# Solar Mining Services Pty Ltd

## ACN 142 081 598

### Financial Statements

**For the Year Ended 31 March 2020**

**Solar Mining Services Pty Ltd**
**ACN 142 081 598**

# Contents

## For the Year Ended 31 March 2020

**Solar Mining Services Pty Ltd**
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# Directors' Report

## 31 March 2020

The directors present their report on Solar Mining Services Pty Ltd ("the Company") for the financial year ended 31 March 2020.

### 1. General information

#### Information on directors

The names of each person who has been a director during the year and to the date of this report are:

| | |
|---|---|
| Mr Ian Taylor Smith | |
| Mr Suresh Menon | |
| Mr Vetkav Ramesh Subramanian | |
| Mr Peter Ian Richards | |
| Mr Manish Nuwal | Appointed 10th July 2019 |
| Mr Vaidyanathan Krishnaswami | Resigned 10th May 2019 |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

#### Principal activities

The principal activity of Solar Mining Services Pty Ltd during the financial year was importation of explosives to be used in the mining sector and developing on ground capability to service this market.

No significant changes in the nature of the Company's activity occurred during the financial year.

### 2. Operating results and review of operations for the year

#### Operating results

The loss of the Company after providing for income tax amounted to $4,007,518 (2019: $1,135,658).

#### Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

#### Review of operations

A review of the operations of the Company during the financial year and the results of those operations show that the Company has continued in its pursuit to be a major player in the Australian mining explosives market. In financial year 2020 the Company continued to derive revenue from customers and has established plant and equipment in Australia.

### 3. Other items

#### Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

### 3. Other items (continued)

#### Events after the reporting date

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

#### Future developments and results

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

#### Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

#### Indemnification and insurance of officers and auditors

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

#### Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 March 2020 has been received and can be found on page 3 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: ..............................................................
Mr Peter Ian Richards

Dated: 4 May 2020

## AUDITOR'S INDEPENDENCE DECLARATION

## UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

To the directors of Solar Mining Services Pty Ltd

As lead auditor for the audit of Solar Mining Services Pty Ltd for the year ended 31 March 2020, I declare that, to the best of my knowledge and belief, there have been:

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

**Rothsay Audit & Assurance Pty Ltd**

**Daniel Dalla**
Director

Sydney, 4 May 2020

Solar Mining Services Pty Ltd
ACN 142 081 598

# Statement of Profit or Loss and Other Comprehensive Income

## For the Year Ended 31 March 2020

| | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| Revenue | 5 | **767,569** | 1,032,900 |
| Other income | | **-** | 3,667 |
| Cost of sales | | **(541,079)** | (595,139) |
| Employee benefits expense | | **(699,656)** | (958,957) |
| Depreciation and amortisation expense | | **(53,668)** | (11,540) |
| Interest expense | | **(462,410)** | (226,063) |
| Foreign exchange loss | | **(2,535,558)** | (506,790) |
| Travel | | **(53,642)** | (169,865) |
| Other operating expenses | | **(773,762)** | (641,112) |
| **Loss before income tax** | | **(4,352,206)** | (2,072,899) |
| Income tax benefit | 6 | **344,688** | 937,241 |
| **Loss for the year** | | **(4,007,518)** | (1,135,658) |
| **Other comprehensive income for the year** | | **-** | - |
| **Total comprehensive loss for the year** | | **(4,007,518)** | (1,135,658) |

The accompanying notes form part of these financial statements.

Solar Mining Services Pty Ltd
ACN 142 081 598

# Statement of Financial Position

## As At 31 March 2020

| | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | **217,127** | 355,112 |
| Trade and other receivables | 8 | **655,459** | 836,321 |
| Inventories | 9 | **3,185,382** | 1,787,423 |
| TOTAL CURRENT ASSETS | | **4,057,968** | 2,978,856 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | **11,657,869** | 5,551,424 |
| Deferred tax assets | 16 | **1,281,929** | 937,241 |
| TOTAL NON-CURRENT ASSETS | | **12,939,798** | 6,488,665 |
| TOTAL ASSETS | | **16,997,766** | 9,467,521 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | **1,760,092** | 929,271 |
| Borrowings | 12 | **25,812** | 4,397 |
| Employee benefits | 13 | **168,389** | 115,937 |
| TOTAL CURRENT LIABILITIES | | **1,954,293** | 1,049,605 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 12 | **21,241,543** | 10,596,202 |
| TOTAL NON-CURRENT LIABILITIES | | **21,241,543** | 10,596,202 |
| TOTAL LIABILITIES | | **23,195,836** | 11,645,807 |
| NET ASSETS | | **(6,198,070)** | (2,178,286) |
| **EQUITY** | | | |
| Issued capital | 14 | **6** | 6 |
| Reserves | | **358,330** | 358,330 |
| Accumulated losses | | **(6,556,406)** | (2,536,622) |
| TOTAL EQUITY | | **(6,198,070)** | (2,178,286) |

