TREK

METALS LIMITED



# Consolidated Financial Report

For the half-year ended 30 September 2019

# Contents

Contents ..... 1
Corporate Directory ..... 2
Directors' Report & Operations Report ..... 3
Independent Auditor's Report ..... 13
Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income for the Half-Year Ended 30 September 2019 ..... 15
Condensed Consolidated Statement of Financial Position as at 30 September 2019 ..... 17
Condensed Consolidated Statement of Changes in Equity for the Half-Year Ended 30 September 2019 ..... 18
Condensed Consolidated Statement of Cash Flows for the Half-Year Ended 30 September 2019 ..... 19
Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 30 September 2019 ..... 20
Directors' Declaration ..... 34

# Corporate Directory

## Directors

| | |
|---|---|
| Gregory Bittar | *Non-Executive Chairman* |
| John Young | *Non-Executive Director* |
| Michael Bowen | *Non-Executive Director* |

## Company Secretary

***Bermuda***

Paolo Balen
Bermuda Administrative Services Ltd
Trinity Hall
43 Cedar Avenue
Hamilton HM12
Bermuda

***Australia***
***(Local Agent and Joint Company Secretary)***

Nerida Schmidt

## Registered Office of Incorporation

Trinity Hall
43 Cedar Avenue
Hamilton HM 12
BERMUDA

## Registered Office – Australia

Suite 3, 9 Hampden Road
Nedlands WA 6009
AUSTRALIA
Tel: +61 1300 206 978

## Postal Address

PO Box 1796
West Perth WA 6005
AUSTRALIA

## Share Registry

Computershare Investor Services Pty Ltd
GPO Box D182
Perth WA 6841
AUSTRALIA
Tel: +61 8 9323 2000

## Auditors

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3
216 St Georges Terrace
Perth WA 6000
AUSTRALIA

## Solicitors to the Company

DLA Piper Australia
Level 31 Central Park
152-158 St Georges Terrace
Perth WA 6000
AUSTRALIA
Tel: +61 8 6467 6000

## Website

www.trekmetals.com.au

# Directors' Report & Operations Report

The Directors present the Directors' and Operations Report for Trek Metals Limited ("TKM", "Trek" or the "Company") for the half-year ended 30 September 2019.

## PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries ("the Group") is the exploration for minerals.

## RESULTS AND DIVIDEND

The profit for the Group for the half-year ended 30 September 2019 was US$114,372 (2018: loss of US$396,148). The Directors do not recommend the payment of a dividend.

## OPERATIONS REVIEW

## KROUSSOU PROJECT - GABON

### Earn-In Agreement with Apollo

As announced on 4 September 2019, Apollo Minerals Limited (Apollo Minerals, ASX: AON) will earn an interest of up 80% interest in the Kroussou Project through an Earn-in Agreement (EIA) between Gemini Resources (Kroussou) Limited (Gemini), a wholly owned subsidiary of Apollo Minerals, and Trek Metals Limited (Trek) and its relevant subsidiaries, including Select Exploration (Europe) SARL (SEE, which is 100% owned by Trek), Select Exploration Limited (SEL, which is 100% owned by SEE) and Select Explorations (Gabon) SA, (SEG, which is 100% owned by SEL).

Key terms of the EIA provide:

1. Apollo Minerals, via its subsidiary Gemini, will earn its interest in the Kroussou Project by:
   a) Spending A$2,000,000 on the Project within three years of the Commencement Date to earn a 70% interest (First Earn-in Milestone);
   b) Spending a further A$2,000,000 on the Project within five years of the Commencement Date to earn a further 10% interest, taking the total interest to 80% (Second Earn-in Milestone);

2. Post the Second Earn-in Milestone:
   a) each party is required to contribute on a pro rata basis to maintain their respective interests in the Project; and
   b) if a party does not contribute, its interest will be diluted. If a party dilutes down below 10%, then its interest in the Project automatically converts into a 1% NSR;

3. Apollo Minerals may withdraw from the earn-in once it has spent a minimum of A$250,000 in the first 12 months of Commencement Date and thereafter any time prior to meeting the First Earn-in Milestone;

4. Commencement Date of the earn-in is the date all Conditions Precedent are met or waived by Gemini;

5. From Commencement Date, Apollo Minerals will be Manager of the Project, and will determine the exploration programmes and other activities to advance the Project;

6. A first right of refusal over the other party's interest in the Project;

7. Upon making a decision to mine (DTM) in accordance with the EIA:
   a) Apollo Minerals may exercise a call option over Trek's interest in the Project;
   b) Trek may exercise a put option over its interest in the Project;
   c) Apollo Minerals must pay US$500,000 to Battery Minerals to satisfy Trek's obligation for its DTM payment to Battery Minerals.

The Agreement was dated 2 September 2019. Completion of the acquisition of the Project was to occur within three months of signing the EIA ("End Date") and was subject to the following conditions precedent:

1. Required approvals for the indirect change in control in the Project;
2. Government of Gabon issuing a Mining (Exploration) Convention;
3. No material adverse event; and
4. No material breach of the EIA.

There were normal commercial warranties associated with the earn-in. As announced on 29 November 2019, the condition precedent End Date has been extended to 2 March 2020.

Apollo Minerals will also fund costs up to a maximum of A$260,000 during the interim period, pending the necessary Conditions Precedent being satisfied or waived. Up to A$50,000 is repayable by Trek in the event that the earn-in does not proceed.

Apollo Minerals, via its subsidiary Gemini, will earn its interest in the Project by being issued shares in SEL. Accordingly, upon Gemini meeting its earn-in expenditure requirements under the EIA, Apollo Minerals, via Gemini, will hold an 80% interest in SEL, and SEE (Trek's subsidiary) will hold a 20% interest in SEL. SEL will hold 100% of SEG, which owns the Project.

Within 120 days of Apollo Minerals meeting the first earn-in milestone, the parties must enter into a Shareholders Agreement.

## Battery Minerals Arrangements

Subject to the EIA becoming effective, Trek and Battery Minerals have mutually agreed to terminate the Royalty Deed and certain terms of the Sale Agreement entered into on 27 April 2018.

The effect of this is that Trek's royalty obligations (2.5% net smelter return royalty), Trek's obligation to pay the Deferred Consideration (payable upon a JORC-compliant Indicated Mineral Resource Estimate), and other rights and obligations have been terminated and replaced with the following future payments to Battery in certain circumstances:

- US$500,000 payable upon a DTM being made by the Earn-In Parties (payable by Apollo Minerals); and

- 10% of the Net Project Profits received by Trek each year up to a maximum of US$2,500,000.

In the event that Trek's interest in the Kroussou Project is converted to a royalty, Trek agrees to pay Battery 50% of the royalty received per annum up to a total of US$3,750,000; and

In the event that Trek disposes its interest in the Kroussou Project, Trek agrees to pay Battery 10% of the net sale proceeds (subject to a maximum of US$2,500,000).

## About the Project

At the Kroussou Project, zinc and lead mineralization are hosted in Cretaceous sediments on the margin of the Cotier Basin within preserved channels onlapping unconformable Archaean and Paleoproterozoic basement rocks. Work carried out historically by the Bureau de Recherches Géologiques et Minières ("BRGM") identified 18 base metal occurrences along an 85 kilometre strike length of the Project (~1,000km$^2$ of tenure) within exposed channels that offer very shallow, near surface targets close to the Archaean and Paleoproterozoic basement rocks. Only two of the 18 exposed channels had been drill tested by the BRGM, with both channels containing significant base metal mineralization. Trek believes there is potential for the discovery of further base metal accumulations within the remaining untested 16 channels and also further potential westward within the broader Cotier Basin.

