018 offer to existing shareholders and $1,412,500 was raised from sophisticated investors as pre-IPO seed capital up to 30 June 2019.

To meet its planned objectives; to fund the planned mining operations, refurbishment of the Chinese processing plant and its start-up costs, and to provide funds for ongoing working capital and exploration activities, directors have estimated that the Group will need to raise further capital of a minimum A$3 million to a maximum A$6 million.

The Directors believe an IPO is the best way to source these funds. To this end the Group has engaged corporate advisors Integrated Corporate Solutions Pty Ltd of Sydney who are experienced IPO specialists to assist the directors in first raising seed capital to cover pre- IPO and working capital costs and then assisting with the planning and completion of an IPO.

The Directors held initial discussions with independent experts and brokers with regard to mandating their involvement in an IPO listing on the ASX and commenced preparation of a draft prospectus. The IPO plans are subject to market conditions and commodity prices and directors are not guaranteeing the outcome. Shareholders will be able to participate in the IPO and details of these plans in this regard will be communicated with Shareholders in the coming months.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Financial Position
During the year the Group had successful capital raisings of $1,469,460 The Group made a total comprehensive loss of $1,023,059 for the year (2018 $1,261,117). Included in the loss for the 2019 year were share based payments made to directors, other key management personnel, consultants and brokers for services and in securing the China Plant in 2019 of $316,914 (979,167).

Significant changes in the state of affairs
No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Matters subsequent to the end of the financial year
In July 2019 the company commenced contract mining of the Iceberg deposit and stockpiled 500 tonnes of ore. In August 100 tonnes of ore were shipped to China for toll processing and sale to the China HPQ market.

On 15th August, 2019 the Queensland government granted mining lease ML100124 which enables the company to undertake mining at the “Maydowns” quartz deposit which contains a JORC resource of 711,000 tonnes of measured, indicated and inferred quartz ore.

The company received confirmation from the first toll processing in China that its ore can be successfully refined into High Purity Quartz suitable for the Chinese market. To that end the company has secured initial sales agreements with two major Chinese corporations totalling AUD$4.7 million.

Refurbishment of the company’s processing plant commenced in July and it is expected to commence initial production in November 2019 at the rate of 1,000tpa of refined HPQ products.

A draft prospectus for the IPO has been prepared and required independent reports are being obtained in preparation for legal due diligence, prior to lodging the prospectus with the ASX.

In the period from July to October 2019, as a pre IPO funds raising exercise, the consolidated entity issued an additional 4,890,000 shares to raise an additional $489,000 to various sophisticated investors at $0.10 and 9,835,000 options.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Review of operations
The consolidated entity's major source of operating revenue this year was income earned on investments and interest income from cash balances as well as sale of quartz products in China.

The Directors have assessed the value of the Group’s interest in all exploration and expenditure costs capitalised and are of the opinion that in relation to the Group’s mine to market strategy , no impairment indicators are present.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law other than those normally associated with the mining and processing of minerals contained within the consolidated entity’s tenements.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Hugh Shao Dai	9	9
Marc Italia	9	9
Clive Trist	9	9

Held: represents the number of meetings held during the time the director held office.

Shares under option
During the year ended 30 June 2019, the Group issued 35,230,000 share options with an exercise price of $0.20 and an expiry period of 3 years. Capital raisings subsequent to year end have increased issued share options to 45,065,000 as at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of Yilgarn Minerals Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Likely Developments and Expected Results of Operations
Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity 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's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
William Buck continues in office in accordance with section 327 of the Corporations Act 2001.

Going concern
For the year ended 30 June 2019 the Group experienced an operating loss of $1,012,236 (2018: $ 1,261,117) and incurred cash outflows from operations of $374,055 (2018: $270,082). The Group has been able to raise $1,469,460 in capital during the financial year.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are contingent upon the Group being successful in raising additional sources of capital, being able to exploit Australian tenement holdings and the HPQ processing plant in China and controlling operating costs.

The Directors are hopeful of being able to raise additional working capital through a combination of private placements, to serve as Pre-IPO funding and allow for the completion of a full-scale IPO by the end of calendar year 2019. The Group has engaged the services of Integrated Corporate Solutions Pty Ltd, an experienced IPO specialist firm to assist in the fund-raising activity.

In addition, the Directors have prepared detailed budgets and cash flow forecasts which consider the Group’s current and future working capital requirements. Accordingly, the Directors have prepared the financial statements on a going concern basis.

