AuKing Mining Limited

ABN 29 070 859 522

ANNUAL REPORT

For the year ended 31 December 2020

CORPORATE DIRECTORY
AuKing Mining Limited ABN 29 070 859 522

Board of Directors Dr Huaisheng Peng (Chairman) Mr Paul Williams (Managing Director) Mr Zewen (Robert) Yang (Executive Director) Mr Qinghai Wang (Non-Executive Director) **Company Secretary** Mr Paul Marshall **ASX Code: AKN**	**Head Office** Suite 27, Level 7 320 Adelaide Street Brisbane QLD 4000 Telephone: 07 3535 1208 Email: admin@aukingmining.com Website: www.aukingmining.com
Auditors BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000 Telephone: 07 3237 5999 Website: www.bdo.com.au	**Share Registry** Link Market Services Limited Level 21 10 Eagle Street Brisbane QLD 4000 Telephone: 1300 554 474 Facsimile: 02 9287 0303 Website: www.linkmarketservices.com.au

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Koongie Park Project Earn-In

Introduction

The Company announced to the ASX on 25 June 2020 the agreement to earn up a 75% interest in the Koongie Park copper/zinc project ("Koongie Park") situated in the south-eastern Kimberley Region of northern Western Australia ("Koongie Park Earn-In"). ASX-listed company Anglo Australian Resources NL ("AAR") is the 100% owner of Koongie Park. The proposed earn-in retains for AAR's benefit the rights to explore for and develop gold/platinum group metals deposits at Koongie Park.

The Koongie Park Earn-In is subject to the completion of a significant new capital raising, AKN shareholder approval and certain other regulatory approvals. This proposed acquisition comprises a significant change in the scale of AKN's activities in accordance with ASX Listing Rule 11.1.3, requiring AKN to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

On 9 February 2021, ASX advised the Company that ASX was not aware of any reasons that would cause the Company not to have a structure and operations suitable for a listed entity for the purposes of Listing Rule 1.1 condition 1 or that would cause ASX to exercise its discretion to refuse re-admission to the official list under Listing Rule 1.19 (ASX Advice). ASX retains a discretion under Listing Rules 1.19 and 2.9 to decline the Company's application for re-admission to the Official List, without giving any reasons. However, the Company has lodged a prospectus with ASIC (on 9 March 2021) and is now aggressively pursuing a proposed minimum $6million public offer as part of ASX re-quotation and commencement of the new project joint venture at Koongie Park.

AKN Acquisition Strategy

The Koongie Park Earn-In is based upon the following business strategy that will be implemented by AKN:

(a) Optimising existing feasibility studies on the proposed mining of the Sandiego deposit incorporating results from planned resource extension drilling targeting extensions along strike and at depth;

(b) Carrying out a detailed exploration program across the Koongie Park Project tenures to identify additional base metals deposits to complement the existing Sandiego and Onedin resources. This includes possible drilling at depth below both deposit to identify sulphide extensions to mineralisation below the existing known oxide and transitional ore zones; and

(c) Trialling and evaluating the Ammleach® metallurgical process for the Onedin deposit which has shown good recovery test work results on other deposits with similar ore characteristics at Koongie Park.

Koongie Park Tenure and Location

The Koongie Park copper/zinc project is situated in the highly mineralised Halls Creek Mobile Belt which also hosts the Savannah (Sally Malay) and Copernicus nickel projects, the Argyle diamond mine and the Nicholsons gold mining operation of Pantoro Limited. Koongie Park is located about 25kms south west of the regional centre of Halls Creek on the Great Northern Highway.

AAR is the 100% owner of the Koongie Park project, acquiring full ownership of the project in 2003. The tenure holding comprises an area of more than 7,600 hectares covering over 40kms of the base metals prospective Koongie Park Formation. Koongie Park has already been the subject of significant exploration drilling and analysis since the 1970's, often in line with movements in commodity prices. Since its discovery the Koongie Park project has been the subject of over 245 RC and diamond drill holes consisting of more than 50,000m of drilling in total. The predominant focus of drilling has been at the Sandiego and Onedin deposits.

The Koongie Park project has been extensively explored and drilled over many years by the previous owners. AAR has previously reported Mineral Resource estimates for both the Sandiego and Onedin deposits at Koongie Park.

Koongie Park Earn-In Agreement

(a) General

The Company has entered into an Earn-in and Joint Venture Agreement with AAR with respect to the Koongie Park Project. Under the Koongie Park Earn-in, the Company and AAR propose to form the Joint Venture on terms which include, but are not limited to, the following:

- the Company is granted the right to:
  - Explore for and develop base metals deposits within the project area;
  - Conduct exploration and development activities for base metals deposits on the project area during the earn-in period; and
  - Earn up to a 75% interest in the project area through the joint venture by funding exploration and project development studies (as stipulated below); and
- AAR retains the right to explore for and develop gold and platinum group metals deposits within the project area other than the area of the mining leases where the Sandiego and Onedin deposits are situated (see description of Precious Metals Rights agreement below).

(b) *Earn-in Rights*

The Koongie Park Earn-in provides for a two-staged earn-in process whereby the Company can ultimately secure a 75% project interest in the Koongie Park Project. A summary of the two-stage earn-in is outlined below:

Conditions Precedent
The Koongie Park Earn-in does not bind the parties and has no force or effect unless and until the various transaction conditions are satisfied or waived, namely the Company:

- obtaining all necessary AKN shareholder and regulatory approvals, including for the purposes of Chapters 1, 2 and 11 of the ASX Listing Rules, as required to give effect to the transaction contemplated by the Agreement; and
- successfully raising a minimum of A$6,000,000 pursuant to a capital raising.

The Company and AAR must use reasonable endeavours to satisfy the Conditions as soon as possible and, in any event, by 31 March 2021, with provision for AAR to extend the time period to satisfy these conditions up to 30 April 2021. On completion of the Conditions Precedent, the Koongie Park Joint Venture will commence.

First Earn-in Period
The Company shall acquire an initial 25% interest in the Joint Venture (to be formed upon satisfaction of the Conditions Precedent) upon the Company making a total initial payment of $1,000,000 to AAR, in the following tranches:

- $100,000 as a non-refundable deposit within 5 business days of the parties signing the Agreement; and
- $900,000 immediately after completion of the Koongie Park Joint Venture.

At commencement of the Joint Venture, the Koongie Park Exploration Tenements will be the only tenures held by the Joint Venture. AKN will however, have a licence from AAR to access the Koongie Park Mining Tenements for the purpose of Joint Venture activities. During the First Earn-In Period of twenty-four (24) months, the Company may earn a further 25% interest in the Joint Venture by incurring expenditure of $1.5 million including expenditure on exploration, testwork and related analysis to establish a commercially viable processing solution for the Koongie Park oxide ores (**the First Earn-In Milestone**).

Upon satisfying the First Earn-in Milestone, the Company shall be deemed to have earned an additional 25% interest in the Joint Venture for a total 50% interest in the Joint Venture. AAR will also be obliged to transfer the Koongie Park Mining Tenements (on which the Sandiego and Onedin deposits are situated) into the Joint Venture.

If the Company fails to satisfy the First Earn-in Milestone during the First Earn-in Period, the Company will be deemed to have withdrawn from the Joint Venture, will cease to have any interest in the Joint Venture and the Koongie Park Earn-in automatically terminates.

Second Earn-in Period
During the Second Earn-in Period, which is a period of 12 months commencing immediately following completion of the First Earn-In Period, the Company may earn a further 25% interest in the Joint Venture by incurring additional Expenditure

of $1,500,000, including Expenditure on Exploration Activities and feasibility studies with a view to establishing mining operations on the Onedin and Sandiego deposits on the Koongie Park Tenements (**Second Earn-In Milestone**).

Upon satisfying the Second Earn-in Milestone, the Company shall be deemed to have earned an additional 25% interest in the Joint Venture for a total 75% interest in the Joint Venture. If the Company fails to satisfy the Second Earn-in Milestone during the Second Earn-in Period, then the Company will retain its earned interest in the Joint Venture of 50%.

For the duration of the Second Earn-in Period, the Company agrees to sole fund all expenditure on exploration activities in relation to the Joint Venture and free carry AAR's interest in the Joint Venture.