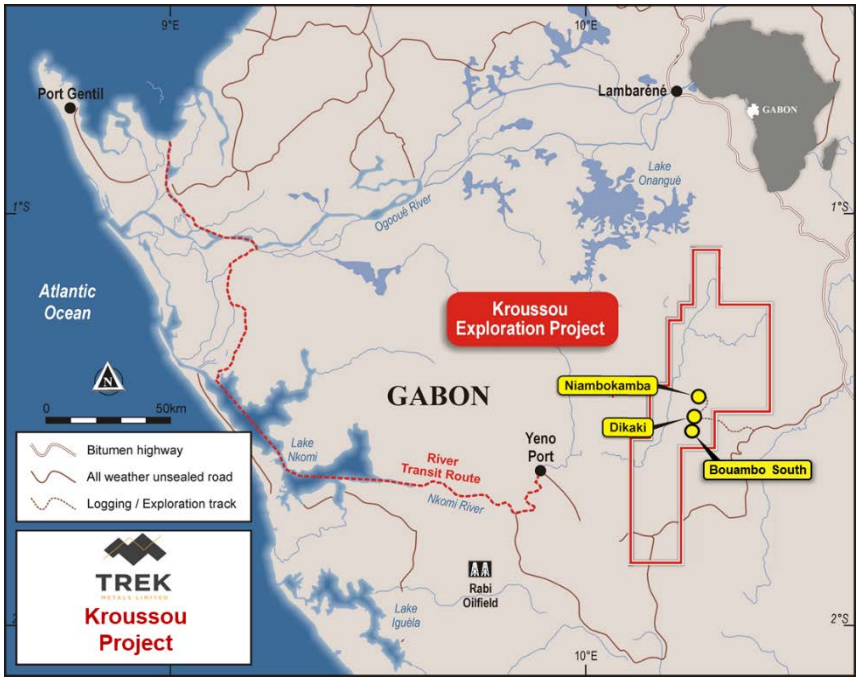



*FIGURE 1: LOCATION PLAN OF THE KROUSSOU PROJECT IN GABON*

The mineralization at Kroussou shows great lateral extent along the Cretaceous unconformity over 30 kilometres in the Project area, indicating that the basin was productive for zinc-lead-silver mineralizing fluids and experienced a major focused fluid flow event of uncertain timing and trigger. The location of Kroussou coincides with a major right-step relay and transform zone that would have acted to focus fluid flow out of the basin onto the rift-shoulder basin high, with additional focus provided by pinch out basin aquifer units.

High-grade mineralization at the Project is hosted in coarse clean high-energy clastic sediments deposited in palaeochannels in the embayments, as well as replacing lacustrine carbonate rocks. Low-

grade halo mineralization extends through the clastic stratigraphy with zinc more widely distributed than lead. Mineralization is characterized by replacement of carbonate cement and open space fill in clean clastic units and subsidiary replacement of dolostone horizons. Chemistry and mineralogy are simple, characterized by zinc-lead-(silver) with anomalous copper with generally low-iron sphalerite and associated with marcasite. The gangue is calcite and locally barite with no dolomite.

## Drilling

The final assay results from the 2018 drilling programme at the Kroussou Zinc-Lead Project in Gabon provided great encouragement that a truly significant project was present. Highlights from this drilling included:

- 20.8m @ 4.2% Zn + Pb (DKDD010, from 2.4m) Incl. 4.7m @ 9.7% Zn + Pb
- 12.7m @ 4.6% Zn + Pb (DKDD012, from 25.1m) Incl. 3.5m @ 9.8% Zn + Pb
- 15.1m @ 6.1% Zn + Pb (DKDD013, from 0.7m) Incl. 6.0m @ 10.0% Zn + Pb
- 5.8m @ 6.5% Zn + Pb (BODD004, from 10.2m) Incl. 3.0m @ 9.5% Zn + Pb
- 2.8m @ 6.0% Zn + Pb (DKDD028 from 8.9m)
- 4.1m @ 15.2% Zn + Pb (DKDD029 from 8.1m)
- 12.0m @ 3.0% Zn + Pb (DKDD031 from 4.0m)
- 9.0m @ 4.5% Zn + Pb (DKDD033 from 37.0m)
- 3.0m @ 4.8% Zn + Pb (NKDD001 from 45.0m)
- 2.8m @ 24.5% Zn + Pb (DKDD003, from 7.7m)
- 2.0m @ 31.6% Zn + Pb (J6, from surface)
- 2.0m @ 32.6% Zn + Pb (L6, from 0.9m)
- 3.8m @ 23.0% Zn + Pb (N8, from 5.2m)

The three main goals of the drilling programme were to demonstrate:

a) Strike and dip continuity of mineralisation within the Dikaki Channel;

b) Potential for a large tonnage, near surface, zinc-lead mineralized body to be present within the Dikaki Channel; and

c) Potential for numerous mineralized centres along the basin margin at Kroussou.

Each of these aims were achieved with the results of the drilling providing excellent scope for the definition of an initial large tonnage, potentially world class, open-pit resource within the Dikaki Channel with further drilling. Full details of the drilling can be found in the TKM December 2018 Quarterly Activities Report.

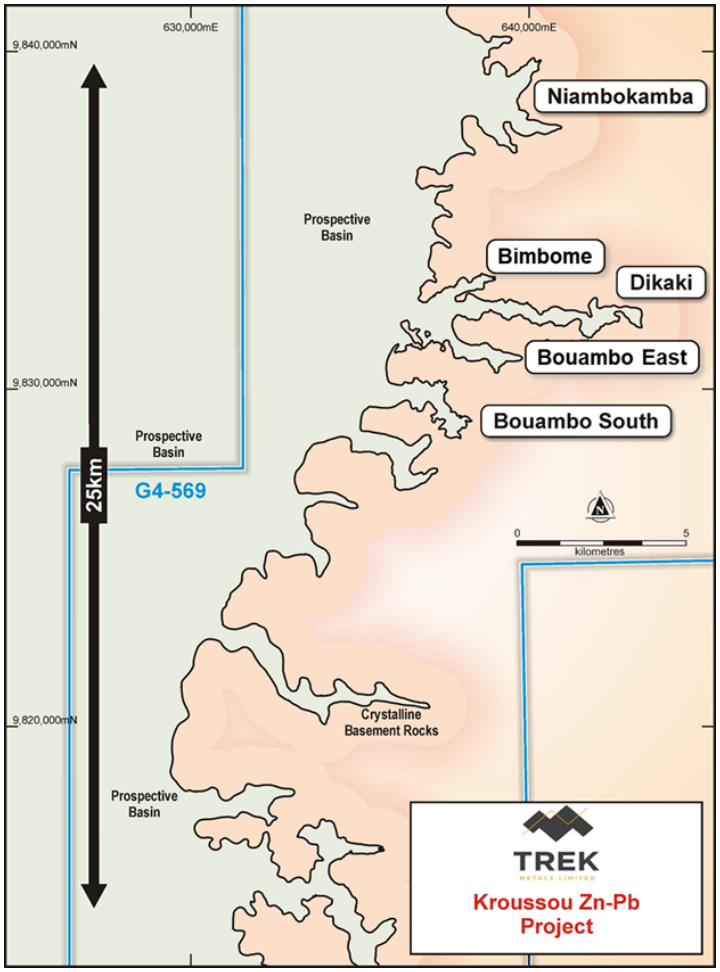



*FIGURE 2: PROSPECTIVE CHANNELS AT KROUSSOU*

## LAWN HILL PROJECT – NORTHERN TERRITORY

The Company held initial meetings with Traditional Owners to progress discussions with respect to the grant of the Lawn Hill Project tenements in early November 2019. Discussions with the Northern Land Council are expected to continue with further meetings likely to be held in the first half of CY2020.