However, should the Group not be successful in these endeavours, there is significant uncertainty as to whether the Group will be able to continue as a going concern and, therefore whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

After consideration of the above matters, the directors believe it appropriate for the financial statements to be prepared on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2019. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Hugh Shao Dai
Director

Clive Trust
Director

5th November 2019

Sydney, Australia

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF YILGARN MINERALS LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 there have been:

— No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— No contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck
Accountants & Advisors
ABN: 16 021 300 521

Rainer Ahrens

R. Ahrens
Director
Sydney, 5 November 2019

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Yilgarn Minerals Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Revenue			
Sales of sample quartz products		9,171	-
Cost of sales		(7,610)	-
Gross profit		1,561	-
Interest income		252	58
Expenses			
Other Expenses	4	(87,642)	(132,731)
Director Fees		(326,400)	(850,917)
Legal and Consulting Fees		(280,007)	(277,527)
Success Fees	4	(320,000)	-
Loss before income tax expense		(1,012,236)	(1,261,117)
Income tax expense	5	-	-
Loss after income tax expense for the year		(1,012,236)	(1,261,117)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(9,356)	-
Other comprehensive income for the year, net of tax		(9,356)	-
Total comprehensive income for the year		(1,021,592)	(1,261,117)
Loss for the year is attributable to:			
Non-controlling interest		1,467	-
Owners of Yilgarn Minerals Limited	15	(1,013,703)	(1,261,117)
		(1,012,236)	(1,261,117)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		1,467	-
Owners of Yilgarn Minerals Limited		(1,023,059)	(1,261,117)
		(1,021,592)	(1,261,117)

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

Yilgarn Minerals Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	6	838,017	411,428
Trade and other receivables	7	43,106	11,859
Non-refundable deposit	8	800,000	-
Prepayments	9	42,509	20,942
Total current assets		1,723,632	444,229
Non-current assets			
Plant under construction	10	132,653	-
Tenement assets	11	1,039,363	909,460
Total non-current assets		1,172,016	909,460
Total assets		2,895,648	1,353,689
Liabilities			
Current liabilities			
Trade and other payables	12	92,009	34,858
Total current liabilities		92,009	34,858
Total liabilities		92,009	34,858
Net assets		2,803,639	1,318,831
Equity			
Issued capital	13	27,638,197	25,237,487
Reserves	14	96,334	-
Accumulated losses	15	(24,932,359)	(23,918,656)
Equity attributable to the owners of Yilgarn Minerals Limited		2,802,172	1,318,831
Non-controlling interest	16	1,467	-
Total equity		2,803,639	1,318,831

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

Yilgarn Minerals Limited
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital $	Share options $	Foreign Currency Translation Reserve $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2017	23,548,177	-	-	(22,657,540)	-	890,637
Loss after income tax expense for the year	-	-	-	(1,261,117)	-	(1,261,117)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(1,261,117)	-	(1,261,117)
Share capital raised from rights issue	214,643	-	-	-	-	214,643
Proceeds from Pre-IPO capital raisings	495,500	-	-	-	-	495,500
Shares Issued to Directors	979,168	-	-	-	-	979,168
Shares Issued to Promoters	100,000	-	-	-	-	100,000
Capital Raising Costs	(100,000)	-	-	-	-	(100,000)
Balance at 30 June 2018	25,237,488	-	-	(23,918,657)	-	1,318,831

Consolidated	Issued capital $	Share options $	Foreign Currency Translation Reserve $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2018	25,237,488	-	-	(23,918,657)	-	1,318,831
Profit/(loss) after income tax expense for the year	-	-	-	(1,013,703)	1,467	(1,012,236)
Other comprehensive income for the year, net of tax	-	-	(9,356)	-	-	(9,356)
Total comprehensive income for the year	-	-	(9,356)	(1,013,703)	1,467	(1,021,592)
Shares / Options Issued to Promoters	50,000	3,000	-	-	-	53,000
Proceeds from Capital raisings	1,469,460	84,750	-	-	-	1,554,210
Capital Raising Costs	(137,750)	-	-	-	-	(137,750)
Issue of shares to LFQT	400,000	-	-	-	-	400,000
Shares / Options Issued to Service providers	320,000	1,440	-	-	-	321,440
Shares / Options Issued to Directors	299,000	16,500	-	-	-	315,500
Balance at 30 June 2019	27,638,198	105,690	(9,356)	(24,932,360)	1,467	2,803,639

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

Yilgarn Minerals Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		(22,076)	-
Payments to suppliers		(356,737)	(270,140)
		(378,813)	(270,140)
Interest received		4,758	58
Net cash used in operating activities	27	(374,055)	(270,082)
Cash flows from investing activities			
Payments of non-refundable deposit on plant acquisition		(400,000)	-
Payments for plant upgrades and initial refurbishment activities	10	(132,653)	-
Payments for exploration and evaluation activities		(129,903)	(147,313)
Net cash used in investing activities		(662,556)	(147,313)
Cash flows from financing activities			
Net proceeds from capital raisings	13	1,469,460	710,143
Net cash from financing activities		1,469,460	710,143
Net increase in cash and cash equivalents		432,849	292,748
Cash and cash equivalents at the beginning of the financial year		411,428	118,680
Effects of exchange rate changes on cash and cash equivalents		(6,260)	-
Cash and cash equivalents at the end of the financial year	6	838,017	411,428

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

Note 1. General information

The financial statements cover Yilgarn Minerals Limited as a consolidated entity consisting of Yilgarn Minerals Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Yilgarn Minerals Limited's functional and presentation currency.

Yilgarn Minerals Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Unit 7 3 Gibbes Street Chatswood NSW 2067	Unit 7 3 Gibbes Street Chatswood NSW 2067

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 5 November 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The introduction of the standard has no significant impact.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue.

Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. The introduction of the standard has no significant impact.

Note 2. Significant accounting policies (continued)

Going concern
For the year ended 30 June 2019 the Group experienced an operating loss of $1,012,236 (2018: $1,261,117) and incurred cash outflows from operations of $ 374,055 (2018: $270,082) and investment related cash outflows of $662,556 (2018: $147,313). In the financial year, the Group was able to raise $1,469,460 (2018: $710,143) in Pre-IPO funding.

In the subsequent period, the Group has continued receiving additional capital, with $255,000 being raised.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as and when they fall due are dependent upon the Group being successful in raising additional sources of capital and activating its mine to market strategic development plan while also being able to exploit tenement holdings and controlling operating costs.

The Directors are hopeful of being able to continue raising additional working capital through a combination of private placements, to serve as additional Pre-IPO funding and allow for the completion of a full-scale IPO towards the end of the 2019 calendar year.

The Group has engaged the services of Integrated Corporate Solutions Pty Ltd, an experienced IPO specialist firm to assist in the fundraising activity and are currently engaged with the IPO processes, with a target listing date of late December 2019. A draft prospectus is currently being finalised and the due diligence committee and related board committees have been established.

The Directors have prepared and maintained detailed budgets and cash flow forecasts which consider the Group’s current and future working capital requirements. Accordingly, the Directors have prepared the financial statements on a going concern basis.

However, should the Group not be successful in raising sufficient funds through the above stated endeavours, the Group’s mine to market strategy will be delayed and may also represent significant uncertainty as to whether the Group will be able to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

After consideration of the above matters, the directors believe it appropriate for the financial statements to be prepared on a going concern basis.

At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2019. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 24.

Note 2. Significant accounting policies (continued)

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Yilgarn Minerals Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Yilgarn Minerals Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' and/or the 'Group'.

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

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Yilgarn Minerals Limited'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.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 2. Significant accounting policies (continued)

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

Plant under construction
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.

No depreciation was charged during the period as the plant and equipment acquired during the period is capital work in progress, and is not yet 'available for use'. The residual values, useful lives and depreciation methods will be reviewed, and adjusted if appropriate, at each reporting date.

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.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Exploration and evaluation assets
Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Capitalised mining development costs include expenditures incurred to develop new ore bodies to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation phase once production commences in the area of interest.

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences.

The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually. Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

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

Note 2. Significant accounting policies (continued)

Employee benefits

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

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 are 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 consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

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 consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity 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.

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.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. At the date of the financial report, the impact of the standard's application is being assessed by management, but due to the contingent nature of any lease arrangement entered into, no impact on the reported position has been identified.

Note 3. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with key management personnel 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.

Rehabilitation provision
The Group is aware of its requirements to provide for the present value of anticipated costs for future rehabilitation of land explored or mined. The consolidated entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment.

The Group recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision. As at 30 June 2019, the Group's mining activities have not reached operational status.

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

Note 4. Other Expenses

	Consolidated 2019 $	Consolidated 2018 $
Administration expenses	87,642	132,731

	Consolidated 2019 $	Consolidated 2018 $
Success Fees	320,000	-

An Agency Agreement was entered into by the Group and HuaAo Huitong Limited, in May 2018, to seek out appropriate business partners and investment opportunities to acquire appropriate plant and processing assets in China. A success fee became due and payable upon the Group signing a business asset and leasehold interest acquisition agreement. See Note 7 for more details relating to the transaction.

The fee was paid in the form of a total 3,200,000 shares, issued to HuaAo Huitong Limited (1,000,000 shares) and nominated related parties Kebox Carbon Limited (1,000,000 shares) and Spark Consulting International (1,200,000 shares).

Note 5. Income tax expense

	Consolidated 2019 $	Consolidated 2018 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(1,012,236)	(1,261,117)
Tax at the statutory tax rate of 30%	(303,671)	(378,335)
Current year tax losses and temporary differences not recognised	303,671	378,335
Income tax expense	-	-

	Consolidated 2019 $	Consolidated 2018 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	15,460,265	15,314,894
Potential tax benefit @ 30%	4,638,080	4,594,468

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 6. Current assets - cash and cash equivalents

	Consolidated 2019 $	Consolidated 2018 $
Cash at bank	838,017	411,428

Note 7. Current assets - trade and other receivables

	Consolidated	
	2019	**2018**
	$	**$**
Trade receivables - GST receivable	33,579	11,859
Other receivables	9,527	-
	43,106	11,859

Note 8. Current assets - Non-refundable deposit

	Consolidated	
	2019	**2018**
	$	**$**
Non-refundable deposit paid to LFQT	800,000	-

Background:
On 18 June 2018, the Group entered into an agreement to acquire high purity quartz (‘HPQ’) business assets and a related leasehold interest (the 'Agreement'), with LFQT.

Under the terms of the Agreement, the Group is required to pay a total consideration of AUD$3.2Mil, to LFQT. The consideration is to be paid in cash and shares in equal proportions.

The Agreement is subject to the successful completion of a liquidity event or IPO generating enough capital funding. Under the terms of the Agreement the Group is not liable for the completion thereof, if capital raising initiatives are unsuccessful.

