MCB RESOURCES
LIMITED

ABN 30 118 758 946

Annual Report

For the financial year ended 30 June 2020

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CORPORATE INFORMATION

Directors and Secretary in Service

The Hon. Mr David Johnston	Non-Executive Chairman
Mr Michael Johnston	Executive Director
Mr Sean O'Brien	Non-Executive Director
Mr Jonathan Reynolds	Non-Executive Director
Ms Catherine Grant-Edwards	Joint Company Secretary
Ms Melissa Chapman	Joint Company Secretary

Registered and Principal Office

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Auditors

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Securities Exchange Listing

MCB Resources Limited shares are listed on the Australian Securities Exchange (ASX: MCB) (formerly ASX: KLH).

DIRECTORS' REPORT

Your directors present their report together with the financial statements of MCB Resources Limited (formerly Kalia Limited) (**Company**) and the entities it controlled (**Group**) for the financial year ended 30 June 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

The Hon. David Johnston *B.Juris LLB*
Non-Executive Chairman *Appointed 28 September 2017*

The Honourable David Johnston, former Senator, practiced law in Kalgoorlie, Western Australia specialising in mining conveyancing and tenement disputation. He practiced in Western Australia for 20 years before being elected to the Australian Parliament as a Senator for Western Australia. Mr Johnston was in Parliament for 14 years, and during that time was the Minister for Justice and Customs, the Shadow Minister for Minerals Energy and Tourism, the Shadow Minister for Defence and then the Minister for Defence. Mr Johnston is not, nor has he been, a director of any other listed entities in the three years immediately before the end of the current financial year.

Mr Michael Johnston *BSc, MScHons, AusIMM (Fellow)*
Executive Director *Appointed 22 July 2019*

Mr Michael Johnston has extensive experience in PNG, having been Technical Services Manager at the giant Porgera Gold Mine during the 1990's, then General Manager of Placer Dome's exploration for all of Australia and Asia Pacific in the early 2000's. Most recently Mr Johnston was President and CEO of Nautilus Minerals, where he managed the development of the world's first publicly listed (TSX) sea floor mining company and was responsible for raising over A$300 million in finance. Mr Johnston is not, nor has he been, a director of any other listed entities in the three years immediately before the end of the current financial year.

Mr Sean O'Brien *AdvDip Accounting (RMIT University Melbourne)*
Non-Executive Director *Appointed 11 May 2018*

Mr Sean O'Brien has experience in finance and general management across a broad range of primary industries. Mr O'Brien has extensive experience overseeing a portfolio of listed and unlisted investments including many in the natural resources sector. Mr O'Brien is currently a Director of Remasys Pty Ltd, a managed services software business based in Australia. Mr O'Brien is not, nor has he been, a director of any other listed entities in the three years immediately before the end of the current financial year.

Mr Jonathan Reynolds *BCom (Hons), CA, F FIN*
Non-Executive Director *Appointed 22 July 2019*

Mr Jonathan Reynolds has more than 25 years' experience across a range of sectors, mostly in financial management roles having held the position of finance director, chief financial officer and company secretary with a number of listed entities. Previously, he was a senior manager with an international firm of chartered accountants. He is a member of the Institute of Chartered Accountants in Australia, a fellow of the Financial Services Institute of Australasia and holds a Bachelor of Commerce (Honours) degree. Mr Reynolds is, or has been, a director of the following listed entities in the three years immediately before the end of the current financial year:

- Allegiance Coal Ltd (August 2016 to present)

Mr. Terry Larkan *BCompt.MBA FGIA FCIS FCPA (Aust.)*
Managing Director *Appointed 26 October 2017, Resigned 9 August 2019*

Mr Terry Larkan has over 30 years mining finance and general management experience in Australasia, Africa and the Americas. Mr Larkan's previous roles include a director of Bellzone Mining, partner with Ernst & Young (Australia) and vice-president with Barrick Gold based in Toronto. Mr Larkan is not, nor has he been, a director of any other listed entities in the three years immediately before the end of the current financial year.

Mr. Peter Batten *BSc Geology MAusIMM*
Technical Director *Appointed 9 January 2018, Resigned 5 August 2019*

Mr Peter Batten is a geologist with 35 years of experience in the resources industry as a geologist, mine manager and consultant and has worked on nickel, gold, graphite, uranium and iron ore focussed projects. Mr Batten has worked in Bougainville, Australia, Botswana, Argentina, Guinea, Indonesia, Namibia, New Zealand, South Africa, Sweden, USA and

Zimbabwe. Mr Batten is not, nor has he been, a director of any other listed entities in the three years immediately before the end of the current financial year.

Company Secretary

Ms Catherine Grant-Edwards and Ms Melissa Chapman
Appointed Joint Company Secretary 20 May 2019

Ms Catherine Grant-Edwards (BCom, Chartered Accountant (CA)) and Ms Melissa Chapman (BCom, Certified Practicing Accountant (CPA), AGIA/ACIS, GAICD) were appointed as Joint Company Secretary on 20 May 2019. Ms Grant-Edwards and Ms Chapman are directors of Bellatrix Corporate Pty Ltd (**Bellatrix**), a company that provides company secretarial and accounting services to a number of ASX listed companies. Between them, Ms Grant-Edwards and Ms Chapman have over 30 years' experience in the provision of accounting, finance, and company secretarial services to public listed resource and private companies in Australia and the UK, and in the field of public practice within external audit.

Director interests in the shares and options of the Company

The following relevant interests in shares and options of the Company were held by the directors in office as at the date of this report.

Directors	Number of fully paid ordinary shares	Number of options over ordinary shares
The Hon. Mr David Johnston	186,793	-
Mr Michael Johnston	-	-
Mr Sean O'Brien	-	-
Mr Jonathan Reynolds	-	-

Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

Principal Activities

The principal activity of the entities within the Group during the year was mineral exploration with a focus on copper / gold in Bougainville, Papua New Guinea.

Other than as disclosed above, there have been no significant changes in the nature of that activity during the year.

Significant changes in the state of affairs

As noted in the Review of Operations, in December 2019 the Bougainville Government Department of Minerals and Energy Resources (**DoMER**) issued a notice suspending the Company's ability to conduct geological activities on its exploration licences. As a consequence, the Company sought a voluntary suspension of trading of its securities on the ASX. Both these suspensions remain in place at the date of this report.

There have been no other significant changes in the Company's state of affairs during the year.

Review of operations

Toremana Project (interest 75%)

The Company, through Toremana Joint Venture Limited (TJV) (incorporated in PNG on 1 August 2018 as an incorporated Joint Venture), manages two Exploration Licences (ELs) on the northern end of the island of Bougainville, Autonomous Region of Bougainville, Papua New Guinea.

TJV is 75% owned by the Group, with the remaining 25% being held by Toremana Resources Limited (Toremana), a registered landowner association.

The two ELs, EL03 and EL04, were both granted on 15 November 2017 for an initial term of three years, expiring 14 November 2020, and cover a combined area of 1,704 km^2. As detailed below, the Company is seeking to renew the licences beyond 14 November 2020.

Bougainville Island sits within the "Pacific Rim of Fire" and is considered prospective for intrusive related porphyry copper/gold and epithermal gold deposits. The wider region includes several world class intrusion related copper/gold and gold deposits, including the Panguna Mine, situated approximately 100km south of the TJV tenements.

The Company was deeply saddened by the death of Company geologist Mr Terry Win Kilya in December 2019, following an attack by armed individuals on Mr Win Kilya's exploration team. The Company extends its deepest sympathy to Mr Win Kilya's family and is hopeful that those responsible will be brought to justice in the near future.

During the year the Company has:

- completed a total of ten field trips at Aita-Turiviki, Melilup, Teosrii-Teoveane, Kunai Hills, and Kaskurus;
- refined the focus of field work to the 9 "Priority 1" targets identified by Fathom Geophysics, clustered on the "rim" of the large Upper Ramazon Geochemical Anomaly;
- released mapping and assay results in respect of the Melilup Prospect;
- commenced work to establish a field camp 'operational base' at the Melilup Prospect to support an accelerated program of geological mapping, rock chip sampling, and ground geophysics; and
- continued with community engagement and the development of a dedicated community relations team.

Following Mr Win Kilya's death, in December 2019 the Bougainville Government Department of Minerals and Energy Resources (**DoMER**) issued a notice suspending the Company's ability to conduct geological activities on its exploration licences. As a consequence, the Company sought a voluntary suspension of trading of its securities on the ASX. Both these suspensions remain in place at the date of this report.

At Melilup, prior to the Bougainville Government suspension, field work progressed up the Ramazon River, defining a porphyry copper alteration pattern transitioning from outer propyltic (chlorite-pyrite-epidote-+/-magnetite) with increasing magnetite towards inner propylitic and locally weak potassic alteration (chlorite-pyrite-epidote-magnetite+/-k-felspar) as the team approached Fathom target 1. Assay results indicate broad weak copper and gold mineralisation, up to 0.13% Cu and 0.33 g/t Au, with best grades occurring within NW trending sub-vertical fracture zones.

At Teosiri-Teoveane, low grade gold anomalism (~ <0.5 g/t Au) is associated with epithermal style alteration and potentially fertile fractionated intrusives. Additional work is warranted after further detailed review of results.

At Aita, the broad zone of low grade copper anomalism reported previously was resampled and extended slightly both north and west, prior to access being denied (refer 'Community' section for details). Late flows and intrusives further complicate the geology in this region. Additional work is planned once access is secured.

Initial sampling at Turiviki showed weak anomalism from mostly high level epithermal alteration associated with a major late fault. Additional work is planned as part of the Aita program.