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

## For the Year Ended 31 March 2020

**2020**

| | Issued Capital | Share Premium Reserve | Accumulated Losses | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 1 April 2019** | **6** | **358,330** | **(2,536,622)** | **(2,178,286)** |
| Restatement due to AASB 16 *Leases* | **-** | **-** | **(12,266)** | **(12,266)** |
| **Balance at 1 April 2019 restated** | **6** | **358,330** | **(2,548,888)** | **(2,190,552)** |
| Loss for the year | **-** | **-** | **(4,007,518)** | **(4,007,518)** |
| Transactions with owners in their capacity as owners | **-** | **-** | **-** | **-** |
| **Balance at 31 March 2020** | **6** | **358,330** | **(6,556,406)** | **(6,198,070)** |

**2019**

| | Issued Capital | Share Premium Reserve | Accumulated Losses | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 1 April 2018** | 6 | 358,330 | (1,400,964) | (1,042,628) |
| Loss for the year | - | - | (1,135,658) | (1,135,658) |
| Transactions with owners in their capacity as owners | - | - | - | - |
| **Balance at 31 March 2019** | 6 | 358,330 | (2,536,622) | (2,178,286) |

The accompanying notes form part of these financial statements.

**Solar Mining Services Pty Ltd**
**ACN 142 081 598**

# Statement of Cash Flows

## For the Year Ended 31 March 2020

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | **948,431** | 530,347 |
| Payments to suppliers and employees | | **(3,439,549)** | (2,654,518) |
| Interest paid | | **(614,516)** | (391,140) |
| Net cash provided by/(used in) operating activities | 17 | **(3,105,634)** | (2,515,311) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Proceeds from sale of plant and equipment | | **47,945** | - |
| Purchase of property, plant and equipment | | **(4,753,620)** | (4,912,831) |
| Net cash provided by/(used in) investing activities | | **(4,705,675)** | (4,912,831) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from borrowings | | **7,684,325** | 7,726,975 |
| Repayment of finance lease liabilities | | **(6,706)** | - |
| Net cash provided by/(used in) financing activities | | **7,677,619** | 7,726,975 |
| Net increase/(decrease) in cash and cash equivalents held | | **(133,690)** | 298,833 |
| Cash and cash equivalents at beginning of year | | **350,715** | 51,882 |
| Cash and cash equivalents at end of financial year | 7 | **217,025** | 350,715 |

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## For the Year Ended 31 March 2020

The financial report covers Solar Mining Services Pty Ltd as an individual entity. Solar Mining Services Pty Ltd is a for-profit proprietary Company, incorporated and domiciled in Australia.

The functional and presentation currency of Solar Mining Services Pty Ltd is Australian dollars.

Comparatives are consistent with prior years, unless otherwise stated.

### 1 Basis of Preparation

In the Directors' opinion, the Company is not a reporting entity since there are unlikely to exist users of the financial statements who are not able to command the preparation of reports tailored so as to satisfy specifically all of their information needs. This special purpose financial report has been prepared to meet the reporting requirements of the *Corporations Act 2001.*

The financial statements have been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards and the disclosure requirements of the following accounting standards:

- AASB 101 *Presentation of Financial Statements*;
- AASB 107 *Statement of Cash Flows*;
- AASB 108 *Accounting Policies*, *Changes in Accounting Estimates and Errors*; and
- AASB 1054 *Australian Additional Disclosures*.

### 2 Change in Accounting Policy

**Leases - Adoption of AASB 16**

The Company has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from 1 April 2019 and therefore the comparative information for the year ended 31 March 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

**Impact of adoption of AASB 16**

The impact of adopting AASB 16 is described below:

**Company as a lessee**

Under AASB 117, the Company assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Company or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Company has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss on a straight line basis.