Deposit:
During the year the Group paid a non-refundable deposit of AUD$800,000 in the form of AUD $400,000 cash and AUD $400,000 in Yilgarn Ordinary Shares, as confirmed by LFQT. The deposit has been paid to allow for LFQT's refurbishment activities to commence.

Cost-share Agreement:
The initial Agreement, referred to above and a subsequent Addendum, signed on 17 May 2019, makes provision for both parties to share in the set-up, refurbishment and operational costs on a 70% / 30% ratio.

The Group's refurbishment cost:
As at year-end, the Group has capitalised expenditure, amounting to $132,653 as per Note 10, relating to refurbishment activities underway at the location of the HPQ plant.

Note 9. Current assets - Prepayments

	Consolidated	
	2019	**2018**
	$	**$**
Prepayments	42,509	20,942

Note 10. Non-current assets - Plant under construction

	Consolidated	
	2019	**2018**
	$	**$**
Refurbishment costs capitalised	132,653	-

Note 10. Non-current assets - Plant under construction (continued)

The high quality quartz ('HPQ') processing plant, located in the Jiangsu Province in China, which the Group has agreed to acquire, is currently subjected to an extensive refurbishment program, intended to ensure commencement of production as soon as possible.

The capitalised costs include professional service charges for review and testing of existing machinery and plant, exchange, repair and replacement of components as required, over a 2 month period ended 30 June 2019. The total value of the refurbishment program is forecast to cost approximately USD$1Mil, based on an independent assessment conducted by a reputable civil engineering firm - SRK Consulting, during August / September 2019.

The accuracy of the capitalised costs is subject to the continuous assessment by management, including an assessment of whether replacement parts and components actually represent an improvement over the existing plant. Prior to the plant being put to use, a final overall review of all capitalised costs is scheduled by management.

Note 11. Non-current assets - Tenement assets

	Consolidated	
	2019	2018
	$	$
Tenements: exploration and evaluation charges capitalised	1,039,363	909,460

This balance represents capitalised expenditure on four exploration licences and related mining leases:

- EPM 25894 (May Downs Quartz), which converted to a ML100075 on 1 August 2018
- EPM 19373 (Iceberg Quartz Reef), which converted to a ML 100124 on 15 August 2019
- EPM 26051 and 26286.

The Group, together with ROM Resources, completed a resource estimate report relating to the May Downs tenement on 22 July 2019. The latest report, compiled under the JORC framework, reconfirms the industrial quantities of high quality quartz identified to date.

As at 8 October 2019, all the tenements were confirmed to be in good standing in terms of all statutory obligations as required under the Mineral Resources Act 1989, except for the finalisation of a relinquishment order relating to 34 sub-blocks, received from the resource authorities on 14 September 2018.

The order is now being processed and enquiries with the Department of Natural Resources, Mines and Energy have confirmed that no non-compliance action has been initiated. The relinquishment order does not have an impact on the operational exploitation activities planned for the tenement.

The Directors have assessed the value of the Group's interest in all exploration and expenditure costs capitalised and are of the opinion that in relation to the Group's mine to market strategy, no impairment indicators are present.

The Group's exploration properties may be subject to claim(s) under the Native Title (or jurisdictional equivalent) or contain sacred sites, or sites of significance to the indigenous people of Australia. As a result, exploration properties or areas within the tenements may be subject to exploration and mining restrictions and/or claims for compensation.

At this time, it is not possible to quantify whether such claims exist, or the quantum of any such claims, if any.

In order to secure access to certain tenements, the Group entered into contingent payment and royalty arrangements as outlined in Notes 20 and 21.

Note 12. Current liabilities - trade and other payables

	Consolidated 2019 $	2018 $
Trade payables	92,009	34,858

Refer to note 18 for further information on financial instruments.

Note 13. Equity - issued capital

	Consolidated 2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares - fully paid	119,808,741	957,574,630	27,638,197	25,237,487

Movements in ordinary share capital

Details		**Shares**	**Issue price**	**$**
Balance	1 July 2017	790,018,647 *		23,661,927
Aug 2017 – Share issue to Promoters		2,000,000 *	$0.01	20,000
Dec 2017 – Rights Issue		21,464,333 *	$0.01	214,643
Dec 2017 – Share issue to Directors, as per AGM		38,000,000 *	$0.01	380,000
Apr 2018 – Share issue to Directors, as per EGM		35,000,000 *	$0.01	350,000
May 2018 – Share issue to Promoters		4,000,000 *	$0.01	40,000
May 2018 – Share issue to Directors, for past services		13,541,650 *	$0.01	135,417
May 2018 – Share issue to Promoters		4,000,000 *	$0.01	40,000
Jun 2018 – Pre-IPO Capital raise		49,550,000 *	$0.01	495,500
Jun 2018 – Capital raising costs allocated		-	$0.00	(100,000)
Balance	30 June 2018	957,574,630 *		25,237,487
Aug 2018 - Pre-IPO Capital raise		3,530,000 *	$0.10	35,300
Dec 2018 - Pre-IPO Capital raise		2,166,000 *	$0.10	21,660
Dec 2018 - Share Consolidation at 1 for every 10 held		(866,943,556)	$0.00	-
May to June 2019 - Pre-IPO Capital raise		14,125,000	$0.10	1,412,500
Mar 2019 - Shares issue to LFQT (Refer to Note 11)		2,666,667	$0.15	400,000
Jun 2019 - Share issue to Service providers		3,200,000	$0.10	320,000
Jun 2019 - Share issue to Directors, for past services		2,990,000	$0.10	299,000
Jun 2019 - Share issue to Promoters		500,000	$0.10	50,000
Jun 2019 – Capital raising costs allocated		-	$0.00	(137,750)
Balance	30 June 2019	119,808,741		27,638,197

