MCB RESOURCES
LIMITED

Interim Financial Report
31 December 2019

MCB Resources Limited
(formerly Kalia Limited)

CONTENTS

CORPORATE INFORMATION

Directors

The Hon. Mr David Johnston	Non-Executive Chairman
Mr Michael Johnston	Executive Director Corporate Development and Strategy
Mr Sean O'Brien	Non-Executive Director
Mr Jonathan Reynolds	Non-Executive Director

Company Secretary

Ms Catherine Grant-Edwards	Joint Company Secretary
Ms Melissa Chapman	Joint Company Secretary

Registered and Principal Office

2A / 300 Fitzgerald Street
North Perth WA 6006
Telephone: 08 6424 8524
Website: www.mcbresources.com

Share registry

Advanced Share Registry
110 Stirling Highway
Nedlands WA 6009
Telephone: 08 9389 8033

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000
Telephone: 08 9321 4000

Bankers

Bankwest
108 St. Georges Terrace
Perth WA 6000
Telephone: 08 137 000

Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
Perth WA 6000
Telephone: 08 9227 7500

Securities Exchange Listing

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

DIRECTORS' REPORT

Your Directors submit the financial report of MCB Resources Limited (formerly Kalia Limited) (**Company**) and the entities it controlled (**Group**) for the half-year ended 31 December 2019. 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 interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

David Johnston	Chairman
Michael Johnston	Executive Director *(Appointed 22 July 2019)*
Sean O'Brien	Non-Executive Director
Jonathan Reynolds	Non-Executive Director *(Appointed 22 July 2019)*
Terence Larkan	Managing Director *(Resigned 9 August 2019)*
Peter Batten	Technical Director *(Resigned 5 August 2019)*

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.

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.

During the period 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; and
- continued with community engagement and the development of a dedicated community relations team.

Poor outcrop, dense jungle, rugged terrane, and ongoing landowner access negotiations combine to make progress in the field slow.

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.

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 and is planned to occur over the coming six month period.

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.

At Melilup, 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.

Community

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

Restructuring of the Tore Joint Venture commenced in the period. 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 during the period under review. 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 in accordance with custom. The Company was deeply saddened by this event, and 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 with the Department of Minerals and Energy Resources (**DoMER**) and local police, 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.

Financial Review

The Group recorded a net loss after tax of $2,068,509 for the half-year ended 31 December 2019 (31 December 2018: $1,157,355 net profit after tax). The cash balance as at 31 December 2019 was $143,743 (30 June 2019: $2,644) and a total of $5,550,000 (30 June 2019: $4,250,000) in funds have been drawn from the Company's loan facility (**Facility**) with Tygola Pty Ltd (**Tygola**) as at that date. At 31 December 2019, the Company has access to a further $3.45 million funding under its Facility arrangements with Tygola, subject to the terms of the Facility.

Corporate

Board restructure

The following board changes occurred during the period:

- 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 resigned 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

The Company has in place four facilities with Tygola Pty Ltd (**Tygola**). A summary of the loan arrangements in place are:

- **Facility 1**, a $3 million secured loan facility, repayable on 30 June 2020;
- **Facility 2**, a $1.5 million secured loan facility, repayable on 30 June 2020;
- **Facility 3**, a $1.5 million unsecured loan facility, repayable on 30 June 2020; and
- **Facility 4**, a $3.0 million unsecured loan facility, repayable on 30 June 2020.

Together, these provide a total facility limit of $9.0 million (**Total Facility**) and are due for repayment on 30 June 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.

At the AGM, the Company received shareholder approval to seek an extension up to 30 September 2020 to the terms of security interests in respect of Facility 1 and Facility 2. It is noted that Tygola has not agreed to any extension of these loan facilities beyond 30 June 2020 as at the date of release of this report and has not indicated any willingness to do so at this stage.

Tygola has agreed in principle, subject to agreeing terms at the time and any required ASX and shareholder approvals, to convert the total amount owing to it into ordinary shares in the Company as part of a larger recapitalisation program planned to be implemented by the Company. Any such recapitalisation proposal will be advised to shareholders in due course.