Results from Kunai Hills and Kaskurus indicate that there is no significant mineralisation or developed alteration at these two prospects, and no further work is planned.

Community

The Company continued working with landowners during the year, focusing on providing awareness and educating villagers about the exploration/mining process, and to seek approval to access sites.

Restructuring of the Tore Joint Venture commenced in the year. Landowners are currently voting for representatives for each of the eight landowner associations (**LOA)**, with the new board to have a representative from each LOA. The objective is to make the TJV board more directly representative of the landowner associations and assist with information flow, consultation, and access requirements.

The Bougainville referendum vote occurred in November 2019. The final vote showed 98% of those who voted supported independence of some sort. The Company suspended field work during the initial voting period, recommencing work when landowners invited the Company back onto their land once they had completed voting.

The death of Mr Terry Win Kilya on 12 December 2019 saw the Company undertake the recovery of his body, and its return to his village in Enga, Papua New Guinea, in accordance with custom. The Company also provided assistance to the family for travel and accommodation and made a significant “bel kol” (customary compensation) payment. The Company has also been working closely DoMER, local police and landowners, with a view to identifying and arresting those responsible for this terrible act. The police investigation and operation are still ongoing at the date of release of this report.

On 17 December 2019, DoMER served the Company with a notice requiring it to suspend exploration/geological field work within its two exploration permits. The Company continues to co-operate with Bougainville authorities and landowners in its endeavour to have this suspension lifted as soon as possible, to enable it to continue with its business activities.

Health and Safety

The following health and safety initiatives have been undertaken:

- The company has developed a comprehensive risk register and Crisis Management procedures in 2020, with detailed Standard Operating Procedures developed to address all major risk identified.
- All high potential risks are reported to and tracked by the board.
- First aid training has been completed (planned for late this week) for all personnel.
- The company continues to use ISOS as its health and safety advisor, and to provide training and emergency evacuation capability as and when required.
- The company has also begun investing in regular medical “patrols” with a focus on the treatment of preventable diseases and child/maternal health in isolated regions within the companies tenements.

BOUGAINVILLE GENERAL ELECTION

During the June 2020 quarter, the Electoral Commission of the Autonomous Bougainville Government announced the schedule for the 2020 Bougainville General Election. Voting took place during the period 12 to 30 August 2020, with results announced in September 2020.

The Bougainville people have elected a new President, following the former President serving two terms and being ineligible to stand again. The result will also likely see a new Bougainville Executive Council (BEC), and a number of new Ministers.

The Company looks forward to working with the incoming President and new Ministers, for the benefit of all Bougainvillians.

COVID-19 IMPACT

The state of emergency (**SOE**) announced for Papua New Guinea (**PNG**) and the Autonomous Region of Bougainville (**ARB**) in mid-March 2020 led to a suspension of all Company activities, including landowner liaison, travel, field and office activities. In mid-April the SOE was extended further until 14 June 2020, and then again out to mid-August. The SOE procedures will lead to extended timelines and delays to planned activities, including drilling. The Company has taken a number of steps to significantly reduce operating costs during this period, including salary reductions, redundancies, and ceasing of all field activities and travel.

The first signs of community transmission in Port Moresby (POM) occurred on 23 July 2020. Subsequent to this, on 30 July the first instance of COVID-19 was reported in Bougainville, through a 22 year old student returning to central region from POM. This is a major concern and has lead to a re-tightening of SOE rules in both POM and Bougainville, in particular the reimposition of travel restrictions. This will have a major impact on the Company, and seriously impacts its ability to get professional staff back into the field, and plan and restart work programs.

The Company’s primary aim once the SOE ends is to get the suspension of field activities lifted so that an operational base and security/police presence can be established at Melilup Prospect, and preparation for drilling can be advanced. Once the field camp is established a program of detailed mapping, sampling and ground geophysics will commence across the wider prospect area to allow drill targeting and the commencement of drilling. SOE “lock down” and restrictions, and the need for ground-based geophysics to support drill targeting (due to very poor outcrop and dense tropical jungle), means drilling will now not commence until late H1 2021 at the earliest. This timeline will be subject to the lifting of SOE travel restrictions shortly after the general election is completed, lifting of the Company’s exploration suspension, and the ability to access suitable contractors to perform the ground based geophysics and drilling that the Company requires.

During Q3 2020 the Company has submitted variation reports for expenditure and work activities on both EL03 and EL04, reflecting the impact of the SOE restrictions and licence suspensions. The Company submitted renewal applications for both

Exploration Licences in late July, well before the prescribed renewal periods. At the date of this report, the licence renewals are proceeding through the regulatory process.

Financial Review

The Group recorded a net loss after tax of $3,245,143 for the financial year ended 30 June 2020 (2019: $707,004). The cash balance at the end of the financial year was $46,234 (2019: $2,644) and a total of $6,800,000 (2019: $4,250,000) in funds have been drawn from the Company's loan facility (**Facility**) with Tygola Pty Ltd (**Tygola**). At 30 June 2020, the Company has access to a further $2.2 million funding under its Facility arrangements with Tygola.

Corporate

Board restructure

The following board changes occurred during the year:
- Mr Michael Johnston was appointed as an Executive Director on 22 July 2019;
- Mr Jonathan Reynolds was appointed as a Non-Executive Director on 22 July 2019;
- Mr Peter Batten resigned as Technical Director on 5 August 2019; and
- Mr Terrence Larkan resign as Managing Director on 9 August 2019.

Annual General Meeting

The Company's annual general meeting was held on 29 November 2019 (**AGM**). All AGM resolutions were approved by shareholders.

Funding

At 30 June 2020, the Company had in place four facilities with Tygola. A summary of the loan arrangements in place at this date were:
- **Facility 1**, a $3.0 million secured loan facility, repayable on 30 September 2020;
- **Facility 2**, a $1.5 million secured loan facility, repayable on 30 September 2020;
- **Facility 3**, a $1.5 million unsecured loan facility, repayable on 30 September 2020; and
- **Facility 4**, a $3.0 million unsecured loan facility, repayable on 30 September 2020,
  (together, providing a **Total Facility** of $9.0 million due for repayment on 30 September 2020).

All loans bear an interest rate of 10% per annum and attract a facility fee of 5% on draw downs. All loans are repayable in cash, save for Tygola having the option of converting into shares $1.0 million of Facility 2 at $0.40 per ordinary share. The conversion option is fixed for fixed and the equity component is not material.

At 30 June 2020, a total of $6.8 million has been drawn down from the Total Facility, leaving a total balance of $2.2 million available under Facility 4, subject to the terms of the facilities.

On 29 September 2020, the Borrower (being MCB Resources) and the Lender (being Tygola) have agreed in principle to a further loan of $1.5 million (Facility 5), a loan extension and repayment schedule whereby the full loan amounts (Facilities 1 through 5) will convert to equity over a prescribed timeframe as part of the Company's recapitalisation strategy. MCB Resources and Tygola are working in good faith to resolve a clear path forward, to define the terms of conversion, and to finalise detailed documentation.

The parties are unable to extend the 30 September 2020 repayment term in accordance with the loan agreements unless and until the Borrower seeks and obtains the approval of its shareholders under ASX Listing Rule 10.1 at a general meeting (General Meeting). The Borrower intends to convene a General Meeting as soon as possible, but no later than 31 December 2020. The Lender has provided comfort to the Borrower that it will not take action to enforce its first ranking security until such time as the General Meeting has been held, or 31 December 2020, whichever is the sooner. Despite the indication that it will take no action, all of the Lender's rights and remedies under or in relation to the Loan Agreements and General Security Deed are expressly reserved, and provisions under the Loan Agreements remain in full force and effect.

At the date of release of this report, the Company has fully drawn down Facilities 1, 2 and 3, and a portion of Facility 4 for a total of $7.4 million, leaving a total of $3.1 million available under Facilities 4 and 5.

Legal

On 16 November 2017 the Company announced that it had been named as a defendant in legal action brought by various plaintiffs, including ASX quoted company RTG Mining Inc. The Company has been defending the claims made against it and believes they are without merit. All parties to the action have been referred for mediation.

On or about 11 June 2020, a small group from within Toremana Resources Limited, the Company's Joint Venture Partner, made a filing at Waigani Court PNG seeking relief and unspecified damages against the group. The Company notes that the group of disgruntled representatives have failed to follow the Joint Venture dispute mechanism, as defined in the Joint Venture documents. Furthermore, the company is advised that the case is unlikely to move forward to trial as the pleadings are poorly constructed, and the relief being sought is not easy to get.

Change of address and phone number

During the year, the Company changed its principal place of business, registered office address, and telephone number. Refer 'Corporate Information' for current details.

Change of company name and new ASX code

As announced on 7 February 2020, the Company changed its name from Kalia Limited to MCB Resources Limited. Shareholder approval for the name change was obtained at the Company's AGM. The change of company name process has been completed with the Australian Securities and Investments Commission and as from the commencement of trading on Friday, 7 February 2020, the change of Company name on the ASX took effect and the ASX Code was changed from "KLH" to "MCB."

Consolidation of securities

As approved by shareholders at the Company's AGM, the Company completed a consolidation of its issued capital on a 1 for 100 basis (**Securities Consolidation**). Trading of securities on a post-consolidation basis commenced on 13 December 2019.

Settlement with former director

On 25 March 2020, the Company announced that it has reached agreement to settle claims by former director Mr Terry Larkan in connection with his employment. Pursuant to the terms of the settlement, Mr Larkan received payment of $29,893 in cash and was issued 550,000 ordinary shares (subject to voluntary escrow for a period of twelve months from the date of issue).

