Demetallica Limited
(Formerly Breakaway Resources Pty Ltd)

ABN 16 061 595 051

Annual Financial Report

for the year ended 30 June 2022

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Corporate Directory

DIRECTORS
Dr Roger Higgins *Non-Executive Chair*
(Appointed 16 December 2021)
Mr George McKenzie *Non-Executive Director*
(Appointed 16 December 2021)
Mr Andrew Woskett *Managing Director*
Dr Antonio Belperio *Non-Executive Director*

COMPANY SECRETARY
Mr Varis Lidums

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Adelaide SA 5000

PRINCIPAL PLACE OF BUSINESS
Level 1, 8 Beulah Road
Norwood SA 5067

SHARE REGISTER
Computershare Investor Securities Pty Ltd
Level 5, 115 Grenfell Street
Adelaide SA 5000

LEGAL ADVISERS
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Adelaide SA 5000

BANKERS
National Australia Bank
22-28 King William Street
Adelaide SA 5000

AUDITORS
Grant Thornton Audit Pty Ltd
Level 3, 170 Frome Street
Adelaide SA 5000

Demetallica Limited

ACN: 061 595 051

ASX Code: DRM

www.demetallica.com.au

Directors' Report

Your directors present their report on the Consolidated Group for the year ended 30 June 2022.

Director Details

The names of the directors in office at any time during, or since the end of, the year are:

Mr Andrew Woskett, *Managing Director*
Dr Roger Higgins, *Non-Executive Chair (Appointed 16 December 2021)*
Mr George McKenzie, *Non-Executive Director (Appointed 16 December 2021)*
Dr Antonio Belperio, *Non-Executive Director*

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

Review of Operations

Corporate

As announced on 10 November 2021 by Minotaur Exploration Limited (Minotaur), Minotaur entered into a bid implementation agreement (BIA) with Andromeda Metals Limited (Andromeda) (ASX: ADN), pursuant to which Andromeda offered to acquire all the issued ordinary shares of Minotaur by way of an off-market takeover offer (Takeover Offer).

As part of the Takeover Offer, Minotaur demerged its remaining net assets not being acquired by Andromeda into one of its existing subsidiaries, Demetallica Limited (Demetallica), and distributed the shares held by Minotaur in Demetallica to all Shareholders of Minotaur at the record date via a pro-rata in specie distribution of Demetallica shares (Demerger).

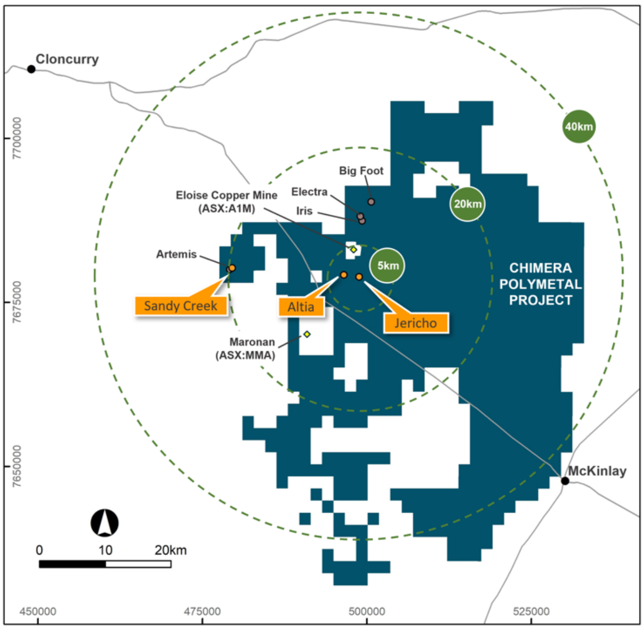
The Demerger was successfully completed on 2 February 2022.

Demetallica also successfully completed the acquisition of OZ Minerals' interests in the Eloise JV (70%) and Jericho JV (80%), and Sandfire Resources' interests in the Altia polymetallic deposit (60%) and surrounding tenements (100%). This consolidated a strategic land position around the Eloise copper-gold mine, south-east of Cloncurry, Queensland. The asset group now owned 100% by Demetallica has been named the Chimera Polymetal Project.

Directors' Report

Exploration

The Company initiated field work at its Chimera Polymetal Project, near Cloncurry, Queensland late April 2022. Chimera is a 2,067km^2 tenement package exhibiting multiple base metal styles and occurrences. Showcase assets are the Sandy Creek, Jericho, Altia, Artemis, Iris-Electra and Big Foot base metal systems.



