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(formerly GB Energy Limited)

**Interim Financial Report
31 December 2017**

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DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

David Johnston	Chairman appointed 10 October 2017
Terence Larkan	Managing Director appointed 28 September 2017
Peter Batten	Technical Director appointed 9 January 2018
Nick Burn	Executive Director (resigned 9 January 2018)
David Detata	Non-Executive Director (resigned 27 October 2017)
Stuart Rechner	Chairman (resigned 28 September 2017)

Review of Operations

Operations

The net loss of the Group for the six months to 31 December 2017 is \$16,587,169 (31 December 2016: \$246,522) of which the acquisition cost of Kalia Holdings Pty Ltd was \$15,505,774. Please refer to Note 6 for more detail on this transaction.

During the half-year to 31 December 2017:

- The Annual Report for the financial year ended 30 June 2017 was released on the 30th August 2017.
- The Company Elected to exercise the option to acquire 72.29% of shares in Kalia Holdings Pty Ltd. Kalia Holdings Pty Ltd is the parent company of Papua New Guinean registered subsidiary Kalia Investments Ltd, which held contractual rights with landowners to apply for exploration licences in the Tore Region of Bougainville Island. On 28 September 2017 the company issued 772,891,566 consideration shares to the shareholders of Kalia Holdings Pty Ltd for 72.29% of the shares in Kalia Holdings Pty Ltd. At the same time, the Company completed tranche 2 of the placement (announced 20 March 2017) and issued 39,106,626 shares to unrelated parties.
- The company changed its name to Kalia Limited and ASX code to KLH.
- 100,000,000 ordinary shares placed with an institutional investor on 23 October 2017 at \$0.12 per share for \$1,200,000.
- 20,000,000 ordinary shares placed to a sophisticated investor to retire a loan of \$240,000 on 23 October 2017.
- On the 15 November 2017, Kalia Investment Ltd, together with a landowner company Toremana Resources Limited, was granted Exploration Licences 03/2017 and 04/2017 in the Mt Tore region on Bougainville Island in the Autonomous Region of Bougainville.
- On 16 November 2017 the Company announced that it was involved as a defendant in legal action brought by various plaintiffs, including ASX quoted company RTG Mining Ltd.
- The Company moved its office to premises in West Perth.
- 80,000,000 ordinary shares placed to an institutional investor at \$0.014 per share for \$1,120,000 on 27 December 2017.

Subsequent to the half-year end:

- History was made with the signing of the very first Exploration Licence Land Access and Compensation Agreement after extensive awareness and consultation, including the demonstration of the exploration processes.
- The Company agreed the terms of a shareholder agreement between Kalia Investments Ltd and Toremana Resources Limited, the landowner company, for an incorporated joint venture vehicle to be name Tore Joint Venture.
- The Company agreed terms with Global Resource Investment Trust Plc (GRIT) to acquire their interest in Kalia Holdings Pty Ltd; subject to approval by shareholders and the ASX. The acquisition will result in the Company issuing new shares to GRIT giving them 19.09% of the shares in issue after receiving their shares. In return, the shareholders of the Company will receive an increase in their participation in the Bougainville project equating to 11.985% on a fully diluted basis.
- Approval of the GRIT transaction will give the Company access to a secured loan facility of \$3 million with interest payable at 10% per annum.

Strategy

The Group is focussed on applying resources as aggressively as possible to exploration activities where it is believed that shareholder value can best be created.

All assets have been reviewed. There is no doubt that the most prospective ground in the portfolio lies in Bougainville. As a result, the focus of resources will be to advance the exploration on the Bougainville Exploration Licences 03/2017 and 04/2017. Exploration Licence 03/2017, is more developed from an exploration standpoint and will be priority one.

The Group will look to consolidate the remaining non-landowner stake to maximise exposure to this highly prospective ground.

The licences on the other assets will be maintained and development will occur in line with undertakings. There may be opportunity to release some value from some or all of these to accelerate development in Bougainville.

Financial Position

The cash balance at the end of the half-year was \$1,352,746. Further funds will be required in the coming half-year to fund exploration activities. Access to the secured loan facility of \$3 million that will be granted on approval of the GRIT transaction, will fully address the planned requirements for 2018.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2017.

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



Terrence Larkan
Managing Director
13 March 2018



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Kalia Limited (formerly GB Energy Limited) for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read 'M R Ohm', written in a cursive style.