Securities

Movement in shares during the year included:

- Securities Consolidation of 2,514,347,392 shares into 25,143,552 shares
- Issue of 550,000 shares (refer 'Settlement with former director' above)
- Issue of 1 share in relation to the expiry of the Class A performance shares (see below) (formal issue of this security is pending at the date of release of this report)

Movement in performance shares during the year included:

- Securities Consolidation of a total of 500,000,000 performance shares into 5,000,000 performance shares (Class A and Class B)
- Lapse of 2,500,000 performance shares (Class A) upon expiry date of 1 June 2020, converting, in accordance with its terms, into one ordinary share.

Movement in unlisted options during the year included:

- Securities Consolidation of a total of 100,000,000 unlisted options into 1,000,000 unlisted options (various classes)

Significant events after balance date

Funding

On 29 September 2020, the Borrower (being MCB Resources) and the Lender (being Tygola) have agreed in principle to a further loan of $1.5 million (Facility 5), a loan extension and repayment schedule whereby the full loan amounts (Facilities 1 through 5) will convert to equity over a prescribed timeframe as part of the Company's recapitalisation strategy. MCB Resources and Tygola are working in good faith to resolve a clear path forward, to define the terms of conversion, and to finalise detailed documentation.

The parties are unable to extend the 30 September 2020 repayment term in accordance with the loan agreements unless and until the Borrower seeks and obtains the approval of its shareholders under ASX Listing Rule 10.1 at a general meeting

(**General Meeting**). The Borrower intends to convene a General Meeting as soon as possible, but no later than 31 December 2020. The Lender has provided comfort to the Borrower that it will not take action to enforce its first ranking security until such time as the General Meeting has been held, or 31 December 2020, whichever is the sooner. Despite the indication that it will take no action, all of the Lender's rights and remedies under or in relation to the Loan Agreements and General Security Deed are expressly reserved, and provisions under the Loan Agreements remain in full force and effect.

At the date of release of this report, the Company has fully drawn down Facilities 1, 2 and 3, and a portion of Facility 4 for a total of $7.4 million, leaving a total of $3.1 million available under Facilities 4 and 5.

Other than events noted above, there has been no additional matter or circumstances that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in future financial periods.

Likely developments and expected results

The Group plans to continue to advance its exploration activities at its Toremana Project.

Environmental legislation

In the course of its normal exploration activities, the Group adheres to environmental regulations imposed on it by the various regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna.

The Group has complied with all material environmental requirements during the financial year.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Group.

Indemnification and insurance of Directors and Officers

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

Remuneration report

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel (**KMP**) of the Company for the financial year ended 30 June 2020. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

The identified KMP of the Company during the year ended 30 June 2020 were:

- Mr David Johnston (Non-Executive Chairman)
- Mr Michael Johnston (Executive Director) (appointed 22 July 2020)
- Mr Sean O'Brien (Non-Executive Director)
- Mr Jonathan Reynolds (Non-Executive Director) (appointed 22 July 2020)
- Mr Terrence Larkan (Managing Director) (resigned 9 August 2019)
- Mr Peter Batten (Technical Director) (resigned 5 August 2019)

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The Board has the authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the company and of the senior management. Compensation levels for directors and senior management of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

Remuneration levels in general are not dependent upon any performance criteria as the Company and the Group are not generating a profit. Certain share-based payments however could have performance conditions with a market condition to incentivise the recipients.

Remuneration committee

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a Board and executive team with the relevant expertise, experience and ability to best serve the Company's needs.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

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

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate level ($500,000) was set at the time of the company's incorporation and has not changed since.

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

The remuneration of non-executive directors for the year ended 30 June 2020 is detailed in the below remuneration table.

Executive director remuneration

Remuneration consists of fixed remuneration only.

<u>Fixed Remuneration</u>

Fixed remuneration is reviewed annually by the Board of Directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Board of Directors has access to external, independent advice where necessary. No remuneration consultants were used during the year. The fixed remuneration of the Company Directors and executives is detailed in the below remuneration table.

<u>2019 Annual General Meeting</u>

The company's most recent Annual General Meeting was held on 29 November 2019. The remuneration report for the financial year ended 30 June 2019 was adopted for the purposes of section 250R(2) of the Corporations Act 2001 and for all other purposes.

<u>Bonuses</u>

No bonuses were granted during the year.

Employment and Services Contracts

<u>Mr Michael Johnston</u> – Executive Director

Mr Michael Johnston was initially engaged under a six-month fixed term contract, the term of which has been extended to 31 December 2020 pursuant to a written contract. Under the arrangement, Mr Michael Johnston is entitled to receive consulting fees of $30,000 per month for services performed. There are no termination provisions or notice period requirements under the current arrangement. These fees are invoiced by Midas Mining Advisory Pty Ltd, a related entity of Mr Johnston.

<u>Mr David Johnston</u> – Non-Executive Chairman

The key terms of Mr David Johnston's service contract are:

- Chairman and consulting fees of $60,000 per annum plus statutory superannuation
- Termination notice 3 months by either party
- No termination benefits

<u>Mr Jonathan Reynolds</u> – Non-Executive Director

Mr Jonathan Reynolds is entitled to non-executive director fees of $36,000 per annum. These fees are invoiced by J Reynolds CA Pty Ltd, a related entity of Mr Reynolds. There is a written contract between the Company and Mr Reynolds.

Terry Larkan – Managing Director (Resigned 9 August 2019)
Refer to the 2019 Annual Report for details of former director Terry Larkan's service contract. Amounts paid to Mr Larkan during the year in respect of remuneration he was entitled to receive up to his date of resignation (including settlement thereof) are detailed in the table below.

Peter Batten – Technical Director (Resigned 5 August 2019)
Refer to the 2019 Annual Report for details of former director Peter Batten's service contract. Amounts paid to Mr Batten during the year in respect of remuneration he was entitled to receive up to his date of resignation are detailed in the table below.

Key Management Personnel remuneration for the years ended 30 June 2020 and 30 June 2019

	Short-term employment benefits		Post-employment benefit			
	Salary	Consulting fees	Superannuation	Share-based payment	Total	Performance related
30 June 2020	$	$	$	$	$	%
Directors						
D Johnston	60,000	-	5,700	-	65,700	-
M Johnston (i)	-	233,000	-	-	233,000	-
S O'Brien	-	-	-	-	-	-
J Reynolds (ii)	-	33,677	-	-	33,677	-
T Larkan (iii)	91,827	-	2,898	479,877	574,602	83%
P Batten (iv)	71,556	-	5,491	-	77,047	-
Total	223,383	266,677	14,089	479,877	984,026	49%

	Short-term employment benefits		Post-employment benefit			
	Salary	Consulting fees	Superannuation	Share-based payment	Total	Performance related
30 June 2019	$	$	$	$	$	%
Directors						
D Johnston	60,000	-	5,700	-	65,700	-
S O'Brien	-	-	-	-	-	-
T Larkan (iii)	279,469	-	20,531	162,184	462,184	35%
P Batten (iv)	229,469	-	20,537	-	250,006	-
Executives						
P Hartog (v)	165,476	-	15,720	-	181,196	-
Total	734,414	-	62,488	162,184	959,086	17%

(i) Mr Michael Johnston was appointed 22 July 2019.
(ii) Mr Jonathan Reynolds was appointed 22 July 2019.
(iii) Mr Terry Larkan resigned 9 August 2019. In respect of amounts shown in the year ended 30 June 2020 table:
a. salary includes an amount of $29,893 representing a cash payment made in part settlement of a claim for remuneration in respect of employment
b. share based payments includes $441,376 in respect of options and $38,500 in respect of 550,000 shares issued to Mr Larkan on 2 April 2020 as part settlement of a claim for remuneration in respect of employment.
(iv) Mr Peter Batten resigned 5 August 2019.
(v) Mr Phillip Hartog resigned from the role of Company Secretary 20 May 2019 and from the role of CFO 24 May 2019.

No member of key management personnel appointed during the period received a payment as part of their consideration for agreeing to hold the position.

Shareholdings of Key Management Personnel

Movements in and shareholdings noted in the table below are presented on a post Securities Consolidation basis (1 for 100), unless otherwise noted.

30 June 2020	Balance at beginning of period Number	Granted as remuneration Number	On Exercise of Options Number	Net Change Other Number	Balance at end of period Number
Directors					
D Johnston	186,973	-	-	-	186,973
M Johnston	-	-	-	-	-
S O'Brien	-	-	-	-	-
J Reynolds	-	-	-	-	-
T Larkan (i)	10,000	550,000	-	(560,000)	-
P Batten (ii)	361,446	-	-	(361,446)	-
Total	558,419	550,000	-	(921,446)	186,973

(i) As detailed above, Mr Larkan received 550,000 shares on 2 April 2020 (after the date of his resignation). As these shares were issued in settlement of a claim for remuneration, the shares have been included in this table as being granted as remuneration. The shares shown at 'net change other' refers to the sum of the shares held by Mr Larkan at the date of his resignation adjusted to include the 550,000 shares received subsequent to resignation.

(ii) Shares shown at 'net change other' refers to shares held by Mr Batten at the date of his resignation.

All equity transactions with key management have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Option holdings of Key Management Personnel

Movements in optionholdings in the table below are presented on a post Securities Consolidation basis (1 for 100), unless otherwise noted.

30 June 2020	Balance at beginning of period Number	Granted as remuneration Number	Options exercised Number	Net Change Other Number	Balance at end of period Number
Directors					
D Johnston	-	-	-	-	-
M Johnston	-	-	-	-	-
S O'Brien	-	-	-	-	-
J Reynolds	-	-	-	-	-
T Larkan (i)	1,000,000	-	-	(1,000,000)	-
P Batten	-	-	-	-	-
Total	1,000,000	-	-	(1,000,000)	-

(i) Options shown at 'net change other' refers to unlisted options retained by Mr Larkan at date of resignation.