The Jericho historic mineral resource estimate (MRE) was published in 2020 by Minotaur Exploration as 9.1Mt at 1.4% copper and 0.43g/t gold *(Inferred)*. Demetallica holds the view that the resource can be significantly expanded and improved through follow-up drilling.

The primary focus for Demetallica upon listing was to enhance and upgrade the Jericho resource and impetus towards those objectives was achieved with two drill rigs active at the deposit. That work resulted in 56 new holes for 14,000m refining the mineralised envelope. Realisation of drill campaign objectives leads to a MRE target in October 2022 of 13-15 million tonnes at 1.4-1.5% Cu; a 50% lift of inventory. While assays for the final 7 holes are yet to be received (at the date of writing) management has confidence that both MRE objectives will be attained.

The case is to be made for Jericho to advance to a development proposition. Demetallica's ambition is to progress that objective and, ultimately, foster the project into production. In the interim, further resource definition will be needed to support a robust economic analysis. In the remainder of the 2023 financial year the Company intends to push forward on these fronts, with a scoping study in H1 of 2023 followed by additional resource drilling by mid 2023.

First-pass RC drilling at the Pyramid gold project south of Townsville, testing IP targets, will take place in October 2022, to be followed up by RC test drilling of a VMS target at the Windsor base metals project, south of Charters Towers.

At Peake and Denison, South Australia, OZ Minerals is sole-funding joint venture drilling to test basement magnetic targets that present as iron oxide-copper gold (IOCG) prospects, hosted in rocks analogous to those at Ernest Henry near Cloncurry. This work is hoped to establish 'proof of concept' that IOCG mineralisation is present in the Peake and Denison Inlier.

Directors' Report

Business strategies and prospects

Demetallica's most advanced asset is the Jericho copper-gold resource. Confirmation of drill campaign objectives, as anticipated, through publication of the revised MRE will substantiate Jericho as a significant and high-grade copper-gold deposit. Yet, the mineral system remains relatively lightly explored; the MRE encompassing just 2km of Jericho's known strike of 3.7km and drilled only to 500m below ground surface. The Company has the strong view that further exploration could readily expand the resource envelope and thereby the scale of the deposit. Strike drilling in early 2023 is planned to give credence to that aim.

Jericho has a particular point of difference to most (if not all) other Australian advanced exploration and pre-development copper projects, in that it sits in a region well-endowed with copper concentrators. The closest at just 3km being the operating Eloise copper concentrator, the property of AIC Mines Ltd (ASX: A1M). Demetallica would, at the appropriate time, seek to engage with AIC to consider a toll treating arrangement for if and when Jericho is shown to offer an economic mining proposition. Demetallica has much work to do to establish that case but should a commercial arrangement be struck with AIC then Demetallica may avoid the large, up-front capital cost of building its own processing facility; perhaps as much as $100 million. Alternatively, it is known that other nearby concentrators, Ernest Henry and Rocklands, both proximal to Cloncurry, currently have plant under-utilisation challenges and are actively seeking third party ore sources to process on a tolling basis.

With that in mind Demetallica's priorities are to continue advancing the Jericho project towards delineation of mineable resources and make the case for mine development, activities to occupy calendar 2023.

Information in this report that relates to Exploration Results, Exploration Targets, Mineral Resources or Ore Reserves is based on information compiled by Dr A. P. Belperio, who is a director of the Company and a Fellow of the Australasian Institute of Mining and Metallurgy. Dr A. P. Belperio has a minimum of 5 years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, 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". Dr A. P. Belperio consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Information in this report that relates to Mineral Resources for Jericho is extracted from the report entitled "Maiden Jericho Resource and Cloncurry exploration update" lodged by Minotaur Exploration (ASX:MEP) with the ASX and dated 16 July 2020.

Directors' Report

Names, qualifications, experience and special responsibilities

Dr Antonio Belperio, BSc (Hons), PhD, FAusIMM, (Non-Executive Director)

Dr Belperio has an Honours Degree in Geology from the University of Adelaide, a PhD from James Cook University, and a diverse background in a wide variety of geological disciplines, including marine geology, environmental geology and mineral exploration. He has over 40 years' experience in university, government and the mineral exploration industry. Dr Belperio is also a current director of Copper Search Ltd (ASX: CUS) and former director of Thomson Resources Ltd (ASX: TMZ; Resigned 2019), and Minotaur Exploration Ltd; a public company listed on the ASX prior to its acquisition by Andromeda Metals Ltd (ASX: ADN) and subsequent removal from the Official List in 2022.

