

**Soon Mining Limited**

**ABN 45 603 637 083**

**Annual Report**

**31 December 2019**

**Annual Report**

**31 December 2019**

**Table of Contents**

|   |    |
|---|----|
| Corporate Directory   | 3  |
| Chairman's Report   | 4  |
| Directors' Report   | 5  |
| Remuneration Report   | 9  |
| Auditor's Independence Declaration                                      | 13 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 14 |
| Consolidated Statement of Financial Position                            | 15 |
| Consolidated Statement of Changes in Equity                             | 16 |
| Consolidated Statement of Cash Flows                                    | 18 |
| Notes to the Consolidated Financial Statements                          | 19 |
| Directors' Declaration  | 43 |
| Independent Audit Report  | 44 |
| Additional Information for Listed Public Companies                      | 47 |

**General Information**

The consolidated financial statements cover Soon Mining Limited (referred to hereafter as the Company) and the entities it controlled (referred to hereafter as the Group) as at 31 December 2019. The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Soon Mining Limited is a listed public Company limited by shares, incorporated and domiciled in Australia. Please see Corporate Directory for Soon Mining Limited's registered office and principal place of business.

**Soon Mining Limited**  
ABN 45 603 637 083

**Corporate Directory**

**Directors**

Ching-Tiem Huang  
Ching-Ling Chi  
Frederic Ferges

**Corporate Secretary**

Frederic Ferges

**Notice of annual general meeting**

21<sup>st</sup> May 2020 at 10:30 am (Brisbane time)  
The Boardroom of Link Market Services Ltd  
Level 21, 10 Eagle Street  
Brisbane QLD 4000

**Registered office**

Level 1 Suite 1a  
33 Queen Street  
Brisbane QLD 4000  
Phone: (07) 3905 9430

**Principal place of business**

Level 1 Suite 1a  
33 Queen Street  
Brisbane QLD 4000  
Phone: (07) 3905 9430

**Share register**

Boardroom Pty Limited

**Auditor**

RSM Australia Partners  
Level 6  
340 Adelaide Street  
Brisbane QLD 4000

**Solicitors**

Jones Day  
Level 31, 123 Eagle Street  
Brisbane QLD 4000

**Bankers**

Westpac Banking Corporation  
400 Queen Street,  
Brisbane QLD 4000

**Stock exchange listing**

Soon Mining Limited shares are listed on the Australian Securities Exchange (ASX code: SMG)

**Website**

<http://www.soonmining.com>

**Corporate Governance Statement**

The Company's directors and management are committed to conducting the group's business in an ethical manner. The Company has prepared a corporate governance statement which states the corporate governance practices that were in operation throughout the financial year for the Company.

The Company's corporate governance statement and policies can be found on its website:

<http://www.soonmining.com/download/CGS.pdf>

## **Chairman's Report**

Soon Mining Limited ("the Company" or "SMG") is pleased to present the Company's Annual Report for the financial year ended 31 December 2019.

In 2019, the Company focused on the promotion of the Kwahu Praso project, which is 100% owned by the Company, and made a breakthrough in the progress of applying for EPA permit. On the 9th of February 2019, the Company officially signed a Corporate Social Responsibility Agreement (CSR Agreement) with the Osubeng chiefs, opinion leaders and community representatives. In April 2019, the Chief from Kwahu Obohene wrote a consent letter on behalf of the residents of the community to express support for the Company's mining activities to the relevant government units. As a result, the Company reiterated to the EPA that it wanted to proceed with the further application for the permit and was approved by the EPA. The Company immediately carried out the planning of the overall ESIA report and the writing of the first stage Scoping report with the EPA consultant.

The Company submitted the Scoping report in July 2019 and made a 21-day announcement in the newspapers in accordance with EPA regulations. During the announcement period, only the Kwahu Traditional Council on behalf of the Chief Kwahu Omenhene replied with some questions. After several visits and explanation on the Company's mining policies, Corporate Social Responsibility Agreement, and presenting the plan for land reclamation and rehabilitation, the Chief Kwahu Omenhene expressed his support for the Company in writing to the EPA. In December 2019, the EPA and the Company began to discuss the public hearing and tentatively set the time for the public hearing to be held in the first quarter of 2020.

The public hearing was held in Kwahu Praso at 10 a.m. on 5 February 2020. It was hosted by both the EPA head office in Accra and the EPA office in the Eastern Region. The Minerals Commission, the Chief Executive of Asanti Akim South Municipal Assembly, the Chief Executive of Kwahu South District Assembly and other distinguished guests were invited to attend the public hearing. It was attended by dozens of chiefs from Kwaku and Asanti, whom were headed by Kwahu Obohene, along with community representatives from 13 major villages in the mining concession and over 1,000 local residents. The EPA promoted the government's policies and position, and the Company explained its mining policies and future social responsibility plans for the villages and communities in the mining concession area. Other than a few residents of Osubeng who were sceptical, most of the participants expressed their support for the Company and spoke enthusiastically during the meeting. The public hearing established a bridge of good communication between the Company and the local communities.

After the successful conclusion of the public hearing, the Company and the EPA consultant will continue to cooperate with the EPA to complete the follow-up ESIA report, and more importantly, keep close and good communication with the village chiefs, community representatives and local youth leaders, so as to carry out the mining activities smoothly after obtaining the EPA permit.

The Company is focused on ensuring that all environmental protection issues are considered in its mining activities. The Company will ensure it abides by the Ghana Government's regulation and measurements to carry out the legal mining activities on the basis of protecting the natural environment to achieve sustainable growth.

Going forward, we are optimistic that the Company can obtain the EPA permit in the first half of the year, and therefore can begin its mining activities and gold production, and thereby generating revenue for 2020. In regards to the potential oil activities, the Company is still seeking possible partners. We are hopeful that in 2020 the Company can launch both its gold and oil businesses simultaneously, and therefore generate strong revenue and profits for its shareholders, who have supported the company during the early stages.

On behalf of the Board, I would like to thank all staff and express our gratitude to our shareholders for your continuing support of SMG.



**Ching-Tiem Huang**  
Chairman

## **Directors' Report**

The Directors present their report on the consolidated entity (referred to hereafter as the Group), consisting of Soon Mining Limited ("the Company") and the entities it controlled at the end of, or during, the financial year ended 31 December 2019.

### **Directors**

The following persons were Directors of Soon Mining Limited during the financial year and up to the date of this report, unless otherwise stated:

Ching-Tiem Huang  
Ching-Ling Chi  
Frederic Ferges (appointed 1 October 2019)  
Jiahui Jeremiah Thum (resigned 30 September 2019)

Particulars of each Director's experience and qualifications are set out later in this report.

### **Principal Activities**

During the financial period, the principal activities of the Group consisted of mining and related activities, including exploration, and preparation of mine site.

### **Review of operations**

The loss for the Group after providing for income tax amounted to \$930,609 (2018: \$1,343,302).

The net assets of the Group as at 31 December 2019 amount to \$433,004 (2018: \$1,352,598). These net assets are predominately made up of cash and cash equivalents, deposits, fixed assets and capitalised exploration costs.

### **Dividends**

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

### **Options**

No options over issued shares or interests in the Company were granted during or since the end of financial year and there were no options outstanding at the date of this report.

### **Indemnity and insurance of Auditor**

The Company has not, during or since the year 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 for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### **Non-audit Services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 23 to the financial statements.

## **Directors' Report**

### **Officers of the Company who are former partners of RSM Australia Partners**

There are no officers of the Company who are former partners of RSM Australia Partners.

### **Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

### **Significant changes in the state of affairs**

On 9 February 2019, the company has officially signed a Corporate Social Responsibility Agreement (CSR Agreement) with the Osubeng Chiefs, opinion leaders and community representatives and our proposed mining plan and social contribution programs are now accepted by the Osubeng Community.

On 8 April 2019, the Chief of Osubeng Community has presented a letter of consent to Kwahu South District Assemble, Mineral Commission, the Minister of Land and Natural Resources and the Eastern Regional Office on behalf of all stakeholders in the Osubeng Community to express their utmost support to the Company's future mining activities in Osubeng area. This letter of consent will facilitate our subsequent public hearing and EPA approval.

