Introduction

This Section sets out the historical and pro-forma financial information. The basis for preparation and presentation of this information is also set out below.

The historical and pro-forma financial information has been prepared in accordance with the recognition and measurement criteria of Australian Accounting Standards and the accounting policies as described below.

The historical and pro-forma financial information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

Historical Financial Information

The historical financial information set out below comprises the audited consolidated Balance Sheet as at 31 December 2020.

Pro-Forma Financial Information

The pro-forma financial information set out below comprises the Pro-Forma consolidated Balance Sheet as at 31 December 2020 showing the impact of the proposed Public Offer and Koongie Park KP Transaction.

Pro-forma Balance Sheet

The Pro-Forma Balance Sheet have been derived from the audited consolidated Balance Sheet as at 31 December 2020 adjusted for the following transactions as if they had occurred at 31 December 2020 (pro-forma transactions):

(a) the consolidation of the Company's existing 932,584,461 shares on a 200:1 basis down to 4,663,199.

(b) the issue of 35,000,000 Ordinary Shares at an issue price of $0.20 per share through the Public Offer.

(c) estimated costs of the Offer of $1,160,000, which includes the issue of 187,500 Broker Success fee Shares at an issue price of $0.20 per share. Costs are allocated between the cost of raising additional share capital and the cost of re-quotation if the existing shares. As such, $812,169 have been accounted for as capital raising costs through equity and $187,831 have been expensed to profit or loss.

(d) the issue of 7,500,000 Ordinary Shares to the JCHX Group at an issue price of $0.20 per share in full and final satisfaction of all loan monies and accrued interest.

(e) the issue of 2,519,930 Ordinary Shares to AKN Directors at an issue price of $0.20 per share in full satisfaction unpaid directors' fees and salaries, and the issue of 615,690 Ordinary Shares to AKN Employees at an issue price of $0.20 per share in full satisfaction of unpaid fees and salaries.

(f) Material transactions occurring since 31 December 2020 which comprise:

- the recognition of Convertible Note monies received after 31 December 2020;
- the recognition of interest accruing on all Convertible Note and loan amounts since 31 December 2020 to the expected transaction date of 2 June 2021;
- the de-recognition of unpaid directors and AKN employee's fees and salaries in excess of the value of the 615,690 Ordinary Shares to be issued to AKN Employees at an issue price of $0.20 per share in full satisfaction of unpaid fees and salaries

(g) the issue of 3,553,333 Ordinary Shares to the Long Term Convertible Note holders at an issue price of $0.15 per share in full and final satisfaction of all Long Term Convertible Note principal amounts, and the issue of 6,250,000 Ordinary Shares to the Short Term Convertible Note holders at an issue price of $0.12 per share in full and final satisfaction of all Short Term Convertible Note principal amounts.

(h) the payment of accrued interest on all Convertible Note amounts and the Tighe Loan up to the expected transaction date of 2 June 2021.

(i) The full repayment of the Tighe Loan principal amount of $150,000.

(j) Payment of $1,000,000 to AAR for the Koongie Park KP Transaction.

Historical and Pro-Forma Financial Information

	Notes	Historical Balance Sheet 31 December 2020	Material Transactions Subsequent to 31 December 2020	Public Offering Capital Raise	Repayment and Conversion of Liabilities	Koongie Park Initial Investment	Consolidated Pro-Forma Balance Sheet
		A	B	C	D	E	F
		$	$	$	$	$	$
CURRENT ASSETS							
Cash and cash equivalents	6	21,156	750,000	5,877,500	(298,240)	(900,000)	5,450,416
Trade and other receivables		9,155	-	-	-	-	9,155
TOTAL CURRENT ASSETS		30,311	750,000	5,877,500	(298,240)	(900,000)	5,459,571
NON-CURRENT ASSETS							
Other receivables		2,470	-	-	-	-	2,470
Exploration expenditure	2	-	-	-	-	1,000,000	1,000,000
Other non-current assets	2	100,000	-	-	-	(100,000)	-
Plant and equipment		385	-	-	-	-	385
TOTAL NON-CURRENT ASSETS		102,855	-	-	-	900,000	1,002,855
TOTAL ASSETS		133,166	750,000	5,877,500	(298,240)	-	6,462,426
CURRENT LIABILITIES							
Trade and other payables	3	1,104,235	(194,999)	(192,547)	(627,132)	-	89,557
Borrowings	4	2,424,319	753,797	-	(3,178,117)	-	-
Employee benefit provisions		71,626	-	-	-	-	71,626
TOTAL CURRENT LIABILITIES		3,600,180	753,797	(192,547)	(3,805,249)	-	161,183
TOTAL LIABILITIES		3,600,180	558,798	(192,547)	(3,805,249)	-	161,183
NET ASSETS		**(3,467,014)**	**191,202**	**6,070,047**	**3,507,009**	**-**	**6,301,244**
EQUITY							
Share capital	1	42,630,609	-	6,056,331	3,410,132	-	52,106,072
Accumulated losses		(46,097,623)	191,202	4,716	96,877	-	(45,804,829)
TOTAL EQUITY		**(3,467,014)**	**191,202**	**6,070,047**	**3,507,009**	**-**	**6,301,244**