At 31 December 2019, a total of $5.55 million has been drawn down, leaving a total balance of $3.45 million available under Facilities 3 and 4, subject to the terms of the facilities.

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. Trading of securities on a post-consolidation basis commenced on 13 December 2019.

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.

Change of address and phone number

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

Significant events after balance date

Change of company name and new ASX code

As announced 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."

Facility drawdowns

Since 1 January 2020 until the date of release of this report, the Company has drawn down a further $550,000 from the Total Facility, leaving a total balance of $2.9 million available under Facility 4, subject to the terms of the facilities.

Other than events noted above, there has been no additional matter or circumstance 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.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out within and forms part of this directors' report for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

The Hon. Mr David Johnston
Non-Executive Chairman

Dated: 28 February 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of MCB Resources Limited (formerly Kalia Limited) for the half-year ended 31 December 2019, 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 review; and

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

Perth, Western Australia
28 February 2020

M R Ohm
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 $	31 December 2018 $
Continuing operations			
Interest income	2	9	158
Other income	8(b)	-	3,750,000
Accounting expenses		(57,258)	(23,780)
Administrative and employee benefits expense	2	(1,298,462)	(1,079,302)
Depreciation and amortisation expense		(101,555)	(24,964)
Project generation		(272,579)	(1,257,415)
Loss on disposal of property, plant & equipment		(21,258)	-
Finance cost		(317,361)	(191,742)
Foreign exchange		(45)	(15,600)
Net (loss) / profit for the period		**(2,068,509)**	**1,157,355**
Other comprehensive income, net of income tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(39,702)	(31,188)
Total comprehensive (loss) / income for the period, net of income tax		(39,702)	1,126,167
Total comprehensive (loss) / profit for the period		**(2,108,211)**	**1,126,167**
Basic (loss) / earnings per share (cents per share)		(8.23)	5.00
Diluted (loss) / earnings per share (cents per share)		(8.23)	5.00

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Notes	31 December 2019 $	30 June 2019 $
Assets			
Current assets			
Cash and cash equivalents		143,743	2,644
Trade and other receivables		17,737	14,652
Prepayments and other deposits		40,201	42,237
Total current assets		201,681	59,533
Non-current assets			
Property, plant and equipment		80,202	119,348
Right-of-use asset	4	193,137	-
Total non-current assets		273,339	119,348
Total assets		475,020	178,881
Liabilities			
Current liabilities			
Trade and other payables	5	1,451,398	980,556
Lease liability	6	192,132	-
Borrowings	7	5,550,000	4,250,000
Total current liabilities		7,193,530	5,230,556
Total liabilities		7,193,530	5,230,556
Net liabilities		(6,718,510)	(5,051,675)
Equity			
Share capital	8	30,037,228	30,037,228
Reserves		(5,003,380)	(5,405,054)
Accumulated losses		(31,752,358)	(29,683,849)
Total deficiency		(6,718,510)	(5,051,675)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	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)
Profit for the period		-	-	-	-	-	1,157,355	1,157,355
Exchange differences arising on translation of foreign operations		-	-	-	(31,188)	-	-	(31,188)
Total comprehensive income for the period		-	-	-	(31,188)	-	1,157,355	1,126,167
Director options		-	-	81,759	-	-	-	81,759
Performance Shares Class C		-	-	(3,750,000)	-	-	-	(3,750,000)
Recognition of Adviser Options		-	-	(875,000)	-	-	-	(875,000)
Share Issue Costs		875,000	-	-	-	-	-	875,000
Balance at 31 December 2018		30,037,228	245,660	320,174	(74,773)	(5,965,191)	(27,819,490)	(3,256,392)
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 period		-	-	-	-	-	(2,068,509)	(2,068,509)
Exchange differences arising on translation of foreign operations		-	-	-	(39,702)	-	-	(39,702)
Total comprehensive loss for the period		-	-	-	(39,702)	-	(2,068,509)	(2,108,211)
Director options		-		441,376	-	-	-	441,376
Balance at 31 December 2019		30,037,228	245,660	841,975	(125,824)	(5,965,191)	(31,752,358)	(6,718,510)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	31 December 2019	31 December 2018
	$	$
Cash flows from operating activities		
Payments to suppliers and employees	(818,022)	(884,469)
Project generation	(247,035)	(873,653)
Interest received	9	158
Income tax paid	-	(2,839)
Net cash outflow from operating activities	(1,065,048)	(1,760,803)
Cash flows from investing activities		
Payment for plant and equipment	-	(162,830)
Net cash outflow from investing activities	-	(162,830)
Cash flows from financing activities		
Interest on borrowings	-	(101,524)
Proceeds from borrowings	1,300,000	1,930,000
Transaction costs related to borrowings	-	(96,500)
Repayment of lease liabilities	(93,853)	-
Net cash inflow from financing activities	1,206,147	1,731,976
Net increase / (decrease) in cash held	141,099	(191,657)
Cash and cash equivalents at the beginning of the period	2,644	291,655
Cash and cash equivalents at the end of the period	143,743	99,998