Other JV Provisions

The Koongie Park Earn-in between the Company and AAR contains various other provisions that are standard for an exploration joint venture including:

- The Company is the manager of all Joint Venture activities while it is earning interests in the Joint Venture and upon completion of those earn-ins;
- The Joint Venture manager is responsible for all reporting, budget and work program preparation, tenure management and generally report to the Joint Venture management committee from time to time;
- Upon conclusion of AKN's earning rights, the parties are then obliged to contribute towards future work programs in accordance with their respective Joint Venture interests;
- Dilution mechanisms apply in the event a party is unwilling or unable to contribute towards their share of ongoing Joint Venture commitments;
- In the event a party's interest in the Joint Venture dilutes below 10%, they will be deemed to have withdrawn from the JV and their interest will revert to a 1% net smelter royalty.

Koongie Park Precious Metals Rights Agreement

In conjunction with the Koongie Park Earn-in summarised above, AKN and AAR have entered into an agreement titled Precious Metals Rights Agreement (**the PMRA**). The primary function of the PMRA is to establish the rights of AAR to explore for and develop gold and platinum group metalss across the Koongie Park Project other than the area of the mining leases where the Sandiego and Onedin deposits are situated (**the Excluded Area**). Under the PMRA:

- Each party must submit an annual work program to the other, in advance of the proposed activities;
- In the case of AKN discovering a geologically anomalous concentration of gold or PGMs it must immediately notify AAR and vice versa in the case of AAR discovering a geologically anomalous concentration of minerals other than gold or PGMs. If either of these occur, the party receiving notice then has the right to exercise their rights to exclusively explore and develop minerals (**Mineral Rights**);
- There is provision to establish priority when a party is seeking to exercising their Mineral Rights that may interfere with existing exploration or mining activities of the other party;
- There is provision to establish priority when there is the potential for respective mining activities to be carried out by the parties within close proximity of each other;
- There is also provision to establish priority when there exists economic deposits of gold, PGM or other minerals within sufficient proximity that recovery of the minerals is best carried out by a single mining operation; and
- Finally, the PMRA provides for parties to be credited for the proceeds from the mining and sale of minerals (to which they are generally entitled) but where they are not the dominant mineral being the subject of mining activities. As noted previously, the PMRA has no application in respect of the area of the mining leases where the Sandiego and Onedin deposits are situated – AKN retains the full right to explore and develop all minerals (including gold and PGMs) within those mining leases.

Public Offer

In order for the Company to complete its obligations for the establishment of the Koongie Park joint venture and to satisfy the re-quotation requirements of the ASX, the Company has lodged a prospectus with ASIC with the intention of raising a minimum A$6million. Further details about the public offer and the prospectus have been announced to the ASX and are on the Company's website. In addition, the Company will shortly convene a general meeting of shareholders for the purposes of approving the Koongie Park Earn-in and all activities associated with the capital raising and ASX's re-quotation requirements. The meeting is likely to be held in mid-late April 2021. Further details will be announced to ASX when the Notice of Meeting is finalised and made available to shareholders.

DIRECTORS AND OFFICERS

The following persons were directors of AuKing Mining Limited ('AKN' or 'the Company') during the whole of the financial period and up to the date of this report, unless stated:

Dr Huaisheng Peng (Appointed 6/12/2016)
Non-Executive Chairman, BE (Mining), Executive MBA, PhD (Science)

Dr Peng is a Chinese citizen and professional senior mining engineer with over 35 years' experience in the mining sector. He was born in 1964 and obtained a Mining Engineering Bachelor degree from the Northeast University in Shenyang, Liaoning, an EMBA degree from Tsinghua University, Beijing, and a PhD in Science from Central South University at Changsha, China. He is also a supervisor of PhD degree applicants.

From August 1984 to December 2007, Dr.Peng served in the China Nonferrous Engineering and Research Institute successively as Engineer, Senior Engineer, Vice Director, Vice President, and Deputy General Manager of China ENFI Engineering Corporation (China's top engineering firm). Between 2008 and mid-2014 Dr Peng served in various roles with Aluminum Corp of China ("Chinalco") including Executive Director and CEO of Hong Kong Stock Exchange-listed Chinalco Mining International Ltd ("CMI"). During this period Dr Peng oversaw construction and development of the large Toromocho copper mine in Peru as well as the stock market listing of CMI in Hong Kong.

Dr Peng is currently President of JCHX Group Co Ltd and a Director of Shanghai Stock Exchange-listed JCHX Mining Management Co Ltd ('JCMM'). He has not been a Director of any other Australian listed company in the last three years.

Mr Paul Williams (Appointed 6/3/2013)
Managing Director, LLB, BA.

Mr Williams holds both Bachelor of Arts and Law Degrees from the University of Queensland and practised as a corporate and commercial lawyer with Brisbane legal firm Hopgood Ganim for 17 years. He ultimately became an equity partner of that firm before joining Eastern Corporation as their Chief Executive Officer in August 2004. In mid-2006 Mr Williams joined Mitsui Coal Holdings in the role of General Counsel, participating in the supervision of the coal mining interests and business development activities within the multinational Mitsui & Co group.

Mr Williams is well known in the Brisbane investment community as well as in Sydney and Melbourne and brings to the AKN Board a broad range of commercial and legal expertise – especially in the context of mining and exploration activities. He also has a strong focus on corporate governance and the importance of clear and open communication of corporate activity to the investment markets.

Mr Williams is a founding member of Equine Learning for Futures Inc., a charitable organization based in SE Queensland which provides horse-based workshops and programs for disadvantaged children and youths. He has not been a Director of any other Australian listed company in the last three years.

Mr Zewen Yang (Appointed 31/7/2007)
Executive Director, BA, MComm, MAICD

Mr Yang has more than 25 years' experience in mineral resources trading and project investment areas in China and Australia. He has previously worked for China Non-Ferrous Metals Import and Export Company and has been with the Chinalco Yunnan Copper Industry (Group) Co. Limited since March 2004.

He has a Bachelor of Arts degree majoring in Economics and specialising in International Business from Sichuan University, China and a Masters degree of Commerce majoring in International Business from University of New South Wales. He has not been a Director of any other Australian listed company in the last three years.

Mr Qinghai Wang (Appointed 6/12/2016)
Non-Executive Director, MMGT and Fin

Mr Wang is a Chinese citizen and holds a Masters Degree in Management and Finance from the University of Bath in the United Kingdom.

Mr Wang is currently Vice President and Director of JCMM and also the sole Director of AKN's largest shareholder, Bienitial International Industrial Co Ltd.

Mr. Wang previously served at JCMM in the roles of Auditor, Vice Manager of Legal & Securities Department, General Manager of HR Management Centre, Assistant President and Vice President. In his current position Mr Wang supervises the Operational Management and Information Technology within JCHX Mining Management Co Ltd. He has not been a Director of any other Australian listed company in the last three years.

Interests in the shares and options of the Company

As at the date of this report, the interests of the Directors in the shares and convertible notes of AuKing Mining Limited are shown in the table below:

Director	Ordinary Shares	Convertible Notes
Huaisheng Peng	-	-
Qinghai Wang *	349,018,230	
Paul Williams	10,707,173	75,000
Zewen Yang	-	8,000

* Shares are held by Bienitial International Industrial Co Ltd. Mr Wang is a Director of Bienitial International Industrial Co Ltd.

COMPANY SECRETARY

Mr Paul Marshall was the Secretary of AuKing Mining Limited throughout the period and until the date of this report.

Paul Marshall
Company Secretary and Chief Financial Officer, LLB, ACA

Paul Marshall is a Chartered Accountant. He holds a Bachelor of Law degree, and a post Graduate Diploma in Accounting and Finance. He has 30 years professional experience having worked for Ernst and Young for ten years, and subsequently twenty years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

PRINCIPAL ACTIVITIES

The principal activity of the Company and its controlled entities ('Consolidated Entity') during the period was mineral exploration. There were no significant changes in the nature of the Consolidated Entity's principal activity during the period.

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the period (2019: $nil).

FINANCIAL RESULTS

Capital structure

At 31 December 2020 the Company had 932,584,461 ordinary shares on issue.

Treasury policy

The Consolidated Entity does not have a formally established treasury function. The Board is responsible for managing the Consolidated Entity's currency risks and finance facilities. The Consolidated Entity does not currently undertake hedging of any kind.

Liquidity, funding and going concern

At 31 December 2020, the Consolidated Entity reported a net current asset deficiency and net asset deficiency of $3,569,869 and $3,467,014 respectively. The observed deficiencies are largely due to the Consolidated Entity's funding in the recent year being received by way of a loan from its largest shareholder and convertible notes.