Perth, Western Australia
13 March 2018

M R Ohm
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 \$	31 December 2016 \$
Continuing operations			
Interest income		49	330
Accounting expenses		(17,179)	(13,360)
Administrative and employee expense		(710,034)	(185,694)
Depreciation and amortisation expense		(37)	(288)
Project generation		(352,969)	(20,746)
Impairment of exploration asset		(1,466)	(26,764)
Acquisition cost of Kalia Holdings Pty Ltd	6	(15,505,774)	-
Foreign exchange		241	-
Loss before income tax		(16,587,169)	(246,522)
Income tax expense		-	-
Net loss for the period		(16,587,169)	(246,522)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(8,779)	-
Total comprehensive loss for the period, net of income tax		(16,595,948)	(246,522)
Loss attributable to:			
Owners of the parent		(16,138,725)	(246,522)
Non-controlling interests		(448,444)	-
		(16,587,169)	(246,522)
Total Comprehensive loss attributable to:			
Owners of the parent		(16,145,071)	(246,522)
Non-controlling interests		(450,877)	-
		(16,595,948)	(246,522)
Basic loss per share (cents per share)		(1.11)	(0.03)
Diluted loss per share (cents per share)		(1.11)	(0.03)

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Notes	31 December 2017 \$	30 June 2017 \$
Assets			
Current assets			
Cash and cash equivalents		1,352,746	57,259
Trade and other receivables		99,132	158,326
Prepayments		18,223	2,872
		<u>1,470,101</u>	<u>218,457</u>
Assets classified as held for sale		-	30,000
Total current assets		<u>1,470,101</u>	<u>248,457</u>
Non-current assets			
Loan Kalia Holdings Pty Ltd	7	-	600,000
Property, plant and equipment		1,414	-
Exploration and evaluation expenditure	3	313,033	263,182
Total non-current assets		<u>314,447</u>	<u>863,182</u>
Total assets		<u>1,784,548</u>	<u>1,111,639</u>
Liabilities			
Current liabilities			
Trade and other payables		426,277	320,024
Borrowings – bridging loan KSLCorp Pty Ltd		-	100,000
Total current liabilities		<u>426,277</u>	<u>420,024</u>
Total liabilities		<u>426,277</u>	<u>420,024</u>
Net assets		<u>1,358,271</u>	<u>691,615</u>
Equity			
Share capital	4	22,636,231	11,223,627
Reserves	5	6,307,289	463,635
Accumulated losses		(27,134,372)	(10,995,647)
Equity attributable to owners of the parent		<u>1,809,148</u>	<u>691,615</u>
Non-controlling Interest		<u>(450,877)</u>	<u>-</u>
Total Equity		<u>1,358,271</u>	<u>691,615</u>

The accompanying notes form part of these financial statements

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Share capital	Option premium reserve	Share-based payment reserve	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the Company	Non-controlling Interest	Total Equity
Note	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	10,578,054	245,660	165,923	-	(10,033,915)	955,722	-	955,722
Loss for the period	-	-	-	-	(246,522)	(246,522)	-	(246,522)
Total comprehensive loss for the period	-	-	-	-	(246,522)	(246,522)	-	(246,522)
Recognition of share-based payments	-	-	52,052	-	-	52,052	-	-
Balance at 31 December 2016	10,578,054	245,660	217,975	-	(10,280,437)	761,252	-	761,252
Balance at 1 July 2017	11,223,627	245,660	217,975	-	(10,995,647)	691,615	-	691,615
Loss for the period	-	-	-	-	(16,138,725)	(16,138,725)	(448,444)	(16,587,169)
Exchange differences arising on translation of foreign operations	-	-	-	(6,346)	-	(6,346)	(2,433)	(8,779)
Total comprehensive loss for the period	-	-	-	(6,346)	(16,138,725)	(16,145,071)	(450,877)	(16,595,948)
Issue of Shares	1,356,431	-	-	-	-	1,356,431	-	1,356,431
Shares to be issued	1,120,000	-	-	-	-	1,120,000	-	1,120,000
Acquisition and Performance Shares	10,843,373	-	3,750,000	-	-	14,593,373	-	14,593,373
Shares issued in settlement of loan	300,000	-	-	-	-	300,000	-	300,000
Shares issued on exercise of options	60,000	-	-	-	-	60,000	-	60,000
Recognition of Adviser Options	5.2	-	2,100,000	-	-	2,100,000	-	2,100,000
Share Issue Costs	(2,267,200)	-	-	-	-	(2,267,200)	-	(2,267,200)
Balance at 31 December 2017	22,636,231	245,660	6,067,975	(6,346)	(27,134,372)	1,809,148	(450,877)	1,358,271