Options Exercised

There were no options exercised by KMP during the year ended 30 June 2020 (2019: none).

Options granted as remuneration

There were no options granted as remuneration to KMP during the year ended 30 June 2020 (2019: none).

The following options were previously granted on 16 May 2018 to a then director of the Company (**Director Options**):

	Number[1]	Grant date	Expiry Date	Exercise Price[1]	Fair Value at Grant Date[1]
Tranche 1	350,000	16/05/2018	16/05/2021	$2.00	$0.57
Tranche 2	350,000	16/05/2018	16/05/2022	$2.50	$0.63
Tranche 3	300,000	16/05/2018	16/05/2023	$3.00	$0.68

[1] Post-consolidation basis.

The holder of these Director Options is former director Mr Terry Larkan. In accordance with the terms and conditions of the options, the holder retained these securities upon his resignation. The fair value of the Director Options was previously being recorded over the service period to which they relate. Upon Mr Larkan's resignation during the year and cessation of services provided to the Company, the Company has accelerated expensing the balance of the fair value amount which remained, resulting in a share based payment expense of $441,376 being recorded in the year ended 30 June 2020.

Other transactions and balances with Key Management Personnel

There were no fees incurred directly by D Johnston and T Larkan in the year ended 30 June 2020 (2019: $123,522) in respect of legal action brought by RTG Mining Ltd.

Director remuneration and fees owing to Mr D Johnston at 30 June 2020 was $76,650 (2019: $10,950).

Director remuneration and fees owing to Mr M Johnston at 30 June 2020 was $60,000 (excluding GST) (2019: nil).

Director remuneration and fees owing to Mr J Reynolds at 30 June 2020 was $3,000 (excluding GST) (2019: nil).

End of Remuneration Report

Directors' Meetings

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Directors meetings held / eligible to attend	Total attended
D Johnston	3	2
M Johnston	2	2
S O'Brien	3	3
J Reynolds	2	2
T Larkan	1	1
P Batten	1	1

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.

Auditor Independence

Section 307C of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 15 and forms part of this directors' report for the year ended 30 June 2020.

Non-Audit Services

No non-audit services were provided during the year by the auditor.

Signed in accordance with a resolution of the directors.

Dated: 30 September 2020

The Hon. Mr David Johnston
Non-Executive Chairman

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of MCB Resources Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia	**M R Ohm**
30 September 2020	**Partner**

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

	Notes	2020 $	2019 $
Continuing operations			
Interest income	2	12	209
Other income		1,049	-
Performance shares reversal	14(f)	-	3,750,000
Administrative and employee benefits expense	2	(1,569,188)	(2,217,235)
Depreciation expense	9, 10	(213,366)	(53,134)
Accounting expense		(131,961)	(65,002)
Project generation		(597,406)	(1,585,142)
Finance cost	12, 13	(703,114)	(443,497)
Impairment of property, plant and equipment	9	(31,123)	(78,099)
Foreign exchange expense		(46)	(15,104)
Loss before income tax expense		(3,245,143)	(707,004)
Income tax expense	3	-	-
Loss for the year		(3,245,143)	(707,004)
Other comprehensive income, net of income tax			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(80,753)	(42,537)
Other comprehensive loss for the year, net of tax		(80,753)	(42,537)
Total comprehensive loss for the year		(3,325,896)	(749,541)
Basic (loss) per share (cents per share)	5	(12.83)	(2.81)
Diluted (loss) per share (cents per share)	5	(12.83)	(2.81)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	6	46,234	2,644
Trade and other receivables	7	49,024	14,652
Prepayments and deposits	8	37,789	42,237
Total current assets		133,047	59,533
Non-current assets			
Property, plant and equipment	9	86,151	119,348
Right-of-use asset	10	98,680	-
Total non-current assets		184,831	119,348
Total assets		317,878	178,881
Liabilities			
Current liabilities			
Trade and other payables	11	1,316,988	980,556
Borrowings	12	6,800,000	4,250,000
Lease liability	13	98,585	-
Total current liabilities		8,215,573	5,230,556
Total liabilities		8,215,573	5,230,556
Net liabilities		(7,897,695)	(5,051,675)
Equity			
Issued capital	14	30,075,728	30,037,228
Reserves	15	(5,044,431)	(5,405,054)
Accumulated losses	16	(32,928,992)	(29,683,849)
Total deficiency		(7,897,695)	(5,051,675)

The accompanying notes form part of these financial statements

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

	Notes	Issued Share capital $	Option premium reserve $	Share-based payment reserve $	Foreign currency translation reserve $	Minority Interest acquisition reserve $	Accumulated losses $	Total Equity $
Balance at 1 July 2018		**29,162,228**	**245,660**	**4,863,415**	**(43,585)**	**(5,965,191)**	**(28,976,845)**	**(714,318)**
Loss for the year		-	-	-	-	-	(707,004)	(707,004)
Exchange differences arising on translation of foreign operations		-	-	-	(42,537)	-	-	(42,537)
Total comprehensive loss for the year		-	-	-	(42,537)	-	(707,004)	(749,541)
Performance shares (Class C)	14	-	-	(3,750,000)	-	-	-	(3,750,000)
Director options	14	-	-	162,184	-	-	-	162,184
Adviser options	14	-	-	(875,000)	-	-	-	(875,000)
Share issue costs	14	875,000	-	-	-	-	-	875,000
Balance at 30 June 2019		**30,037,228**	**245,660**	**400,599**	**(86,122)**	**(5,965,191)**	**(29,683,849)**	**(5,051,675)**
Balance at 1 July 2019		**30,037,228**	**245,660**	**400,599**	**(86,122)**	**(5,965,191)**	**(29,683,849)**	**(5,051,675)**
Loss for the year		-	-	-	-	-	(3,245,143)	(3,245,143)
Exchange differences arising on translation of foreign operations		-	-	-	(80,753)	-	-	(80,753)
Total comprehensive loss for the year		-	-	-	(80,753)	-	(3,245,143)	(3,325,896)
Shares issued	14	38,500	-	-	-	-	-	38,500
Director options	14	-	-	441,376	-	-	-	441,376
Balance at 30 June 2020		**30,075,728**	**245,660**	**841,975**	**(166,875)**	**(5,965,191)**	**(32,928,992)**	**(7,897,695)**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,342,393)	(1,685,277)
Project generation		(940,959)	(1,152,676)
Exploration and evaluation expenditure		-	(55,887)
Interest received		12	209
Net cash (outflows) from operating activities	6	(2,283,340)	(2,893,631)
Cash flows from investing activities			
Payment for plant and equipment		(28,777)	(161,648)
Proceeds on sale of plant and equipment		-	976
Net cash (outflows) from investing activities		(28,777)	(160,672)
Cash flows from financing activities			
Proceeds from borrowings	12	2,550,000	3,180,000
Transaction costs related to borrowings		-	(159,000)
Interest on borrowings		-	(255,708)
Repayment of principal lease liabilities		(194,293)	-
Net cash inflows from financing activities		2,355,707	2,765,292
Net increase/(decrease) in cash and cash equivalents		43,590	(289,011)
Cash and cash equivalents at the beginning of the year		2,644	291,655
Cash and cash equivalents at the end of the year	6	46,234	2,644

The accompanying notes form part of these financial statements

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of MCB Resources Limited (formerly Kalia Limited) and its subsidiaries.

The financial statements have been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements are presented in Australian dollars.

The Company is a listed public company, incorporated in Australia. The entity's principal activities are exploration focused on copper and gold in Bougainville.

The financial report was authorised for issue by the directors on 30 September 2020.

As approved by shareholders at the Company's AGM, the Company completed a consolidation of its issued capital on a 1 for 100 basis (**Securities Consolidation**). Trading of securities on a post-consolidation basis commenced on 13 December 2019. References to numbers of shares and other securities throughout the financial report are presented on a post-Securities Consolidation basis unless otherwise noted.

(b) Statement of compliance

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

(c) Going concern

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

The Group is involved in the exploration and evaluation of mineral tenements. Further expenditure will be required upon these tenements to ascertain whether they contain mineral resources and economically recoverable reserves. The nature of the Group's current activities does not provide the Group with revenues.

The Group has incurred a net loss after tax of $3,245,143 (2019: net loss after tax $707,004) and incurred net cash outflows from operating and investing activities of $2,312,117 for the year ended 30 June 2020 (2019: $3,054,303). The Group has a working capital deficit of $8,082,526 as at 30 June 2020 (2019: $5,171,023).

The Group has historically met its cash flow requirements by raising the required capital through the placing of shares with investors and via its loan facility arrangements with Tygola Pty Ltd (Tygola). At 30 June 2020 the Group had cash assets of $46,234. The total limit of the Tygola loan facilities in place at 30 June 2020 was $9,000,000. The amount drawn down at 30 June 2020 was $6,800,000, leaving a remaining facility for draw down of $2,200,000, subject to the terms of the facility.

The Group is taking steps to deal with the existing debt position. To continue as a going concern, the Group requires additional funding to be secured from sources including but not limited to:

- securing further loans;
- equity capital raisings;
- potential farm-out of participating interests in the Group's tenements and rights; and / or
- other financing arrangements.

On 29 September 2020, the Borrower (being MCB Resources) and the Lender (being Tygola) have agreed in principle to a further loan of $1.5 million (Facility 5), a loan extension and repayment schedule whereby the full loan amounts (Facilities 1 through 5) will convert to equity over a prescribed timeframe as part of the Company's recapitalisation strategy. MCB Resources and Tygola are working in good faith to resolve a clear path forward, to define the terms of conversion, and to finalise detailed documentation.