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The half-year financial report of MCB Resources Limited (formerly Kalia Limited) (**Company**) and the entities it controlled (**Group**) for the period ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 28 February 2020.

The Company is a limited company incorporated and domiciled in Australia whose shares are publicly traded.

These consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with AASB 134 ensures compliance with IAS 34 Interim Financial Reporting.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The half-year financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting policies

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2019

In the half-year ended 31 December 2019, 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 half-year reporting periods beginning on or after 1 July 2019. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2019 including:

Interpretation 23 Uncertainty over Income Tax Treatments

The Group has adopted Interpretation 23 with the date of initial application being 1 July 2019.

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

At 1 July 2019 it was determined that the adoption of Interpretation 23 had no impact on the Group.

AASB 2018-1 Australian Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle

The Group has adopted AASB 2018-1 with the date of initial application being 1 January 2019.

The amendments clarify certain requirements in:

- AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation
- AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity
- AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

At 1 July 2019 it was determined that the adoption of AASB 2018-1 had no impact on the Group.

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 4 and note 6 for details of lease accounting.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year unless otherwise noted. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards with the exception of the following:

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 expense in the period, on 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 recognised the lease payments as an expense on a straight line basis over the lease term.

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

Significant accounting judgments and key estimates

The preparation of the half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

(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 $2,068,509 (31 December 2018: net profit after tax $1,157,355) and incurred net cash outflows from operating and investing activities of $1,065,048 for the half-year ended 31 December 2019 (31 December 2018: $1,923,633). The Group has a working capital deficit of $6,991,849 as at 31 December 2019 (30 June 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 31 December 2019 the Group had cash assets of $143,743. The total limit of the Tygola loan facilities is $9,000,000. The amount drawn down at 31 December 2019 was $5,550,000, leaving a remaining facility for draw down of $3,450,000, subject to the terms of the facility. Subsequent to 31 December 2019, the Group has received $550,000 under the facility, leaving a remaining facility for draw down of $2,900,000 at the date of release of this report.

The loans from Tygola are due for repayment on 30 June 2020. Tygola has agreed in principle, subject to agreeing terms and any required shareholder approval at the time, to convert the total amount owing to it into ordinary shares in the Company as part of a recapitalisation effort to be progressed by the Company over the coming months.

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.

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.

2. REVENUE AND EXPENSES

	31 December 2019 $	31 December 2018 $
Revenue		
Interest income	9	158
Expenses		
Employee benefit expenses	419,288	536,896
Share-based payment expenses (refer note 8(g))	441,376	81,759
Legal fees	72,355	112,029
Travel costs	147,913	57,092
Consulting fees	30,460	31,500
Office & IT costs	67,920	112,003
Statutory fees	62,288	48,233
Other	56,863	99,790
	1,298,463	1,079,302

3. OPERATING SEGMENTS

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 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 half-year periods ended 31 December 2019 and 31 December 2018.