On 26 July 2019, the Company has completed the first phase of ESIA (Environmental Social Impact Assessment) report and Scoping report and has submitted to EPA (Environmental Protection Agency) by EPA consultant, Dr. Alfred Mahama. The ESIA report contains two parts, the Scoping report and Impact Assessment Report. The Company is now preparing the Impact Assessment Report and arranging the public hearing. At the conclusion of the public hearing, the reports will be submitted to EPA for review and obtain the final approval.

On 5 February 2020, the public hearing held in Kwahu Praso had successfully concluded. The public hearing was attended by dozens of chiefs from Kwaku and Asanti, whom were headed by Kwahu Obohene, along with community representatives from 13 major villages in the mining concession and over 1,000 local residents. The EPA promoted the government's policies and position and SMG explained its mining policies and future social responsibility plans for the villages and communities in the mining concession area. This will bring SMG closer to obtaining the EPA permit, allowing SMG to legally and formally carry out its planned mining activities as soon as possible

### **Matters subsequent to the end of the financial year**

On 5 February 2020, the public hearing held in Kwahu Praso had successfully concluded. The public hearing was attended by dozens of chiefs from Kwaku and Asanti, whom were headed by Kwahu Obohene, along with community representatives from 13 major villages in the mining concession and over 1,000 local residents. The EPA promoted the government's policies and position, and SMG explained its mining policies and future social responsibility plans for the villages and communities in the mining concession area. This will bring SMG closer to obtaining the EPA permit, allowing SMG to legally and formally carry out its planned mining activities as soon as possible.

The consolidated entity is aware of the impact that COVID-19 (Coronavirus) is having on the Australian and World economy.

The Directors have considered the impact of the Coronavirus on the consolidated entity's recorded asset values and the Directors are of the view that there has been no material impact on the consolidated entity's recorded asset values as at or subsequent to the reporting date.

As at the date of these financial statements, the consolidated entity is not aware of any impact that has occurred in relation to any of its staff, contractors or key suppliers.

Given the negative impact that has occurred and is continuing to occur on world financial markets as a result of the Coronavirus, the Directors are of the view that there is the potential that the Coronavirus will have a significant negative impact on the consolidated entity's ability to secure the required debt and equity financing for its proposed current and future projects, including but not limited to, the consolidated entity's proposed Kwahu Praso Gold Project. At the date of these financial statements, this impact is not able to be fully assessed or measured.

## Directors' Report

There are no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Likely developments and expected results of operations

The Group will continue to pursue its gold mining project in Ghana, West Africa.

### Environmental regulation

The Group is subjected to significant environmental regulation with respect to its exploration and mining activities in Ghana, West Africa.

The Group is not aware of any breach of environmental regulations during or since the end of the financial year.

### Information relating to Directors and Company Secretary

**Ching-Tiem Huang** — Chairman and Managing Director  
Qualifications — Bachelor of Arts  
Experience — Ching-Tiem Huang is the founder and managing director of Soon Mining Ghana. He has significant experience in Placer gold mining operations in Ghana, having previously held the position of managing Director between 2006-2011. During this time, he was responsible for managing Placer's gold mining operations in various regions of Ghana including Kibi, Ashanti, Bibiani and Tarkwa.

Current and Former Listed Directorship in last 3 years — Nil.  
Special Responsibilities — Nil.  
Interest in Shares and Options — 62,676,865 ordinary shares in the Company as at 31 December 2019.

**Ching-Ling Chi** — Executive Director and Chief Financial Officer  
Qualifications — Master of Business Administration  
Experience — Ching-Ling Chi has over 20 years' experience in finance and corporate management. She has been the Chief Financial Officer for Soon Mining Ghana since 2012. Prior to this, she worked in a senior finance role for 15 years with Pan Overseas Investments Co. Ltd which controls a number of subsidiaries including Pan Overseas Electronic Co. Ltd (previously listed on Taiwan Stock Exchange) and Universal Incorporation (TWSE:UK).

Current and Former Listed Directorship in last 3 years — Nil.  
Special Responsibilities — Nil.  
Interest in Shares and Options — 5,000,000 ordinary shares in the Company as at 31 December 2019.

**Frederic Ferges** — Non-executive Director and Company Secretary  
Qualifications — BSc Hons Economics, Accounting & Finance, Member of CPA Australia

Experience — Frederic is an independent consultant and provides accounting, advisory, outsourced CFO and restructuring services. He has over 15 years of experience in professional services, finance and fund management.

## Directors' Report

Current and Former Listed  
Directorship in last 3 years — Nil.  
Special Responsibilities — Nil.  
Interest in Shares and  
Options — Nil.

### Company Secretary

The following person held the position of Company secretary at the end of the financial year:

Frederic Ferges has held the role of Company Secretary since 1 October 2019.

### Meetings of Directors

During the financial year, twelve meetings of Directors were held. Attendances by each Director during the year were as follows:

|                      | Directors' Meetings          |                              |
|----------------------|------------------------------|------------------------------|
|                      | Number<br>eligible to attend | Number<br>eligible to attend |
| Ching-Tiem Huang     | 12                           | 12                           |
| Ching-Ling Chi       | 12                           | 12                           |
| Jiahui Jeremiah Thum | 9                            | 9                            |
| Frederic Ferges      | 3                            | 3                            |

### Auditor

RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors,



**Ching-Tiem Huang**  
Chairman and Managing Director



**Ching-Ling Chi**  
Director/CFO

Date 2020 Mar 31

## **Remuneration Report**

The Directors are pleased to present the Soon Mining Limited Remuneration Report which sets out remuneration information for the Group's Non-Executive Directors, Executive Directors and other Key Management Personnel ("KMP").

The Report contains the following sections:

- a) Remuneration Policy
- b) Use of remuneration consultants
- c) Executive pay and benefits
- d) Relationship between remuneration and Group performance
- e) Employment Details of Members of Key Management Personnel
- f) Remuneration Expense Details for the Year Ended 31 December 2019
- g) Non-Executive Director Remuneration policy
- h) Securities received that are not performance-related
- i) Service agreements
- j) Options and Rights granted as remuneration
- k) KMP Shareholdings
- l) Other Equity-related KMP Transactions
- m) Loans from key management personnel
- n) Other transactions with KMP and/or their related parties

### **a) Remuneration Policy**

The Board's policy for determining the nature and amount of remuneration for KMP of the entity is designed to:

- Attract and retain senior executives and Directors;
- Avoid paying excessive remuneration;
- Remunerate fairly having regard to market conditions and individual contribution; and
- Align the interests of employees and Directors with that of the Group.

All remuneration paid to KMP is valued at the cost to the Group and expensed.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the annual general meeting. Non-executive Directors do not receive performance-based pay. There are no retirement allowances for Non-Executive Directors.

### **b) Use of remuneration consultants**

The Group has not engaged the services of any remuneration consultants during the current or prior financial years.

### **c) Executive pay and benefits**

Executive payments currently consist of consultancy payments to the Directors only. Executive Directors do not receive performance-based pay.

Throughout the year, all remuneration for key management personnel was fixed and not linked to performance.

There were no cash bonus, performance-related bonus, non-monetary benefits or share-based elements of remuneration in the year ended 31 December 2019.

### **d) Relationship between remuneration and Company performance**

The link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a mining company.

Share prices are subject to the influence of international economic factors and market sentiment toward the sector; increases and decreases may occur quite independent of executive performance or remuneration.