The parties are unable to extend the 30 September 2020 repayment term in accordance with the loan agreements unless and until the Borrower seeks and obtains the approval of its shareholders under ASX Listing Rule 10.1 at a general meeting (General Meeting). The Borrower intends to convene a General Meeting as soon as possible, but no later than 31 December 2020. The Lender has provided comfort to the Borrower that it will not take action to enforce its first ranking security until such time as the General Meeting has been held, or 31 December 2020, whichever is the sooner. Despite the indication that it will take no action, all of the Lender's rights and remedies under or in relation to the Loan Agreements and General Security Deed are expressly reserved, and provisions under the Loan Agreements remain in full force and effect.

At the date of release of this report, the Company has fully drawn down Facilities 1, 2 and 3, and a portion of Facility 4 for a total of $7.4 million, leaving a total of $3.1 million available under Facilities 4 and 5.

While the Directors believe that the Group will obtain sufficient funding, the Directors have concluded that the lack of committed funds represents a material uncertainty that may cast significant doubt upon the Group's 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. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

After considering the uncertainties mentioned above, the Directors have a reasonable expectation that the Group will be able to obtain additional funding that will provide the Group with sufficient resources to continue in operational existence for the foreseeable future. For this reason, the Directors are satisfied that the going concern basis of preparation is appropriate. The financial report has therefore been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(d) Adoption of new and revised standards

New accounting standards adopted in the current period

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the year end reporting period beginning on or after 1 July 2019.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies, other than the following:

AASB 16 - Leases

The Group has adopted AASB 16 with the date of initial application being 1 July 2019.

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.

The Group has elected to apply the modified retrospective approach available under the AASB 16 when transitioning to the new standard, whereby the Company has recorded a right of use asset at the date of initial application of leases previously classified as an operating lease applying AASB 117, and measured that right of use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Refer to Note 10 and Note 13 for details of lease accounting. Refer note 1(p) for the lease accounting policy applicable from 1 July 2019.

New accounting standards and interpretations issued but not yet effective

The Directors have also review all Standards and Interpretations issued and not yet adopted for the year ended 30 June 2020. As a result of this review, the Directors have determined that there is no material impact of the new and revised standards and interpretations on issue not yet adopted and therefore no other material change is necessary to the Group's accounting policies.

(e) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MCB Resources Limited (**Company** or **Parent Entity**) as at 30 June 2020 and the results of all subsidiaries for the year then ended. MCB Resources Limited and its subsidiaries are referred to in this financial report as the **Group**.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(f) Critical accounting estimates and judgements

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

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

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(g) Segment reporting

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

(h) Foreign currency translation

Both the functional and presentation currency of MCB Resources Limited and its Australian subsidiaries is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

As at the balance date the assets and liabilities of this subsidiary are translated into the presentation currency of MCB Resources Limited at the rate of exchange ruling at the balance date and income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

In addition, in relation to the partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that

do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

(i) Revenue recognition

Interest

Interest revenue is recognised using the effective interest rate method.

(j) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(k) Other taxes

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

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

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

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

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

(l) Impairment of tangible and intangible assets other than goodwill

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

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

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

(m) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(n) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

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

(o) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment	3 - 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

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

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

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

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

Derecognition and disposal

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

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

(p) Leases

Applicable from 1 July 2019

Right of use asset
In relation to lease agreements entered into after 1 July 2019, the Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities
In relation to lease agreements entered into after 1 July 2019, at the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period, in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases and low value assets.

(q) Trade and other payables

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

(r) Borrowings

Borrowings are initially recognised at fair value. Interest and fees are recognised as finance cost. Borrowings are classified as current liabilities if settlement is within 12 months after the reporting period and subsequently carried at amortised cost.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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

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

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

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

(t) Share-based payment transactions

Equity settled transactions

The Group in a previous financial year provided benefits to employees of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of MCB Resources Limited (market conditions) if applicable.

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

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(u) Issued capital

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

(v) Loss per share

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

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

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

(w) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

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

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

(x) Parent entity financial information

The financial information for the parent entity, MCB Resources Limited, disclosed in Note 21 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost in the parent entity’s financial statements.

(y) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(aa) Financial instruments

Recognition and derecognition

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

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

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

Classification and initial measurement of financial assets

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

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI.

Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139.

Any gains or losses recognised in other comprehensive income (OCI) are not recycled upon derecognition of the asset.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

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

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

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

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

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

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

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

Trade and other receivables and contract assets

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

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

Classification and measurement of financial liabilities

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

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

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

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

2. REVENUE AND EXPENSES

		2020 $	2019 $
Revenue			
Interest income		12	209
Expenses			
Employee benefit expenses		431,435	1,165,693
Share-based payment expenses	17	479,876	162,184
Legal fees		99,830	168,378
Travel costs		288,286	116,192
Consulting fees		12,459	78,752
Office & IT costs		134,664	232,490
Statutory fees		83,987	72,934
Other		38,651	220,612
		1,569,188	2,217,235

3. INCOME TAX

Income tax recognised in profit or loss
The major components of tax expense are:

	2020 $	2019 $
Current tax expense/(income)	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce:		
- Current tax expense	-	-
- Deferred tax expense	-	-
Write-downs/ (reversal of write-downs) of deferred tax assets	-	-
Total tax expense /(income)	-	-

Reconciliation:
The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

	2020 $	2019 $
Accounting loss before income tax	(3,245,143)	(707,004)
Income tax benefit calculated at 27.5%	(892,414)	(194,426)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
- Impairment expense	-	21,477
- Share-based payments	131,966	44,601
Difference in overseas tax rates	49,024	85,744
Unused tax losses not recognised as deferred tax assets	711,424	42,604
Income tax expense reported in the consolidated statement of comprehensive income	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law.

Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items:

	2020 $	2019 $
Tax losses – revenue	3,052,862	4,109,068
Tax losses – capital	176,791	406,309
Deductible temporary differences	237,159	147,950
	3,466,812	4,663,327

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

4. SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Board of Directors for the purposes of resource allocation and assessment of performance is more specifically focused on the exploration and development of mineral resource projects. The Group's reportable segments during the year under AASB 8 are therefore as follows:

- Exploration and evaluation – Bougainville
- Other sector

Exploration and evaluation - Bougainville refers to two Exploration Licences held in Bougainville which were granted in November 2017.

The other sector relates to Australian head office operations, including cash management.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following table presents the revenue and loss information regarding the segment information provided to the Board of MCB Resources Limited for the year ended 30 June 2020 and 30 June 2019.

30 June 2020	Exploration and evaluation - Bougainville $	Other $	Consolidated $
Segment revenue	6	1,055	1,061
Segment result	(1,939,794)	(1,305,349)	(3,245,143)
Segment results includes:			
Project generation	(597,406)	-	(597,406)
Segment assets	225,514	92,364	317,878
Segment liabilities	329,595	7,885,978	8,215,573
Cash flow information			
Net cash flow from operating activities	(1,206,403)	(1,271,229)	(2,477,632)
Net cash flow from investing activities	-	(28,777)	(29,777)
Net cash flow from financing activities	-	2,550,000	2,550,000

30 June 2019	Exploration and evaluation - Bougainville $	Other $	Consolidated $
Segment revenue	94	3,750,115	3,750,209
Segment result	(3,542,746)	2,835,742	(707,004)
Segment results includes:			
Project generation	(1,527,446)	(57,696)	(1,585,142)
Segment assets	113,997	64,884	178,881
Segment liabilities	294,986	4,935,570	5,230,556
Cash flow information			
Net cash flow from operating activities	(1,700,450)	(1,137,294)	(2,837,744)
Net cash flow from investing activities	(132,963)	(83,596)	(216,559)
Net cash flow from financing activities	-	2,765,292	2,765,292

Segment information by geographical region:

	2020 $	2019 $
The analysis of the location of total assets is as follows:		
Australia	92,364	64,884
Bougainville	225,514	113,997
	317,878	178,881

The revenue reported above represents interest and other income. Intersegment revenues have been eliminated.

Segment results earned by each segment are without allocation of central administration costs and directors' salaries, investment revenue and finance costs, income tax expense and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The revenue and results of this segment are those of the Group as a whole and are set out in the consolidated statement of comprehensive income and the assets and liabilities of the Group as a whole are set out in the consolidated statement of financial position.

5. LOSS PER SHARE

	2020 Cents per share	2019 Cents per share
Basic and diluted loss per share		
Continuing operations	(12.83)	(2.81)[1]
Total basic loss per share	(12.83)	(2.81)[1]

Basic and diluted loss per share

The earnings and weighted average number of ordinary shares used in the calculation of loss per share is as follows:

	2020 $	2019 $
Loss for the year	(3,245,143)	(707,004)

	2020 Number	2019 Number
Weighted average number of ordinary shares for Basic and diluted earnings per share	25,291,146	25,143,474[1]

[1]For comparative purposes, the weighted average number of ordinary shares used to determine the 2019 loss per share figure presented has been consolidated on a 1 for 100 basis.