31 December 2019	Exploration and evaluation - Bougainville $	Other $	Consolidated $
Segment revenue	6	3	9
Segment result	(1,178,067)	(890,442)	(2,068,509)
Segment results includes:			
Administration and employee benefits expense	(801,103)	(497,360)	(1,298,463)
Depreciation expense	(95,212)	(6,344)	(101,556)
Project generation	(272,579)	-	(272,579)
Finance costs	(9,181)	(308,181)	(317,362)
Loss on disposal of property, plant and equipment	-	(21,258)	(21,258)
Segment assets	319,612	155,408	475,020
Segment liabilities	639,271	6,554,259	7,193,530

31 December 2018	Exploration and evaluation - Bougainville $	Other $	Consolidated $
Segment revenue	70	3,750,088	3,750,158
Segment result	(2,169,548)	3,326,903	1,157,355
Segment assets	251,722	121,712	373,434
Segment liabilities	228,268	3,401,558	3,629,826

Segment information by geographical region:

	31 December 2019 $	30 June 2019 $
The analysis of the location of total assets is as follows:		
Australia	155,408	64,884
Bougainville	319,612	113,997
	475,020	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, share of profits from associates, investment revenue and finance costs, income tax expense, gains or losses of associates 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 condensed consolidated statement of comprehensive income and the assets and liabilities of the Group as a whole are set out in the condensed consolidated statement of financial position.

4. RIGHT-OF-USE ASSET

	31 December 2019 $	30 June 2019 $
Cost	276,804	-
Accumulated depreciation	(83,667)	-
	193,137	-
Movements		
Initial application of *AASB 16 Leases*	216,940	-
Lease assets capitalised at commencement of lease	59,864	-
Depreciation expense	(83,667)	-
	193,137	-

5. TRADE AND OTHER PAYABLES

	31 December 2019 $	30 June 2019 $
Trade payables (a)	540,752	306,831
Accruals	851,400	503,378
Payroll and employment related payables	54,013	49,752
Leave entitlements and superannuation	1,908	102,907
Other payables	3,325	17,688
	1,451,398	980,556

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

6. LEASE LIABILITY

	31 December 2019 $	30 June 2019 $
Lease liability	192,132	-
Movements		
Initial application of AASB 16 *Leases* (a)	216,940	-
Lease inception (b)	59,864	-
Finance changes (effective interest)	9,181	-
Payment for lease liability	(93,853)	-
Closing balance	192,132	-

(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).

7. BORROWINGS

	31 December 2019 $	30 June 2019 $
Secured and unsecured		
Loan Tygola Pty Ltd (a)	5,550,000	4,250,000
Movements		
Balance at beginning of period	4,250,000	1,070,000
Funds drawn down under loan facility during the period	1,300,000	3,180,000
	5,550,000	4,250,000
Interest expense recognised during the period	243,181	284,497
Facility fees recognised during the period	65,000	159,000

(a) The Company has in place four facilities with Tygola Pty Ltd (**Tygola**). A summary of the loan arrangements in place are:

- **Facility 1**, a $3 million secured loan facility, repayable on 30 June 2020;
- **Facility 2**, a $1.5 million secured loan facility, repayable on 30 June 2020;
- **Facility 3**, a $1.5 million unsecured loan facility, repayable on 30 June 2020; and
- **Facility 4**, a $3.0 million unsecured loan facility, repayable on 30 June 2020.

Together, these provide a total facility limit of $9.0 million (**Total Facility**) and are due for repayment on 30 June 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.

At the AGM, the Company received shareholder approval to seek an extension to 30 September 2020 to the terms of security interests in respect of Facility 1 and Facility 2. It is noted that Tygola has not agreed to any extension of these loan facilities beyond 30 June 2020 as at the date of release of this report and has not indicated any willingness to do so at this stage.

At 31 December 2019, a total of $5.55 million has been drawn down, leaving a total balance of $3.45 million available under Facilities 3 and 4, subject to the terms of the facilities.