4.5 Notes to the Pro-forma Consolidated Balance Sheet

Note 1

Assumes the consolidation of the Ordinary Shares on issue at 31 December 2020 on a 200 to 1 basis.

Assumes the issue of 35,000,000 Ordinary Shares at an issue price of $0.20 per share through the Public Offer.

Assumes estimated costs of the Offer and Acquisition of $1,160,000, which includes the issue of 187,500 Broker Success fee Shares at an issue price of $0.20 per share.

Assumes the issue of 7,500,000 Ordinary Shares to the JCHX Group at an issue price of $0.20 per share in full and final satisfaction of all loan monies and accrued interest.

Assumes the issue of 2,519,930 Ordinary Shares to AKN Directors at an issue price of $0.20 per share in full satisfaction unpaid directors' fees and salaries, and the issue of 615,690 Ordinary Shares to AKN Employees at an issue price of $0.20 per share in full satisfaction unpaid fees and salaries.

Assumes the issue of 3,553,333 Ordinary Shares to the Long Term Convertible Note holders at an issue price of $0.15 per share in full and final satisfaction of all Long Term Convertible Note principal amounts, and the issue of 6,250,000 Ordinary Shares to the Short Term Convertible Note holders at an issue price of $0.12 per share in full and final satisfaction of all Short Term Convertible Note principal amounts.

Reconciliation of movements in Pro-forma Share Capital

	Number of shares	**Share Capital**
	#	**$**
Audited Balance Sheet 31 December 2020 (A)	932,584,461	42,630,609
Share consolidation (200:1)	(927,921,262)	-
Issue of shares via the Public Offering (C)	35,000,000	7,000,000
Total costs expected to be incurred in connection with the offer (C) to be offset against share capital	-	(972,169)
Issue of Broker Success Fee Shares (C)	187,500	37,500
Conversion of JCHX Loan (D)	7,500,000	1,500,000
Conversion of unpaid directors and employee's unpaid fee and salaries (D)	3,135,620	627,132
Conversion of Long Term Convertible Note principal amounts (D)	3,553,333	533,000
Conversion of Short Term Convertible Note principal amounts (D)	6,249,999	750,000
Pro-forma Balance Sheet 31 December 2020	60,289,651	52,106,072

Note 2

The Company has entered into an Earn-in and Joint Venture Agreement with AAR with respect to the Koongie Park Project.

Under the agreement, the Company is required to make 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 satisfaction of the KP Transaction Conditions.

Upon payment of the $900,000 due on satisfaction of the KP Transaction Conditions, the Company will secure a 25% project joint venture interest in the Koongie Park Exploration Tenements.

The $100,000 non-refundable deposit was recognised as non-current asset as at 31 December 2020. Upon final payment of the $900,000 the Company will recognise the total initial payment of $1,000,000 as Exploration expenditure on the balance sheet.