## Remuneration Report

### e) Employment Details of Members of Key Management Personnel (KMP)

The following table provides employment details of persons who were, during the financial year, members of KMP of the Company. The table also illustrates the proportion of remuneration that was performance and non-performance based.

|                                 | Position Held as at 31 December 2019 and any change during the year | Proportions of elements of remuneration related to performance (other than options issued) |              | Proportions of elements of remuneration not related to performance |
|---------------------------------|---|--|--------------|--|
|                                 |   | Non-salary cash-based incentives   | Shares/Units | Fixed Salary/Fee   |
| <b>Key Management Personnel</b> |   | %  | %            | %  |
| Ching-Tiem Huang                | Chairman and Managing Director                                      | -  | -            | 100  |
| Ching-Ling Chi                  | Executive Director and Chief Financial Officer                      | -  | -            | 100  |
| Frederic Ferges                 | Non-executive Director and Company Secretary                        | -  | -            | 100  |
| Jiahui Jeremiah Thum            | Non-executive Director and Company Secretary                        | -  | -            | 100  |

### f) Remuneration Expense Details for the Year Ended 31 December 2019

The following table of benefits and payments represents the components of the current year remuneration expenses for each member of KMP of the Company. Such amounts have been calculated in accordance with Australian Accounting Standards:

|                                 | Short term benefits |          | Post-employment benefits   |          | Total          |
|---------------------------------|---------------------|----------|----------------------------|----------|----------------|
|                                 | Salary & Fees       | Other    | Pension and Superannuation | Other    |                |
| <b>2019</b>                     | \$                  | \$       | \$                         | \$       | \$             |
| <b>Key Management Personnel</b> |                     |          |                            |          |                |
| <b>Executive Directors</b>      |                     |          |                            |          |                |
| Ching-Tiem Huang                | 165,715             | -        | -                          | -        | 165,715        |
| Ching-Ling Chi                  | 149,200             | -        | -                          | -        | 149,200        |
| <b>Non-Executive Directors</b>  |                     |          |                            |          |                |
| Jiahui Jeremiah Thum            | 29,700              | -        | -                          | -        | 29,700         |
| Frederic Ferges                 | 7,300               | -        | -                          | -        | 7,300          |
| <b>Total</b>                    | <b>351,915</b>      | <b>-</b> | <b>-</b>                   | <b>-</b> | <b>351,915</b> |

## Remuneration Report

|                                 | Short term benefits |          | Post-employment benefits   |          | Total          |
|---------------------------------|---------------------|----------|----------------------------|----------|----------------|
|                                 | Salary & Fees       | Other    | Pension and Superannuation | Other    |                |
| 2018                            | \$                  | \$       | \$                         | \$       | \$             |
| <b>Key Management Personnel</b> |                     |          |                            |          |                |
| <b>Executive Directors</b>      |                     |          |                            |          |                |
| Ching-Tiem Huang                | 166,357             | -        | -                          | -        | 166,357        |
| Ching-Ling Chi                  | 149,200             | -        | -                          | -        | 149,200        |
| <b>Non-Executive Directors</b>  |                     |          |                            |          |                |
| Jiahui Jeremiah Thum            | 40,000              | -        | -                          | -        | 40,000         |
| <b>Total</b>                    | <b>355,557</b>      | <b>-</b> | <b>-</b>                   | <b>-</b> | <b>355,557</b> |

### g) Non-Executive Director Remuneration policy

On Appointment to the board, all non-executive Directors enter into an appointment agreement with the Company. The agreement sets out remuneration, terms of appointment and binds the Director to the Board policies and code of conduct.

Non-executive Directors receive a board fee which includes remuneration for chairing or participating on Board committees.

Non- Executive Directors do not receive performance-based pay. The Chair does not receive additional fees for participating in or chairing committee.

### h) Securities received that are not performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

### i) Service agreements

Remuneration and other terms of employment for the Managing Director, Chief Executives Officer, Chief Financial Officer and Executive Officers are formalised in agreements. Contracts with Executives may be terminated by either party with up to one months' notice.

*Ching-Tiem Huang, Chairman and Managing Director*

Term of agreement - ongoing, commenced 12/1/2015, with a one-month notice period. Base salary, exclusive of superannuation, of \$156,000 per annum and GHS36,000, to be reviewed annually by the Board. Agreement is signed with Titanoboa Group Limited, in which Ching-Tiem Huang holds the position of CEO.

*Ching-Ling Chi, Executive Director and Chief Financial Officer*

Term of agreement - ongoing, commenced 12/1/2015, with a one-month notice period. Base salary, exclusive of superannuation, of \$149,200 per annum, to be reviewed annually by the Board. Agreement is signed with Kirin International Limited, in which Ching-Ling Chi holds the position of Managing Director.

### j) Options and Rights granted as remuneration

During the year ended 31 December 2019, no options or rights were granted as remuneration.

## Remuneration Report

### k) KMP Shareholdings

The number of ordinary shares in Soon Mining Limited held by each KMP of the Group during the financial year is as follows:

|                      | Balance at start of the year | Grants and remuneration during the year | Issued on Exercise of Options during the year | Additions during the year | Balance at end of year |
|----------------------|------------------------------|---|---|---------------------------|------------------------|
| Ching-Tiem Huang     | 62,676,865                   | -                                       | -   | -                         | 62,676,865             |
| Ching-Ling Chi       | 5,000,000                    | -                                       | -   | -                         | 5,000,000              |
| Jiahui Jeremiah Thum | 10,000                       | -                                       | -   | -                         | 10,000                 |
|                      | <b>67,686,865</b>            | -                                       | -   | -                         | <b>67,686,865</b>      |

### l) Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

### m) Loans from key management personnel

During the year, the Directors have provided unsecured loans to the Company as detailed below.

|                            | \$             |
|----------------------------|----------------|
| <u>Interest free loan</u>  |                |
| Ching-Tiem Huang           | 55,857         |
| Ching-Ling Chi             | 56,044         |
| Balance at end of the year | <u>111,901</u> |

The loans are unsecured and without a set maturity date. Please refer to Note 24 for the movement during the year.

### n) Other transactions with KMP and/or their related parties

There were no transactions conducted between the Company and KMP or their related parties, other than those disclosed above and in Note 24 relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

End of Audited Remuneration Report.

**RSM Australia Partners**

Level 6, 340 Adelaide Street Brisbane QLD 4000

GPO Box 1108 Brisbane QLD 4001

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F +61(0) 7 3221 7666

[www.rsm.com.au](http://www.rsm.com.au)

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Soon Mining Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

**RSM AUSTRALIA PARTNERS**



**Albert Loots**

Partner – Assurance & Advisory

Brisbane, QLD  
Dated: 31 March 2020

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
 For the year ended 31 December 2019

|   | Note | 2019<br>\$       |   | 2018<br>\$         |
|---|------|------------------|---|--------------------|
| Sales revenue   | 2    | -                |   | 6,704              |
| Other income  | 2    | 46               |   | 1,217              |
| Consulting fees   |      | (469,234)        |   | (512,912)          |
| Professional fees   |      | (194,239)        |   | (245,124)          |
| Travelling expenses   |      | (30,464)         |   | (70,568)           |
| Administration expenses   |      | (53,964)         |   | (192,640)          |
| Directors fees  |      | (77,000)         |   | (80,000)           |
| Bad debt expense  |      | (2,103)          |   | (283,367)          |
| Unrealised foreign exchange (loss)/gain   |      | (9,803)          |   | 49,745             |
| Depreciation expenses   |      | (93,849)         |   | (16,357)           |
| <b>Loss before income tax</b>   | 3    | <u>(930,609)</u> |   | <u>(1,343,302)</u> |
| Tax expense   | 4    | -                |   | -                  |
| <b>Net loss for the year</b>  |      | <u>(930,609)</u> |   | <u>(1,343,302)</u> |
| <b>Other comprehensive profit/(loss):</b>   |      |                  |   |                    |
| Exchange differences on translation of foreign operations   |      | 11,015           |   | 124,064            |
| <b>Other comprehensive income/(loss) for the year</b>   |      | <u>11,015</u>    |   | <u>124,064</u>     |
| <b>Total comprehensive loss for the year attributable to the owners of Soon Mining Limited</b>                  |      | <u>(919,594)</u> |   | <u>(1,219,238)</u> |
| <b>Earnings per share for loss from continuing operations attributable to the owners of Soon Mining Limited</b> |      |                  |   |                    |
| Basic earnings per share  | 5    | (0.01)           | - | (0.01)             |
| Diluted earnings per share  | 5    | (0.01)           | - | (0.01)             |