Since 31 December 2020, the Consolidated Entity has received additional convertible note funding of $750,000. The Consolidated Entity has also obtained confirmation from its directors, including the managing director, that payment of directors' fees and salaries will be deferred until the Consolidated Entity completes a capital raising transaction associated with a re-quotation on the ASX. At this time, the Consolidated Entity and its directors anticipate settling the unpaid amount with the issue of new shares.

The recent convertible note funding of $750,000 is anticipated to be sufficient to fund the Consolidated Entity's corporate and administrative activities and fund the proposed $6,000,000 capital raise. With the exception of $150,000, all loan and convertible note principal amounts, subject to shareholder approval will be converted to ordinary shares as part of the capital raise and ASX re-quotation process.

On 9 March 2021 the Company lodged a prospectus with ASIC containing a public offer of up to 35,000,000 fully paid ordinary shares at an issue price of $0.20 per share to raise up to $7,000,000, with a minimum subscription of $6,000,000 (30,000,000 shares). The offer includes free attaching options exercisable at $0.25 on or before 30 June 2023, to be issued on the basis of one option for every two shares issued. A Supplementary Prospectus has also been lodged with ASIC on 19 March 2021.

The Consolidated Entity does not generate revenue to fund operations and ongoing investment in exploration activities. The ability of the Consolidated Entity to continue as a going concern is dependent on its ability to raise additional equity and the continued support of its financiers.

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

The Directors are confident of securing funds as and when necessary to meet the Consolidated Entity's obligations as and when they fall due. On this basis, the Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. No adjustment has been made to the classification and amounts of recorded assets and liabilities should the Consolidated Entity be unable to continue as a going concern.

Operating Results

Revenue
As an early stage exploration company, AuKing Mining Limited does not generate any recurring income other than interest on its cash holdings.

Expenses
The Consolidated Entity's main expenses are as follows:

	December 2020 $
Employment and consultancy expenses	623,599
Depreciation expense	1,043
Costs related to the proposed Koongie Park transaction	223,377
Other project generation costs	1,556
Administration expenses	208,304
Finance costs	213,176
Foreign currency translation reserve reclassification adjustment on disposal of subsidiary	170,446
Total	1,441,501

Comparison with Prior Year
For the 12 months ended 31 December 2020, the loss for the Consolidated Entity after providing for income tax was $1,427,002 (2019: $1,142,555). The increase in loss was mainly attributable to:

- Costs related to progressing the proposed Koongie Park transaction; and
- a one-off loss on reversal of the foreign currency translation upon the wind up the Chilean subsidiary.

Upon successful completion of the proposed capital raising and completion of the Koongie Park transaction the Company expects to establish a substantially different operating cost structure that is more consistent with a company that is in the process of developing a mining project.

OPTIONS

As at the date of this report there were no options on issue.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the nature of AKN's principal activities during the year.

AFTER BALANCE DATE EVENTS

Since 31 December 2020, the Company has undertaken the following additional capital raising activities, designed to provide the Company with sufficient working capital to continue with the activities associated with the Koongie Park transaction:

- A further $750,000 convertible notes at a face value of $1 per note were issued to third party investors between 23 February and 5 March 2021. The terms of these convertible notes are:

Interest rate (payable quarterly in arrears):	10% per annum
Maturity date:	31 December 2021
Conversion rights:	(a) Automatic conversion on completion of the public offer under the prospectus into ordinary shares at a 40% discount to the public offer issue price of 20c; and (b) Otherwise, at the election of the holder on or before the maturity date.

- The expiry date of convertible notes and shareholder loan previously on issue by the Company, as summarised in Note 7 to has been extended to 30 April 2021; and
- On 9 March 2021 the Company lodged a prospectus with ASIC containing a public offer of up to 35,000,000 fully paid ordinary shares at an issue price of $0.20 per share to raise up to $7,000,000, with a minimum subscription of $6,000,000 (30,000,000 shares). The offer includes free attaching options exercisable at $0.25 on or before 30 June 2023, to be issued on the basis of one option for every two shares issued. A Supplementary Prospectus has since been lodged with ASIC on 19 March 2021.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

On 25 June 2020, the Company announced that it had executed a binding term sheet with AAR in relation to its Koongie Park Project in Western Australia.

The Company will apply to ASX for its Shares to be re-instated to Official Quotation and for the Offer Securities to be admitted to Official Quotation. If the Shares are reinstated to Official Quotation and the Offer Securities are admitted to Official Quotation and all of the Koongie Park Transaction Conditions are satisfied, the Company's activities will focus on the following:

- optimising existing feasibility studies on the proposed mining of the Sandiego deposit incorporating results from planned resource extension drilling targeting extensions along strike and at depth;
- carrying out a detailed exploration program across the Koongie Park Project tenures to identify additional base metals deposits to complement the existing Sandiego and Onedin resources. This includes possible drilling at depth below both deposit to identify sulphide extensions to mineralisation below the existing known oxide and transitional ore zones; and
- trialling and evaluating the AmmLeach® metallurgical process for the Onedin deposit which has shown good recovery test work results on other deposits with similar ore characteristics to the deposits at Koongie Park.

If these activities are successful, AKN will have secured the ability to earn a majority holding in a significant undeveloped Australian copper/zinc project that has the capacity to be developed into a mine in the near term.

ENVIRONMENTAL ISSUES

As the Company has no project interests, it is presently not subject to any environmental regulation. Upon successful completion of a new transaction, the Company will need to comply with applicable environmental regulations.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for Directors and Key Management Personnel of the Company.

Remuneration Policy
The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

Remuneration Committee
The Board does not have a Remuneration and Nomination Committee. The full Board 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 emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company.

Remuneration structure
It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and other Key Management Personnel fairly and appropriately with reference to relevant employment market conditions for similar companies.

To assist in achieving this objective, the Board considers the nature and amount of Executive Directors' and Officers' emoluments alongside the Company's operational performance, specifically considering their success in:

- the identification of prospective tenements;
- subsequent design and execution of exploration programs;
- negotiating joint venture arrangements on terms favourable to the Company;
- investigating other potential acquisition opportunities and negotiating the completion of those acquisitions;
- expanding the level of mineral resources under the control of the company;
- carrying out exploration programs in a timely and cost effective manner; and
- liaising with stockbrokers, investment banks and market participants generally.

The expected outcomes of the remuneration structure are the retention and motivation of key Executives, the attraction of quality management to the Company and performance incentives which allow Executives to share the rewards of the success of the Company.

In accordance with best practice corporate governance, the structure of Non-Executive Director remuneration and Executive Officers and Senior Management remuneration is separate and distinct.

Non-Executive Director Remuneration
The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution of AuKing Mining Limited and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in the Annual General Meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The maximum aggregate remuneration currently approved by shareholders for non-executive Directors' fees is for a total of $250,000 per annum.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. Non-Executive Directors are entitled to be paid travel and other expenses properly incurred by them in attending Director's or General Meetings of the Company or otherwise in connection with the business of the Company.

Dr Peng and Mr Wang were entitled to be paid non-executive director fees of $36,000pa and $30,000pa respectively. From April 2018, they both agreed to defer payment of these fees until the Company's financial position improved. In lieu of unpaid director fees, the Company is seeking Shareholder approval to issue:

- 420,000 ordinary shares at an issue price of $0.20 per share to Dr Peng; and
- 350,000 ordinary shares at an issue price of $0.20 per share to Mr Wang

Dr Peng and Mr Wang have agreed to enter a voluntary restriction agreement, restricting trading in these shares for a 24 month period from the date of Official Quotation of the Company's shares on the ASX.

Executive Directors and Senior Management remuneration

The Company aims to reward the Executive Directors and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward Executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Managing Director and Senior Management may from time to time be fixed by the Board. As noted above, the Board's policy is to align Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives. The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board, and the process consists of a review of both the Company's operational performance and individual performance, relevant comparative remuneration in the market and where appropriate, external advice provided by executive remuneration consultants.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual.

Employment contracts

The current employment agreement with the Managing Director has a six month notice period and in the case of the Executive Directors and with the CFO, there is a three month notice period.

All other employment agreements have one month (or less) notice periods. No current employment contracts contain early termination clauses.

No retirement allowances for non-executive directors are paid.

Managing Director

The Managing Director, Mr Paul Williams is employed under an executive services contract entered into in March 2013. The contract had an initial three year period. The contract continued on the same terms and conditions for the year ended 31 December 2020 and remains current at the date of this report. Under the terms of the current contract Mr Williams' current remuneration package includes the following:

- Base salary of $300,000 per annum, inclusive of superannuation;

During the prior and current year, Mr Williams has deferred his remuneration with total unpaid amounts owing at 31 December 2020 to Mr Williams of $304,420.

