



AuKing Mining Limited
ABN 29 070 859 522

INTERIM FINANCIAL REPORT

For the half-year ended 30 June 2020

CORPORATE DIRECTORY

AuKing Mining Limited A.C.N 070 859 522

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

REVIEW OF OPERATIONS

For the half-year ended 30 June 2020 the Company and its Controlled Entities ("Controlled Entity" or "AKN") made a loss of \$516,846.

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). While 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, the Company is now aggressively preparing for a proposed minimum \$6million public offer as part of ASX re-quotations 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 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 PGMs 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.

Proposed 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 proposes to lodge a prospectus with the ASIC with the intention of raising a minimum A\$6million. Further details about the public offer and the prospectus will be announced to the ASX after lodgement with ASIC occurs. In addition, the Company will 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-April 2021. Further details will be announced to ASX when the Notice of Meeting is finalised and made available to shareholders.

EVENTS AFTER BALANCE SHEET DATE

There have been no other events since 30 June 2020 that impact upon the financial report, save and except for 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 outlined above:

- A further 8,000 convertible notes at a face value of \$1 per note were issued to a director-related entity on 3 August 2020, with an expiry date of 30 April 2021. The terms of the convertible notes are otherwise identical to those previously on issue by the Company, as summarised in Note 4 to the Consolidated Financial Statements set out below; and
- An unsecured loan agreement was entered into by the Company with a third party investor on 8 September 2020 for the sum of \$150,000 upon the following additional terms:
 - Loan expiry date of 30 April 2021; and
 - Interest at the rate of 20% per annum is payable (in arrears) on the loan moneys.
- An unsecured loan agreement was entered into by the Company with a third party investor on 8 September 2020 for the sum of \$150,000 upon the following additional terms:
- A further \$520,000 convertible notes at a face value of \$1 per note were issued to third party investor clients of Novus Capital Limited between 23 February and 26 February 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 before the maturity date.

- The expiry date of convertible notes and shareholder loan previously on issue by the Company, as summarised in Note 4 to the Consolidated Financial Statements set out below has been extended to 30 April 2021.

GOING CONCERN

At 30 June 2020, the Consolidated Entity reported a net current asset deficiency and net asset deficiency of \$2,840,684 and \$2,727,304 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 30 June 2020, the Consolidated Entity has received additional loan and convertible note funding of \$770,000. 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-quotations 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 \$520,000 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 are expected to be converted to ordinary shares as part of the capital raise and ASX re-quotations process.

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.

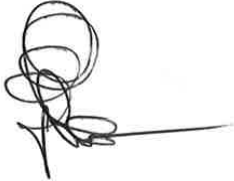
These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern and therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 8 and forms part of the Director's report for the half-year ended 30 June 2020.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to be 'Paul Williams', with a long horizontal stroke extending to the right.

Paul Williams
Director
3 March 2021



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

As lead auditor for the review of AuKing Mining Limited for the half-year ended 30 June 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'T R Mann', with a long horizontal flourish extending to the right.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 3 March 2021

**Consolidated Statement of Comprehensive Income
For the half-year ended 30 June 2020**

	Note	6 months ended June 2020 \$	6 months ended June 2019 \$
Finance income		377	-
Gain on disposal of financial assets		-	9,476
Employment and consultancy expenses		(313,510)	(276,748)
Depreciation expense		(519)	(1,352)
Administration expenses		(89,445)	(144,694)
Finance costs		(113,749)	(50,457)
Loss before income tax		(516,846)	(463,775)
Income tax expense		-	-
Loss for the period		(516,846)	(463,775)
Loss after income tax		(516,846)	(463,775)
Other comprehensive income/(loss)			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss		(516,846)	(463,775)
		Cents	Cents
Earnings per share			
Basic and diluted loss per share		(0.06)	(0.05)