The accompanying notes form part of these consolidated financial statements

**Consolidated Statement of Financial Position**  
**As at 31 December 2019**

|                                  | Note | 2019<br>\$       | 2018<br>\$       |
|----------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                    |      |                  |                  |
| <b>CURRENT ASSETS</b>            |      |                  |                  |
| Cash and cash equivalents        | 14   | 86,334           | 175,187          |
| Trade and other receivables      | 7    | 499              | 1,899            |
| Other current assets             | 8    | 37,100           | 79,516           |
| <b>TOTAL CURRENT ASSETS</b>      |      | <u>123,933</u>   | <u>256,602</u>   |
| <b>NON-CURRENT ASSETS</b>        |      |                  |                  |
| Property plant & equipment       | 9    | 353,838          | 442,597          |
| Exploration and evaluation       | 10   | 951,627          | 856,467          |
| <b>TOTAL NON-CURRENT ASSETS</b>  |      | <u>1,305,465</u> | <u>1,299,064</u> |
| <b>TOTAL ASSETS</b>              |      | <u>1,429,398</u> | <u>1,555,666</u> |
| <b>LIABILITIES</b>               |      |                  |                  |
| <b>CURRENT LIABILITIES</b>       |      |                  |                  |
| Trade and other payables         | 12   | 639,675          | 67,822           |
| Financial liabilities            | 15   | 356,719          | 135,246          |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <u>996,394</u>   | <u>203,068</u>   |
| <b>TOTAL LIABILITIES</b>         |      | <u>996,394</u>   | <u>203,068</u>   |
| <b>NET ASSETS</b>                |      | <u>433,004</u>   | <u>1,352,598</u> |
| <b>EQUITY</b>                    |      |                  |                  |
| Issued capital                   | 16   | 6,364,323        | 6,364,323        |
| Reserves                         | 17   | 42,207           | 31,192           |
| Accumulated losses               |      | (5,973,526)      | (5,042,917)      |
| <b>TOTAL EQUITY</b>              |      | <u>433,004</u>   | <u>1,352,598</u> |

The accompanying notes form part of these consolidated financial statements

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

|  | Note | Share<br>Capital | Reserve       | Accumulated<br>Losses | Total            |
|--|------|------------------|---------------|-----------------------|------------------|
| <b>Balance as at 1 January 2018</b>                          |      | 6,396,742        | (92,872)      | (3,699,615)           | 2,604,255        |
| <b>Comprehensive loss</b>                                    |      |                  |               |                       |                  |
| Loss for the year  |      | -                | -             | (1,343,302)           | (1,343,302)      |
| Other comprehensive income for the year                      | 17   | -                | 124,064       | -                     | 124,064          |
| <b>Total comprehensive loss for the year</b>                 |      | -                | 124,064       | (1,343,302)           | (1,219,238)      |
| <i>Transactions with owners in their capacity as owners:</i> |      |                  |               |                       |                  |
| Shares issued during the year                                | 16   | -                | -             | -                     | -                |
| Transaction costs (net of tax)                               | 16   | (32,419)         | -             | -                     | (32,419)         |
| Total transactions with owners and other transfers           |      | (32,419)         | -             | -                     | (32,419)         |
| <b>Balance at 31 December 2018</b>                           |      | <b>6,364,323</b> | <b>31,192</b> | <b>(5,042,917)</b>    | <b>1,352,598</b> |
| <b>Balance as at 1 January 2019</b>                          |      | 6,364,323        | 31,192        | (5,042,917)           | 1,352,598        |
| <b>Comprehensive loss</b>                                    |      |                  |               |                       |                  |
| Loss for the year  |      | -                | -             | (930,609)             | (930,609)        |
| Other comprehensive income for the year                      | 17   | -                | 11,015        | -                     | 11,015           |
| <b>Total comprehensive loss for the year</b>                 |      | -                | 11,015        | (930,609)             | (919,594)        |
| <i>Transactions with owners in their capacity as owners:</i> |      |                  |               |                       |                  |
| Shares issued during the year                                | 16   | -                | -             | -                     | -                |
| Transaction costs (net of tax)                               | 16   | -                | -             | -                     | -                |
| Total transactions with owners and other transfers           |      | -                | -             | -                     | -                |
| <b>Balance at 31 December 2019</b>                           |      | <b>6,364,323</b> | <b>42,207</b> | <b>(5,973,526)</b>    | <b>433,004</b>   |

The accompanying notes form part of these consolidated financial statements

**Consolidated Statement of Cash Flows**  
 For the year ended 31 December 2019

|   | Note | 2019<br>\$    | 2018<br>\$     |
|---|------|---------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |      |               |                |
| Receipts from customers   |      | -             | 10,794         |
| Payments to suppliers and employees                             |      | (208,077)     | (1,407,934)    |
| Interest received   |      | 46            | 1,217          |
| Interest paid   |      | (2,915)       | -              |
| Net cash used in operating activities                           | (a)  | (210,946)     | (1,395,923)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |      |               |                |
| Payments for property, plant & equipment                        |      | (1,805)       | (15,391)       |
| Payments for exploration and evaluation                         |      | (88,803)      | (248,568)      |
| Net cash used in investing activities                           |      | (90,608)      | (263,959)      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |      |               |                |
| Repayments of borrowings  |      | -             | (2,064)        |
| Borrowings received   |      | 221,512       | 130,000        |
| Funds paid in relation to share issue                           |      | -             | (32,419)       |
| Net cash provided by financing activities                       |      | 221,512       | 95,517         |
| Net (decrease) increase in cash held                            |      | (80,042)      | (1,564,365)    |
| <b>Cash and cash equivalents at beginning of financial year</b> | 14   | 175,187       | 1,670,367      |
| Effect of exchange rate changes                                 |      | (8,811)       | 69,185         |
| <b>Cash and cash equivalents at end of financial year</b>       | 14   | <u>86,334</u> | <u>175,187</u> |

**(a) Reconciliation of Cash Flows from Operating Activities with Loss after Income Tax**

|  |                  |                    |
|--|------------------|--------------------|
| Total comprehensive loss for the year              | (919,504)        | (1,219,238)        |
| Adjustments for:                                   |                  |                    |
| Depreciation expenses                              | 93,849           | 16,357             |
| Unrealised foreign exchange loss/(gain)            | 9,713            | (49,745)           |
| Net foreign exchange differences                   | (11,015)         | (124,064)          |
| Changes in assets and liabilities                  |                  |                    |
| Decrease (increase) in trade and other receivables | 1,399            | 4,089              |
| Decrease (increase) in other current assets        | 42,758           | (33,570)           |
| Increase in trade creditors                        | 571,853          | 10,248             |
| Cash flows from operating activities               | <u>(210,946)</u> | <u>(1,395,923)</u> |

The accompanying notes form part of these consolidated financial statements

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2019**

#### **A. Basic Information**

##### **Note 1 General Information**

The financial report covers the Consolidated Entity of Soon Mining Limited (the “Company”) and its controlled entities (together referred to as the “Consolidated Entity” or “Group”). Soon Mining Limited is a listed public company, incorporated and domiciled in Australia. The Consolidated Entity is a for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

##### **a) Basis of preparation**

These general-purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these consolidated financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the consolidated financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue, in accordance with a resolution of directors, on the 31 March 2020. The directors have the power to amend and reissue the financial statements.

##### **b) Going concern**

The financial report has been prepared on a going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and liabilities will occur in the normal course of business.

As disclosed in the financial statements, the group recorded a loss of \$930,609 and cash outflows from operations of \$210,946 for the year ended 31 December 2019 (2018: loss of \$1,343,302, cash outflow from operations of \$1,395,923). The group expects further losses due to the ongoing exploration costs until alluvial gold mining operations are fully established.

The Group’s ability to adopt the going concern assumption will depend on the Group being able to manage its liquidity requirement.

The Group is in the process of taking the following actions:

Raising additional capital: The Group is currently in discussions with various parties to provide additional capital or loans;

Successful exploration and subsequent exploitation of the Group’s tenements: The Group is actively engaging with the EPA and various parties to finalize the EPA permit so that it may begin its mining activities.

Reducing working capital expenditure: The Group is actively managing its working capital expenditure and also and working with its creditors to extend repayment terms.

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2019**

#### **Note 1 General Information (continued)**

The Group has concluded that as a result of the requirement to raise funds in the future there exists a material uncertainty that may cast significant doubt regarding its ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after taking into account the current financial position of the Group, and its ability to raise further capital, the Group has a reasonable expectation that it will have adequate resources to fund its future operational requirements and for these reasons it continues to adopt the going concern basis in preparing the financial report.

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

The economic impacts of the COVID-19 coronavirus outbreak, which occurred subsequently to the reporting date, remain uncertain. It is possible that there will be subdued economic wide activity during the year ended 31 December 2020. To date, COVID-19 has had minimal impact on the business, however in this environment the directors acknowledge it does have the potential to affect parts of the business, particularly its ability to raise Capital and its ability to start proposed current and future projects, including but not limited to, the consolidated entity's proposed Kwahu Praso Gold Project.

#### **c) 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 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 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.