## 2 Change in Accounting Policy (continued)

### Impact of adoption of AASB 16 (continued)

*Practical expedients used on transition*

AASB 16 includes a number of practical expedients which can be used on transition, the Company has used the following expedients:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the Company's incremental borrowing rate at 1 April 2019;
- right-of-use assets at 1 April 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- excluded leases with an expiry date prior to 31 March 2020 from the statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

## 3 Summary of Significant Accounting Policies

### (a) Revenue and other income

**Revenue from contracts with customers**

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

## 3 Summary of Significant Accounting Policies (continued)

### (a) Revenue and other income (continued)

**Specific revenue streams**

The revenue recognition policies for the principal revenue streams of the Company are:

**Sale of Goods**

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

**Other income**

Other income is recognised on an accruals basis when the Company is entitled to it.

### (b) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### (c) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (d) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

## 3 Summary of Significant Accounting Policies (continued)

### (d) Income Tax (continued)

Deferred tax is not provided for the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

### (e) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

### (f) Leases

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### 3 Summary of Significant Accounting Policies (continued)

#### (f) Leases (continued)

*Exceptions to lease accounting*

The Company has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (g) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

*Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

*Impairment of financial assets*

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss ("ECL").

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

## 3 Summary of Significant Accounting Policies (continued)

### (g) Financial instruments (continued)

**Financial assets (continued)**

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

*Trade receivables and contract assets*

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

*Other financial assets measured at amortised cost*

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

**Financial liabilities**

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables, bank overdrafts and related party loans.

## 3 Summary of Significant Accounting Policies (continued)

### (h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

### (i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

**Property developments**

Property developments comprise costs incurred whilst working towards the construction and operation of production facilities. Costs include consultants', surveyors, and builders fees. Construction has not commenced at either location and no depreciation has been provided. Depreciation will be provided when the respective development is finished and ready for use.

**Plant and equipment**

Plant and equipment are measured using the cost model.

**Depreciation**

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

| Fixed asset class | Depreciation rate |
|---|---|
| Motor Vehicles | 8% |
| Office Equipment | 5% to 25% |
| Computer Equipment | 33% |

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

### (j) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is any evidence of an impairment indicator for non-financial assets.

Where an indicator exists the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

## 3 Summary of Significant Accounting Policies (continued)

### (j) Impairment of non-financial assets (continued)

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

### (k) Employee benefits

A liability is recognised for the Company'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 wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

**Defined contribution schemes**

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

### (l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### (m) Going concern

The financial statements show a deficiency in net assets of $6,198,070. Included within the financial report are unsecured borrowings due to Solar Overseas Mauritius Limited of $20,185,980. The financial report has been prepared on a going concern basis. This basis has been adopted as the Company has received a guarantee of continuing financial support from Solar Overseas Mauritius Limited to allow the Company to meet its liabilities and it is the belief of the directors that such financial support will continue to be made available.

No adjustments have been made to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

### (n) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The adoption of these standards is not expected to cause any material adjustments to the reported financial position, performance or cash flow of the Company.

### 4 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

**Key estimates - impairment of plant and equipment**

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**Key estimates - receivables**

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment allowance is included for any receivable where the entire balance is not considered collectible. The impairment allowance is based on the best information at the reporting date.

**Key estimates - inventory**

Each item on inventory is reviewed on an annual basis to determine whether it is being carried at higher than its net realisable value. During the year, management have written down inventory based on best estimate of the net realisable value, although until the time that inventory is sold this is an estimate.

**Key judgments - taxes**

*Deferred tax assets*

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

### 5 Revenue and Other Income

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| - Sales revenue | **767,569** | 1,032,900 |
| | **767,569** | 1,032,900 |

# Notes to the Financial Statements

## For the Year Ended 31 March 2020

### 6 Income Tax Expense

Reconciliation of income tax to accounting profit:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2019: 27.5%) | **(1,196,857)** | (570,047) |
| Tax effect of: | | |
| - other non-allowable items | **(4,955)** | - |
| - Recognition of tax losses not previously brought to account | **-** | (367,194) |
| - Tax losses not brought to account | **857,124** | - |
| Income tax benefit | **(344,688)** | (937,241) |