6. CASH AND CASH EQUIVALENTS

	2020	2019
	$	$
Cash at bank and on hand	46,234	2,644

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

Reconciliation of loss for the year to net cash flows from operating activities

	2020	2019
	$	$
Loss for the year	(3,245,143)	(707,004)
Depreciation and amortisation	213,366	53,134
Share based payment	479,875	162,184
Performance shares reversal	-	(3,750,000)
Impairment of plant, property and equipment	31,123	78,099
Interest and finance cost	703,114	443,497
Reversal of wages and salaries accruals	(285,595)	-
Foreign exchange	(85,074)	(15,104)
(Increase)/decrease in assets:		
Trade and other receivables	(34,372)	8,364
Other current assets	4,448	402,922
Increase/(decrease) in liabilities:		
Trade and other payables	(65,082)	430,277
Net cash from operating activities	(2,283,340)	(2,893,631)

7. TRADE AND OTHER RECEIVABLES

	2020	2019
	$	$
Other receivables	13,734	4,010
GST receivable	35,290	10,642
	49,024	14,652

8. PREPAYMENTS AND DEPOSITS

	2020	2019
	$	$
Current		
Prepayments – Other	15,947	24,457
Deposits	21,842	17,780
	37,789	42,237

9. PROPERTY, PLANT AND EQUIPMENT

	2020 $	2019 $
Cost		
Balance at beginning of year	240,814	177,281
Additions	28,847	161,648
Disposals	-	(1,470)
Impairment write off	(52,309)	(96,645)
Balance at end of year	217,352	240,814
Accumulated depreciation		
Balance at beginning of year	121,466	87,372
Depreciation expense	30,921	53,134
Disposals	-	(494)
Impairment write off	(21,186)	(18,546)
Balance at end of year	131,201	121,466
Net Carrying Value	86,151	119,348

10. RIGHT-OF-USE ASSET

	2020 $	2019 $
Cost	281,125	-
Accumulated depreciation	(182,445)	-
	98,680	-
Movements		
Initial application of *AASB 16 Leases*	216,940	-
Lease assets capitalised at commencement of lease	59,864	-
Foreign exchange	4,321	-
Depreciation expense	(182,445)	-
	98,680	-

11. TRADE AND OTHER PAYABLES

	2020 $	2019 $
Trade payables (a)	465,355	306,831
Accruals	841,395	503,378
Payroll and employment related payables	1	49,752
Leave entitlements and superannuation	-	102,907
Other payables	10,237	17,688
	1,316,988	980,556

(a) Trade payables are non-interest bearing and are normally settled on 30-day terms.

Information regarding the interest rate, foreign exchange and liquidity risk exposure is set out in Note 18.

12. BORROWINGS

	2020	2019
	$	$
Secured		
Loan Tygola Pty Ltd (a)	6,800,000	4,250,000
Movements		
Balance at beginning of year	4,250,000	1,070,000
Funds drawn down under loan facility during the year	2,550,000	3,180,000
	6,800,000	4,250,000
Interest expense recognised during the year	559,540	284,497
Facility fees recognised during the year	127,500	159,000

(a) At 30 June 2020, the Company had in place four facilities with Tygola Pty Ltd (Tygola). A summary of the loan arrangements in place at this date were:

- **Facility 1**, a $3.0 million secured loan facility, repayable on 30 September 2020;
- **Facility 2**, a $1.5 million secured loan facility, repayable on 30 September 2020;
- **Facility 3**, a $1.5 million unsecured loan facility, repayable on 30 September 2020; and
- **Facility 4**, a $3.0 million unsecured loan facility, repayable on 30 September 2020,
  (together, providing a **Total Facility** of $9.0 million due for repayment on 30 September 2020).

All loans bear an interest rate of 10% per annum and attract a facility fee of 5% on draw downs. All loans are repayable in cash, save for Tygola having the option of converting into shares $1.0 million of Facility 2 at $0.40 per ordinary share. The conversion option is fixed for fixed and the equity component is not material.

At 30 June 2020, a total of $6.8 million has been drawn down from the Total Facility, leaving a total balance of $2.2 million available under Facility 4, subject to the terms of the facilities.

On 29 September 2020, the Borrower (being MCB Resources) and the Lender (being Tygola) have agreed in principle to a further loan of $1.5 million (Facility 5), a loan extension and repayment schedule whereby the full loan amounts (Facilities 1 through 5) will convert to equity over a prescribed timeframe as part of the Company's recapitalisation strategy. MCB Resources and Tygola are working in good faith to resolve a clear path forward, to define the terms of conversion, and to finalise detailed documentation.

The parties are unable to extend the 30 September 2020 repayment term in accordance with the loan agreements unless and until the Borrower seeks and obtains the approval of its shareholders under ASX Listing Rule 10.1 at a general meeting (General Meeting). The Borrower intends to convene a General Meeting as soon as possible, but no later than 31 December 2020. The Lender has provided comfort to the Borrower that it will not take action to enforce its first ranking security until such time as the General Meeting has been held, or 31 December 2020, whichever is the sooner. Despite the indication that it will take no action, all of the Lender's rights and remedies under or in relation to the Loan Agreements and General Security Deed are expressly reserved, and provisions under the Loan Agreements remain in full force and effect.

At the date of release of this report, the Company has fully drawn down Facilities 1, 2 and 3, and a portion of Facility 4 for a total of $7.4 million, leaving a total of $3.1 million available under Facilities 4 and 5.

13. LEASE LIABILITY

	2020 $	2019 $
Lease liability	98,585	-
Movements		
Initial application of AASB 16 *Leases* (a)	216,940	-
Lease inception (b)	59,864	-
Finance changes (effective interest)	16,074	-
Payment for lease liability	(194,293)	-
Closing balance	98,585	-

(a) In April 2018, the Group entered into a lease arrangement for premises in Bougainville for a lease period of 1 April 2018 to 31 December 2020 (lease term of 33 months).

(b) In October 2019, the Group entered into a lease arrangement for additional premises in Bougainville for a lease period of 10 October 2019 to 31 December 2020 (lease term of 14.7 months).

14. ISSUED CAPITAL

	2020 $	2019 $
25,693,553 Ordinary shares issued and fully paid (2019: 2,514,347,392)	30,075,728	30,037,228

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Movement in Ordinary Shares on issue

	2020 Number	2020 $	2019 Number	2019 $
Balance at beginning of year	2,514,347,392	30,037,228	2,514,347,391	29,162,228
Share issue cost	-	-	-	875,000
Conversion of performance share Class C	-	-	1	-
Securities consolidation (1 for 100 basis) (a)	(2,489,203,840)	-	-	-
Shares issued (b)	550,000	38,500	-	-
Conversion of performance share Class A (c)	1	-	-	-
Balance at end of year	25,693,553	30,075,728	2,514,347,392	30,037,228

Options and Performance Shares

	2020 Number	2020 $	2019 Number	2019 $
Balance at beginning of year	600,000,000	400,599	1,144,500,000	4,863,415
Expiry of options	-	-	(44,500,000)	-
Performance Shares Class C (f)	-	-	(250,000,000)	(3,750,000)
Advisor Options	-	-	(250,000,000)	(875,000)
Issue of Options to Director (refer Note 17)	-	441,376	-	162,184
Options consolidation (1 for 100 basis) (a)	(99,000,000)	-	-	-
Performance shares consolidation (1 for 100 basis) (a)	(495,000,000)	-	-	-
Performance Shares Class A (c)	(2,500,000)	-	-	-
Balance at end of year (d)	3,500,000	841,975	600,000,000	400,599

(a) As approved by shareholders at the Company's annual general meeting held 29 November 2019 (**AGM**), the Company completed a consolidation of its issued capital on a 1 for 100 basis during the year. Trading of securities on a post-consolidation basis commenced on 13 December 2019. References to numbers of shares and other securities throughout the financial report are presented on a post securities consolidation basis (1 for 100 shares) (**Securities Consolidation**), unless otherwise noted.

(b) On 25 March 2020, the Company announced that it had reached agreement to settle claims by former director Mr Terry Larkan in connection with his employment. Pursuant to the terms of the settlement, Mr Larkan received payment of $29,893 in cash and was issued 550,000 ordinary shares (subject to voluntary escrow for a period of twelve months from the date of issue). A share based payment expense of $38,500 has been recorded in respect of the shares issued on 2 April 2020, based on the last traded share price on 6 December 2019 of $0.07 per share.

(c) The 2,500,000 Class A performance shares expired on 1 June 2020. Pursuant to the terms of these securities, as the attaching performance condition was not met by the expiry date, the unconverted securities automatically consolidate into one (1) Class A performance share, and which then converts into one (1) ordinary share. The effect of this consolidation and conversion has been reflected in the issued capital as at balance date, however the formal allotment of the resultant share will occur in the subsequent reporting period.

(d) The closing balance of options and performance shares at 30 June 2020 (post-consolidation) includes:
- 2,500,000 Class B Performance Shares (**Class B Performance Shares**) (refer Note 14(e)); and
- 1,000,000 Unlisted Options (**Director Options**) (refer Note 17(a)).

(e) *Conversion of Class B Performance Shares on achievement of B Milestone*

Upon the Company announcing on or before 1 March 2022, from a project held by the Company or a subsidiary, a JORC 2012 compliant inferred resource of either:
(i) at least 285Mt at a minimum grade of 0.3g/t gold (Au); or
(ii) at least 240Mt at a minimum grade of 0.3% copper (Cu),
("**B Milestone**")
each Class B Performance Share will convert into a Share on a one for one basis.

(f) *Conversion of Class B Performance Shares on achievement of B Milestone*

The 2,500,000 Class C performance shares expired on 1 June 2019. As a result of this, a value of $3,750,000 in respect of the 2,500,000 Class C performance shares (originally valued at $3,750,000 per the acquisition accounting of Kalia Holdings Pty Ltd (recorded in the year ended 30 June 2018) was reversed in the year ended 30 June 2019.