8. ISSUED CAPITAL

	31 December 2019 $	30 June 2019 $
Ordinary shares issued and fully paid	30,037,228	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

	31 December 2019		30 June 2019	
	Number	$	Number	$
Balance at beginning of period	2,514,347,392	30,037,228	2,514,347,391	29,162,228
Share issue cost	-	-	-	875,000
Conversion of performance share	-	-	1	-
Share consolidation (1 for 100 basis) (d)	(2,489,203,840)	-	-	-
Balance at end of period	25,143,552	30,037,228	2,514,347,392	30,037,228

Options and Performance Shares

	31 December 2019		30 June 2019	
	Number	$	Number	$
Balance at beginning of period	600,000,000	400,599	1,144,500,000	4,863,415
Expiry of options (a)	-	-	(44,500,000)	-
Performance Shares Class C (b)	-	-	(250,000,000)	(3,750,000)
Advisor Options (c)	-	-	(250,000,000)	(875,000)
Director Options (g)	-	441,376	-	162,184
Options consolidation (1 for 100 basis) (d)	(99,000,000)	-	-	-
Performance shares consolidation (1 for 100 basis) (d)	(495,000,000)	-	-	-
Balance at end of period (e)	6,000,000	841,975	600,000,000	400,599

(a) Options with an exercise price of $0.006 (pre-consolidation) expired on 13 May 2019.

(b) The 250,000,000 (pre consolidation) Class C performance shares expired on 1 June 2019. As a result of this, a value of $3,750,000 in respect of the 250,000,000 (pre consolidation) Class C performance shares (originally valued at $3,750,000 per the acquisition accounting of Kalia Holding Pty Ltd) has been reversed in the year ended 30 June 2019 through profit or loss. 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 C 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 30 June 2019, however the formal allotment of the resultant share occurred in this reporting period.

(c) Advisor options with an exercise price of $0.003 (pre consolidation) expired on 30 June 2019.

(d) As approved by shareholders at the Company's AGM, the Company completed a consolidation of its issued capital on a 1 for 100 basis during the period. 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 share consolidation basis (1 for 100 shares) (**Share Consolidation**), unless otherwise noted.

(e) The closing balance of options and performance shares at 31 December 2019 (post-consolidation) includes:
- 2,500,000 Class A Performance Shares (**Class A Performance Shares**) (refer note (f));
- 2,500,000 Class B Performance Shares (**Class B Performance Shares**) (refer note (f)); and
- 1,000,000 Unlisted Options (**Director Options**) (refer note (g)).

(f) The conversion terms attaching the Class A Performance Shares and Class B Performance Shares are as follows:

Conversion of Class A Performance Shares on achievement of A Milestone

Upon the Company announcing on or before 1 June 2020, from a project held by the Company or a subsidiary, a JORC 2012 compliant inferred resource of either:

(i) at least 190Mt at a minimum grade of 0.3g/t of gold (Au); or

(ii) at least 160Mt at a minimum grade of 0.3% copper (Cu),

("**A Milestone**")

each Class A Performance Share will convert into a Share on a one for one basis.

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.

(g) Director Options are summarised as follows:

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 Option was previously being recorded over the service period to which they relate. Upon Mr Larkan's resignation during the period 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 half-year period to 31 December 2019.

9. FINANCIAL INSTRUMENTS

The methods and valuation techniques used for the purposes of measuring fair value are unchanged compared to the previous reporting period. The carrying amounts of the financial assets and financial liabilities are considered to be a reasonable approximation of their fair value.

10. CONTINGENT LIABILITIES

The Company is dealing with claims from former executives, relating to amounts claimed by them as due under their services contracts. The claims have yet to be finally resolved but provision has been made in the accounts for the amounts which may become payable.

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.

11. RELATED PARTY TRANSACTIONS

There has been no change in the nature of related party transactions since the last annual reporting date.

12. EVENTS SUBSEQUENT TO REPORTING DATE

Change of company name and new ASX code

As announced 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."

Facility drawdowns

Since 1 January 2020 until the date of release of this report, the Company has drawn down a further $550,000 from the Total Facility, leaving a total balance of $2.9 million available under Facility 4, subject to the terms of the facilities.

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.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of MCB Resources Limited (formerly Kalia Limited):

   a. the accompanying interim 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 31 December 2019 and of its performance for the half-year the ended; and

      (ii) complying with Australian Accounting Standards, the *Corporation 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 interim 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 303(5) of the *Corporations Act 2001* for the half year ended 31 December 2019.

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

The Hon. Mr David Johnston
Non-Executive Chairman

Dated: 28 February 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of MCB Resources Limited (formerly Kalia Limited)

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of MCB Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of MCB Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1(c) in the interim financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing

Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 February 2020

M R Ohm
Partner