The Lawn Hill Project tenements contain highly prospective geology with the potential to host large scale sediment hosted zinc-lead deposits similar in style to the World Class Century deposit (> 150Mt @ 8.2% Zn + 1.2 % Pb + 33g/t Ag) and are directly along strike within the same package and containing the same structure that hosts the emerging Walford Creek Project (15.7Mt @ 1.24% Cu and 0.15% Co) (Figure 3).

Rocks of the Lawn Hill Platform, hosting the Century Zinc Deposit to the south-east of the tenement applications in Queensland are mapped across much of the tenement applications that form the Lawn Hill Project. In addition to being correlated with the rocks hosting Century, the Fickling Group sediments within the Lawn Hill Project can also be correlated with those of the McArthur Group which contain one of the World's largest sediment hosted base metal deposits at McArthur River (HYC Deposit, > 200Mt @ 13% Zn+Pb).

The rocks hosting the Walford Creek Project, the Lawn Hill Platform, extend across the border from Queensland into the Northern Territory. An obvious and abrupt absence of copper-cobalt, zinc and lead

occurrences within the Lawn Hill Platform rocks on the Northern Territory side of the border is not necessarily due to an absence of mineralisation but rather a lack of exploration.

Numerous Co, Cu, Zn and Pb occurrences are described on the Queensland side of the border, including the Walford Creek Project (Copper dominant resources of 15.7 Mt @ 1.24% Cu + 0.15% Co + 0.98% Pb + 0.82% Zn + 34 g/t Ag and Cobalt dominant resources of 18.0Mt @ 0.11% Co + 0.16% Cu + 1.03% Zn + 0.85% Pb + 22 g/t Ag) currently being explored by Aeon Metals Limited, with nothing on the Northern Territory side, due, simply, to a lack of exploration.

ESSO conducted first pass surface exploration during 1979 – 1981, which mostly included stream sediment sampling, rock chip sampling, a gravity survey and the completion of two stratigraphic diamond drillholes (stratigraphic drillholes are completed to provide an understanding of the sub-surface geology and are not necessarily specifically targeted at mineralisation). Stream sediment sampling was also undertaken by the BMR (Bureau of Mineral Resources). Details of this programme are unknown.

A compilation of the stream sediment sampling results is provided in Figure 4 below. Elemental concentrations have been levelled to geology and concentrations represented as percentile groups to indicate anomalism. Values at the 98th percentile could be considered as highly anomalous.

Two drillholes, ND-1 and ND-2, were drilled vertically to a depth of 101.0m and 143.5m respectively. The sequence hosting the Walford Creek Deposit was encountered in both drillholes along with weakly anomalous base metal mineralisation. Further compilation of this historic data is ongoing.

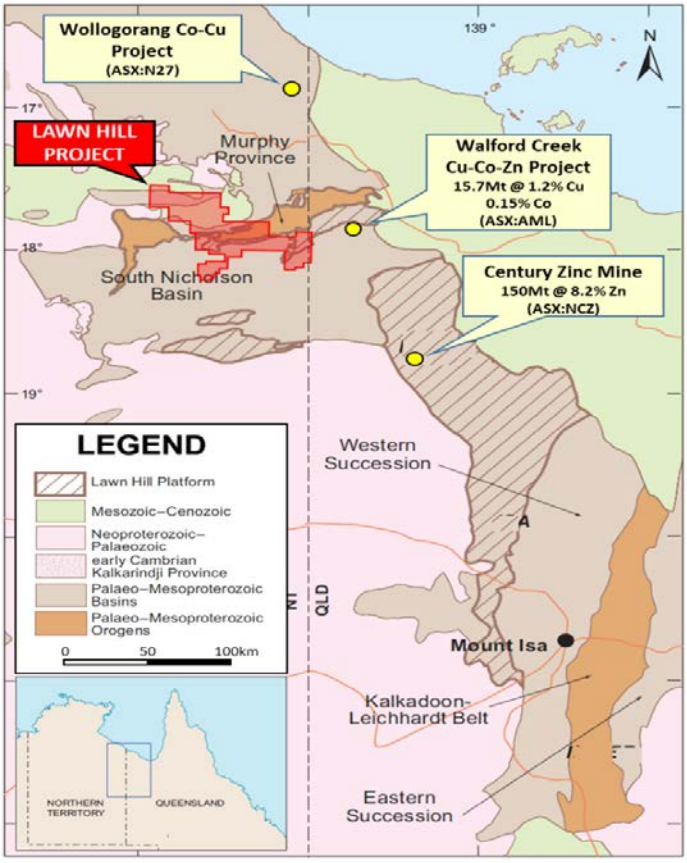



*FIGURE 3: LOCATION PLAN OF THE LAWN HILL PROJECT*

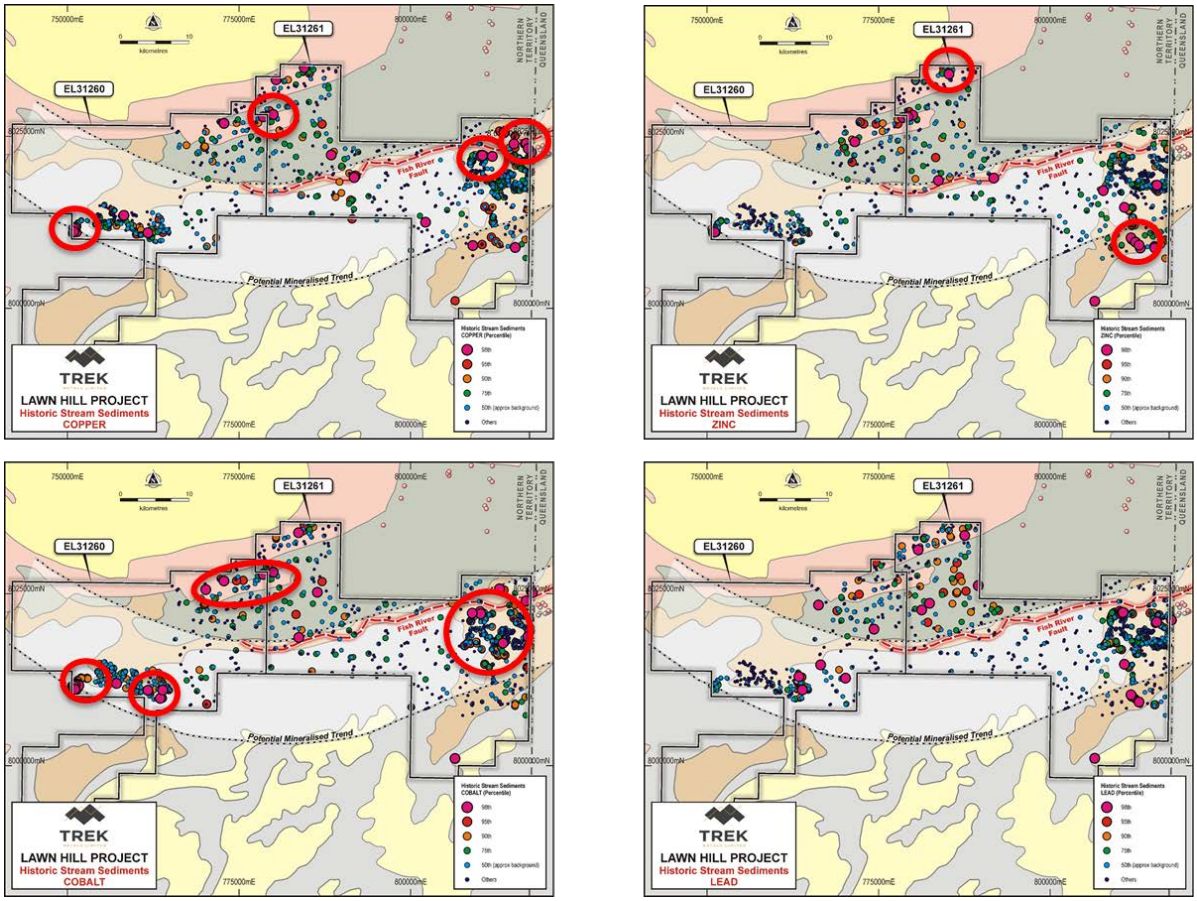



*FIGURE 4: LAWN HILL PROJECT STREAM SEDIMENT ANOMALIES FROM HISTORIC EXPLORATION*

## EDJUDINA PROJECT – Western Australia

Trek announced on 3 April 2019 that it had entered into an option agreement with Omni Projects Pty Ltd (a wholly owned subsidiary of Gateway Mining Limited (ASX:GML) on its Edjudina Gold Project in the Laverton District of Western Australia.