15. RESERVES

Reserves
Movements in reserves were as follows:

2020	Option premium reserve $	Share based payment reserve $	Minority interest acquisition reserve $	Foreign currency translation reserve $	Total $
Balance at beginning of year	245,660	400,599	(5,965,191)	(86,122)	(5,405,054)
Director Options	-	441,376	-	-	441,376
Foreign Currency Translation reserve	-	-	-	(80,753)	(80,753)
Balance at end of year	245,660	841,975	(5,965,191)	(166,875)	(5,044,431)

2019	Option premium reserve $	Share based payment reserve $	Minority interest acquisition reserve $	Foreign currency translation reserve $	Total $
Balance at beginning of year	245,660	4,863,415	(5,965,191)	(43,585)	(899,701)
Advisor Options	-	(875,000)	-	-	(875,000)
Performance Shares Class C	-	(3,750,000)	-	-	(3,750,000)
Director Options	-	162,184	-	-	162,184
Foreign Currency Translation reserve	-	-	-	(42,537)	(42,537)
	245,660	400,599	(5,965,191)	(86,122)	(5,405,054)

Nature and purpose of reserves

Share based payment and option premium reserve
The share based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. The option premium reserve arises on the grant of share options for consideration.

Minority interest acquisition reserve
The minority interest acquisition reserve is used to reflect changes in ownership interest which do not result in a loss of control. The reserve represents the difference between consideration of the non-controlling interest proportional share in net assets at the date of acquisition.

Foreign currency translation reserve
Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

16. ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

	2020	2019
	$	$
Balance at beginning of year	(29,683,849)	(28,976,845)
Net loss for the year	(3,245,143)	(707,004)
Balance at end of year	(32,928,992)	(29,683,849)

17. SHARE BASED PAYMENTS

Total costs arising from share-based payment transactions recognised as an expense during the year were as follows:

	2020	2019
	$	$
Share based payment – Director Options (a)	441,376	162,184
Share based payment – Shares (refer Note 14(b))	38,500	-
	479,876	162,184

Options issued to Directors are not issued under an Employee Share Option Plan and are subject to approval by shareholders and attaching vesting conditions.

(a) Director Options are summarised as follows:

Director Options	Number	Grant date	Expiry Date	Exercise Price[1]	Fair value at grant date[1]
Tranche 1	350,000	16/05/2018	16/05/2021	$2.00	$0.57
Tranche 2	350,000	16/05/2018	16/05/2022	$2.50	$0.63
Tranche 3	300,000	16/05/2018	16/05/2023	$3.00	$0.68

[1]Post-consolidation basis

Director Options vesting conditions meet the definition of a market condition and the value of the options determined using the Hoadley Trading & Investment Tools.

Valuation assumptions	Tranche1	Tranche 2	Tranche 3
Spot Price 15 May 2018 (pre-consolidation basis)	$0.0110	$0.0110	$0.0110
Vesting Hurdle (pre-consolidation basis)	$0.0300	$0.0375	$0.0450
Expected future volatility	102%	102%	102%
Risk free rate	2.22%	2.22%	2.22%
Dividend yield	Nil	Nil	Nil

The holder of these Director Options is former director Mr Terry Larkan. In accordance with the terms and conditions of the options, the holder retained these securities upon his resignation. The fair value of the Director Option was previously being recorded over the service period to which they relate. Upon Mr Larkan's resignation during the year and cessation of services provided to the Company, the Company has accelerated expensing the balance of the fair value amount which remained, resulting in a share based payment expense of $441,376 being recorded in the year ended 30 June 2020.

(b) Movements in options

The following table illustrates the number and weighted average exercise prices of, and movements in, share options on issue during the 2020 and 2020 years.

	2020		2019	
	Number	Weighted average exercise price[2] $	Number	Weighted average exercise price[1] $
Outstanding at the beginning of year	100,000,000	$2.475	394,500,000	$0.009
Granted during the year	-	-	-	-
Forfeited during the year	-	-	(294,500,000)	$0.003
Exercised during the year	-	-	-	-
Options consolidation (1 for 100 basis)	(99,000,000)	-	-	-
Outstanding at the end of year	1,000,000	$2.475	100,000,000	$0.025
Exercisable at the end of year	-	-	-	-

[1]Pre-consolidation basis
[2]Post-consolidation basis

18. FINANCIAL INSTRUMENTS

Capital risk management

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

The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of cash and cash equivalents, borrowings, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

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

Categories of financial instruments

	2020 $	2019 $
Financial assets		
Cash and cash equivalents	46,234	2,644
Receivables	49,024	14,652
Financial liabilities		
Trade payables	1,316,988	306,831
Borrowings	6,800,000	4,250,000
Lease liability	98,585	-

Financial risk management objectives
The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

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

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

Foreign currency exchange rate risk management
The Group undertakes certain transactions nominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed utilising foreign exchange specialists.

The carrying amounts of the Group's currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Liabilities		Assets	
	2020	2019	2020	2019
	$	$	$	$
Papua New Guinea Kina	161,650	94,058	222,768	107,037

Foreign currency sensitivity analysis
The Group's sensitivity to foreign exchange has not changed significantly from the prior year and is not material to the Group.

Interest rate risk management
The Group's exposures to interest rates on financial assets and financial liabilities are confined to variable interest rates on its cash holdings of $46,234 at balance date. Interests on loans is fixed at 10% per annum.

Interest rate risk sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates.

At balance date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the impact on the net loss and equity would be immaterial.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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

Contracted maturity
The following tables detail the Group's expected contractual maturity for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The tables include both interest and principal cash flows.

30 June 2020	Weighted average interest rate %	Less than 1 month	1 - 3 months	3 months – 1 year
Fixed interest rate borrowings	10.52%	722,111	-	6,800,000
Non-interest bearing trade payables	-	465,355	-	-
30 June 2019				
Fixed interest rate borrowings	10.52%	35,071	-	4,250,000
Non-interest bearing trade payables	-	306,831	-	-

Fair Values

The carrying amount of the Group's financial assets and liabilities approximates their carrying amounts at balance date.

19. COMMITMENTS AND CONTINGENCIES

a) *Bougainville minerals exploration program*

As at 30 June 2020, Kalia Investment Limited (100% subsidiary of MCB Resources Limited) holds two Exploration Licenses (**EL**) in the Mt Tore region on the island of Bougainville.

Future minimum payments for mineral exploration at year end:

	2020	2019
	$	$
Within one year	657,978	1,843,425
After one year but not more than five years	2,079,210	1,106,055
More than five years	-	-
	2,737,188	2,949,480

b) *Operating lease commitments*

In the comparative period, the Group had entered into a contract in respect of its former West Perth head office and Buka AROB lease arrangements. These contracts are no longer in place at 30 June 2020.

Future minimum payments for above properties at year end:

	2020	2019
	$	$
Within one year	-	64,620
After one year but not more than five years	-	-
More than five years	-	-
	-	64,260

c) *Contingent liabilities*

MCB Resources Limited (then Kalia Limited) and its subsidiary Kalia Holdings Pty Ltd were named as second and third defendants in an action brought by Central Exploration Pty Ltd, Central Area Ltd and RTG Mining in the Supreme Court of Western Australia. The matter relates to the alleged breach of a Deed of Settlement on activity relating to the Panguna Mine in the Autonomous Region of Bougainville, Papua New Guinea. The Company has been defending the claims made against it and believes they are without merit. All parties to the action have been referred for mediation.

The Company is presently dealing with a claim from a former executive relating to an amount claimed by the individual as due under their services contract. Provision has been made in the accounts for the amount which may become payable.

On or about 11 June 2020, a small group from within Toremana Resources Limited, the Company's Joint Venture Partner, made a filing at Waigani Court PNG seeking relief and unspecified damages against the group. The Company notes that the group of disgruntled representatives have failed to follow the Joint Venture dispute mechanism, as defined in the Joint Venture documents. Furthermore, the company is advised that the case is unlikely to move forward to trial as the pleadings are poorly constructed, and the relief being sought is not easy to get.

20. RELATED PARTY DISCLOSURES

Corporate Structure

The consolidated financial statements include the financial statements of MCB Resources Limited (parent entity) and the subsidiaries listed in the following table.

	Country of incorporation	% Ownership interest 2020 %	2019 %
Parent Entity			
MCB Resources Limited (formerly Kalia Limited)	Australia		
Subsidiaries			
Kalia Holdings Pty Ltd	Australia	100	100
Kalia Investment Ltd	Papua New Guinea	100	100
GBE Exploration Pty Ltd	Australia	100	100
Namib Pty Ltd	Australia	100	100

Transactions with Key Management Personnel

Compensation of key management personnel:

	2020 $	2019 $
Short term employee benefits	490,060	734,414
Post-employment benefits	14,089	62,488
Share based payments	479,877	162,184
	984,026	959,086

Interests held by key management personnel:

Movements in and shareholdings noted in the tables below are presented on a post Securities Consolidation basis (1 for 100), unless otherwise noted.

Shares	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at end of period
30 June 2020	Number	Number	Number	Number	Number
Directors					
D Johnston	186,973	-	-	-	186,973
M Johnston	-	-	-	-	-
S O'Brien	-	-	-	-	-
J Reynolds	-	-	-	-	-
T Larkan (i)	10,000	550,000	-	(560,000)	-
P Batten (ii)	361,446	-	-	(361,446)	-
Total	558,419	550,000	-	(921,446)	186,973

(i) As detailed at Note 14(b), Mr Larkan received 550,000 shares on 2 April 2020 (after the date of his resignation). As these shares were issued in settlement of a claim for remuneration, the shares have been included in this table as being granted as remuneration. The shares shown at 'net change other' refers to the sum of the shares held by Mr Larkan at the date of his resignation adjusted to include the 550,000 shares received subsequent to resignation.