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(611,907)	(164,823)
Interest received	49	330
Net cash outflow from operating activities	(611,858)	(164,493)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure and project generation	(744,647)	(97,967)
PACE grant received	134,216	-
Payment for plant and equipment	(1,451)	-
Proceeds on sale of tenement	30,000	-
Net cash outflow from investing activities	(581,882)	(97,967)
Cash flows from financing activities		
Proceeds from issue of equity securities	2,536,427	-
Payment for share issue costs	(167,200)	-
Proceeds from borrowings	120,000	-
Net cash inflow from financing activities	2,489,227	-
Net (decrease)/increase in cash held	1,295,487	(262,460)
Cash and cash equivalents at the beginning of the period	57,259	468,535
Effects of exchange rate fluctuations on cash held	-	-
Cash and cash equivalents at the end of the period	1,352,746	206,075

The accompanying notes form part of these financial statements

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****Basis of preparation**

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

The interim financial statements comprise the condensed interim financial statements for the Group. For the purposes of preparing the interim financial statements, the Company is a for-profit entity.

The interim financial statements do not include full disclosures of the type normally included in the full financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2017 and any public announcements made by HLB Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

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

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

Accounting policies and methods of computation

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

Standards and Interpretations applicable to 31 December 2017

In the period ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2017. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2017.

Going concern

The results for the half-year reflect the current nature of the Group's activities being mineral exploration and project development with the Group incurring a net loss after tax of \$16,587,169 primarily due to Kalia Holdings Pty Ltd acquisition costs and experienced net cash outflows from operating and investing activities of \$1,193,740.

The nature of the Group's current activities does not provide the Group with revenues.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Going concern (continued)**

The Group has historically met its working capital requirements by raising the required capital through the placing of shares with investors. During the half-year the Group effectively raised \$2,476,431 which has been applied to operations and the settling of debt. As at 31 December 2017 the Group had cash of \$1,352,746 that will see planned activities through to April 2018.

The Group will need to secure sources of external funding before the end of April 2018 to enable it to continue to meet its liabilities as and when they fall due. The Group has a variety of options for sourcing additional funds but it is principally dependent on its ability to raise additional capital.

While the Directors believe that the Group will obtain sufficient funding, the Directors have concluded that the lack of committed funds represent a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern, and therefore the Group and Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

Statement of compliance

The interim financial statements were authorised for issue on 13 March 2018.

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

NOTE 2: OPERATING SEGMENTS

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

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

- Exploration and evaluation - Australia
- Exploration and evaluation - Bougainville
- Other sector

Exploration and evaluation - Australia refers to one Exploration license (EL's) held in South Australia, two EL's held in the Northern Territory and two held in Western Australia. The Group holds a 100% interest in these licences through GBE Exploration Pty Ltd a wholly owned subsidiary of Kalia Limited.

Exploration and evaluation - Bougainville refers to Exploration Licences held in Bougainville which were granted on 15 November 2017.

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

NOTE 2: SEGMENT REPORTING (continued)

The following table presents the revenue and loss information regarding the segment information provided to the Board of Kalia Limited for the half-year periods ended 31 December 2017 and 31 December 2016.

	Exploration and evaluation- Australia	Continuing operations		Consolidated
		Exploration and evaluation - Bougainville	Other	
31 December 2017	\$	\$	\$	\$
Segment revenue	13	-	36	49
Segment result	(20,695)	(16,211,353)	(355,121)	(16,587,169)
Segment assets	330,245	84,536	1,369,767	1,784,548
Segment liabilities	5,720	213,550	207,007	426,277

	Exploration and evaluation- Australia	Continuing operations		Consolidated
		Exploration and evaluation – Bougainville	Other	
31 December 2016	\$	\$	\$	\$
Segment revenue	2	-	328	330
Segment result	(48,321)	-	(198,201)	(246,522)
Segment assets	574,836	-	207,917	782,758
Segment liabilities	4,290	-	17,216	21,506

The revenue reported above represents revenue generated from external customers. Intersegment revenues have been eliminated.

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

NOTE 3 : EXPLORATION AND EVALUATION EXPENDITURE

	Six months to 31 December 2017	Year to 30 June 2017
	\$	\$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	263,182	506,156
Expenditure incurred	49,851	454,692
Plan for accelerating exploration (PACE) grant S. Aust	-	(122,016)
Impaired exploration ⁽ⁱ⁾	-	(545,650)
Available for sale EL5391	-	(30,000)
Total exploration and evaluation expenditure	313,033	263,182

(i) Exploration expenditure impaired in the 30 June 2017 financial year is as follows: EL 5255 relinquished \$209,748, EL5778 relinquished \$26,764, EL 5391 impaired \$20,568 and EL 5302 relinquished \$288,570.