Under the Option Agreement, Trek had an exclusive six month option to acquire Omni's interests in the Project. The option required, amongst other thing, a minimum of A$100,000 of exploration expenditure to be undertaken by Trek and the option to be exercised within 6 months.

The Company no longer intends to pursue the project and allowed the option to lapse.

## KANGALUWI COPPER PROJECT - ZAMBIA

### Divestment of Kangaluwi Copper Project – Zambia

On 15 April 2019, the Company completed the divestment of the Kangaluwi Copper Project (KCP) in Zambia via the sale of the wholly owned subsidiary, Mwembeshi Resources (Bermuda) Limited (MRBL) which ultimately holds the KCP.

The KCP had been fully impaired to nil in previous financial years. Total consideration received for the sale was A$1.1 million. All debentures, charges and mortgages on the KCP were released with payment to third parties for this release totalling approximately A$950k. The remaining A$187k was received by TKM for the transfer of 100% of the shares in MRBL. The divestment removed all ongoing liabilities, royalties, holding and legal costs associated with the KCP and associated subsidiaries from the Trek Group.

## CORPORATE

### Board Changes

The Company announced on 4 September 2019 that as a result of the Trek / Apollo Minerals EIA for the Kroussou Project, it had undertaken a number of changes to its Board and management to ensure it was well placed to source and execute on future resource project opportunities.

- Managing Director Mr Brad Drabsch and Non-Executive Director Ms Sonja Neame resigned from the Board effective 2 September 2019; and
- Mr John Young was appointed as a Non-Executive Director effective 2 September 2019.

### Issue of Options

On 2 September 2019 Mr Young was issued with 15,000,000 options expiring 30 September 2023 and exercisable at A$0.07 under Listing Rule 7.1 as a pre-condition to his appointment as a non-executive director.

Refer to the Post-Balance Date Events note for further comment.

## TENEMENTS

| Tenement | Holder | Last Qtr Interest | Current Qtr Interest |
|---|---|---|---|
| G4-569 (Gabon) | Select Explorations Gabon SA (Wholly owned subsidiary of Trek Metals Limited) | 100% | 100% |
| EL31260 (appl.) (Northern Territory) | TM Resources Pty Ltd (100% owned subsidiary) | 100% | 100% |
| EL31261 (appl.) (Northern Territory) | TM Resources Pty Ltd (100% owned subsidiary) | 100% | 100% |
| EL31751 (appl.) (Northern Territory) | TM Resources Pty Ltd (100% owned subsidiary) | 100% | 100% |
| EL31752 (appl.) (Northern Territory) | TM Resources Pty Ltd (100% owned subsidiary) | 100% | 100% |
| EL31753 (Northern Territory) | TM Resources Pty Ltd (100% owned subsidiary) | 100% | 100% |
| 13170-HQ-LPL (Zambia) | Cheowa Resources (Incorporated JV- 51% Glencore 49% TKM) | 49% | 49% |
| 13171-HQ-LPL (Zambia) | Cheowa Resources (Incorporated JV- 51% Glencore 49% TKM) | 49% | 49% |
| 8573-HQ-LPL (Zambia) | Cheowa Resources (Incorporated JV- 51% Glencore 49% TKM) | 49% | 49% |

## COMPETENT PERSONS STATEMENT

*The information in this announcement relating to Exploration Targets, Exploration Results and Mineral Resources is based on information compiled by, Mr John Young, a competent person, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Young has sufficient experience relevant to the style of mineralisation and to the type of activity described to qualify as a competent person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Young has disclosed to the Company that he is a shareholder in the Company. Mr Young consents to the inclusion in this announcement of the matters based on his information in the form and content in which it appears.*

## POST BALANCE DATE EVENTS

At the Annual General Meeting on 3 October 2019, the Company received Shareholder approval to consolidate the number of shares and options on issue on an eight (8) for one (1) basis (Consolidation), reduce the par value of the share capital and increase authorized capital. The Consolidation was completed on 9 October 2019.

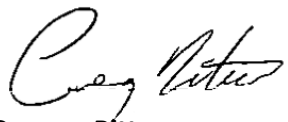
The Company also received Shareholder approval at the Annual General Meeting on 3 October 2019 to complete the issue of 120,000,000 new fully paid ordinary shares (on a post-consolidation basis) to sophisticated investors at A$0.02 per share to raise A$2,400,000, before costs ("Placement"). Trek also issued 9,375,000 unlisted options with an expiry date of 30 September 2023 and an exercise price of A$0.056, vesting immediately (on a post-consolidated basis) ("Unlisted Option Issue"). Of the 9,375,000 issued, 6,875,000 were issued to directors (following approval by Shareholders) and consultants under the Employee Share Option Plan, and 2,000,000 were issued to the Facilitators of the Placement.

The Company's capital structure post the Consolidation, Placement and Unlisted Option Issue is as follows:

| | Fully Paid Ordinary Shares | Unlisted Options exercisable at $1.28 by 31/12/20 | Unlisted Options exercisable at $0.48 by 2/11/21 | Unlisted Options exercisable at $0.80 by 27/4/21 | Unlisted Options exercisable at $0.184 by 8/10/21 | Unlisted Options exercisable at $0.056 by 30/9/23 |
|---|---|---|---|---|---|---|
| Current securities on issue | 174,782,262 | 156,250 | 10,765,121 | 660,415 | 5,625,000 | 11,250,000 |

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Signed on behalf of the Board.



**Gregory Bittar**
Chairman
Dated: 2 December 2019

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

# Independent Auditor's Review Report

## To the Members of Trek Metals Limited

We have reviewed the accompanying half-year financial report of Trek Metals Limited, which comprises the condensed consolidated statement of financial position as at 30 September 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration. The consolidated entity comprises the company Trek Metals Limited and the entities it controlled at the end of the half-year or from time to time during the half-year.

### Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with IAS 134 Interim Financial Reporting and for such internal control as the directors determine is necessary for the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year 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, anything has come to our attention that causes us to believe that the half- year financial report is not presented fairly, in all material respects, in accordance with IAS 134 Interim Financial Reporting. As the auditor of Trek Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Member of Allinial GLOBAL
An association of legally independent firms

A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.

Advisors
Accountants
Auditors

## Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half- year financial report of Trek Metals Limited does not present fairly, in all material respects the consolidated entity's financial position as at 30 September 2019 and of its financial performance for the half-year ended on that date in accordance with IAS 134 Interim Financial Reporting as described in Note 1.