In lieu of unpaid remuneration, the Company is seeking Shareholder approval to issue 1,114,445 ordinary shares at an issue price of $0.20 per share to Mr Williams.

Mr Williams has agreed to enter a voluntary restriction agreement, restricting trading in these shares for a 24 month period from the date of Official Quotation of the Company's shares on the ASX.

Executive Directors

An Executive Director, Mr Zewen Yang, is employed under an executive services contract entered into in July 2008. The contract had a service term of three years and continues to be extended pending a formal review. Under the terms of the current contract Mr Yang's current remuneration package includes the following:

- Base salary of $156,120, inclusive of superannuation.

During the prior and current year, Mr Yang has deferred his remuneration with total unpaid amounts owing at 31 December 2020 to Mr Yang of $192,147.

In lieu of unpaid remuneration, the Company is seeking Shareholder approval to issue 635,485 ordinary shares at an issue price of $0.20 per share to Mr Yang.

Mr Yang has agreed to enter a voluntary restriction agreement, restricting trading in these shares for a 24 month period from the date of Official Quotation of the Company's shares on the ASX.

Company Secretary and CFO

The Company Secretary and CFO, Mr Paul Marshall, is engaged on an on-going consultancy style agreement for the provision of services as company secretary and chief financial officer. Services are invoiced monthly based on services provided. The contract provides for a three-month notice period.

During the prior and current year, Mr Marshall has deferred his remuneration with total unpaid amounts owing at 31 December 2020 to Mr Marshall of $57,200.

In lieu of unpaid remuneration, the Company is seeking Shareholder approval to issue 262,150 ordinary shares at an issue price of $0.20 per share to Mr Marshall.

(a) Details of Directors and other Key Management Personnel

Directors

- Huaisheng Peng — Non-Executive Chairman
- Qinghai Wang — Non-Executive Director
- Paul Williams — Managing Director
- Zewen Yang — Executive Director

Key Management Personnel

- Paul Marshall — Company Secretary and CFO

(b) Remuneration of Directors and other Key Management Personnel

31 December 2020	Short Term			Post-Employment		Share-based Payments			
	Salary & Fees	Cash Bonus	Other	Superan-nuation	Retirement benefits	Options and performance shares	**Total**	Performance Related %	% consisting of equity
Directors									
Huaisheng Peng	36,000	-	-	-	-	-	36,000	-	-
Qinghai Wang	30,000	-	-	-	-	-	30,000	-	-
Paul Williams	273,973	-	-	26,027	-	-	300,000	-	-
Zewen Yang	142,575	-	-	13,545	-	-	156,120	-	-
Key Management Personnel									
Paul Marshall	39,000	-	-	-	-	-	39,000	-	-
	521,458	-	-	39,572	-	-	561,120	-	-

During the current and prior year, all Key Management Personnel deferred payment for their fees until the Company's financial position has improved. Subsequent to year end all Key Management Personnel entered into an agreement with the Company, subject to shareholder approval, to receive ordinary shares (at an issue price of $0.20 per share) in lieu of unpaid remuneration. The total amounts owing at 31 December 2020 to Key Management Personnel and the proposed number of shares to be issued are as follows:

	Remuneration Owing $	Shares to be issued #
Huaisheng Peng	99,000	420,000
Qinghai Wang	82,500	350,000
Paul Williams	304,420	1,114,445
Zewen Yang	192,147	635,485
Paul Marshall	57,200	262,150
	735,267	2,782,080

Any difference between the fair value of the shares issued and the value of the liability to be settled is expected to be accounted for in accordance with the requirements of Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.

31 December 2019	Short Term			Post-Employment		Share-based Payments			
	Salary & Fees	Cash Bonus	Other	Superannuation	Retirement benefits	Options and performance shares	Total	Performance Related %	% consisting of equity
Directors									
Huaisheng Peng	36,000	-	-	-	-	-	36,000	-	-
Qinghai Wang	30,000	-	-	-	-	-	30,000	-	-
Paul Williams	273,973	-	-	26,027	-	-	300,000	-	-
Zewen Yang	142,575	-	-	13,545	-	-	156,120	-	-
Key Management Personnel									
Paul Marshall	39,000	-	-	-	-	-	39,000	-	-
	521,458	-	-	39,572	-	-	561,120	-	-

(c) Shares issued on exercise of remuneration options or performance shares

There were no shares issued on the exercise of compensation options or performance shares during the period.

(d) Director and Key Management Personnel Equity Holdings

Director/Key Management Personnel share holdings (number of shares)

December 2020	Opening Balance	Granted as remuneration	Purchased	Net change other	Closing Balance
Directors					
Huaisheng Peng	-	-	-	-	-
Qinghai Wang [1]	349,018,230	-	-	-	349,018,230
Paul Williams	10,707,173	-	-	-	10,707,173
Zewen Yang	-	-	-	-	-
Key Management Personnel					
Paul Marshall	5,000,000	-	-	-	5,000,000

[1] Shares are held by Bienitial International Industrial Co Ltd. Mr Wang is a Director of Bienitial International Industrial Co Ltd.

(e) Additional Information

The factors that are considered to affect shareholder return since over the last 5 financial periods are summarised below:

Measures	December 2020 $	December 2019 $	December 2018 $	December 2017 $	December 2016 $
Share price at end of financial period [1]	0.002	0.002	0.002	0.006	0.008
Market capitalisation at end of financial period ($M)	1.87	1.87	1.87	5.60	7.10
Loss for the financial period	1,427,002	1,142,555	1,248,372	2,238,131	5,059,394
Director and Key Management Personnel remuneration	561,120	561,120	574,120	573,520	347,996

[1] AKN shares have been suspended from the ASX official quotation since 30 September 2019. The share price for 31 December 2020 and 31 December 2019 represents the last trade price before suspension.

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration. The Company may issue options to provide an incentive for directors and key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of directors and key management personnel with those of the Company's shareholders.

End of Remuneration Report

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each Director and the Secretary of the Company has the right of access to all relevant information. The Company has insured all of the Directors of AuKing Mining Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify BDO during or since the financial year.

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 purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the period.

DIRECTORS' MEETINGS

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

	Directors' Meetings	
	A	**B**
Huaisheng Peng	6	6
Qinghai Wang	6	6
Paul Williams	6	6
Zewen Yang	6	6

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the period

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

During the year, there were no non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report.

Signed in accordance with a resolution of the directors.

Paul Williams
Director

24 March 2021

Auditor's Independence Declaration

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Australia

DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF AUKING MINING LIMITED

As lead auditor of AuKing Mining Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of AuKing Mining Limited and the entities it controlled during the period.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 24 March 2021

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 23 March 2021.

(a) Distribution of equity securities – AKN Ordinary Fully Paid Shares

Range	Securities	No. of holders	%
100,001 and Over	911,524,276	254	97.74%
10,001 to 100,000	18,294,744	465	1.96%
5,001 to 10,000	2,237,008	274	0.24%
1,001 to 5,000	492,690	153	0.05%
1 to 1,000	35,743	131	0.00%
Total	**932,584,461**	**1,277**	**100.00%**
Unmarketable Parcels	35,108,960	1,107	3.78%

(b) Twenty largest holders

Rank	Name	No. Shares	%
1	BIENTIAL INTERNATIONAL INDUSTRIAL CO LTD #	349,018,230	37.42%
2	YUNNAN COPPER INDUSTRY (GROUP) CO LIMITED #	299,922,326	32.16%
3	BILLY FLESHMAN	15,163,208	1.63%
4	MR ANTHONY JOHN BARBER	11,500,002	1.23%
5	MR PAUL ROBERT WILLIAMS & MS JILL CAROLINE STRACHAN	10,357,173	1.11%
6	MR PETER GERARD TIGHE & MRS PATRICIA JOAN TIGHE	10,033,333	1.08%
7	MR NORMAN JOSEPH ZILLMAN	7,980,343	0.86%
8	MR BARRY EDWARD TANTON & MRS ELIZABETH MARY TANTON	7,500,000	0.80%
9	ELLIOTT NOMINEES PTY LTD	7,150,000	0.77%
10	SAGAR SMSF PTY LTD	6,270,000	0.67%
11	MR JEFFREY HOWARD LATIMER & MRS JUDITH ANN LATIMER	5,500,000	0.59%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,155,364	0.55%
13	MR ANTHONY DEAN MILICIA	5,030,000	0.54%
14	MR JONATHAN PAUL KERSHAW MARSHALL	5,000,000	0.54%
15	MR IANAKI SEMERDZIEV	4,750,000	0.51%
16	LEMUEL INVESTMENTS LIMITED	4,000,000	0.43%
17	CITICORP NOMINEES PTY LIMITED	3,925,109	0.42%
18	MR JOSEPH IGNATIUS D'SOUZA	3,846,000	0.41%
19	HAMPSHIRE AUTOMOTIVE CENTRE PTY LTD	3,800,000	0.41%
20	MINESTRIKE PTY LTD	3,683,251	0.39%
	Total	**769,584,339**	**82.52%**
	Balance of register	**163,000,122**	**17.48%**
	Grand total	**932,584,461**	**100.00%**

Substantial Shareholder

(c) Voting Rights

All fully paid ordinary shares carry one vote per share without restriction.