The Australian exploration assets satisfy AASB 6 and remain as exploration assets in the statement of financial position. The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

NOTE 4: SHARE CAPITAL

	31 December 2017	30 June 2017
	\$	\$
<i>Shares</i>		
Issued and fully paid	21,516,231	11,223,627
Unissued	1,120,000	-
	22,636,231	11,223,627

	Six months to 31 December 2016		Year to 30 June 2017	
	Number	\$	Number	\$
<i>Movements in ordinary shares</i>				
Balance at beginning of period	1,058,849,199	11,223,627	905,955,825	10,578,054
Placement of shares March 2017	-	-	135,893,374	543,573
Shares issued on exercise of options	10,000,000	60,000	17,000,000	102,000
Placement of shares Sept 2017	39,106,626	156,431		
Consideration shares Kalia Holdings Pty Ltd	722,891,566	10,843,373		
Placement of shares Oct 2017	120,000,000	1,500,000		
Unissued shares Dec 2017 ⁽ⁱ⁾	80,000,000	1,120,000		
Share issue costs	-	(2,267,200)		
Balance at end of period	2,030,847,391	22,636,231	1,058,849,199	11,223,627

(i) These shares were subsequently issued on 2 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 5.1: SHARE BASED PAYMENTS RESERVE

The Company during the period ended December 2017 did not make any equity based payments to the Directors.

	December 2017		June 2017	
	Number	\$	Number	\$
Balance at beginning of year	58,000,000	217,975	75,000,000	165,923
Forfeiture of Options (20 Oct 2016)	-	-	(37,500,000)	(12,543)
Issue of options to Directors (25 Nov 2016)	-	-	37,500,000	64,595
Performance Rights Class C ⁽³⁾	250,000,000	3,750,000	-	-
Performance Rights Class A and B ⁽³⁾	500,000,000	-	-	-
Exercise of Options ⁽¹⁾	(10,000,000)	-	(17,000,000)	-
Advisor Options ⁽²⁾	250,000,000	2,100,000	-	-
Balance at end of year	1,048,000,000	6,067,975	58,000,000	217,975

(1) Options have an exercise price of \$0.006 and expiry of 13 May 2019

(2) Advisor Options have an exercise price of \$0.003 and expiry of 30 June 2019

(3) The following is a summary of the key terms of the Performance Rights which relate to the Kalia acquisition (see note 6)

Conversion of Class A Performance Shares on achievement of A Milestone

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

- (i) at least 190Mt at a minimum grade of 0.3g/t of gold (Au); or
 - (ii) at least 160Mt at a minimum grade of 0.3% copper (Cu),
- ("A Milestone")

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

Conversion of Class B Performance Shares on achievement of B Milestone

Upon the Company announcing on or before 1 March 2022, from a project held by Kalia or a subsidiary, a JORC 2012 compliant inferred resource of either:

- (i) at least 285Mt at a minimum grade of 0.3g/t gold (Au); or
 - (ii) at least 240Mt at a minimum grade of 0.3% copper (Cu),
- ("B Milestone")

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

Conversion of Class C Performance Shares on achievement of C Milestone

- (i) Upon the grant of an exploration licence to Kalia or a subsidiary in the Tinputz district of Bougainville and the period of 180 days thereafter; and
 - (ii) Kalia, through the Company's funding, undertaking initial mapping and then drilling on a project held by Kalia or a subsidiary of a minimum of 2,000 metres,
- and being on or before 1 June 2019 ("C Milestone") each Class C Performance Share will convert into a Share on a one for one basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 5.2: OPTION RESERVE

During the period, 250 million escrowed Adviser options were issued in lieu of assistance provided to the Company to raise funds. The following assumptions were made, resulting in a valuation of \$2.1 million.