**BENTLEYS**
**Chartered Accountants**

**MARK DELAURENTIS CA**
**Partner**

Dated at Perth this 2nd day of December 2019

# Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income for the Half-Year Ended 30 September 2019

| | NOTES | HALF-YEAR ENDED 30 SEPTEMBER 2019 US$ | HALF-YEAR ENDED 30 SEPTEMBER 2018 US$ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Investment revenue | 4 | 1,265 | 4,414 |
| Share based payment expense | 13 | (20,160) | (23,748) |
| Exploration expenses | | (4,963) | (20,326) |
| Foreign exchange gain/(loss) | | 21,466 | (27,869) |
| Gain on sale of subsidiaries | 14 | 334,109 | - |
| Other operating expenses | 4 | (217,345) | (328,619) |
| Profit/(loss) before tax | | 114,372 | (396,148) |
| Income tax expense | | - | - |
| Profit/(loss) for the period | | 114,372 | (396,148) |
| **Attributable to:** | | | |
| Equity holders of the Parent | | 114, 372 | (396,148) |
| **Earnings/(Loss) per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Parent:** | | **Cents/share** | **Cents/share** |
| Basic earnings/(loss) per share | 5 | 0.21 | (0.99) |
| Diluted earnings/(loss) per share | 5 | 0.21 | (0.99) |

Notes forming part of these financial statements are included on pages 20 to 33.

# Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income for the Half-Year Ended 30 September 2019

| | NOTES | HALF-YEAR ENDED 30 SEPTEMBER 2019 US$ | HALF-YEAR ENDED 30 SEPTEMBER 2018 US$ |
|---|---|---|---|
| Profit/(loss) for the period | | 114,372 | (396,148) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Exchange differences arising on translation of foreign operations | | (21,455) | 6,580 |
| *Items that have been recycled to profit or loss* | | | |
| Exchange differences realised on disposal of foreign operations | | (172,235) | - |
| **Total Comprehensive Loss for the Period Attributable to Owners of the Company** | | (79,318) | (389,568) |

Notes forming part of these financial statements are included on pages 20 to 33.

# Condensed Consolidated Statement of Financial Position as at 30 September 2019

| | NOTES | 30 SEPTEMBER 2019 US$ | 31 MARCH 2019 US$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 6 | 420,873 | 462,200 |
| Trade and other receivables | | 5,596 | 16,269 |
| Other assets | | 11,149 | 13,322 |
| **Total current assets** | | **437,618** | **491,791** |
| **Non-current Assets** | | | |
| Property, plant and equipment | | 8,990 | 9,596 |
| Exploration and evaluation expenditure | 7 | 2,618,035 | 2,467,212 |
| Other assets | | 5,982 | 6,263 |
| **Total non-current assets** | | **2,633,007** | **2,483,071** |
| **Total Assets** | | **3,070,625** | **2,974,862** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 9 | 318,351 | 163,430 |
| **Total current liabilities** | | **318,351** | **163,430** |
| **Total Liabilities** | | **318,351** | **163,430** |
| **NET ASSETS** | | **2,752,274** | **2,811,432** |
| **Equity** | | | |
| **Capital and reserves** | | | |
| Issued capital | 10 | 24,757,035 | 24,757,035 |
| Reserves | | 35,701,361 | 35,874,891 |
| Accumulated loss | | (57,706,122) | (57,820,494) |
| **Total Equity** | | **2,752,274** | **2,811,432** |

Notes forming part of these financial statements are included on pages 20 to 33.

# Condensed Consolidated Statement of Changes in Equity for the Half-Year Ended 30 September 2019

| | NOTES | HALF-YEAR ENDED 30 SEP 2019 US$ | HALF-YEAR ENDED 30 SEP 2018 US$ |
|---|---|---|---|
| **Issued Capital** | | | |
| Opening balance | | 24,757,035 | 23,179,105 |
| Issued during the period | | - | 147,256 |
| Share issue costs | | - | (2,025) |
| **Closing Balance** | 10 | **24,757,035** | **23,324,336** |
| | | | |
| **Share Premium Reserve** | | | |
| Opening balance | | 34,741,556 | 35,140,138 |
| Issued during the period | | - | 52,744 |
| **Closing Balance** | 10 | **34,741,556** | **35,192,882** |
| | | | |
| **Share Based Payment Reserve** | | | |
| Opening balance | | 1,023,896 | 852,134 |
| Options issued during the period | | 20,160 | 23,748 |
| **Closing Balance** | | **1,044,056** | **875,882** |
| | | | |
| **Foreign Currency Translation Reserve** | | | |
| Opening balance | | 109,439 | 181,113 |
| FCTR recycled through profit or loss | | (172,235) | - |
| Other comprehensive (loss)/income for the period | | (21,455) | 6,580 |
| **Closing Balance** | | **(84,251)** | **187,693** |
| | | | |
| **Accumulated Losses** | | | |
| Opening balance | | (57,820,494) | (56,932,486) |
| Profit/(loss) for the period | | 114,372 | (396,148) |
| **Closing Balance** | | **(57,706,122)** | **(57,328,634)** |
| | | | |
| **TOTAL EQUITY** | | **2,752,274** | **2,252,159** |

Notes forming part of these financial statements are included on pages 20 to 33.

# Condensed Consolidated Statement of Cash Flows for the Half-Year Ended 30 September 2019

| | NOTES | HALF-YEAR ENDED 30 SEP 2019 US$ | HALF-YEAR ENDED 30 SEP 2018 US$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (184,226) | (363,397) |
| Interest received | | 1,265 | 4,414 |
| **Net cash used by operating activities** | | **(182,961)** | **(358,983)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation | | (152,735) | (1,126,084) |
| Proceeds received on sale of subsidiaries | | 133,664 | - |
| Acquisition of subsidiary, net of cash acquired | | - | (179,745) |
| **Net cash used by investing activities** | | **(19,071)** | **(1,305,829)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Advance from third parties | | 182,162 | 9,392 |
| Payments for share issue costs | | - | (2,025) |
| **Net cash generated by financing activities** | | **182,162** | **7,367** |
| | | | |
| **Net decrease in cash and cash equivalents** | | (19,870) | (1,657,445) |
| | | | |
| Cash and cash equivalents at beginning of the period | | 462,200 | 1,896,047 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (21,457) | 12,735 |
| **Cash and cash equivalents at the end of the period** | 6 | **420,873** | **251,337** |

Notes forming part of these financial statements are included on pages 20 to 33.

# Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 30 September 2019

## Note 1: Statement of Compliance

The Half-Year report of Trek Metals Limited ("Trek" or "the Company") and the subsidiaries it controls ("Group") is a general purpose financial report prepared in accordance with International Financial Accounting Standard IAS 34 'Interim Financial Reporting'. The Half-Year financial report does not include notes of the type norally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

### Basis of Preparation

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

### Going Concern

This financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

## Note 2: Signficant accounting policies

Trek Metals Limited is a company registered and domiciled in Bermuda. The condensed financial statements have been prepared under the historical cost convention.

The same accounting policies and methods of computation are followed in these condensed financial statements as compared with the most recent annual financial statements for the year ended 31 March 2019. These accounting policies are consistent with the International Financial Reporting Standards.

In the current period, the Group has adopted all of the new and revised accounting Standards and Interpretations issued by the International Accounting Standards Board (ISAB) and the International Financial Reporting Interpretations Committee (IFRIC) that are relevant to its operations and effective for the current reporting period. There has been no material impact on the financial statements of the Group.

## Note 3: Segment Information

### Identification of reportable segments

The Group operates predominantly in the mining industry. This comprises exploration and evaluation activities related to pursuing the Kroussou zinc-lead project in Gabon and tenements in Australia. Due to the difficulties encountered in continuing to develop the Kangaluwi Project, the Group had fully impaired the capitalised exploration expenditure associated with the Kangaluwi project, and divested the subsidiaries that own the project in April 2019 (refer Note 14). The Group continues to assess other commercially and economically viable exploration projects.