(d) Interests in Exploration Tenements

During the course of 2020, AuKing Mining Limited did not hold any mining and exploration tenements.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	2020 $	2019 $
Finance income		377	-
Gain on disposal of financial assets		-	9,476
Other income - Government Grants		14,122	
Employment and consultancy expenses		(623,599)	(676,999)
Depreciation expense		(1,043)	(1,878)
Costs related to the proposed Koongie Park transaction		(223,377)	-
Other project generation costs		(1,556)	(37,896)
Administration expenses		(208,304)	(224,392)
Finance costs	7	(213,176)	(210,866)
Foreign currency translation reserve reclassification adjustment included in profit or loss	9	(170,446)	-
Loss before income tax		(1,427,002)	(1,142,555)
Income tax expense	12	-	-
Loss for the period		(1,427,002)	(1,142,555)
Loss after income tax		(1,427,002)	(1,142,555)
Other comprehensive income/(loss)			
Foreign currency translation reserve reclassification adjustment included in profit or loss		170,446	-
Total comprehensive loss		(1,256,556)	(1,142,555)

	Note	Cents	Cents
Earnings per share			
Basic and diluted loss per share	11	(0.15)	(0.12)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet
As at 31 December 2020

	Note	2020 $	2019 $
CURRENT ASSETS			
Cash and cash equivalents	2	21,156	96,661
Trade and other receivables	3	9,155	3,865
Other current assets		-	7,032
TOTAL CURRENT ASSETS		30,311	107,558
NON-CURRENT ASSETS			
Other receivables		2,470	2,470
Other non-current assets	4	100,000	-
Plant and equipment		385	1,428
TOTAL NON-CURRENT ASSETS		102,855	3,898
TOTAL ASSETS		133,166	111,456
CURRENT LIABILITIES			
Trade and other payables	5	1,104,235	369,910
Borrowings	7	2,424,319	1,881,319
Employee benefit provisions	6	71,626	70,685
TOTAL CURRENT LIABILITIES		3,600,180	2,321,914
TOTAL LIABILITIES		3,600,180	2,321,914
NET LIABILITIES		**(3,467,014)**	**(2,210,458)**
DEFICIT			
Share capital	8	42,630,609	42,630,609
Reserves	9	-	379,457
Accumulated losses		(46,097,623)	(45,220,524)
TOTAL DEFICIT		**(3,467,014)**	**(2,210,458)**

The Consolidated Balance Sheet should be read in conjunction with the Notes to the Consolidated Financial Statements

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

Consolidated Entity	Share Capital $	Reserves $	Accumulated Losses $	Total Deficit $
Balance at 1 January 2019	42,630,609	379,457	(44,077,969)	(1,067,903)
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Share issue costs	-	-	-	-
Total	-	-	-	-
Comprehensive income				
Loss after income tax	-	-	(1,142,555)	(1,142,555)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,142,555)	(1,142,555)
Balance at 31 December 2019	**42,630,609**	**379,457**	**(45,220,524)**	**(2,210,458)**
Balance at 1 January 2020	42,630,609	379,457	(45,220,524)	(2,210,458)
Transactions with owners in their capacity as owners				
Transfer of expired share based payment reserves	-	(549,903)	549,903	-
Total	-	(549,903)	549,903	-
Comprehensive income				
Loss after income tax	-	-	(1,427,002)	(1,427,002)
Other comprehensive income	-	170,446	-	170,446
Total comprehensive income	-	170,446	(1,427,002)	(1,256,566)
Balance at 31 December 2020	**42,630,609**	**-**	**(46,097,623)**	**(3,467,014)**

The Consolidated Balance Sheet should be read in conjunction with the Notes to the Consolidated Financial Statements

Consolidated Cash Flow Statement
For the year ended 31 December 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(319,828)	(658,342)
Receipts from government grants		14,122	
Interest received		377	-
Finance costs		(28,176)	(1,768)
Net cash used in operating activities	2	(333,505)	(660,110)
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposit for the Koongie Park Earn-in and Joint Venture Agreement	4	(100,000)	-
Proceeds from the disposal of financial assets		-	51,476
Net cash provided by/(used in) investing activities		(100,000)	51,476
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	2	358,000	625,000
Net cash provided by financing activities		358,000	625,000
Net increase/(decrease) in cash and cash equivalents		(75,505)	16,365
Cash and cash equivalents at the beginning of the period		96,661	80,295
Cash and cash equivalents at the end of the period	2	21,156	96,661

The Consolidated Cash Flow Statement should be read in conjunction with the Notes to the Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

This financial report covers the Consolidated Entity of AuKing Mining Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity"). AuKing Mining Limited is a listed public company, incorporated and domiciled in Australia. Its shares have been suspended from trading on the ASX since 30 September 2019. The Consolidated Entity is a for-profit entity for the purpose of preparing the financial statements.

Operations and principal activities
The principal activity of the Consolidated Entity is mineral exploration.

Currency
The financial report is presented in Australian dollars, which is the functional currency of the Company, and is rounded to the nearest one dollar.

Authorisation of financial report
The financial report was authorised for issue on 24 March 2021.

Comparative figures
When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial period.

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, and the Corporations Act 2001.

Compliance with IFRS
The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

Historical cost convention
The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Accounting policies

(a) Going Concern

At 31 December 2020, the Consolidated Entity reported a net current asset deficiency and net asset deficiency of $3,569,869 and $3,467,014 respectively. The observed deficiencies are largely due to the Consolidated Entity's funding in the recent year being received by way of a loan from its largest shareholder and convertible notes.

Since 31 December 2020, the Consolidated Entity has received additional convertible note funding of $750,000. The Consolidated Entity has also obtained confirmation from its directors, including the managing director, that payment of directors' fees and salaries will be deferred until the Consolidated Entity completes a capital raising transaction associated with a re-quotation on the ASX. At this time, the Consolidated Entity and its directors anticipate settling the unpaid amount with the issue of new shares.

The recent convertible note funding of $750,000 is anticipated to be sufficient to fund the Consolidated Entity's corporate and administrative activities and fund the proposed $6,000,000 capital raise. With the exception of $150,000, all loan and convertible note principal amounts, subject to shareholder approval will be converted to ordinary shares as part of the capital raise and ASX re-quotation process.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On 9 March 2021 the Company) lodged a prospectus with ASIC containing a public offer of up to 35,000,000 fully paid ordinary shares at an issue price of $0.20 per share to raise up to $7,000,000, with a minimum subscription of $6,000,000 (30,000,000 shares). The offer includes free attaching options exercisable at $0.25 on or before 30 June 2023, to be issued on the basis of one option for every two shares issued. A Supplementary Prospectus has since been lodged with ASIC on 19 March 2021.

The Consolidated Entity does not generate revenue to fund operations and ongoing investment in exploration activities. The ability of the Consolidated Entity to continue as a going concern is dependent on its ability to raise additional equity and the continued support of its financiers.

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

The Directors are confident of securing funds as and when necessary to meet the Consolidated Entity's obligations as and when they fall due. On this basis, the Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. No adjustment has been made to the classification and amounts of recorded assets and liabilities should the Consolidated Entity be unable to continue as a going concern.

(b) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year. Several other amendments and interpretations applied for the first time during the year but these changes did not have an impact on the Consolidated Entity's financial statements and hence, have not been disclosed. The Consolidated Entity has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(c) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is that they are not expected to have a material impact on the Group's financial assets or financial position, financial performance or disclosure.

(d) Other Income

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

NOTE 2 CASH AND CASH FLOW INFORMATION

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of financing and investing activities, which are disclosed as operating cash flows.