Exercise price	\$0.003
Fair value of options at 31 December 2017	\$0.015
Number of unlisted options	250,000,000
Discount for lack of marketability (as shares are held in escrow)	30%

NOTE 5.3: RESERVES

Movements in reserves were as follows:

Consolidated	Option premium reserve	Share based payment reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$
31 December 2017				
Balance at beginning of year	245,660	217,975	-	463,635
Adviser Options	-	2,100,000	-	2,100,000
Performance Rights Class C	-	3,750,000	-	3,750,000
Foreign currency translation	-	-	(6,346)	(6,346)
Balance at end of year	245,660	6,067,975	(6,346)	6,307,289

NOTE 6: ACQUISITION OF KALIA HOLDINGS PTY LTD

During the period the Company elected to exercise the option to acquire 72.29% of shares in Kalia Holdings Pty Ltd. Kalia Holdings Pty Ltd is the parent company of Papua New Guinean registered subsidiary Kalia Investments Ltd, which held contractual rights with landowners to apply for exploration licences in the Tore Region of Bougainville Island. On 28 September 2017 the company issued 772,891,566 consideration shares to the shareholders of Kalia Holdings Pty Ltd for 72.29% of the shares in Kalia Holdings Pty Ltd.

Acquisition date fair value of the consideration transferred:

Shares issued at fair value	\$ 10,843,373
Performance shares issued ⁽ⁱ⁾	3,750,000
Total consideration	14,593,373
Net liabilities assumed	912,401
Acquisition Cost ⁽ⁱⁱ⁾	15,505,774

- (i) The Directors have assessed the vesting probabilities associated with the performance shares issued in relation to the acquisition. As a result of this assessment, 3,750,000 Class A performance shares have been considered probable to vest and have been included in the acquisition consideration at their measurement date fair value of \$0.015.
- (ii) The acquired subsidiaries did not have legal rights to tenure of the Bougainville area of interest at the time of acquisition. Tenure was subsequently granted on 15 November 2017. The non-controlling interest of 27.71% in Kalia Holdings Pty Ltd at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquirees identifiable net assets and amounted to (\$252,909).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017****NOTE 7: LOAN KALIA HOLDINGS PTY LTD**

In the 30 June 2017 financial year, the Company extended a \$600,000 loan to Kalia Holdings Pty Ltd. As detailed in Note 6 the Company acquired 72.29% of the issued capital of Kalia in exchange for 772,891,566 shares and 750,000,000 performance shares. This loan has now been eliminated as part of the acquisition.

NOTE 8: CONTINGENT LIABILITIES

Kalia Limited and its subsidiary Kalia Holdings Pty Ltd were named as second and third defendants in an action brought by Central Exploration Pty Ltd, Central Area Ltd and RTG Mining in the Supreme Court of Western Australia. The matter relates to the alleged breach of a Deed of Settlement on activity relating to the Panguna Mine in the Autonomous Region of Bougainville, Pua New Guinea. The Company continues to defend the proceedings as required.

NOTE 9: RELATED PARTY TRANSACTIONS

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

NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE

- History was made with the signing of the very first Exploration Licence Land Access and Compensation Agreement after extensive awareness and consultation, including the demonstration of the exploration processes.
- The Company agreed the terms of a shareholder agreement between Kalia Investments Ltd and Toremana Resources Limited, the landowner company, for an incorporated joint venture vehicle to be name Tore Joint Venture.
- The Company agreed terms with Global Resource Investment Trust Plc (GRIT) to acquire their interest in Kalia Holdings Pty Ltd; subject to approval by shareholders and the ASX. The acquisition will result in the Company issuing new shares to GRIT giving them 19.09% of the shares in issue after receiving their shares. In return, the shareholders of the Company will receive an increase in their participation in the Bougainville project equating to 11.985% on a fully diluted basis.
- Approval of the GRIT transaction will give the Company access to a secured loan facility of \$3 million with interest payable at 10% per annum.

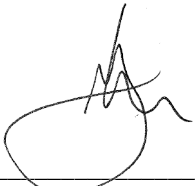
NOTE 11: FINANCIAL INSTRUMENTS

The methods and valuation techniques used for the purposes of measuring fair value are unchanged compared to the previous reporting period.

The carrying amounts of the financial assets and financial liabilities are considered to be a reasonable approximation of their fair value.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Kalia Limited ('the company'):
 - a. the accompanying interim financial statements and notes are in accordance with *the Corporations Act 2001* including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year the ended; and
 - (ii) complying with Australian Accounting Standards, the *Corporation Regulations 2001*, professional reporting requirements and other mandatory requirements.
 - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
 - c. the interim financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 303(5) of the *Corporations Act 2001* for the half year ended 31 December 2017.



Terrence Larkan
Managing Director

Dated this 13th day of March 2018

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Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kalia Limited (formerly GB Energy Limited)

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Kalia Limited (formerly GB Energy Limited) ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

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

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes

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us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
13 March 2018**

A handwritten signature in blue ink, appearing to read 'M R Ohm'.

**M R Ohm
Partner**

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