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors (chief operating decision makers) on a monthly basis to assess performance and determine the allocation of resources. Management has identified the operating segments based on the principal location of its projects, being Africa, and its ASX listing and management location of Australia.

### Basis of accounting for purposes of reporting by operating segments

***(a) Accounting policies adopted***

Unless stated otherwise, all amounts reported to the Board of Directors are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group;

***(b) Inter-segment transactions***

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are generally on commercial terms.

***(c) Segment assets***

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

***(d) Segment liabilities***

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

The following is an analysis of the Group's results by reportable operating segment for the period:

| | SEGMENT LOSS | |
|---|---|---|
| | HALF-YEAR 30 SEP 2019 US$ | HALF-YEAR 30 SEP 2018 US$ |
| **Continuing operations** | | |
| Exploration and evaluation | (4,965) | (20,326) |
| Corporate | 119,337 | (375,822) |
| **Consolidated segment profit/(loss) for the period from continuing operations** | **114,372** | **(396,148)** |

The following is an analysis of the Group's assets by reportable operating segment:

| | SEGMENT ASSETS | |
|---|---|---|
| | 30 SEP 2019 US$ | 31 MAR 2019 US$ |
| **Continuing operations** | | |
| Exploration and evaluation | 2,659,882 | 2,490,804 |
| Unallocated corporate assets | 410,743 | 484,058 |
| **Consolidated segment assets** | **3,070,625** | **2,974,862** |

The following is an analysis of the Group's liabilities by reportable operating segment:

| | SEGMENT LIABILITIES | |
|---|---|---|
| | 30 SEP 2019 US$ | 31 MAR 2019 US$ |
| **Continuing operations** | | |
| Exploration and evaluation | 50,084 | 75,502 |
| Unallocated corporate liabilities | 268,267 | 87,928 |
| **Consolidated segment liabilities** | **318,351** | **163,430** |

## Note 4: Reconciliation of Loss

The loss before tax from continuing operations after charging expenses and receiving income was as follows:

| | HALF-YEAR 30 SEP 2019 US$ | HALF-YEAR 30 SEP 2018 US$ |
|---|---|---|
| **Investment Revenue** | | |
| Interest revenue | 1,265 | 4,414 |
| **Total Investment Revenue** | **1,265** | **4,414** |
| | | |
| **Other Operating Expenses** | | |
| Auditor's remuneration | (9,983) | (10,880) |
| Communications costs | (2,700) | (1,909) |
| Consultants | (47,428) | (47,688) |
| Contract accounting | (31,127) | (48,011) |
| Directors' fees and consultant fees | (60,081) | (74,036) |
| Insurance | (5,353) | (7,384) |
| Lease costs | (2,584) | (11,598) |
| Legal | (501) | (75,069) |
| Corporate & statutory costs | (12,125) | (15,947) |
| Travel | (8,008) | (22,634) |
| Rent | (3,675) | - |
| Software expenses | (4,395) | (7,995) |
| Business development | (24,905) | - |
| Other costs | (4,480) | (5,468) |
| **Total Other Operating Expenses** | **(217,345)** | **(328,619)** |

## Note 5: Earnings Per Share

The calculation of the basic and diluted (loss) /earnings per share is based on the following information:

| | HALF-YEAR 30 SEP 2019 | HALF-YEAR 30 SEP 2018 |
|---|---|---|
| **Earnings** | | |
| Earnings/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share: | **US$** | **US$** |
| From continuing operations | 114,372 | (396,148) |
| | 114,372 | (396,148) |
| **Shares** | | |
| Weighted average number of ordinary shares used as the denominator in caclculating basic earnings/(loss) per share | 438,254,890 | 321,311,238 |
| Adjustment for calculation of diluted earnings/(loss) per share: | | |
| Less effect of 1:8 consolidation approved by shareholders 3 October 2019, subsequent to the end of the period | (383,473,029) | (281,147,333) |
| Options | - | - |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in caclculating diluted earnings/(loss) per share | 54,781,861 | 40,163,905 |
| **Basic and diluted earnings /(loss) per Share** | **Cents/share** | **Cents/share** |
| Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company | 0.21 | (0.99) |
| Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company | 0.21 | (0.99) |

The following number of potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares in the period ended 30 September 2018:

| | 30 SEP 2019 Number | 30 SEP 2018 Number |
|---|---|---|
| Unlisted Options on issue [1] | 152,654,285 | 120,154,285 |
| | **152,654,285** | **120,154,285** |

[1] The comparative excludes 3,000,000 options granted to consultants on 17 September 2018 but not issued until after period end.

## Note 6: Cash and Cash Equivalents

| | 30 SEP 2019 US$ | 31 MAR 2019 US$ |
|---|---|---|
| Bank balances | 406,811 | 447,430 |
| Term deposit [1] | 14,062 | 14,770 |
| | **420,873** | **462,200** |

[1] A$20,000 of the cash and cash equivalents is restricted and set aside to offset credit card limits.

## Note 7: Exploration and Evaluation Expenditure

| | 30 SEP 2019 US$ | 31 MAR 2019 US$ |
|---|---|---|
| **Costs** | **2,618,035** | **2,467,212** |

| *Movement during the period:* | 6 MONTHS ENDED 30 SEP 2018 US$ | 12 MONTHS ENDED 31 MAR 2018 US$ |
|---|---|---|
| Opening balance | 2,467,212 | 652,420 |
| Exploration and evaluation recognised on acquisition of Select Exploration | - | 446,414 |
| Additions for the period | 164,344 | 1,447,901 |
| Foreign exchange movement | (13,521) | (79,523) |
| **Closing balance at balance date** | **2,618,035** | **2,467,212** |

The Group's exploration properties may be subject to claim under Native Title (or jurisdiction equivalent), or contain sacred sites, or sites of significance to the indigenous people of Australia and Gabon. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

The Company policy is to charge exploration expenditure to specific areas of interest. Exploration expenditure that cannot be attributed to specific areas of interest is written off.

Recoverability of the Group's carrying value of interests in mineral projects is subject to the successful development and exploitation of the exploration properties or alternatively, the sale of these tenements at amounts at least equal to the book values.

***Kroussou (Gabon) exploration expenditure***

The Group has capitalised farm-in expenditures related to the Kroussou Project incurred subsequent to the exercise of the Option fee to Battery Minerals Limited on 31 August 2017.

***Acquisition of Select Exploration (Gabon) in prior year***

On 27 April 2018, Trek, through its wholly owned subsidiary, Select Exploration (Europe) SARL acquired the Kroussou exploration properties in Gabon valued at US$446,414 through the acquisition of the ultimate parent entity of the license holding entity, Select Exploration. The acquisition of Select Exploration and its controlled entity was deemed an asset acquisition rather than a business combination due to both companies not meeting the definition of a business under the accounting standards.

| | Fair value US$ |
|---|---|
| **Purchase consideration** | |
| - Cash | 200,000 |
| - Issue of fully paid ordinary shares with free attaching options | 200,000 |
| | 400,000 |
| *Less:* | |
| - Cash on hand | 20,255 |
| - Other current assets | 111 |
| - Written down value of Property, plant and equipment | 16,595 |
| - Other non-current assets | 944 |
| - Payables and other liabilities | (84,319) |
| Net Liabilities acquired | (46,414) |
| **Capitalised exploration on consolidation** | **446,414** |

***Kangaluwi (Zambia) exploration expenditure***

All expenditures carried forward in relation to the Kangaluwi Copper Project have been fully impaired in prior periods. On 15 April 2019, Trek Metals Limited sold the wholly owned subsidiary that ultimately owns the rights to the Kangaluwi Copper Project. For further comment, please refer to Note 14.