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

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

The shareholding detail denoted with an asterisk '*' relates to the number of shares issued and in circulation in the period before a 1 for 10 share consolidation occurred during December 2018.

Note 13. Equity - issued capital (continued)

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position.

Note 14. Equity - reserves

	Consolidated 2019 $	Consolidated 2018 $
Foreign currency reserve	(9,356)	-
Options reserve	105,690	-
	96,334	-

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share option reserve
The reserve is used to recognise the fair value of share options provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

For the options granted during the current financial year, the Black-Scholes valuation model inputs used to determine the fair value of $0.003 at the grant date, was as follows:

- Issued: A total of 35,230,000 share options were issued during June 2019
- Expiry date: 3 years from date of issue
- Exercise / strike price: $0.20
- Expected volatility: 30%
- Interest rate: 3%
- Share price at date of issue: $0.10

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share Options $	Foreign Currency Translation $	Total $
Balance at 1 July 2017	-	-	-
Balance at 30 June 2018	-	-	-
Foreign currency translation	-	(9,356)	(9,356)
Fair value of share options issued to Investors / Promoters in June 2019	87,750	-	87,750
Fair value of share options issued to Service Providers in June 2019	1,440	-	1,440
Fair value of share options issued to Directors in June 2019	16,500	-	16,500
Balance at 30 June 2019	105,690	(9,356)	96,334

Note 15. Equity - accumulated losses

	Consolidated 2019 $	Consolidated 2018 $
Accumulated losses at the beginning of the financial year	(23,918,656)	(22,657,539)
Loss after income tax expense for the year	(1,013,703)	(1,261,117)
Accumulated losses at the end of the financial year	(24,932,359)	(23,918,656)

Note 16. Equity - non-controlling interest

	Consolidated 2019 $	Consolidated 2018 $
Retained profits	1,467	-

The non-controlling interest has a 30% (2018: n/a) equity holding in Sinoquartz Material (Lianyungang) Co. Ltd. The entity was newly incorporated and only commenced operations during the last 6 months of the financial year.

Note 17. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 18. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks, which at 30 June can be described as limited market risk (including foreign currency risk, price risk and interest rate risk), limited credit risk and liquidity risk. The limitations are a reflection of the Group's current non-operational nature, as it is still in the process of developing its mine to market strategy.

The Group's overall risk management program focuses on maintaining a strict fiscal policy of ensuring appropriate working capital funding is maintained at all times, based on regularly updated forecasts and capital commitment reviews.

The Group does not make use of any derivatives. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units.

Market risk

Foreign currency risk
The Group has expanded into China and is therefore conducting regular transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. At present, the Group provides working capital funding via related party loans established between the subsidiaries and the parent. All loans are eliminated on consolidation.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Note 18. Financial instruments (continued)

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2019	2018	2019	2018
Consolidated	$	$	$	$
Chinese Yuan	54,408	-	12,317	-

The exposure is limited due to the low level of activity being maintained within the China based operations of the Group. This is expected to change only upon the successful completion of the planned IPO based capital raising.

Price risk
The consolidated entity is not exposed to any significant price risk, owing to the circumstance that the Group has so far only conducted very limited product sales, mainly related to trial and testing purposes.

Interest rate risk
The Group does not have long-term borrowings. Interest rate risk is therefore limited to rate changes applicable to cash investments held with commercial banks in Australia and China.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. As outlined above, the Group is not yet operationally active and the credit risk is therefore, primarily centred around cash and deposits held with commercial financial institutions in Australia and China. The consolidated entity does not hold any collateral.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	**Weighted average interest rate %**	**1 year or less $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**	**Over 5 years $**	**Remaining contractual maturities $**
Non-derivatives						
Non-interest bearing						
Trade payables	-	92,009	-	-	-	92,009
Total non-derivatives		92,009	-	-	-	92,009

Note 18. Financial instruments (continued)

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	34,858	-	-	-	34,858
Total non-derivatives		34,858	-	-	-	34,858

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of Group's financial instruments reflect their fair value.

Note 19. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the company:

	Consolidated 2019 $	2018 $
Audit services -		
Audit or review of the financial statements	23,000	10,000
Other services -		
Accounting assistance provided	12,000	-
	35,000	10,000

Note 20. Contingent liabilities

The following contingent liabilities exist at year end:

1) Directors fees

A contingent liability remains for unpaid Directors Fees of $135,416. (2018: 135,416). As approved at the Group's April 2018 EGM the directors have agreed to take half of their unpaid fees in the form of shares at the price of 1c each prevailing at that time. These shares were issued in May 2018. The remainder of $135,416 will be paid only if Yilgarn has a successful listing on the Stock Exchange and only if liquid assets of in excess of $1 million are raised.