### 7 Cash and Cash Equivalents

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Cash at bank and in hand | **217,127** | 355,112 |
| | **217,127** | 355,112 |

**Reconciliation of cash**

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

| | Note | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| Cash and cash equivalents | | **217,127** | 355,112 |
| Bank overdrafts | 12 | **(102)** | (4,397) |
| **Balance as per statement of cash flows** | | **217,025** | 350,715 |

### 8 Trade and other receivables

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Current | | |
| Trade receivables | **434,367** | 454,612 |
| Receivable from related party - Economic Explosives Limited | **-** | 280,107 |
| Other receivables | **221,092** | 101,602 |
| | **655,459** | 836,321 |

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

# Notes to the Financial Statements

**For the Year Ended 31 March 2020**

## 9 Inventories

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Current | | |
| At cost: | | |
| Finished goods | **3,185,382** | 1,787,423 |
| | **3,185,382** | 1,787,423 |

## 10 Plant and equipment

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Property developments | | |
| At cost | **10,038,917** | 4,762,684 |
| Capital works in progress | | |
| At cost | **54,916** | 621,730 |
| Plant and equipment | | |
| At cost | **374,820** | 16,627 |
| Accumulated depreciation | **(18,999)** | (3,483) |
| Total plant and equipment | **355,821** | 13,144 |
| Motor vehicles | | |
| At cost | **179,037** | 174,891 |
| Accumulated depreciation | **(23,680)** | (21,025) |
| Total motor vehicles | **155,357** | 153,866 |
| Right of use asset | | |
| At cost | **1,075,713** | - |
| Accumulated depreciation | **(22,855)** | - |
| Total right of use asset | **1,052,858** | - |
| | **11,657,869** | 5,551,424 |

# Notes to the Financial Statements

## For the Year Ended 31 March 2020

### 10 Plant and equipment (continued)

**Movements in carrying amounts of plant and equipment**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Capital Works in Progress | Property Developments | Plant and Equipment | Motor Vehicles | Right of Use Asset | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Year ended 31 March 2020** | | | | | | |
| Balance at the beginning of year | **621,730** | **4,762,684** | **13,144** | **153,866** | **-** | **5,551,424** |
| Additions | **-** | **4,709,419** | **364,811** | **67,843** | **1,075,713** | **6,217,786** |
| Disposals | **-** | **-** | **(6,194)** | **(51,479)** | **-** | **(57,673)** |
| Depreciation expense | **-** | **-** | **(15,940)** | **(14,873)** | **(22,855)** | **(53,668)** |
| Transfer to other categories | **(566,814)** | **566,814** | **-** | **-** | **-** | **-** |
| **Balance at the end of the year** | **54,916** | **10,038,917** | **355,821** | **155,357** | **1,052,858** | **11,657,869** |

| | Capital Works in Progress | Property Developments | Plant and Equipment | Motor Vehicles | Right of Use Asset | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Year ended 31 March 2019** | | | | | | |
| Balance at the beginning of year | - | 256,602 | 1,024 | 162,085 | - | 419,711 |
| Additions | 621,730 | 4,506,082 | 14,861 | 580 | - | 5,143,253 |
| Depreciation expense | - | - | (2,741) | (8,799) | - | (11,540) |
| **Balance at the end of the year** | 621,730 | 4,762,684 | 13,144 | 153,866 | - | 5,551,424 |

# Notes to the Financial Statements

## For the Year Ended 31 March 2020

### 11 Trade and Other Payables

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Current | | |
| Trade payables | **161,441** | 40,010 |
| Other payables | **227,091** | 90,368 |
| Payable to related party - Solar Industries India Ltd | **1,302,863** | 672,758 |
| Payables to related parties | **68,697** | 126,135 |
| | **1,760,092** | 929,271 |

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

### 12 Borrowings

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Current | | |
| Bank overdraft | **102** | 4,397 |
| Lease liability | **25,710** | - |
| | **25,812** | 4,397 |
| Non-Current | | |
| Lease liability | **1,055,563** | - |
| Unsecured loan from Solar Overseas Mauritius Ltd | **20,185,980** | 10,596,202 |
| | **21,241,543** | 10,596,202 |

### 13 Employee Benefits

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Current | | |
| Annual leave | **168,389** | 115,937 |
| | **168,389** | 115,937 |

### 14 Issued Capital

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| 558,334 (2019: 558,334) Ordinary shares | **6** | 6 |
| | **6** | 6 |

#### (a) Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

#### (b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk.

### 15 Reserves

**Share Premium Reserve**

The share premium reserve records the premium on the issue of ordinary fully paid shares.