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

**Consolidated Balance Sheet
As at 30 June 2020**

	Note	June 2020 \$	December 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		156,574	96,661
Trade and other receivables		9,161	3,865
Other current assets		-	7,032
TOTAL CURRENT ASSETS		165,735	107,558
NON-CURRENT ASSETS			
Other receivables		12,470	2,470
Other non-current assets	2	100,000	-
Plant and equipment		910	1,428
TOTAL NON-CURRENT ASSETS		113,380	3,898
TOTAL ASSETS		279,115	111,456
CURRENT LIABILITIES			
Trade and other payables	3	752,766	369,910
Borrowings	4	2,176,241	1,881,319
Employee benefit provisions		77,412	70,685
TOTAL CURRENT LIABILITIES		3,006,419	2,321,914
TOTAL LIABILITIES		3,006,419	2,321,914
NET ASSETS		(2,727,304)	(2,210,458)
NET DEFICIT			
Share capital	5	42,630,609	42,630,609
Reserves	6	(170,446)	379,457
Accumulated losses		(45,187,467)	(45,220,524)
TOTAL NET DEFICIT		(2,727,304)	(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 half-year ended 30 June 2020**

Consolidated Entity	Share Capital	Reserves	Accumulated Losses	Total Net 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	-	-	-	-
Comprehensive income				
Loss after income tax	-	-	(463,775)	(463,775)
Other comprehensive income	-	-	-	-
Balance at 30 June 2019	42,630,609	379,457	(44,541,744)	(1,531,678)
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 reserves	-	(549,903)	549,903	-
Comprehensive income				
Loss after income tax	-	-	(516,846)	(516,846)
Other comprehensive income	-	-	-	-
Balance at 30 June 2020	42,630,609	(170,446)	(45,187,467)	(2,727,304)

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

**Consolidated Cash Flow Statement
 For the half-year ended 30 June 2020**

Note	6 months ended June 2020 \$	6 months ended June 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(111,637)	(362,724)
Interest paid	(18,827)	-
Interest received	377	-
Net cash used in operating activities	(130,087)	(362,724)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits paid	(10,000)	-
Proceeds from the sale of financial assets	-	51,476
Net cash provided by/(used in) investing activities	(10,000)	51,476
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2	200,000
Net cash provided by financing activities	200,000	250,000
Net increase/(decrease) in cash and cash equivalents	59,914	(61,248)
Cash and cash equivalents at the beginning of the period	96,661	80,295
Cash and cash equivalents at the end of the period	156,574	19,047

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

a) Reporting Entity

AuKing Mining Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 30 June 2020 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity").

b) Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the interim financial report. The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 31 December 2019.

New and revised standards have been issued by the AASB and are effective for the half-year; however there are no material changes to the policies that affect the recognition or measurement of the results or financial position of the Consolidated Entity.

c) Accounting Policies

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 31 December 2019.

d) COVID-19 Impacts

The Company remained relatively unaffected during the period by COVID-19. Staff worked remotely when possible and followed enhanced social distancing and health and safety procedures when at the workplace. The Company did not receive any subsidies. The Company is not expecting any significant impacts in the coming year.

e) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting period. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's has assessed the impact of these new standards that are not yet effective and determined that they are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

f) Going Concern

At 30 June 2020, the Consolidated Entity reported a net current asset deficiency and net asset deficiency of \$2,840,684 and \$2,727,304 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 30 June 2020, the Consolidated Entity has received additional loan and convertible note funding of \$770,000. 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-quotations 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 \$520,000 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 are expected to be converted to ordinary shares as part of the capital raise and ASX re-quotations process.

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.

	June 2020 \$	December 2019 \$
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NOTE 2 OTHER NON-CURRENT ASSETS

Deposit for the Koongie Park Earn-in and Joint Venture Agreement	100,000	-
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NOTE 3 TRADE & OTHER PAYABLES

Trade payables	101,002	32,246
Other payables and accrued expenses	173,902	41,770
Accrued wages and fees payable to Directors	477,862	295,894
	752,766	369,910

Included in trade and other payables are amounts owing to Directors for unpaid wages and fees totalling \$477,862 and amounts owing to employees for unpaid wages and fees totalling \$93,431. 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 4 BORROWINGS

Shareholder loan

Opening balance	1,402,949	1,047,221
Drawdowns during the year	50,000	250,000
Interest accrued during the year	57,146	105,728
	1,510,095	1,402,949

Convertible notes

Opening balance	384,620	-
Drawdowns during the year	150,000	375,000
Interest accrued during the year	276	9,620
	534,896	384,620

Derivative financial instruments arising from convertible notes

Opening balance	93,750	-
Arising from convertible notes issued	37,500	93,750
	131,250	93,750

Total Borrowings	2,176,241	1,881,319
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Shareholder loan

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.