Note 3

Reconciliation of movements in Pro-forma Trade and Other Payables

	Trade and other payables $
Audited Balance Sheet 31 December 2020 (A)	1,104,235
Derecognition of unpaid directors and AKN employee's fees and salaries in excess of the value of Ordinary Shares to be issued to AKN employees (B)	(194,999)
Payment of costs related of the offer incurred at 31 December 2020 (C)	(192,547)
Conversion of unpaid directors and employee's unpaid fee and salaries (D)	(627,132)
Pro-forma Balance Sheet 31 December 2020 (F)	89,557

Note 4

Reconciliation of movements in Pro-forma Borrowings

	Borrowings $
Audited Balance Sheet 31 December 2020 (A)	2,424,319
Recognition of interest accruing on all Convertible Note and loan amounts since 31 December 2020 to the expected transaction date of 2 June 2021 (B)	116,112
Recognition of Convertible Note monies received after 31 December 2020 (B)	750,000
Conversion of JCHX Loan (D)	(1,500,000)
Gain on adjustment to JCHX loan arising from final settlement amount being capped at 7,500,000 ordinary shares (deemed value of $1,500,000) (B)	(112,314)
Conversion of Long Term Convertible Note principal amounts (D)	(533,000)
Conversion of Short Term Convertible Note principal amounts (D)	(750,000)
Fair value gain on reversal of derivative financial liability (D)	(133,250)
Repayment of Tighe Loan (D)	(150,000)
Repayment of accrued interest on Convertible Notes and Loans (D)	(111,867)
Pro-forma Balance Sheet 31 December 2020 (F)	-

Note 6

Reconciliation of movements in Pro-forma Cash and Cash equivalents

	Cash and cash equivalents $
Audited Balance Sheet 31 December 2020 (A)	21,156
Recognition of Convertible Note monies received after 31 December 2020 (B)	750,000
Issue of shares via the Public Offering (C)	7,000,000
Total cash settled costs expected to be incurred in connection with the offer (C)	(1,122,500)
Repayment of Tighe Loan (D)	(150,000)
Repayment of accrued interest on Convertible Notes and Loans (D)	(111,867)
Payment of superannuation applicable to employee share issued (D)	(36,373)
Koongie Park Project total initial payment (E)	(900,000)
Pro-forma Balance Sheet 31 December 2020 (F)	5,450,416

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Historical and Pro-forma Financial Information 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. The Consolidated Entity is a for-profit entity.

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.

Basis of preparation

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.

Accounting policies

(a) Going Concern

The Historical and Pro-forma Financial Information has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The ability of the Company to continue as a going concern is principally dependent upon the following conditions:

- the ability of the Company to successfully raise capital, as and when necessary; and
- the ability to complete successful exploration and subsequent exploitation of the areas of interest.

The directors believe that the going concern basis of preparation is appropriate due to the planned capital raising during which is planned to raise approximately $6,000,000 before costs.

Should AuKing be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the Historical and Pro-forma Financial Information. The Historical and Pro-forma Financial Information does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should AuKing be unable to continue as a going concern.

(b) Goods and Services Tax (GST)

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 (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

(c) Impairment of Non-Financial Assets

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(d) Financial Instruments

(i) Financial assets

The Consolidated Entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The Consolidated Entity has cash and cash equivalents and trade and other receivables as financial assets. Consequently, the measurement category most relevant to the group is as follows:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Impairment
The Consolidated Entity assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Consolidated Entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial Liabilities
The Consolidated Entity's financial liabilities are measured at amortised cost. The group has trade payables as financial liabilities.

Fair Values

The fair values of Consolidated Entity's financial assets and financial liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the balance sheet.

(f) Exploration Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest.

Exploration costs are capitalised only when the Consolidated Entity has either a granted tenement in its name or an interest through a joint venture arrangement.

Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or sale of the respective area of interest or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

(g) Trade and Other Payables

Trade payables are amounts due to suppliers for goods purchased or services provided in the ordinary course of business. Trade payables are generally due for settlement within 30 days and therefore are all classified as current.

Accrued expenses generally arise from normal transactions within the usual operating activities of the group and comprise items such as employee taxes, employee on costs, GST and other recurring items.

(h) Provisions

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits expected to be settled later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on commercial bonds with terms to maturity that match the expected timing of cash flows.

(i) 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.

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. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(j) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, (except for a business combination) where there is no effect on accounting or taxable profit or loss.