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

## **B. Financial Overview**

#### **Note 2 Revenue and Other Income**

The Group enters into short-term contracts with customers for the mining and sale of gold. The performance obligation is the delivery of the specified quantity of gold to the customer. The Group is not entitled to payment until the delivery of said product has occurred, which is when the customer obtains control of it. Therefore, revenue is recognised at a point in time upon delivery of the gold. No rebates or volume discounts are provided to customers. The products are subject to a statutory warranty and the Group does not offer extended warranties.

Interest income is recognised using the effective interest method.

## Notes to the consolidated financial statements For the year ended 31 December 2019

### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or 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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

### Note 2 - Revenue from contracts with customers

|                            | 2019<br>\$ | 2018<br>\$   |
|----------------------------|------------|--------------|
| Sales revenue              |            |              |
| — Alluvial Gold Production | -          | 6,704        |
| Total sales revenue        | <u>-</u>   | <u>6,704</u> |
| Other income               |            |              |
| — Interest income          | 46         | 1,217        |
| Total other income         | <u>46</u>  | <u>1,217</u> |

### Note 3 Loss for the year

#### Foreign Currency Transactions and Balances

##### *Functional and presentation currency*

The functional currency of the Group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statement is presented in Australian dollars, which is the Group's functional currency.

##### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

## Notes to the consolidated financial statements For the year ended 31 December 2019

### Note 3 - Loss for the Year

|  | 2019<br>\$   | 2018<br>\$    |
|--|--------------|---------------|
| Loss before income tax includes the following specific expenses: |              |               |
| Legal fees   | <u>3,353</u> | <u>13,573</u> |
|  | 2019<br>\$   | 2018<br>\$    |
| Timing of revenue recognition                                    |              |               |
| Goods transferred at a point in time                             | <u>-</u>     | <u>6,704</u>  |

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

### Group companies

The financial results and position of foreign operations whose functional currency is different from the entity's presentation currency are translated as follows:

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

### Note 4 Income Tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

|   | 2019<br>\$       | 2018<br>\$         |
|---|------------------|--------------------|
| (a) The components of tax expense comprise:   |                  |                    |
| Current tax   | -                | -                  |
| Deferred tax  | -                | -                  |
| Aggregate income tax expense  | <u>-</u>         | <u>-</u>           |
| (b) Numerical reconciliation of income tax expense to prima facie tax payable       |                  |                    |
|   | 2019<br>\$       | 2018<br>\$         |
| Loss before tax - continuing operations   | <u>(930,609)</u> | <u>(1,343,302)</u> |
| - Prima facie tax benefit on loss from ordinary activities before income tax at 30% | (279,183)        | (402,991)          |
| <b><i>Increase/(decrease) in income tax expense due to:</i></b>                     |                  |                    |
| - Tax adjustment for accounting losses  | -                | -                  |
| - Non-deductible expenses   | -                | 197                |
| - Net temporary differences and tax losses not recognised                           | 279,183          | 402,794            |
| Income tax expense attributable to entity   | <u>-</u>         | <u>-</u>           |

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss. A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- The initial recognition of goodwill; or
- The initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit/(loss).

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets

## Notes to the consolidated financial statements For the year ended 31 December 2019

and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### Note 5 Earnings per Share

#### a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

|  | 2019<br>\$         | 2018<br>\$         |
|--|--------------------|--------------------|
| Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share   | (930,609)          | (1,343,302)        |
| Loss attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share | (930,609)          | (1,343,302)        |
| Basic earnings per share   | (0.01)             | (0.01)             |
| Diluted earnings per share   | (0.01)             | (0.01)             |
|  | Number             | Number             |
| <i>Weighted average number of ordinary shares</i>  |                    |                    |
| Weighted average number of ordinary shares used in calculating basic earnings per share                        | 158,222,821        | 158,222,821        |
| Adjustments for calculation of diluted earnings per share:   |                    |                    |
| Options over ordinary shares   | -                  | -                  |
| Convertible notes  | -                  | -                  |
| Weighted average number of ordinary shares used in calculating diluted earnings per share                      | <u>158,222,821</u> | <u>158,222,821</u> |

## Notes to the consolidated financial statements For the year ended 31 December 2019

### Note 6 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board which makes strategic decisions.

#### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of Directors (chief operating decision makers) in assessing performance and in determining the allocation of resources. Accordingly, management currently identifies the Group as having only one reportable segment, as at 31 December 2019. There have been no changes in the operating segment during the year. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the consolidated financial statement of the entity as a whole.

### Note 7 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.

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

#### Impairment of financial assets at amortised cost

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12 month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

|                                   | 2019       | 2018         |
|-----------------------------------|------------|--------------|
|                                   | \$         | \$           |
| GST receivable                    | 499        | 1,899        |
| Total trade and other receivables | <u>499</u> | <u>1,899</u> |

#### a) Credit risk

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

Since the Group is still in the exploration stage there are no trade receivables as of the year end which are exposed to credit risk.

**b) Financial assets classified as loans and receivables**

|  | 2019 | 2018  |
|--|------|-------|
|  | \$   | \$    |
| Trade and other receivables:                               |      |       |
| – total current  | 499  | 1,899 |
| – total non-current  | -    | -     |
| Total financial assets classified as loans and receivables | 499  | 1,899 |

**Note 8 Other current assets**

|                                       | 2019      | 2018      |
|---------------------------------------|-----------|-----------|
|                                       | \$        | \$        |
| Deposits                              | 320,823   | 318,459   |
| Less: Provision for Doubtful Deposits | (285,470) | (283,366) |
| Prepayments                           | 1,747     | 44,423    |
|                                       | 37,100    | 79,516    |

**Note 9 Property, Plant & Equipment**

**Plant and Equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including capitalised leased assets is depreciated on a straight-line basis over the asset's useful life to the consolidated Group commencing from the time the asset is held ready for use. Leasehold

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

| <b>Class of Fixed Asset</b> | <b>Depreciation Rate</b> |
|-----------------------------|--------------------------|
| Motor vehicles              | 20%                      |
| Plant and equipment         | 20%-33%                  |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**Impairment of Assets**

*Impairment – Carrying Value of Plant and Equipment*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. No indications existed at year end.

|                                     | 2019<br>\$            | 2018<br>\$            |
|-------------------------------------|-----------------------|-----------------------|
| <b>Plant and equipment</b>          |                       |                       |
| Operating equipment:                |                       |                       |
| At cost                             | 596,834               | 591,368               |
| Accumulated depreciation            | (242,996)             | (148,822)             |
|                                     | <u>353,838</u>        | <u>442,546</u>        |
| Motor vehicles:                     |                       |                       |
| At cost                             | 29,502                | 29,284                |
| Accumulated depreciation            | (29,502)              | (29,233)              |
|                                     | <u>-</u>              | <u>51</u>             |
| Total property, plant and equipment | <u><u>353,838</u></u> | <u><u>442,597</u></u> |

## Notes to the consolidated financial statements For the year ended 31 December 2019

### Movements in Carrying Amounts

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

|                                    | Operating<br>equipment | Motor vehicles | Total    |
|------------------------------------|------------------------|----------------|----------|
|                                    | \$                     | \$             | \$       |
| <b>Balance at 1 January 2018</b>   |                        |                |          |
| Additions                          | 15,391                 | -              | 15,391   |
| Disposals                          | -                      | -              | -        |
| Depreciation expense               | (14,517)               | (1,840)        | (16,357) |
| Foreign exchange on conversion     | 42,115                 | 80             | 42,195   |
| <b>Balance at 31 December 2018</b> | 442,546                | 51             | 442,597  |
| Additions                          | 1,805                  | -              | 1,805    |
| Disposals                          | -                      | -              | -        |
| Depreciation expense               | (93,797)               | (51)           | (93,848) |
| Foreign exchange on conversion     | 3,284                  | -              | 3,284    |
| <b>Balance at 31 December 2019</b> | 353,838                | -              | 353,838  |

### Note 10 Exploration and Evaluation

#### a) Exploration, evaluation and development expenditure

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

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

#### a) Key judgements

##### *Exploration, evaluation and development expenditure*

The Group has capitalised exploration expenditure of \$951,627 (2018: \$856,467). This amount includes costs directly associated with exploration. These costs are capitalised until assessment and/or drilling of the permit is complete and the results have been evaluated. These costs include employee remuneration, materials, rig costs, delay rentals and payments to contractors. The expenditure is carried forward until such a time as the area of interest moves into the development phase, is abandoned, sold or sub-blocks relinquished.