2) Payment to Millungera Energy Minerals Pty Ltd

An amount of $ 350,000 is payable under the Millungera Energy Minerals Pty Ltd (MEM) acquisition agreement (the 'MEM Agreement'), subject to a liquidity event as defined in the agreement occurring, namely:

(i) Yilgarn Minerals Limited’s ordinary shares are listed on the ASX;
(ii) a third party acquires all the capital of Yilgarn Minerals Limited’s on acceptable commercial terms; and
(iii) a third party acquires the related tenement on commercial terms acceptable to Yilgarn Minerals Limited.

This contingency has remained unchanged since being identified previously.

Note 20. Contingent liabilities (continued)

3) Royalties payable to Millungera Energy Minerals Pty Ltd

A contingent liability exists for royalties payable to MEM in accordance with the Royalty Agreement, as outlined in the MEM Agreement. Royalties are payable at A$10 per metric tonne of Quartz product for a five year period from the date Quartz is first produced and sold. Once the cumulative quantum of royalty payments exceeds $600,000, Royalties are payable at the greater of:

(i) 1% of the sale price (ex GST) under US$500 per metric tonne
(ii) A$10 per metric tonne of Quartz produced and sold by the company where the sale price is equal to or greater than US$500 per metric tonne

This contingency has remained unchanged since being identified previously.

4) Environmental and other remediation requirements

A contingent liability may exist relating to remediation action being required on the relevant tenement sites following exploration and/or mining activity, but due to the low scale level of disturbance at the tenements as at 30 June 2019, no provision is yet recognised. Management is closely monitoring its obligations arising from the mining licences issued during the current financial year.

5) Leasehold rental contract entered into by the Group

The Group's wholly owned subsidiary, Sinoquartz Tech (Lianyungang) Co., Ltd. ('STL') has entered into a leasehold lease contract with the Lianyungang Jiecheng Technology Park Development Co., Ltd.

The lease term is 5 years from 1 July 2018 to 30 June 2023, with an annual rental charge of approximately AUD$ 320,000 p.a.

The first two years of the lease were funded by the Group's Chinese business partner, namely LFQT, but the obligation to fund the remaining period of three years will revert to the Group on 1 July 2020.

Note 21. Commitments

1) Joint Venture with Nova Strategic Minerals Pty Ltd

In April 2018, the consolidated entity entered into a Quartz tenement agreement with Nova Strategic Minerals Pty Ltd ("Nova") for a Joint Venture to mine quartz across the tenements- ML 10075, and Nova subsequently assigned EPM19373 and EPM26286 to the consolidated entity.

The consolidated entity continues to fund all associated transaction costs and will pay Nova 45% of the profits from any and all mineral resources extracted and sold from the mining operations. The primary focus being quartz.

Thus, it is a 55% (the consolidated entity) and 45% (Nova) Joint Venture arrangement. This agreement does provide the consolidated entity with the opportunity to commence mining sooner and undertake quartz testing, whilst enhancing the consolidated entity's Quartz JORC (Joint Ore Reserves Committee) status.

This commitment has remained unchanged since being identified previously.

2) Joint Venture Farm-In agreement with MultiMines Pty Ltd

The consolidated entity has also entered into a JV Farm-In agreement with MultiMines Pty Ltd ("MM") in relation to EPM 25894 where MM will fund all exploration, including drilling and geologists reports and manage the process with identifiable outcomes in looking for minerals other than quartz such as copper, cobalt and other minerals under this mining licence.

For an expenditure commitment of up to $100,000 MM will earn a 20% interest, leaving the consolidated entity with an 80% interest in any discovery.

This commitment has remained unchanged since being identified previously.

3) Business assets and leasehold interest purchase agreement

On 18 June 2018 the Group entered into an agreement to acquire high purity quartz ('HPQ') business assets and related leasehold interest asset(s) (the 'Agreement') from LFQT. Upon finalisation of the Agreement, the Group will control processing plant assets and related equipment and intellectual property in relation to a High Purity Quartz processing facility.

The total consideration amounts to AUD$3.2Mil payable in cash and shares in equal proportions; and is subject to satisfactory due diligence by all parties and the successful completion of a liquidity event or IPO.

During the year ended 30 June 2019, the Group paid two non-refundable deposits totalling AUD$800,000 in the form of AUD $400,000 cash and AUD $400,000 in Yilgarn Ordinary Shares, as confirmed by LFQT. The remaining consideration, as at 30 June 2019, therefore amounts to AUD$2,4Mil, payable in the form of AUD$1,2Mil in cash and the same value in the form of Yilgarn Ordinary Shares.

Under the terms of the Agreement the Group is not liable for the completion thereof, if capital raising initiatives are unsuccessful.