	December 2020 $	December 2019 $
Reconciliation of cash flows used in operations with loss after income tax		
Loss after income tax	(1,427,002)	(1,142,555)
Non-cash items in loss after income tax		
Depreciation	1,043	1,878
Accrued interest expense	145,500	115,348
Fair value movement- derivative	39,500	93,750
Loss/(gain) on financial assets	-	(9,476)
Foreign currency translation reserve reclassification adjustment on disposal of subsidiary	170,446	-
Movements in assets and liabilities		
Other receivables	(5,290)	41,381
Other assets	7,032	22,432
Trade payables and accruals	734,325	207,938
Provisions	941	9,149
Cash flow from operations	(333,505)	(660,110)

Reconciliation of cash

Cash at the end of the financial period as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash on hand and at bank	10,779	86,661
Cash on deposit	10,377	10,000
	21,156	96,661

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Reconciliation of cash and non-cash movements in borrowings for the year

Opening balance at 1 January	1,881,319	1,047,221
Cash movements in borrowings		
Drawdowns	358,000	625,000
Non-cash movements in borrowings		
Accrued interest	145,500	115,348
Fair value finance movement- derivative	39,500	93,750
Closing balance	2,424,319	1,881,319

	December 2020	December 2019
	$	$
NOTE 3 TRADE & OTHER RECEIVABLES		
GST receivable	9,155	3,865
NOTE 4 OTHER NON-CURRENT ASSETS		
Deposit for the Koongie Park Earn-in and Joint Venture Agreement	100,000	-

Koongie Park Earn-In Agreement

(a) General

The Company has entered into an Earn-in and Joint Venture Agreement with AAR with respect to the Koongie Park Project. Under the Koongie Park Earn-in, the Company and AAR propose to form the Joint Venture on terms which include, but are not limited to, the following:

- the Company is granted the right to:
  - Explore for and develop base metals deposits within the project area;
  - Conduct exploration and development activities for base metals deposits on the project area during the earn-in period; and
  - Earn up to a 75% interest in the project area through the joint venture by funding exploration and project development studies (as stipulated below); and
- AAR retains the right to explore for and develop gold and platinum group metals deposits within the project area other than the area of the mining leases where the Sandiego and Onedin deposits are situated (see description of Precious Metals Rights agreement below).

(b) ***Earn-in Rights***

The Koongie Park Earn-in provides for a two-staged earn-in process whereby the Company can ultimately secure a 75% project interest in the Koongie Park Project. A summary of the two-stage earn-in is outlined below:

Conditions Precedent
The Koongie Park Earn-in does not bind the parties and has no force or effect unless and until the various transaction conditions are satisfied or waived, namely the Company:

- obtaining all necessary AKN shareholder and regulatory approvals, including for the purposes of Chapters 1, 2 and 11 of the ASX Listing Rules, as required to give effect to the transaction contemplated by the Agreement; and
- successfully raising a minimum of A$6,000,000 pursuant to a capital raising.

The Company and AAR must use reasonable endeavours to satisfy the Conditions as soon as possible and, in any event, by 31 March 2021, with provision for AAR to extend the time period to satisfy these conditions up to 30 April 2021. On completion of the Conditions Precedent, the Koongie Park Joint Venture will commence.

First Earn-in Period
The Company shall acquire an initial 25% interest in the Joint Venture (to be formed upon satisfaction of the Conditions Precedent) upon the Company making a total initial payment of $1,000,000 to AAR, in the following tranches:

- $100,000 as a non-refundable deposit within 5 business days of the parties signing the Agreement; and
- $900,000 immediately after completion of the Koongie Park Joint Venture.

At commencement of the Joint Venture, the Koongie Park Exploration Tenements will be the only tenures held by the Joint Venture. AKN will however, have a licence from AAR to access the Koongie Park Mining Tenements for the purpose of Joint Venture activities. During the First Earn-In Period of twenty-four (24) months, the Company may earn a further 25% interest in the Joint Venture by incurring expenditure of $1.5 million including expenditure on exploration, testwork and related analysis to establish a commercially viable processing solution for the Koongie Park oxide ores (**the First Earn-In Milestone**).

NOTE 4 OTHER NON-CURRENT ASSETS (continued)

Upon satisfying the First Earn-in Milestone, the Company shall be deemed to have earned an additional 25% interest in the Joint Venture for a total 50% interest in the Joint Venture. AAR will also be obliged to transfer the Koongie Park Mining Tenements (on which the Sandiego and Onedin deposits are situated) into the Joint Venture.

If the Company fails to satisfy the First Earn-in Milestone during the First Earn-in Period, the Company will be deemed to have withdrawn from the Joint Venture, will cease to have any interest in the Joint Venture and the Koongie Park Earn-in automatically terminates.

Second Earn-in Period
During the Second Earn-in Period, which is a period of 12 months commencing immediately following completion of the First Earn-In Period, the Company may earn a further 25% interest in the Joint Venture by incurring additional Expenditure of $1,500,000, including Expenditure on Exploration Activities and feasibility studies with a view to establishing mining operations on the Onedin and Sandiego deposits on the Koongie Park Tenements (**Second Earn-In Milestone**).

Upon satisfying the Second Earn-in Milestone, the Company shall be deemed to have earned an additional 25% interest in the Joint Venture for a total 75% interest in the Joint Venture. If the Company fails to satisfy the Second Earn-in Milestone during the Second Earn-in Period, then the Company will retain its earned interest in the Joint Venture of 50%.

For the duration of the Second Earn-in Period, the Company agrees to sole fund all expenditure on exploration activities in relation to the Joint Venture and free carry AAR's interest in the Joint Venture.

	December 2020	December 2019
	$	$
NOTE 5 TRADE & OTHER PAYABLES		
Trade payables	311,105	32,246
Other payables and accrued expenses	115,063	41,770
Accrued wages and fees payable to Directors	678,067	295,894
	1,104,235	369,910

Included in trade and other payables are amounts owing to Directors for unpaid wages and fees totalling $678,067 and amounts owing to employees for unpaid wages and fees totalling $144,424. The payment of these amounts will be deferred until the Consolidated Entity completes a capital raising transaction associated with a re-quotation on the ASX. At this time, the Consolidated Entity and its directors and employees anticipate settling the unpaid amount with the issue of new shares.

NOTE 6 EMPLOYEE BENEFITS PROVISIONS

Employee benefits	71,626	70,685

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

	December 2020	December 2019
	$	$
NOTE 7 BORROWINGS		
Shareholder loans		
Opening balance	1,402,949	1,047,221
Drawdowns during the year	200,000	250,000
Interest accrued during the year	127,334	105,728
	1,730,283	1,402,949
Convertible notes		
Opening balance	384,620	-
Drawdowns during the year	158,000	375,000
Interest accrued during the year	18,166	9,620
	560,786	384,620
Derivative financial instruments arising from convertible notes		
Opening balance	93,750	-
Arising from convertible notes issued	39,500	93,750
	133,250	93,750
Total Borrowings	**2,424,319**	**1,881,319**

Shareholder loans
Shareholders loans are measured at amortised cost. Amortised cost is the amount at which the financial liability is measured at initial recognition less principal repayments and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial liability.

NOTE 7 BORROWINGS (continued)

The terms of the shareholder loans are as follows:

JCHX Loan Agreement

The Company and JCHX have entered into a $1 million loan agreement, details of which were announced to ASX on 31 October 2017 (JCHX Loan). The purpose of the loan agreement was to ensure that AKN maintained sufficient funds primarily for ongoing project due diligence activities and working capital, until such time as AKN was in a position to successfully complete a further capital raising as part of a new transaction.

The primary features of the JCHX Group loan included:

- interest being payable on the loan, in arrears, at the rate of 8% per annum;
- the loan being unsecured; and
- repayment of the loan as soon as possible out of the proceeds of a capital raising that was proposed in the first half of 2018.

The Company reached agreement with JCHX on 29 January 2019 to vary the terms of the JCHX Loan, making provision for an additional $500,000 to be advanced on the same terms and for repayment to be effected by AKN on or before 31 December 2019. The JCHX Loan was further varied on 26 March 2020, further deferring repayment of the loan moneys owing to JCHX until 30 September 2020.

A further variation has been agreed between the Company and JCHX dated 15 February 2021 providing for the loan moneys and all accrued interest to be repaid and discharged in full and final satisfaction by the issue of 7,500,000 ordinary shares in the Company at an issue price of $0.20 per share.