## Note 8: Subsidiaries

The consolidated financial statements include the financial statements of Trek Metals Limited and the subsidiaries listed below:

| | COUNTRY OF INCORP'N | CLASS OF SHARE CAPITAL HELD | HOLDING & VOTING CAPACITY (%) | | BUSINESS |
|---|---|---|---|---|---|
| | | | 30 SEP 2019 | 31 MAR 2019 | |
| Mwembeshi Resources (Bermuda) Limited [1] | Bermuda | Ordinary | - | 100 | Holding |
| Mwembeshi Resources Limited [1] | Zambia | Ordinary | - | 100 | Exploration |
| TM Resources Pty Ltd | Australia | Ordinary | 100 | 100 | Exploration |
| Trek Management Pty Ltd | Australia | Ordinary | 100 | 100 | Man. Services |
| Makoma Resources Limited | Zambia | Ordinary | - | 100 | Exploration |
| Elm Resources Pty Ltd | Australia | Ordinary | 100 | 100 | Exploration |
| Select Exploration (Europe) SARL [1] | Luxembourg | Ordinary | 100 | 100 | Holding |
| Select Exploration | Mauritius | Ordinary | 100 | 100 | Holding |
| Select Exploration (Gabon) | Gabon | Ordinary | 100 | 100 | Holding |

[1] Mwembeshi Resources (Bermuda) Limited (MRBL) and its wholly owned subsidiaries Mwembeshi Resources Limited and Makoma Resources Limited were divested on 15 April 2019. Refer Note 14

## Note 9: Trade and Other Payables

| | 30 SEP 2019 US$ | 31 MAR 2019 US$ |
|---|---|---|
| **Current** | | |
| Trade and other payables [1] | 119,660 | 143,285 |
| Accrued expenses [1] | 16,529 | 20,145 |
| Allotment monies received [2] | 182,162 | - |
| | **318,351** | **163,430** |

(1) Trade payables and accruals are non-interest bearing and have repayment terms within 30 days.

(2) Allotment monies represent funds received prior to the end of the half-year related to the capital fund raising completed on 9 October 2019 – Refer Note 15.

## Note 10: Issued Capital

Authorised ordinary shares of par GBP0.01 each, carrying one vote per share and rights to dividends.

| | NUMBER OF SHARES | ISSUED CAPITAL US$ | SHARE PREMIUM US$ |
|---|---|---|---|
| **Issued and fully paid ordinary shares** | | | |
| As at 1 April 2019 | 438,254,890 | 24,757,035 | 34,741,556 |
| **Allotments** | - | - | - |
| **Share Issue costs** | - | - | - |
| **Balances as at 30 September 2019** | **438,254,890** | **24,757,035** | **34,741,556** |

| | NUMBER OF SHARES | ISSUED CAPITAL US$ | SHARE PREMIUM US$ |
|---|---|---|---|
| **Issued and fully paid ordinary shares** | | | |
| As at 1 April 2018 | 312,303,614 | 23,179,105 | 35,140,138 |
| **Allotments** | | | |
| 27/04/2018 Acquisition shares at A$0.025 per share [1] | 10,566,636 | 147,256 | 52,744 |
| 08/10/2018 Placement at A$0.013 per share [2] | 115,384,640 | 1,508,571 | (451,326) |
| **Share Issue costs** | - | (77,897) | - |
| **Balances as at 31 March 2019** | **438,254,890** | **24,757,035** | **34,741,556** |

(1) Shares issued as consideration for the acquisition of Select Exploration .

(2) Shares issued pursuant to capital raising of A$1.5m.

## Options on Issue

Unissued ordinary shares of the Company under option at 30 September 2019 are as follows:

| Options issued | No of options | Exercise price (US$) | Fair value at Grant Date (US$) | Grant date | Expiry | Vested # |
|---|---|---|---|---|---|---|
| **Options issued to Investors:** | | | | | | |
| Free attaching options to investors | 33,870,967 | 0.046 | - | 04/12/17 | 02/11/21 | 33,870,967 |
| Free attaching options to Acquiree | 5,283,318 | 0.0757 | - | 27/04/18 | 27/04/21 | 5,283,318 |
| | 39,154,285 | | | | | 39,154,285 |
| **Options issued as Share Based Payments:** | | | | | | |
| Fees for services | 1,250,000 | 0.116[(1)] | 0.001 | 16/02/16 | 31/12/20 | 1,250,000 |
| Directors | 14,000,000 | 0.043 | 0.019 | 18/01/17 | 02/11/21 | 14,000,000 |
| Consultant | 750,000 | 0.044 | 0.020 | 18/01/17 | 02/11/21 | 750,000 |
| Directors | 5,000,000 | 0.045 | 0.016 | 23/02/17 | 02/11/21 | 5,000,000 |
| Consultant | 1,000,000 | 0.045 | 0.016 | 23/02/17 | 02/11/21 | 1,000,000 |
| Consultant | 3,000,000 | 0.046 | 0.033 | 23/02/17 | 02/11/21 | 3,000,000 |
| Consultant | 1,000,000 | 0.048 | 0.014 | 30/08/17 | 02/11/21 | 1,000,000 |
| Consultant | 1,500,000 | 0.047 | 0.015 | 24/10/17 | 02/11/21 | 1,500,000 |
| Directors | 3,000,000 | 0.047 | 0.012 | 04/12/17 | 02/11/21 | 3,000,000 |
| Directors | 18,000,000 | 0.047 | 0.012 | 04/12/17 | 02/11/21 | 18,000,000 |
| Consultant | 1,000,000 | 0.047 | 0.015 | 04/12/17 | 02/11/21 | 1,000,000 |
| Broker Options | 4,000,000 | 0.047 | 0.015 | 04/12/17 | 02/11/21 | 4,000,000 |
| Employee | 3,000,000 | 0.016 | 0.004 | 17/09/18 | 08/10/21 | 3,000,000 |
| Directors | 17,000,000 | 0.016 | 0.004 | 08/10/18 | 08/10/21 | 17,000,000 |
| Broker Options | 25,000,000 | 0.016 | 0.004 | 08/10/18 | 08/10/21 | 25,000,000 |
| Directors | 15,000,000 | 0.005 | 0.003 | 02/09/19 | 30/09/23 | 15,000,000 |
| | 113,500,000 | | | | | 113,500,000 |
| **Options outstanding, and exercisable, at 30 September 2019** | **152,654,285** | | | | | **152,654,285** |

(1) Lower of US$0.116 (AUD$0.16) or market value

## Note 11: Capital Commitments

The Group has committed to the following minimum expenditure in relation to the Kroussou project.

| | 30 SEP 2019 US$ | 30 SEP 2018 US$ |
|---|---|---|
| Not later than 1 year | 753,381 | - |
| Later than 1 year and not later than 5 years | 2,072,579 | - |
| Later than 5 years | - | - |
| | 2,825,960 | - |

The Kroussou License which was renewed on 18 July 2018 requires a total of 1,793,706,000 CFA to be spent over the 3 years from the date of renewal. Non-compliance with the expenditure commitment is a penalty of 10% of the outstanding investment.

## Note 12: Commitments and Contingencies

### *(a) Operating leases*

Operating leases: non-cancellable lease rentals are payable as follows:

| | 30 SEP 2019 US$ | 30 SEP 2018 US$ |
|---|---|---|
| Not later than 1 year | - | 7,511 |
| Later than 1 year and not later than 5 years | - | - |
| Later than 5 years | - | - |
| | - | 7,511 |

Non-cancellable operating leases for an item of office equipment and office space expired as at 31 March 2019 and were not renewed.