Given exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable resources and the difficulty in forecasting cash flows to assess the fair value of exploration

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

expenditure there is uncertainty as to the carrying value of exploration expenditure. The ultimate recovery of the carrying value of exploration expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interests in the tenements. There are no factors or circumstances which suggest that the carrying amount of remaining exploration and evaluation assets may exceed recoverable amount.

|  | 2019<br>\$ | 2018<br>\$ |
|--|------------|------------|
| <b>Exploration phase costs - at cost</b> | 951,627    | 856,467    |

The capitalised exploration assets carried forward above has been determined as follows:

|  |         |         |
|--|---------|---------|
| Balance at the beginning of the year             | 856,467 | 550,071 |
| Expenditure incurred during the year - additions | 88,803  | 248,568 |
| Foreign exchange on conversion                   | 6,357   | 57,828  |
| Balance at the end of the year                   | 951,627 | 856,467 |

**Note 11 Deferred Tax Assets and Liabilities**

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Deferred tax asset of \$1,194,495 (2018: \$933,439) in respect of tax losses and temporary differences have not been brought to account as at balance date. These will be brought to account only if the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised, the Group continues to comply with deductibility conditions imposed by tax legislation and no changes in tax legislation adversely affects the Group in realising the benefit.

**Notes to the consolidated financial statements**  
For the year ended 31 December 2019

|  | 2019<br>\$         | 2018<br>\$       |
|--|--------------------|------------------|
| <b>Deferred tax asset</b>  |                    |                  |
| <i>The balances comprises temporary differences attributable to:</i> |                    |                  |
| Tax losses in Australia  | 1,172,491          | 885,309          |
| Prepaid insurance  | -                  | 3,349            |
| Prepaid ASX fees   | 5,182              | 5,585            |
| Foreign exchange (gain)/loss   | 519                | (17,179)         |
| Unamortised black hole expenditure                                   | 16,304             | 56,375           |
| <b>Total deferred tax assets</b>                                     | <u>1,194,495</u>   | <u>933,439</u>   |
| <b>Deferred tax liability</b>  | -                  | -                |
| Net deferred tax asset   | <u>1,194,495</u>   | <u>933,439</u>   |
| Deferred tax not recognised in the books                             | <u>(1,194,495)</u> | <u>(933,439)</u> |
| Deferred tax recognised in the books                                 | <u>-</u>           | <u>-</u>         |

**Note 12 Trade and Other payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

|  | 2019<br>\$     | 2018<br>\$    |
|--|----------------|---------------|
| Unsecured liabilities:   |                |               |
| Trade payables   | <u>639,675</u> | <u>67,822</u> |
|  | <u>639,675</u> | <u>67,822</u> |
| Financial liabilities at amortised cost classified as trade and other payables |                |               |
|  | 2019<br>\$     | 2018<br>\$    |
| Trade and other payables:  |                |               |
| – Total current  | 639,675        | 67,822        |
| – Total non-current  | -              | -             |
|  | <u>639,675</u> | <u>67,822</u> |

\$365,360 is due to related parties included in accounts payable are subordinated and will not be due and payable until Soon Mining Ltd can afford to do so from its operating cash flows.

**Note 13 Financial Risk Management**

**Financial Instruments**

**Initial recognition and measurement**

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2019**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.

#### ***Classification and subsequent measurement***

##### *Financial liabilities*

Financial instruments are subsequently measured at:

- Amortised cost; or
- Fair value through profit or loss

A financial liability is measured at fair value through profit and loss if the financial liability is:

- A contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- Held for trading; or
- Initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

##### *Financial assets*

Financial assets are subsequently measured at:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- The contractual cash flow characteristics of the financial asset; and
- The business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- The financial asset is managed solely to collect contractual cash flows; and
- The contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- The contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2019**

- The business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

#### ***Derecognition***

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

#### ***Derecognition of financial liabilities***

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### ***Derecognition of financial assets***

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for the derecognition of financial asset:

- The right to receive cash flows from the asset has expired or been transferred;
- All risk and rewards of ownership of the asset have been substantially transferred; and
- The Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### ***Impairment***

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument

The Group uses the following approaches to impairment, as applicable under AASB 9: *Financial Instruments*:

- The simplified approach

#### ***Simplified approach***

## Notes to the consolidated financial statements For the year ended 31 December 2019

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (i.e. diversity of customer base, appropriate groupings of historical loss experience, etc.).

### Note 13 - Financial Risk management

|  |    | 2019<br>\$     | 2018<br>\$     |
|--|----|----------------|----------------|
| <b>Financial Assets</b>                  |    |                |                |
| Cash and cash equivalents                | 14 | 86,334         | 175,187        |
| Trade and other receivables              | 7  | 499            | 1,899          |
| <b>Total Financial Assets</b>            |    | <u>86,833</u>  | <u>177,086</u> |
| <b>Financial Liabilities</b>             |    |                |                |
| Financial liabilities at amortised cost: |    |                |                |
| — Trade and other payables               | 12 | 639,675        | 67,822         |
| — Loan from directors                    | 15 | 111,901        | 135,246        |
| — Loan from shareholders                 | 15 | 244,818        | -              |
| <b>Total Financial Liabilities</b>       |    | <u>996,394</u> | <u>203,068</u> |

### General Objectives, Policies and Processes

Risk management has focused on limiting debt to a level which could be extinguished by sale of assets or issue of securities if necessary.

The Group's activities expose it to a variety of financial risks; market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

#### a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the entity.

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the Board has otherwise assessed as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title

## Notes to the consolidated financial statements For the year ended 31 December 2019

retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

### b) Liquidity risk

Liquidity risk arises from the possibility that the entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The entity manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities
- Obtaining funding from a variety of sources
- Maintaining a reputable credit profile
- Managing credit risk related to financial assets
- Only investing surplus cash with major financial institutions
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore defer from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates.

| 2019   | Within 1 year<br>\$ | 1 to 5 years<br>\$ | Over 5 years<br>\$ |
|--|---------------------|--------------------|--------------------|
| Financial liabilities due for payment                |                     |                    |                    |
| Trade and other payables                             | 639,675             | -                  | -                  |
| Amounts payable to related parties                   | 356,719             | -                  | -                  |
| Total contractual                                    | 996,394             | -                  | -                  |
| Less bank overdrafts                                 | -                   | -                  | -                  |
| <b>Total expected outflows</b>                       | <b>996,394</b>      | <b>-</b>           | <b>-</b>           |
| Financial Assets - cash flows realisable             |                     |                    |                    |
| Cash and cash equivalents                            | 86,334              | -                  | -                  |
| Trade and other receivables                          | 499                 | -                  | -                  |
| <b>Total anticipated inflows</b>                     | <b>86,833</b>       | <b>-</b>           | <b>-</b>           |
| <b>Net inflow/(outflow) on financial instruments</b> | <b>(909,561)</b>    | <b>-</b>           | <b>-</b>           |

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

| 2018   | Within 1 year<br>\$ | 1 to 5 years<br>\$ | Over 5 years<br>\$ |
|--|---------------------|--------------------|--------------------|
| Financial liabilities due for payment                |                     |                    |                    |
| Trade and other payables                             | 67,822              | -                  | -                  |
| Amounts payable to related parties                   | 135,246             | -                  | -                  |
| Total contractual                                    | 203,068             | -                  | -                  |
| Less bank overdrafts                                 | -                   | -                  | -                  |
| <b>Total expected outflows</b>                       | 203,068             | -                  | -                  |
| Financial Assets - cash flows realisable             |                     |                    |                    |
| Cash and cash equivalents                            | 175,187             | -                  | -                  |
| Trade and other receivables                          | 1,899               | -                  | -                  |
| <b>Total anticipated inflows</b>                     | 177,086             | -                  | -                  |
| <b>Net inflow/(outflow) on financial instruments</b> | (25,982)            | -                  | -                  |

**Market Risk**

*i) Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The entity is also exposed to earnings volatility on floating rate instruments. The financial instruments which primarily expose the Group to interest rate risk are borrowings and cash and cash equivalents.

*ii) Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the entity holds financial instruments which are other than the AUD functional currency of the entity.