JCHX has agreed to enter a voluntarily escrow agreement pursuant to which trading in the ordinary shares issued to repay the JCHX Loan will be restricted for a two year period from the date of issue.

The proposed repayment of the JCHX Loan in accordance with the above share issues is subject to the following:

- Shareholders approving the proposed issue of shares to JCHX;
- any requirements that may be imposed by the ASX in relation to the shares; and
- Completion by AKN of the Koongie Park Transaction.

In the event these conditions are not satisfied by 30 April 2021, the arrangements set out in this letter will lapse, and the rights of JCHX under the JCHX Loan will be reinstated

At 31 December 2020 the total value of loan principal and accrued interest was $1,570,995.

Tighe Loan Agreement

On 7 September 2020, the Company entered into a short-term loan agreement with the Peter Tighe Super Fund On 7 September 2020, the Company entered into a short-term loan agreement with the Peter Tighe Super Fund making provision for the loan of $150,000 to the Company. Interest accrues on the loan at the rate of 20%.

The parties have agreed that the loan and any unpaid accrued interest (incurred after 31 December) will be repaid out of the proceeds of the Offer, or otherwise on 30 April 2021 (if that date occurs before Completion). The Company paid accrued interest payable up to 31 December 2020 on 26 February 2021.

At 31 December 2020 the total value of loan principal and accrued interest was $159,288.

NOTE 7 BORROWINGS (continued)

Convertible notes
Convertible notes are measured at amortised cost. Amortised cost is the amount at which the financial liability is measured at initial recognition less principal repayments and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The terms of the convertible notes are as follows:

	Tranche 1 (Paul Williams)	Tranche 2 (Private Investor)
Issue date	19 July 2019	16 September 2019
Principal amount	$75,000	$300,000
Interest rate (payable quarterly in arrears)	10% per annum	10% per annum
Maturity date *	30 September 2020	30 September 2020
Conversion rights (at election of lender)	Convertible to ordinary shares at a 25% discount to the 20 prior trading day VWAP, subject to shareholder approval	Convertible to ordinary shares at a 25% discount to the 20 prior trading day VWAP

	Tranche 3 (Private Investor)	Tranche 4 (Zewen Yang)
Issue date	30 June 2020	3 August 2020
Principal amount	$150,000	$8,000
Interest rate (payable quarterly in arrears)	10% per annum	10% per annum
Maturity date *	30 September 2020	30 September 2020
Conversion rights (at election of lender)	Convertible to ordinary shares at a 25% discount to the 20 prior trading day VWAP	Convertible to ordinary shares at a 25% discount to the 20 prior trading day VWAP

* The above convertible notes had an expiry date of 30 September 2020. During February 2021, variations were agreed between the Company and the convertible note holders providing for:

- the convertible note maturity dates being extended to the earlier of 30 April 2021 or the completion of the Koongie Park transaction; and
- the convertible note principal moneys to be repaid and discharged in full and final satisfaction by the issue of 3,553,333 ordinary shares in the Company at an issue price of $0.15 per share.

Financing Facilities

Shareholder loans and convertible notes were fully drawn at 31 December 2020. The Consolidated Entity did not have access to any other finance facilities.

Restrictions as to use or withdrawal

The shareholder loan and convertible notes are not subject to any covenants or restrictions.

NOTE 8 SHARE CAPITAL

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	December 2020 $	December 2019 $
Fully paid ordinary shares	42,630,609	42,630,609

Ordinary Shares

	December 2020 $	December 2019 $	December 2020 Number	December 2019 Number
At the beginning of the period	42,630,609	42,380,609	932,584,461	932,584,461
Shares issued	-	-	-	-
Share issue expenses	-	-	-	-
At reporting date	42,630,609	42,630,609	932,584,461	932,584,461

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	December 2020 $	December 2019 $
NOTE 9 RESERVES		
Share based payment reserve	-	549,903
Foreign currency translation reserve	-	(170,446)
	-	379,457
Movement during the period		
Opening balance	379,457	379,457
Transfer of expired share-based payments to accumulated losses	(549,903)	-
Foreign currency translation reserve reclassification adjustment included in profit or loss	170,446	-
	-	379,457

Share based payment reserve
The share based payments reserve is used to record the value of share based payments provided to directors and employees as part of their remuneration.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The Chilean subsidiary, China Yunnan Copper Australia Chile Limitada, was wound up on 13 November 2020.

NOTE 10 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the period. There are no franking credits available to the shareholders of the Company.

NOTE 11 EARNINGS PER SHARE

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

	December 2020 $	December 2019 $
Total losses used to calculate basic and dilutive EPS	(1,427,002)	(1,142,555)
	2020 **Number**	**2019** **Number**
Weighted average number of ordinary shares outstanding during the period	932,584,461	932,584,461
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the period used in calculating EPS and dilutive EPS	932,584,461	932,584,461
Basic and diluted loss per share - cents	**(0.15)**	**(0.12)**

	December 2020 $	December 2019 $

NOTE 12 INCOME TAX

Income tax expense

The income tax expense for the period comprises current income tax expense and deferred tax expense. Current income tax expense charged to profit or loss is the tax payable on taxable income.

A reconciliation of income tax expense/(benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Consolidated Entity's effective income tax rate for the periods ended 31 December 2020 and 31 December 2019 is as follows:

Accounting loss before income tax	(1,427,002)	(1,142,555)
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	(392,426)	(314,203)
Non-deductible/(assessable) items	11,110	25,966
Deferred tax assets not bought to account	381,316	288,237
Income tax expense	-	-

Current tax liabilities

Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority. The Consolidated Entity did not have any current tax liabilities at 31 December 2020 (2019: Nil).

NOTE 12 INCOME TAX (continued)

Deferred tax balances

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses. Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled. Current and deferred tax is recognised in the statement of comprehensive income except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Future income tax benefits in relation to tax losses have not been brought to account at this stage as it is not probable the benefit will be utilised. The temporary differences and tax losses do not expire under current tax legislation.

	December 2020	December 2019
	$	$
Unrecognised temporary differences and tax losses		
Tax losses	33,434,295	32,047,695

Recognised temporary differences and tax losses		
Deferred tax assets and liabilities are attributable to the following:		
Provisions	19,697	19,438
Other	-	(1,934)
Deferred tax assets attributed to temporary differences not recognised	(19,697)	(17,504)
Tax losses carried forward	-	-
Net deferred tax liability/(asset)	-	-

Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances GST is recognised as part of the acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

NOTE 13 RELATED PARTY AND KEY MANAGEMENT PERSONNEL

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

Key management personnel compensation

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity.

	December 2020	December 2019
	$	$
Summary		
Short-term employee benefits	521,548	521,548
Post-employment benefits	39,572	39,572
Share-based payments	-	-
	561,120	561,120

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 14.

Amounts owed to Key Management Personnel

$735,267 is owed to Key Management Personnel for unpaid remuneration (December 2019: $308,894). These amounts were at call and did not bear interest.

NOTE 13 RELATED PARTY AND KEY MANAGEMENT PERSONNEL (continued)

During the current and prior year, all Key Management Personnel deferred payment for their fees until the Company's financial position has improved. Subsequent to year end all Key Management Personnel entered into an agreement with the Company, subject to shareholder approval, to receive ordinary shares (at an issue price of $0.20 per share) in lieu of unpaid remuneration. The total amounts owing at 31 December 2020 to Key Management Personnel and the proposed number of shares to be issued are as follows:

	Remuneration Owing $	Shares to be issued #
Huaisheng Peng	99,000	420,000
Qinghai Wang	82,500	350,000
Paul Williams	304,420	1,114,445
Zewen Yang	192,147	635,485
Paul Marshall	57,200	262,150
	735,267	2,782,080

Other related party transactions

The Company has entered into a loan agreement with the JCHX Goup, an entity associated with Mr Qinghai Wang, and convertible note arrangements with entities associated with Paul Williams and Zewen Yang. Transactions in relation to these agreements during the year were as follows:

	December 2020 $	December 2019 $
JCHX loan		
Opening balance	1,402,949	1,047,221
Drawdowns during the year	50,000	250,000
Interest accrued during the year	118,046	105,728
	1,570,995	1,402,949
Convertible notes – P Williams		
Opening balance	76,991	-
Drawdowns during the year	-	75,000
Interest accrued during the year	7,706	1,991
Interest paid during the year	(5,630)	
	79,067	76,991
Convertible notes – Z Yang		
Opening balance	-	-
Drawdowns during the year	8,000	-
Interest accrued during the year	329	-
	8,329	-

Refer to Note 7 for details of each arrangement.