The shareholder loan is unsecured. The facility has a fixed interest rate of 8% per annum. Subsequent to year end the expiry dated was extended from 30 September 2020 to 30 April 2021. The fair value of the shareholder loan approximates its carrying amount at 30 June 2020.

NOTE 4 BORROWINGS

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 (Managing Director)	Tranche 2 (Private Investor)	Tranche 3 (Private Investor)
Issue date	19 July 2019	16 September 2019	30 June 2020
Principal amount	\$75,000	\$300,000	\$150,000
Interest rate (payable quarterly in arrears)	10% per annum	10% per annum	10% per annum
Maturity date *	30 September 2020	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	Convertible to ordinary shares at a 25% discount to the 20 prior trading day VWAP

* Subsequent to year end the expiry dates were extended from 30 September 2020 to 30 April 2021.

NOTE 5 SHARE CAPITAL

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

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

Ordinary Shares

	June 2020 \$	December 2019 \$	June 2020 Number	December 2019 Number
At the beginning of the period	42,630,609	42,630,609	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.

	June 2020 \$	December 2019 \$
NOTE 6 RESERVES		
Share based payment reserve	-	549,903
Foreign currency translation reserve	(170,446)	(170,446)
	(170,446)	379,457
<u>Movement during the period</u>		
Opening balance	379,457	379,457
Transfer of expired share-based payments to accumulated losses	(549,903)	-
	(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.

NOTE 7 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 8 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 9 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2020 (31 December 2019: Nil).

NOTE 10 EVENTS AFTER BALANCE SHEET DATE

There have been no other events since 30 June 2020 that impact upon the financial report, save and except for 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 outlined above:

- A further 8,000 convertible notes at a face value of \$1 per note were issued to a director-related entity on 3 August 2020, with an expiry date of 30 April 2021. The terms of the convertible notes are otherwise identical to those previously on issue by the Company, as summarised in Note 4 to the Consolidated Financial Statements set out below; and
- An unsecured loan agreement was entered into by the Company with a third party investor on 8 September 2020 for the sum of \$150,000 upon the following additional terms:
 - Loan expiry date of 30 April 2021; and
 - Interest at the rate of 20% per annum is payable (in arrears) on the loan moneys.
- A further \$520,000 convertible notes at a face value of \$1 per note were issued to third party investor clients of Novus Capital Limited between 23 February and 26 February 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 before the maturity date.

- The expiry date of convertible notes and shareholder loan previously on issue by the Company, as summarised in Note 4 to has been extended to 30 April 2021.

NOTE 11 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

30 June 2020

	Level 1	Level 2	Level 3	Total
<i>Liabilities</i>				
Derivative instruments - conversion feature of convertible notes	-	-	131,250	131,250
	-	-	131,250	131,250

31 December 2019

	Level 1	Level 2	Level 3	Total
<i>Liabilities</i>				
Derivative instruments - conversion feature of convertible notes	-	-	93,750	93,750
	-	-	93,750	93,750

Valuation techniques for fair value measurements categorised within level 3

- Derivative instruments - conversion feature of convertible notes

The fair value of the derivative liability has been assessed based on present value techniques incorporating an option pricing model.

There has been no movements in level 3 liabilities during the period.

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

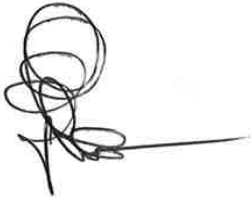
DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'Paul Williams', with a long horizontal line extending to the right.

Paul Williams
Director

3 March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of AuKing Mining Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of AuKing Mining Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating 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 conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd



T R Mann
Director

Brisbane, 3 March 2021