### *(b) Contingencies*

#### *i. TM Resources Acquisition*

On 16 September 2016 the Company and the shareholders of TM Resources Pty Ltd (TM) entered into a Share Sale Agreement which resulted in the Company acquiring all the shares on issue in TM. The Company paid US$7,516 (A$10,000) on execution of the Share Sale Agreement.
The Company also agreed to pay a contingent consideration:

1. Trek Metals Limited (TML) shares to the value of A$50,000 within 7 days of the grant of the tenements that TM has applied for.
2. A$1,000,000 upon the public release by TML of Mineral Resource Estimate in respect of the Lawn Hill Project of between 550Kt Zn eq - 1.1Mt Zn eq; and
3. A$3,000,000 upon the public release by TML of a Mineral Resource Estimate in respect of the Lawn Hill Project of greater than 1.1Mt Zn eq.

#### *ii. Kroussou Royalty and Deferred Consideration*

As a result of the acquisition of Select Exploration SARL, the following contingent liabilities arose, however these will be terminated when the Earn-In Agreement with Apollo Minerals Limited is deemed effective:

1. Trek granting BAT a 2.5% net smelter return royalty on gross sales revenue (NSR Royalty) with Trek having an option to buy back 1% of the NSR Royalty for US$1,500,000.
2. Upon Trek defining a JORC-compliant Indicated Mineral Resource Estimate of more than 250,000 tonnes of combined Zn/Pb metal in relation to the Kroussou Project and subject to shareholder approval, Trek will issue BAT US$2,500,000 of TKM shares based on a 5-day VWAP prior to the date of issue (subject to a minimum floor price of $0.025 per share) (Deferred Consideration Shares) and one free attaching option (term of 3 years, exercise price of 150% of the 5-day VWAP prior to the date of issue) for every two Deferred Consideration Shares issued (Deferred Consideration).

3. An existing 0.75% net smelter return royalty payable in relation to the Kroussou Project to a third party which can be bought back for US$250,000 (Existing Royalty), was novated from BAT to Trek as part of the acquisition.
4. If Trek sells the Kroussou Project, the third-party purchaser must undertake to provide BAT with an equivalent Deferred Consideration or TKM may agree to pay BAT the Deferred Consideration in cash.

## Note 13: Share Based Payments

### *(a) Options issued*

The Trek Metals Ltd Employee Share Option Plan ("ESOP") was approved at a General Meeting of shareholders on 30 December 2016 and refreshed at the Annual General Meeting of shareholders on 3 October 2019. The Company also issued options during the period pursuant to the Company's 15% capacity Listing Rule 7.1.

| | 30 SEP 2019 US$ | 30 SEP 2018 US$ |
|---|---|---|
| Share based payment expense | 20,160 | 23,748 |

During the half-year ended 30 September 2019, the following options were granted pursuant to the Company's 15% capacity under Listing Rule 7.1:

| HALF-YEAR ENDED 30 SEPTEMBER 2019 | No of options | Exercise price (US$) | Grant date | Expiry | Vested # | FV @ grant date (US$/ unit) |
|---|---|---|---|---|---|---|
| Consultants | 15,000,000 | 0.005 | 02/09/19 | 30/09/23 | 15,000,000 | 0.001 |
| **Total options granted during the half-year** | 15,000,000 | | | | | |

There has been no alterations of terms or conditions of the above share based payments. Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

| | 30 SEP 2019 | | 30 SEP 2018 | |
|---|---|---|---|---|
| | No of options | Weighted average exercise price (US$) | No of options | Weighted average exercise price (US$) |
| **Options at beginning of half-year** | 103,500,000 | 0.031 | 58,500,000 | 0.043 |
| Options granted | 15,000,000 | 0.005 | 3,000,000 | 0.016 |
| Options lapsed | (5,500,000) | (0.023) | - | - |
| Options forfeited | - | - | - | - |
| Options cancelled | - | - | - | - |
| **Options at end of half-year** | 113,500,000 | 0.030 | 61,500,000 | 0.042 |
| **Options exercisable at end of half-year** | 113,500,000 | | 61,500,000 | |

***Share options pricing model***

The fair value of the equity-settled share options granted during the half-year is estimated as at the date of grant using a Black Scholes Option Pricing model. The following table lists the inputs to the models used for the valuation of options granted during the half-year ended 30 September 2019:

| | **Listing Rule 7.1 Options** |
|---|---|
| Number of Options | 15,000,000 |
| Fair values at measurement date – US$/share | 0.001 |
| Grant date share price – US$/share | 0.003 |
| Exercise price – US$/share | 0.005 |
| Expected volatility % | 74.0 |
| Options life in years | 4.08 |
| Divident yield | - |
| Risk-free interest rate % | 0.73 |

The weighted average fair value of options granted during the period is 0.001 (2018: 0.004).

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## Note 14: Gain on sale of subsidiaries

On 15 April 2019, the Company announced the divestment of the Kangaluwi Copper Project (KCP) in Zambia via the sale of its wholly owned subsidiary, Mwembeshi Resources (Bermuda) Limited (MRBL) which ultimately held the KCP.

The Trek Group fully impaired the value of the asset in previous financial years whilst waiting for written judgement from the Lusaka High Court on the validity of the mining license originally issued by relevant government departments in Zambia. This decision is still pending after nearly 5 years.

Total consideration received for the sale was A$1.1 million. All debentures, charges and mortgages on the KCP have been released with payment due to third parties, for this release, of approximately A$950k. The remaining A$150k was received by TKM for the transfer of 100% of the shares in MRBL. The divestment removes all ongoing liabilities, royalties, holding and legal costs associated with the KCP and associated subsidiaries from the Trek Group.

The financial impact is summarised as follows:

| | 30 SEP 2019 US$ |
|---|---|
| Revenue from sale of subsidiaries | 786,258 |
| Cost on release of debentures, charges and mortgages | (652,594) |
| Net cash received on sale | 133,664 |
| Forgiveness of liabilities | 28,211 |
| Foreign currency translation reserve gains | 172,234 |
| Gain on disposal of subsidiary | **334,109** |

## Note 15: Post-Balance Date Events

At the Annual General Meeting on 3 October 2019, the Company received Shareholder approval to consolidate the number of shares and options on issue on an eight (8) for one (1) basis (Consolidation), reduce the par value of the share capital and increase authorized capital. The Consolidation was completed on 9 October 2019.

The Company also received Shareholder approval at the Annual General Meeting on 3 October 2019 to complete the issue of 120,000,000 new fully paid ordinary shares (on a post-consolidation basis) to sophisticated investors at A$0.02 per share to raise A$2,400,000, before costs ("Placement"). Trek also issued 9,375,000 unlisted options with an expiry date of 30 September 2023 and an exercise price of A$0.056, vesting immediately (on a post-consolidated basis) ("Unlisted Option Issue"). Of the 9,375,000 issued, 6,875,000 were issued to directors (following approval by Shareholders) and consultants under the Employee Share Option Plan, and 2,000,000 were issued to the Facilitators of the Placement.

The Company's capital structure post the Consolidation, Placement and Unlisted Option Issue is as follows:

| | Fully Paid Ordinary Shares | Unlisted Options exercisable at $1.28 by 31/12/20 | Unlisted Options exercisable at $0.48 by 2/11/21 | Unlisted Options exercisable at $0.80 by 27/4/21 | Unlisted Options exercisable at $0.184 by 8/10/21 | Unlisted Options exercisable at $0.056 by 30/9/23 |
|---|---|---|---|---|---|---|
| Current securities on issue | 174,782,262 | 156,250 | 10,765,121 | 660,415 | 5,625,000 | 11,250,000 |

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

# Directors' Declaration

*For the Half-Year Ended 30 September 2019*

The Directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements; and

c) in the directors' opinion, the attached financial statements and notes thereto are in compliance with accounting standards and giving a true and fair view of the financial position and performance of the group.

On behalf of the Board



**Greg Bittar**
Chairman
2 December 2019