Due to instruments held by overseas operations, fluctuation in US Dollar may impact on the entity's financial results unless those exposures are appropriately hedged.

No foreign currency hedge is currently in place as at the date of this Financial Report. The Board is constantly reviewing the fluctuation in the relevant foreign currency rates and is prepared to put in place a foreign currency hedge should the need arise.

**Note 14 Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and deposits available on demand with banks.

**Notes to the consolidated financial statements**  
 For the year ended 31 December 2019

|   | 2019<br>\$    | 2018<br>\$     |
|---|---------------|----------------|
| Cash at bank and on hand  | <u>86,334</u> | <u>175,187</u> |
| Reconciliation of cash  |               |                |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: |               |                |
| Cash and cash equivalents   | <u>86,334</u> | <u>175,187</u> |
|   | <u>86,334</u> | <u>175,187</u> |

**Note 15 Financial Liabilities**

|                         | Note | 2019<br>\$     | 2018<br>\$     |
|-------------------------|------|----------------|----------------|
| Loans from directors    | 24   | 111,901        | 135,246        |
| Loans from shareholders |      | <u>244,818</u> | <u>-</u>       |
|                         |      | <u>356,719</u> | <u>135,246</u> |

The shareholders loans/directors loan are subordinated and will not be due and payable until Soon Mining Ltd can afford to do so from its operating cash flows.

**Note 16 Issued Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

|   | 2019<br>\$       | 2018<br>\$       |
|---|------------------|------------------|
| 158,222,821 (2018 : 158,222,821) fully paid ordinary shares | 6,787,741        | 6,787,741        |
| Share Issue costs   | (423,418)        | (423,418)        |
|   | <u>6,364,323</u> | <u>6,364,323</u> |

**Movements in ordinary share capital**

|   | 2019               |                  |
|---|--------------------|------------------|
|   | No.                | \$               |
| <b>Balance at the beginning of the year</b> | 158,222,822        | 6,364,323        |
| Issue of shares to the market               | -                  | -                |
| Share issue costs                           | -                  | -                |
| <b>Balance at the end of the year</b>       | <u>158,222,822</u> | <u>6,364,323</u> |

**Movements in ordinary share capital**

|   | 2018               |                  |
|---|--------------------|------------------|
|   | No.                | \$               |
| <b>Balance at the beginning of the year</b> | 158,222,821        | 6,396,742        |
| Issue of shares to the market               | -                  | -                |
| Share issue costs                           | -                  | (32,419)         |
| <b>Balance at the end of the year</b>       | <u>158,222,821</u> | <u>6,364,323</u> |

**Capital Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

**Note 17 Reserves**

**Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

**Notes to the consolidated financial statements**  
For the year ended 31 December 2019

|   | 2019<br>\$    | 2018<br>\$     |
|---|---------------|----------------|
| <b>Foreign currency translation reserve</b>               |               |                |
| Exchange differences on translation of foreign operations | 11,015        | 124,064        |
| Movement in foreign currency translation reserve          | <u>11,015</u> | <u>124,064</u> |
| <b>Closing balance</b>                                    | <u>42,207</u> | <u>31,192</u>  |

**Note 18 Parent Entity Disclosures**

As at, and throughout the financial year ended 31 December 2019 the parent entity of the Group was Ocean Blue International Limited.

|   | 2019<br>\$     | 2018<br>\$     |
|---|----------------|----------------|
| <b>Result of parent entity</b>                        |                |                |
| Profit/(Loss) for the year after tax                  | <u>(1,335)</u> | <u>(1,757)</u> |
| <b>Total comprehensive profit/(loss) for the year</b> | <u>(1,335)</u> | <u>(1,757)</u> |

**Financial position of parent entity at year end**

|   |                 |                 |
|---|-----------------|-----------------|
| Current assets                                      | 280             | 1,595           |
| <b>Total assets</b>                                 | <u>280</u>      | <u>1,595</u>    |
| Current liabilities                                 | 11,718          | 11,633          |
| <b>Total liabilities</b>                            | <u>11,718</u>   | <u>11,633</u>   |
| <b>Net Assets</b>                                   | <u>(11,438)</u> | <u>(10,038)</u> |
| <b>Total equity of parent entity comprising of:</b> |                 |                 |
| Reserve   | (421)           | (2,066)         |
| Accumulated losses                                  | <u>(11,017)</u> | <u>(7,972)</u>  |
| <b>Total equity</b>                                 | <u>(11,438)</u> | <u>(10,038)</u> |

**Contingent Liabilities**

The parent entity has no contingent liabilities as at 31 December 2019.

**Note 19 Interest in Subsidiaries**

| Name of Entity      | Country of incorporation | Class of shares | Equity Holding |      |
|---------------------|--------------------------|-----------------|----------------|------|
|                     |                          |                 | 2019           | 2018 |
| Soon Mining Limited | Australia                | Ordinary        | 100%           | 100% |
| Soon Mining Co Ltd  | Republic of Ghana        | Ordinary        | 100%           | 100% |

## Notes to the consolidated financial statements For the year ended 31 December 2019

### Note 20 Events after the Reporting Period

The consolidated entity is aware of the impact that COVID-19 (Coronavirus) is having on the Australian and World economy.

The Directors have considered the impact of the Coronavirus on the consolidated entity's recorded asset values and the Directors are of the view that there has been no material impact on the consolidated entity's recorded asset values as at or subsequent to the reporting date.

As at the date of these financial statements, the consolidated entity is not aware of any impact that has occurred in relation to any of its staff, contractors or key suppliers.

Given the negative impact that has occurred and is continuing to occur on world financial markets as a result of the Coronavirus, the Directors are of the view that there is the potential that the Coronavirus will have a significant negative impact on the consolidated entity's ability to secure the required debt and equity financing for its proposed current and future projects, including but not limited to, the consolidated entity's proposed Kwahu Praso Gold Project. At the date of these financial statements, this impact is not able to be fully assessed or measured.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Note 21 Contingencies and Commitments

There are no material contingent liabilities as of the end of the reporting period (2018: Nil).

### Note 22 Key Management Personnel

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's key management personnel (KMP) for the year ended 31 December 2019.

The totals of remuneration paid to KMP of the Company during the year are as follows:

|                              | 2019<br>\$     | 2018<br>\$     |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 351,915        | 355,557        |
| Post-employment benefits     | -              | -              |
| Total KMP compensation       | <u>351,915</u> | <u>355,557</u> |

Short-term employee benefits

– these amounts include fees and benefits paid to the non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive Directors and other key management personnel.

Further information in relation to KMP remuneration can be found in the Director's Remuneration Report.

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

**Note 23 Auditor's Remuneration**

|   | 2019<br>\$           | 2018<br>\$           |
|---|----------------------|----------------------|
| Audit services                                    |                      |                      |
| - RSM Australia Partners                          | <u>32,800</u>        | <u>35,000</u>        |
| Fees for audit and review of financial statements | <u>32,800</u>        | <u>35,000</u>        |
| Other services                                    |                      |                      |
| - RSM Australia Partners                          | <u>-</u>             | <u>-</u>             |
| Fees for investigating Accountant's Report        | <u>-</u>             | <u>-</u>             |
| Total fees  | <u><u>32,800</u></u> | <u><u>35,000</u></u> |

**Note 24 Related Party Transactions**

a) The Group's related parties are as follows:

(i) *Parent entity*

The parent entity of the Group is Ocean Blue International Ltd, which is incorporated in the British Virgin Islands.

(ii) *Subsidiaries*

Interest in subsidiaries is set out in Note 19.

(iii) *Key Management Personnel*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Remuneration Report.

(iv) *Other Related Parties*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

b) *Transactions with related parties*

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties, other than those transactions disclosed in Note 22:

|  | 2019<br>\$    | 2018<br>\$    |
|--|---------------|---------------|
| Payment for consulting fees to Brainpower Investment Management Limited. (Company owned by Ching-Chen Chi) | <u>30,000</u> | <u>27,500</u> |

c) *Amounts payable to related parties*

**Notes to the consolidated financial statements**  
**For the year ended 31 December 2019**

Trade and Other Payables

The loans to related parties are subordinated and will not be due and payable until Soon Mining Ltd can afford to do so from its operating cash flows.