4) Commitment to fund the HPQ refurbishment activities

The Group has agreed to provide funding to the entire refurbishment program, forecast to cost approximately USD$1Mil, as determined in October 2019 by an independent valuation expert. The arrangement also allows the Group to off-set LFQT's cost-share component of the refurbishment program due to the Group, from the final payment due to LFQT, as described above.

Additional capital outlay and operational costs, in excess of the estimated refurbishment program, are to be funded on a 70% / 30% between the Group and LFQT respectively.

Note 22. Related party transactions

Parent entity
Yilgarn Minerals Limited is the parent entity.

Note 22. Related party transactions (continued)

Subsidiaries
Interests in subsidiaries are set out in note 25.

Transactions with related parties
There have been no transactions with related parties, except for those entities, owned or managed by the directors or key management personnel, providing professional services to the Group as outlined in Note 23.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 23. Key management personnel disclosures

Directors

The names of the persons who were directors of Yilgarn Minerals Limited at any time during the financial year are listed in the directors' report on page 2. All the directors listed as still active as at 30 June 2019 are considered to Key Management Personnel, in addition to the company secretary and acting chief financial officer.

Share Holdings

The number of Yilgarn shares held during the financial year by each director of Yilgarn Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2019 - Shares held	Balance at the start of the year	Consolidation during the year	Issued during the year	Balance at the end of the year
Directors of Yilgarn Minerals Ordinary Shares				
Hugh Dai	58,875,000	(44,988,404)	1,250,000	15,136,596
Marc Italia	42,891,541	(37,652,386)	500,000	5,739,155
Clive Trist	-	-	1,000,000	1,000,000
Other Key Management Personnel Ordinary Shares				
Ross Lorking	15,550,000	(14,115,000)	240,000	1,675,000

2018 - Shares held	Balance at the start of the year	Consolidation during the year	Issued during the year	Balance at the end of the year
Directors of Yilgarn Minerals Limited Ordinary Shares				
Hugo Dai	24,000,000	-	34,875,000	58,875,000
Marc Italia	15,592,975	-	27,298,566	42,891,541
Robert Benussi *	7,500,000	-	8,000,000	15,500,000
Other Key Management Personnel Ordinary Shares				
Ross Lorking	7,500,000	-	8,050,000	15,550,000

Note 23. Key management personnel disclosures (continued)

* resigned during the 2019 financial year

Option Holdings

The number of Yilgarn options held during the financial year by each director of Yilgarn Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2019 - Options held

	Balance at the start of the year	Issued during the year	Transferred during the year	Balance at the end of the year
Directors of Yilgarn Minerals Limited Options				
Hugh Dai	-	2,500,000	-	2,500,000
Marc Italia	-	1,000,000	-	1,000,000
Clive Trist	-	2,000,000	-	2,000,000
Other Key Management Personnel Ordinary Shares				
Ross Lorking	-	480,000	(240,000)	240,000

Other related party transactions:

- Mr Hugh Dai, is a director and shareholder of Vtech Holdings Pty Ltd, a provider of consulting services to the Group's parent.
- Mr Marc Italia and Mr Clive Trist have both entered into a consultative arrangement with the Group's parent.
- Mr Ross Lorking, is remunerated for accounting and secretarial duties.

All these contracts are considered to be based on normal commercial terms and conditions.

	Consolidated 2019	Consolidated 2018
Amounts recognised as expense:		
Accounting and secretarial fees	25,440	14,000
Consulting fees	106,000	128,250
Director fees	326,400	882,917
Total fees paid to KMPs during the year	457,840	1,025,167

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

Note 23. Key management personnel disclosures (continued)

	Consolidated	
	2019	**2018**
Benefit types		
Short-term employee benefits	140,900	46,000
Post-employee benefits	-	-
Long-term benefits	-	-
Share-based payments	316,940	979,167
Total benefits & compensation paid to KMPs	457,840	1,025,167

The fees recognised for 2018 include the compensation for accumulated director fees that were previously only reflected as a contingent liability, subject to the successful outcome of a liquidity event achieved during the previous financial year. The fees recognised in 2019, represent the annual fee base for the respective KMP.

Note 24. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019 **$**	**2018** **$**
Loss after income tax	(1,012,437)	(1,261,117)
Total comprehensive income	(1,012,437)	(1,261,117)

Statement of financial position

	Parent	
	2019 **$**	**2018** **$**
Total current assets	842,016	444,229
Total assets	2,889,389	1,353,689
Total current liabilities	76,595	34,858
Total liabilities	76,595	34,858
Equity		
Issued capital	27,638,197	25,237,487
Options reserve	105,690	-
Accumulated losses	(24,931,093)	(23,918,656)
Total equity	2,812,794	1,318,831

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities
The parent entity has contingent liabilities as outlined in Note 20.

Note 24. Parent entity information (continued)

Capital commitments - plant under construction
The parent entity had no external capital commitments relating to the refurbishment program referred to in Note 21.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 25. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Millungera Energy Minerals Pty Ltd	Australia	100.00%	100.00%
Sinoquartz Tech (Lianyungang) Co. Ltd	Jiangsu Province / China	100.00%	-
Sinoquartz Material (Lianyungang) Co. Ltd	Jiangsu Province / China	70.00%	-

The Australian subsidiary was purchased in January 2017 as part of a focused approach to secure a local source of quartz product, through the strategic acquisition of appropriate tenement holdings.