Subsequent to year end the lenders entered into agreements with the Company, subject to shareholder approval, to receive ordinary shares (at an issue price of $0.20 per share) in consideration of amounts owing:

	Shares to be issued #
JCHX loan	7,500,000
Convertible note – P Williams	500,000
Convertible note – Z Yang	53,333

In addition, the convertible note lenders will be paid cash for any accrued interest owing.

NOTE 14 FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The main risk arising from the financial instruments is foreign exchange risk.

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Consolidated Entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to the Managing Director and the Chief Financial Officer. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Consolidated Entity's competitiveness and flexibility. Further details regarding these policies are set out below:

(a) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 31 December 2020.

Credit risk is reviewed regularly by the Board. It arises from exposure to customers as well as through deposits with financial institutions.

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity.

The credit quality of cash and cash equivalents is considered strong. The counterparty to these financial assets are large financial institutions with strong credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due.

Liquidity risk is reviewed regularly by the Board.

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained. The Consolidated Entity did not have any financing facilities available at balance date.

Refer to Note 1 *"Going Concern"* for details on the Consolidated Entity's current financial position, funding arrangements and its ability to meet its future obligations.

(c) Market Risk

Market risk arises from the use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

The Consolidated Entity does not have any material exposure to market risk.

(d) Capital Risk Management

When managing capital, the director's objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements. In order to maintain or adjust the capital structure, the Consolidated Entity may seek to issue new shares.
The Consolidated Entity has no minimum capital requirements.
Refer to Note 1 *"Going Concern"* for details on the Consolidated Entity's current financial position, funding arrangements and its ability to meet its future obligations.

NOTE 14 FINANCIAL RISK MANAGEMENT (continued)

(e) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to the financial statements.

NOTE 15 FAIR VALUE MEASUREMENT

Fair value hierarchy

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

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

31 December 2020

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative instruments - conversion feature of convertible notes	-	-	133,250	133,250
	-	**-**	**133,250**	**133,250**

31 December 2019

	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative instruments - conversion feature of convertible notes	-	-	93,750	93,750
	-	**-**	**93,750**	**93,750**

<u>Valuation techniques for fair value measurements categorised within level 3</u>

Derivative instruments - conversion feature of convertible notes

Under the convertible note agreements, note holders have the right immediately upon issue to convert the notes into ordinary shares equivalent equal to the face value of the notes plus 25%. The fair value of the derivative liability component of the convertible notes at the time of issue has been determined to equal the 25% conversion discount applicable to the initial note proceeds received.

For the derivative instruments, changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not change fair value significantly.

NOTE 16 SEGMENT REPORTING

Reportable Segments

The Consolidated Entity has identified its operating segment based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources. The Consolidated Entity does not yet have any products or services from which it derives an income.

Management currently identifies the Consolidated Entity as having only one reportable segment, being exploration for minerals in Australia. The financial results from this segment are equivalent to the financial statements of the consolidated entity. All assets are located in Australia.

NOTE 17 COMMITMENTS

The Company has entered into an Earn-in and Joint Venture Agreement with AAR with respect to the Koongie Park Project. Upon completion of the Proposed Public Offer the Company shall acquire an initial 25% interest in the Joint Venture upon the Company making the remaining initial payment of $900,000 to AAR. Following the acquisition of the initial interest, the company is required to contribute an additional $1,500,000 to “First Earn-In” expenditure within 24 months in order to earn an additional 25% interest. If this First Earn-In Expenditure requirement is not met, the Company will be deemed to have withdrawn from the Joint Venture agreement and cease to have any interest in the Joint Venture.

The Consolidated Entity currently does not have any other obligations to expend minimum amounts on either operating leases or exploration in tenement areas.

NOTE 18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 31 December 2020 (31 December 2019: Nil).

	December 2020 $	December 2019 $
NOTE 19 AUDITORS’ REMUNERATION		
Remuneration paid for:		
Auditing and reviewing the financial report		
- BDO	16,500	-
- Ernst & Young	-	39,500
Other services		
- BDO	-	-
- Ernst & Young	-	-

NOTE 20 EVENTS AFTER BALANCE SHEET DATE

Since 31 December 2020, the Company has undertaken the following additional capital raising activities, designed to provide the Company with sufficient working capital to continue with the activities associated with the Koongie Park transaction:

- A further $750,000 convertible notes at a face value of $1 per note were issued to third party investors between 23 February and 5 March 2021. The terms of these convertible notes are:

Interest rate (payable quarterly in arrears):	10% per annum
Maturity date:	31 December 2021
Conversion rights:	(c) Automatic conversion on completion of the public offer under the prospectus into ordinary shares at a 40% discount to the public offer issue price of 20c; and (d) Otherwise, at the election of the holder on or before the maturity date.

- The expiry date of convertible notes and shareholder loan previously on issue by the Company, as summarised in Note 7 to has been extended to 30 April 2021; and
- On 9 March 2021 the Company) lodged a prospectus with ASIC containing a public offer of up to 35,000,000 fully paid ordinary shares at an issue price of $0.20 per share to raise up to $7,000,000, with a minimum subscription of $6,000,000 (30,000,000 shares). The offer includes free attaching options exercisable at $0.25 on or before 30 June 2023, to be issued on the basis of one option for every two shares issued.

NOTE 21 PARENT ENTITY INFORMATION

The Parent Entity of the Consolidated Entity is AuKing Mining Limited.

	December 2020	December 2019
	$	$
Parent Entity Financial Information		
Current assets	30,311	107,558
Non-current assets	102,855	3,898
Total assets	133,166	111,456
Current liabilities	3,600,180	2,296,914
Non-current liabilities	-	-
Total liabilities	3,600,180	2,296,914
Net assets	(3,467,014)	(2,185,458)
Share capital	42,630,609	42,630,609
Reserves	-	559,903
Accumulated losses	(46,097,623)	(45,375,970)
Total equity	(3,467,014)	(2,185,458)
Loss after income tax	(1,281,556)	(1,142,555)
Other comprehensive income	-	-
Total comprehensive loss	(1,281,556)	(1,142,555)

Controlled Entities of the Parent Entity

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

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

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

NOTE 21 PARENT ENTITY INFORMATION (continued)

	Percentage Owned		
	2020	2019	
	%	%	Country of Incorporation
China Yunnan Copper Australia Chile Limitada	-	100%	Chile
AKN (Koongie Park) Pty Ltd	100%	-	Australia

China Yunnan Copper Australia Chile Limitada was wound up on 13 November 2020.

Commitments, Contingencies and Guarantees of the Parent Entity

The minimum committed expenditure for future periods of the Parent Entity is the same as those for the Consolidated Entity. The Parent Entity has no contingent assets, contingent liabilities or guarantees at balance date.

DIRECTORS' DECLARATION

In the Directors opinion:

(a) the attached consolidated financial statements and notes that are set out on pages 18 to 39 and the remuneration report set out on pages 11 to 14 in the Directors' Report are in accordance with the Corporations Act 2001 and other mandatory professional reporting requirements, including:

(i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
(ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and of its performance for the financial period ended on that date.

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1 to the consolidated financial statements; and

(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.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of directors.

Paul Williams
Director

24 March 2021

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INDEPENDENT AUDITOR'S REPORT

To the members of AuKing Mining Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AuKing Mining Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the 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. Our opinion is not modified in respect of this matter.

Key audit matters

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

Classification and valuation of convertible notes

Key audit matter	*How the matter was addressed in our audit*
Refer to note 7 of the financial report. The group issued two tranches of convertible notes during the period. The convertible notes are measured at amortised cost and the derivative instrument liability components are measured at fair value through profit and loss under AASB 9 *Financial Instruments*. The classification and valuation of convertible notes is a key audit matter due to: • The significance of the total balance • The determination of the fair value of the derivative instrument can be complex and involves judgement.	Our audit procedures, amongst others, included: • Obtaining an understanding of the terms and conditions of the convertible note agreements to determine the accounting treatment • Reviewing reasonableness of the methodology and assumptions applied in the valuation of derivative instruments • Reviewing management's assessment of the movements in fair value of the derivative instruments • Reviewing the adequacy of disclosures in the financial report and agreeing these to the convertible note agreement.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 14 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of AuKing Mining Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

BDO

T Mann

T R Mann
Director

Brisbane, 24 March 2021