(ii) Shares shown at 'net change other' refers to shares held by Mr Batten at the date of his resignation.

Options	Balance at beginning of period	Granted as remuneration	Options exercised	Net Change Other	Balance at end of period
30 June 2020	Number	Number	Number	Number	Number
Directors					
D Johnston	-	-	-	-	-
M Johnston	-	-	-	-	-
S O'Brien	-	-	-	-	-
J Reynolds	-	-	-	-	-
T Larkan (i)	1,000,000	-	-	(1,000,000)	-
P Batten	-	-	-	-	-
Total	1,000,000	-	-	(1,000,000)	-

(i) Options shown at 'net change other' refers to unlisted options retained by Mr Larkan at date of resignation.

Transactions with directors, director related entities and other related parties

Other than in respect of remuneration (detailed above) there were no transactions with directors, director related entities and other related parties during the year ended 30 June 2020.

Other transactions and balances with Key Management Personnel

There were no fees incurred directly by D Johnston and T Larkan in the year ended 30 June 2020 (2019: $123,522) in respect of legal action brought by RTG Mining Ltd.

Director remuneration and fees owing to Mr D Johnston at 30 June 2020 was $76,650 (2019: $10,950).

Director remuneration and fees owing to Mr M Johnston at 30 June 2020 was $60,000 (excluding GST) (2019: nil).

Director remuneration and fees owing to Mr J Reynolds at 30 June 2020 was $3,000 (excluding GST) (2019: nil).

21. PARENT ENTITY DISCLOSURES

Financial position

	2020	2019
	$	$
Assets		
Current assets	90,531	33,925
Non-current assets	-	-
Total assets	90,531	33,925
Liabilities		
Current liabilities	7,988,225	4,934,239
Non-current liabilities	-	-
Total liabilities	7,988,225	4,934,239
Equity		
Issued capital	30,075,728	30,037,228
Option premium reserve	245,660	245,660
Equity settled employee benefits	841,976	400,599
Accumulated losses	(39,061,058)	(35,583,801)
Total deficiency	(7,897,694)	(4,900,314)

Financial performance

	2020	2019
	$	$
Loss for the year	(3,477,257)	(598,180)
Other comprehensive loss	-	-
Total comprehensive loss	(3,477,257)	(598,180)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

MCB Resources Limited has not entered into any deed of cross guarantee with its wholly-owned subsidiaries during the year ended 30 June 2020 (2019: Nil).

22. EVENTS AFTER THE REPORTING PERIOD

Funding

On 29 September 2020, the Borrower (being MCB Resources) and the Lender (being Tygola) have agreed in principle to a further loan of $1.5 million (Facility 5), a loan extension and repayment schedule whereby the full loan amounts (Facilities 1 through 5) will convert to equity over a prescribed timeframe as part of the Company's recapitalisation strategy. MCB Resources and Tygola are working in good faith to resolve a clear path forward, to define the terms of conversion, and to finalise detailed documentation.

The parties are unable to extend the 30 September 2020 repayment term in accordance with the loan agreements unless and until the Borrower seeks and obtains the approval of its shareholders under ASX Listing Rule 10.1 at a general meeting (**General Meeting**). The Borrower intends to convene a General Meeting as soon as possible, but no later than 31 December 2020. The Lender has provided comfort to the Borrower that it will not take action to enforce its first ranking security until such time as the General Meeting has been held, or 31 December 2020, whichever is the sooner. Despite the indication that it will take no action, all of the Lender's rights and remedies under or in relation to the Loan Agreements and General Security Deed are expressly reserved, and provisions under the Loan Agreements remain in full force and effect.

At the date of release of this report, the Company has fully drawn down Facilities 1, 2 and 3, and a portion of Facility 4 for a total of $7.4 million, leaving a total of $3.1 million available under Facilities 4 and 5.

Other than events noted above, there has been no additional matter or circumstances that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in future financial periods.

23. AUDITOR'S REMUNERATION

The auditor of MCB Resources Limited is HLB Mann Judd.

	2020 $	2019 $
Auditor of the parent entity		
Audit or review of the financial statements	37,250	37,770
	37,250	37,770

DIRECTORS' DECLARATION

1. In the opinion of the directors of MCB Resources Limited (formerly Kalia Limited) (the 'Company'):

   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

   b. subject to the matters described in Note 1(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

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

The Hon. Mr David Johnston
Non-Executive Chairman

Dated 30 September 2020

INDEPENDENT AUDITOR'S REPORT
To the members of MCB Resources Limited

Report on the Audit of the Financial Report

Disclaimer of Opinion

We were engaged to audit the financial report of MCB Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis to form an opinion on this financial report.

Basis for Disclaimer of Opinion

As at 30 June 2020, the Group had cash and cash equivalents of $46,234, an excess of current liabilities over current assets of $8,082,526 and net liabilities of $7,897,695. For the year ended 30 June 2020, the Group recorded a loss of $3,245,143 and a net cash outflow from operating and investing activities of $2,506,410.

As part of our audit procedures, we have been unable to obtain sufficient appropriate audit evidence in relation to the Group's ability to continue as a going concern with respect to the following matters:

- the ability to restructure its funding arrangements with an external financier under various funding agreements as disclosed in Note 12 to the financial statements on a basis which will enable the Group to continue as a going concern for the relevant period; and

- the ability of the Group to raise future funding which is sufficient to enable it to continue as a going concern for the relevant period.

The going concern assertion is material and pervasive to the financial report as a whole.

Based upon the above matters, we have been unable to obtain sufficient appropriate audit evidence as to whether the Group is able to continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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.

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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 responsibility is to conduct an audit of the Group's financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Group in accordance with 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 ethical responsibilities in accordance with the Code.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the Directors' Report for the year ended 30 June 2020.

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

Responsibilities

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R Ohm
Partner

Perth, Western Australia
30 September 2020

CORPORATE GOVERNANCE STATEMENT

In March 2014, the ASX Corporate Governance Council released a third edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**).

The Company's Corporate Governance Statement for the year ended 30 June 2020 (which reports against these ASX Principles) may be accessed from the Company's website at: www.mcbresources.com.

ADDITIONAL SECURITIES EXCHANGE INFORMATION

ASX additional information as at 1 September 2020

ORDINARY SHARES

There are a total of 25,693,552 fully paid ordinary shares on issue at 1 September 2020 held by 798 individual shareholders.

All issued ordinary shares carry one vote per share.

Distribution of holders of equity securities:

	Number of holders	Fully paid ordinary shares	% of total issued capital
1 – 1,000	293	114,275	0.45%
1,001 – 5,000	212	613,442	2.39%
5,001 – 10,000	100	813,706	3.17%
10,001 – 100,000	151	4,958,009	19.30%
100,001 and over	42	19,194,120	74.70%
	798	**25,693,552**	**100.00%**

Holding less than a marketable parcel	542

TOP 20 SHAREHOLDERS

Rank	Name	Units	% of Units
1	HEREFORD SECURITIES & MANAGEMENT S A	2,279,000	8.87
2	GRESTAL INVESTMENTS LTD	2,021,000	7.87
3	VANAVO PTY LIMITED	1,501,000	5.84
4	GLENEAGLE SECURITIES NOMINEES PTY LIMITED	1,229,060	4.78
5	KSLCORP PTY LTD	1,100,000	4.28
6	DPC ADMINISTRATION PTY LTD	1,000,000	3.89
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	918,035	3.57
8	ENZED NOMINEES PTY LTD <ADAM NIKOLAIS ZUKS A/C>	679,342	2.64
9	MR GRAEME ERIC KIRKE	650,000	2.53
10	MRS MELANIE THERESE VERHEGGEN	600,000	2.34
11	TYGOLA PTY LTD	551,500	2.15
12	MR TERRENCE ARTHUR LARKAN	550,000	2.14
13	MAYSTAR PTY LTD	542,169	2.11
14	GLOBAL RESOURCES INVESTMENT TRUST PLC	500,000	1.95
15	JESSIKA ERIN PTY LTD <JESSIKA ERIN FAMILY A/C>	406,627	1.58
16	CARLA MICHELLE PTY LTD	370,320	1.44
17	PETER BATTEN	361,446	1.41
18	FINROW LIMITED	312,000	1.21
19	LSAF HOLDINGS PTY LTD <OWEN FAMILY A/C>	300,000	1.17
20	MR JOHN MALCOLM BURRELL + MRS JUDITH MAREE BURRELL <BURRELL FAMILY S/F A/C>	270,000	1.05
Totals: Top 20 holders of MCB ORDINARY FULLY PAID		**16,141,499**	**62.82**

Substantial shareholders:

Ordinary shareholders	Fully paid ordinary shares Number
HEREFORD SECURITIES & MANAGEMENT S A	2,279,000
GRESTAL INVESTMENTS LTD	2,021,000
VANAVO PTY LTD	1,501,000

UNQUOTED SECURITIES

Details of all unquoted securities on issue at 1 September 2020, including the names of security holders holding more than 20% of an unlisted class of securities is as follows:

Unlisted Options

Unlisted Options on issue are as follows:

- 350,000 unlisted options at $2.00 expiring 16 May 2021
- 350,000 unlisted options at $2.50 expiring 16 May 2022
- 300,000 unlisted options at $3.00 expiring 16 May 2023

100% of the Unlisted Options are held by Mr Terry Larkan.

Performance Rights

Performance shares on issue are as follows:

- 2,500,000 Class B expiring 1 March 2022

100% of the Performance Rights are held by Enzed Nominees Pty Ltd.

TENEMENT SCHEDULE

As at 1 September 2020

Granted

TENEMENT	LOCATION	INTEREST
EL 03	Bougainville	75%
EL 04	Bougainville	75%