The two Chinese entities have been incorporated as part of the Group's strategic plan to establish a mine to market supply chain operation relating to high purity quartz products.

Upon the successful completion of the agreement to acquire business assets and leasehold interest asset (the 'Agreement'), entered into by the Group and LFQT, the processing plant and leasehold interest is expected to be recognised within Sinoquartz Tech (Lianyungang) Co. Ltd, subject to local Chinese tax advice, yet to be finalised.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries with non-controlling interests in accordance with the accounting policy described in note 2:

			Parent		Non-controlling interest	
Name	Principal place of business / Country of incorporation	Principal activities	Ownership interest 2019 %	Ownership interest 2018 %	Ownership interest 2019 %	Ownership interest 2018 %
Millungera Energy Minerals Pty Ltd	Australia	Quartz tenement holdings	100.00%	100.00%	-	-
Sinoquartz Tech (Lianyungang) Co. Ltd	Jiangsu / China	High Purity Quartz processing and associated marketing activities	100.00%	-	-	-
Sinoquartz Material (Lianyungang) Co. Ltd	Jiangsu / China	High Purity Quartz operations	70.00%	-	30.00%	-

Note 25. Interests in subsidiaries (continued)

Summarised financial information
Summarised financial information of subsidiaries with non-controlling interests that are material to the consolidated entity are set out below:

	2019 $
Summarised statement of financial position	
Current assets	468,346
Non-current assets	132,653
Total assets	600,999
Current liabilities	11,481
Total liabilities	11,481
Net assets	589,518
Summarised statement of profit or loss and other comprehensive income	
Revenue	9,171
Expenses	(14,062)
Loss before income tax expense	(4,891)
Income tax expense	-
Loss after income tax expense	(4,891)
Other comprehensive income	-
Total comprehensive income	(4,891)
Statement of cash flows	
Net cash used in operating activities	(13,386)
Net cash used in investing activities	(532,653)
Net cash from financing activities	590,793
Net increase in cash and cash equivalents	44,754
Other financial information	
Profit attributable to non-controlling interests	1,467
Accumulated non-controlling interests at the end of reporting period	1,467

Transactions with non-controlling interests
LFQT is the entity representing the 30% non-controlling interest within Sinoquartz Material (Lianyungang) Co. Ltd ('SQM'). During the financial year ended 30 June 2019, the Group agreed to acquire business assets and leasehold interest assets, from LFQT, for a total consideration of AUD$3,200,000. A total of AUD$800,000 of the total price was settled by cash payments totalling AUD$400,000 and the remainder by ordinary Yilgarn shares.

The remaining outstanding balance is reflected as a capital commitment, due to the non-enforceable contract basis of the sale. In other words, the group is able to not conclude on the agreement entered into by LFQT, hence it has been reflected as part of the year-end commitments as per Note 21.

Note 26. Events after the reporting period

In July 2019 the company commenced contract mining of the Iceberg deposit and stockpiled 500 tonnes of ore. In August 100 tonnes of ore were shipped to China for toll processing and sale to the China HPQ market.

On 15th August, 2019 the Queensland government granted mining lease ML100124 which enables the company to undertake mining at the “Maydowns” quartz deposit which contains a JORC resource of 711,000 tonnes of measured, indicated and inferred quartz ore.

The company received confirmation from the first toll processing in China that its ore can be successfully refined into High Purity Quartz suitable for the Chinese market. To that end the company has secured initial sales agreements with two major Chinese corporations totalling AUD$4.7 million.

Refurbishment of the company’s processing plant commenced in July and it is expected to commence initial production in November 2019 at the rate of 1,000tpa of refined HPQ products.

A draft prospectus for the IPO has been prepared and required independent reports are being obtained in preparation for legal due diligence, prior to lodging the prospectus with the ASX.

In the period from July to October 2019, as a pre IPO funds raising exercise, the consolidated entity issued an additional 4,890,000 shares to raise an additional $489,000 to various sophisticated investors at $0.10 and 9,835,000 options.

Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019 $	2018 $
Loss after income tax expense for the year	(1,012,236)	(1,261,117)
Adjustments for:		
Share-based payments, net of equity raising charges recognised in equity	636,940	979,167
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(52,815)	3,222
Increase in trade and other payables	54,056	8,646
Net cash used in operating activities	(374,055)	(270,082)

Yilgarn Minerals Limited
Directors' declaration
30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Hugh Shao Dai
Director

Clive Trust
Director

5th November 2019

Sydney, Australia

Yilgarn Minerals Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Yilgarn Minerals Limited. (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss after tax of $1,012,236 (2018: loss of $1,261,116) and incurred cash outflows from operations of $356,737 (2018: outflows of $270,140) during the year ended 30 June 2019.

As stated in Note 2, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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.

ACCOUNTANTS & ADVISORS

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Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our independent auditor's report.

William Buck

William Buck
Accountants & Advisors
ABN: 16 021 300 521

Rainer Ahrens

R. Ahrens
Director

Sydney, 5 November 2019