### 16 Tax assets and liabilities

| | Opening Balance | Charged to Income | Closing Balance |
|---|---|---|---|
| | $ | $ | $ |
| **Deferred tax assets** | | | |
| Employee entitlements | - | 31,883 | 31,883 |
| Deferred tax assets attributable to tax losses | - | 905,358 | 905,358 |
| **Balance at 31 March 2019** | - | 937,241 | 937,241 |
| Employee entitlements | **31,883** | **14,424** | **46,307** |
| Unrealised foreign exchange losses | **-** | **177,074** | **177,074** |
| Deferred tax assets attributable to tax losses | **905,358** | **148,596** | **1,053,954** |
| Other | **-** | **4,594** | **4,594** |
| **Balance at 31 March 2020** | **937,241** | **344,688** | **1,281,929** |

### 17 Cash Flow Information

**Reconciliation of result for the year to cashflows from operating activities**

Reconciliation of net income to net cash provided by operating activities:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Loss for the year | **(4,007,518)** | (1,135,658) |
| Cash flows excluded from profit attributable to operating activities | | |
| Non-cash flows in profit: | | |
| - depreciation | **53,668** | 11,540 |
| - loss on disposal of property, plant and equipment | **9,728** | - |
| - unrealised foreign exchange losses | **2,535,558** | 506,790 |
| - capitalised borrowing costs included as operating cashflows | **(388,453)** | (165,077) |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | **180,862** | (786,327) |
| - (increase)/decrease in inventories | **(1,397,959)** | (120,430) |
| - increase/(decrease) in trade and other payables | **200,716** | 60,500 |
| - increase/(decrease) in income taxes | **(344,688)** | (937,241) |
| - increase/(decrease) in employee entitlements | **52,452** | 50,592 |
| Cashflows from operations | **(3,105,634)** | (2,515,311) |

### 18 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 March 2020 (31 March 2019: None).

### 19 Auditors' Remuneration

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Remuneration of the auditor Rothsay Audit & Assurance Pty Ltd, for: | | |
| - auditing of the financial report | **10,500** | 10,000 |
| - other assurance services | **6,240** | 2,000 |
| | **16,740** | 12,000 |

# Notes to the Financial Statements

## For the Year Ended 31 March 2020

### 20 Statutory Information

The registered office and principal place of business of the Company is:

Solar Mining Services Pty Ltd
Suite 2003, Level 20
109 Pitt Street
SYDNEY NSW 2000

The principal place of business is:

Unit 1
7 Greenhill Road
WAYVILLE SA 5034

**Solar Mining Services Pty Ltd**
**ACN 142 081 598**

# Directors' Declaration

The directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 3 to the financial statements.

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 23, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards as stated in Note 1; and

   (b) give a true and fair view of the Company's financial position as at 31 March 2020 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 3 to the financial statements.

2. 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 with the continuing support of creditors.

This declaration is made in accordance with a resolution of the Board of Directors.

Director ..................................................................
Mr Peter Ian Richards

Dated: 4 May 2020

**SOLAR MINING SERVICES PTY LTD**

**INDEPENDENT AUDITOR'S REPORT**

To the members of Solar Mining Services Pty Ltd

## Opinion

We have audited the financial report of Solar Mining Services Pty Ltd ("the Company"), which comprises the statement of financial position as at 31 March 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Company's financial position as at 31 March 2020 and of its performance for the year ended on that date; and
(b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

## Basis for Opinion

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

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

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

## Key Audit Matter – Going Concern

Note 3 (m) in the financial report states that the Company's liabilities exceeded its total assets by $6,198,070 and it has received a letter of financial support from a related party, Solar Overseas Mauritius Limited. We considered the matters stated in Note 3 (m) along with management forecasts in determining the appropriateness of the going concern basis of accounting.

## Emphasis of Matter - Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 March 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Rothsay Audit & Assurance Pty Ltd**

**Daniel Dalla**
**Partner**

Sydney, 4 May 2020