The following balances are outstanding at the reporting date:

*(i) with related parties:*

|  | <b>2019</b>    | <b>2018</b>   |
|--|----------------|---------------|
|  | <b>\$</b>      | <b>\$</b>     |
| Trade payables to Kirin International Limited (Company owned by Ching-Ling Chi)              | 181,954        | 13,090        |
| Trade payables to Titanoboa Group Limited (Company owned by Ching-Tiem Huang)                | 168,906        | 15,876        |
| Trade payables to Brainpower Investment Management Limited (Company owned by Ching-Chen Chi) | 30,000         | 2,500         |
| Trade payables to the Ferges Trust (Frederic Ferges)   | 7,300          | -             |
| Trade payables to Independent Audit Services Pty Ltd (Company owned by Jeremiah Thum)        | 30,758         | -             |
|  | <u>418,918</u> | <u>31,466</u> |

*(ii) Loans from Key Management Personnel:*

|                                      | <b>2019</b>    | <b>2018</b>    |
|--------------------------------------|----------------|----------------|
|                                      | <b>\$</b>      | <b>\$</b>      |
| Balance at the beginning of the year | 135,246        | 7,310          |
| Loans advanced                       | 87,282         | 130,000        |
| Loan repayment received              | 110,665        | (2,834)        |
| Unrealised exchange gain             | 38             | 770            |
|                                      | <u>111,901</u> | <u>135,246</u> |

*iii) Loan from Shareholders*

|                                      | <b>2019</b>    | <b>2018</b> |
|--------------------------------------|----------------|-------------|
|                                      | <b>\$</b>      | <b>\$</b>   |
| Balance at the beginning of the year | -              | -           |
| Loans advanced                       | 244,818        | -           |
| Loan repayment received              | -              | -           |
|                                      | <u>244,818</u> | <u>-</u>    |

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2019**

#### **Note 25 Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

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.

#### **Note 26 New, Revised or Amending Accounting Standards and Interpretations Adopted**

##### *AASB 16 Leases*

The consolidated entity has adopted AASB 16 from 1 January 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. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss.

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

#### **Note 27 Company Details**

The registered office of the Company is:  
Level 1 Suite 1a, 33 Queen Street, Brisbane QLD 4000

The principal place of business is:  
Level 1 Suite 1a, 33 Queen Street, Brisbane QLD 4000

## Directors' Declaration

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 1 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 31 December 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

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,



**Ching-Tiem Huang**  
Director



**Ching-Ling Chi**  
Director

Date 2020 Mar 31

**RSM Australia Partners**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
SOON MINING LIMITED**

**Opinion**

We have audited the financial report of Soon Mining Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a loss of \$ 930,609 and had cash outflows for operating and investing activities of \$210,946 and \$90,608 respectively for the year ended 31 December 2019. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING**

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## Key Audit Matters

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

| Key Audit Matter  | How our audit addressed this matter  |
|---|--|
| <b>Carrying Value of Capitalised Exploration Expenditure</b><br><b>Refer to Note 10 in the financial statements</b>   |  |
| <p>The Group has capitalised exploration expenditure with a carrying value of \$951,627 as at the reporting date. We determined this to be a key audit matter due to the significant management judgment involved in assessing the carrying value in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, including:</p> <ul style="list-style-type: none"> <li>• Determination of whether expenditure can be associated with finding specific mineral resources, and the basis on which that expenditure is allocated to an area of interest;</li> <li>• Assessing whether any indicators of impairment are present; and</li> <li>• Determination of whether exploration activities have progressed to the stage at which the existence of an economically recoverable mineral reserve may be determined.</li> </ul> | <p>Our audit procedures in relation to the carrying value of capitalised exploration costs included:</p> <ul style="list-style-type: none"> <li>• Ensuring that the right to tenure of the areas of interest was current through confirmation with the relevant government departments;</li> <li>• Critically assessing and evaluating management's assessment that no indicators of impairment existed;</li> <li>• Agreeing a sample of the additions to capitalised exploration expenditure during the year to supporting documentation, and ensuring that the amounts were capitalised correctly; and</li> <li>• Through discussions with the Directors, and review of the Company's ASX announcements and other relevant documentation, assessing management's determination that exploration activities have not yet progressed to the stage where the existence or otherwise of an economically recoverable mineral resource may be determined.</li> </ul> |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 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 accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

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## 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 have no realistic alternative but to do so.

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

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Soon Mining Limited, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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

Brisbane, QLD  
Dated: 31 March 2020

  
**RSM AUSTRALIA PARTNERS**

  
**Albert Loots**  
Partner – Assurance & Advisory

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

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## Additional Information for Listed Public Companies

The following information is current as at 31 December 2019:

1. Shareholding

| Category (size of holding) | Holders    | Number of Shares   | % of Issued Capital |
|----------------------------|------------|--------------------|---------------------|
| 1 – 1,000                  | 2          | 201                | 0.00%               |
| 1,001 – 5,000              | 8          | 22,617             | 0.01%               |
| 5,001 – 10,000             | 240        | 2,370,695          | 1.50%               |
| 10,001 – 100,000           | 34         | 1,260,309          | 0.80%               |
| 100,001 – and over         | 46         | 154,568,999        | 97.69%              |
|                            | <u>330</u> | <u>158,222,821</u> | <u>100.00%</u>      |

b. There are 21 unmarketable shareholders with a total shareholding of 103,513.

c. The names of the substantial shareholders listed in the holding Company's register are:

| Shareholder             | Ordinary   | %      |
|-------------------------|------------|--------|
| Titanoboa Group Limited | 62,676,865 | 39.61% |
| Brainpower Investment   | 11,250,000 | 7.11%  |

d. Voting Rights

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

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

## Additional Information for Listed Public Companies

### e. 20 Largest Shareholders — Ordinary Shares

| Name                            | Number of<br>Ordinary Fully<br>Paid Shares<br>Held | % Held of Issued<br>Ordinary Capital |
|---------------------------------|--|--------------------------------------|
| 1 Titanoboa Group Limited       | 62,676,865   | 39.61%                               |
| 2 Brainpower Investment         | 11,250,000   | 7.11%                                |
| 3 Citicorp Nominees Pty Limited | 9,413,941  | 5.95%                                |
| 4 Tsai Yan Huang                | 5,404,341  | 3.48%                                |
| 5 Kirin International Limited   | 5,000,000  | 3.16%                                |
| 6 Ching Yang Huang              | 4,754,875  | 3.01%                                |
| 7 Kuei Tsung Huang              | 4,375,000  | 2.77%                                |
| 8 Tsao Chi Chen                 | 3,750,000  | 2.37%                                |
| 9 Chang Ti Huang                | 3,750,000  | 2.37%                                |
| 10 Chien Huang                  | 3,750,000  | 2.37%                                |
| 11 Pi Sui Huang Lai             | 3,750,000  | 2.37%                                |
| 12 Hui Chin Lee                 | 3,499,875  | 2.21%                                |
| 13 Pen Li Lin                   | 3,465,125  | 2.19%                                |
| 14 Ms Ching-Lu Chi              | 3,100,000  | 1.96%                                |
| 15 Mr Chiang-Chih Kuo           | 2,699,300  | 1.71%                                |
| 16 Chien Ying Chi               | 2,107,750  | 1.33%                                |
| 17 Chien Lin Huang              | 2,000,375  | 1.26%                                |
| 18 Pantastico Gladwin           | 2,000,000  | 1.26%                                |
| 19 Ms Hui-Chin Lee              | 1,916,490  | 1.21%                                |
| 20 Ching Lu Chi                 | 1,666,250  | 1.05%                                |
|                                 | 140,330,187  | 88.73%                               |

### f. Tenements

The project is located near Kawhu Praso South District in Eastern Region of Ghana. It is about 130 Km northwest of Accura, the capital of Ghana.

2. The name of the Company secretary is Frederic Ferges.
3. The address of the principal registered office in Australia is Level 1 Suite 1a, 33 Queen Street, Brisbane QLD 4000. Telephone: (07) 3905 9430.
4. Registers of securities are held at the following addresses  
Level 12, 225 George Street, Sydney NSW 2000.
5. Stock Exchange Listing.  
Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.
6. On-Market Buy-Back  
There is no current on-market buy-back.
7. Other information

## **Additional Information for Listed Public Companies**

In accordance with ASX listing rule 4.10.19; the Company advises that it has used the cash, and assets in a form readily converted into cash, that it had at the time of admission, in a way consistent with its business objectives.