Dr Roger Higgins, BE (Hons), MSc, PhD, FIEAust, FAusIMM, (Non-Executive Chair, Appointed 16 December 2021)

Dr Higgins has over 40 years' experience in mine management, project development and sustainability, and is a current director of Newcrest Mining Ltd (ASX: NCM) and Worley Ltd (ASX: WOR), and a former director of Metminco Ltd (resigned 2019), Blackthorn Resources Ltd (resigned 2014), and Minotaur Exploration Ltd; a public company listed on the ASX prior to its acquisition by Andromeda Metals Ltd (ASX: ADN) and subsequent removal from the Official List in 2022. He is also a current director and a former Managing Director of Ok Tedi Mining Limited in Papua New Guinea. As Chair of Demetallica Limited, he is responsible for the management of the board as well as the general strategic direction of the Company.

Mr George McKenzie BA LLB (cum laude), FAICD, MtB (Order of Merit) (Non-Executive Director, Appointed 16 December 2021)

George McKenzie is a commercial lawyer with over 25 years' experience representing many of South Australia's explorers and mine developers. He is an honorary life member, and was a long standing Councillor of the South Australian Chamber of Mines and Energy Inc. (SACOME), having served as Vice-President and member of the Executive Committee of the Chamber. Mr McKenzie was also a member of the Minerals and Energy Advisory Council which advised the Minister of Mineral Resources and Energy on strategic issues, from inception of the Council in 2000 until 30 June 2019, and a former director of Minotaur Exploration Ltd; a public company listed on the ASX prior to its acquisition by Andromeda Metals Ltd (ASX: ADN) and subsequent removal from the Official List in 2022.

Mr Andrew Woskett, B Eng, M Comm Law, (Managing Director)

Andrew Woskett has over 35 years' project and corporate experience in the mining industry. He held senior development responsibility roles for a variety of Australian mining landmarks in gold, copper, iron ore and coal. He has had several roles as Managing Director of resource development companies including his tenure as Managing Director of Minotaur Exploration Ltd; a public company listed on the ASX prior to its acquisition by Andromeda Metals Ltd (ASX: ADN) and subsequent removal from the Official List in 2022. Andrew is a Fellow of the Australasian Institute of Mining and Metallurgy.

Mr Varis Lidums, BEc, LLB, CA, MBA (Company Secretary)

Mr Lidums is a Chartered Accountant and qualified lawyer with over 25 years' experience in the resources, energy and accounting industries. He has held senior roles with BP, Shell and ConocoPhillips and was a Councillor of the South Australian Chamber of Mines and Energy Inc. (SACOME). Mr Lidums was the Commercial Manager and Company Secretary of Minotaur Exploration Ltd between March 2011 and February 2022; a public company listed on the ASX prior to its acquisition by Andromeda Metals Ltd (ASX: ADN) and subsequent removal from the Official List in 2022.

Directors' Report

Operating results

The consolidated loss of the Group after providing for income tax amounted to $1,049,716 (2021: loss $6,033).

Interests in the shares and performance rights of the Company and related bodies corporate

As at the date of this report, the interests of the directors in office in the shares and performance rights of Demetallica Limited were:

	Number of ordinary shares	Number of performance rights
Antonio Belperio	704,037	-
Roger Higgins	785,322	-
George McKenzie	548,203	-
Andrew Woskett	750,758	2,000,000

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.

Principal activities

The principal activities of the Consolidated Group during the financial year were:

- To secure new tenements with potential for mineralisation; and
- To evaluate results achieved through surface sampling, drilling and geophysical surveys carried out during the year.

Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee other than the Audit, Business Risk and Compliance Committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of performance indicators of both a financial and non-financial nature.

Directors' Report

Significant changes in the state of affairs

On 18 November 2021, Breakaway Resources Pty Ltd legally changed its name to Demetallica Pty Ltd.

On 7 January 2022, Demetallica Pty Ltd was granted a change in company type to a public company.

As announced on 10 November 2021 by Minotaur Exploration Limited (Minotaur) (ASX: MEP), Minotaur entered into a bid implementation agreement (BIA) with Andromeda Metals Limited (Andromeda) (ASX: ADN), pursuant to which Andromeda offered to acquire all the issued ordinary shares of Minotaur by way of an off-market takeover offer (Takeover Offer).

As part of the Takeover Offer, Minotaur demerged its remaining net assets not being acquired by Andromeda into one of its existing subsidiaries, Demetallica Limited (Demetallica), and distributed the shares held by Minotaur in Demetallica to all Shareholders of Minotaur at the record date via a pro-rata in specie distribution of Demetallica shares (Demerger).

The demerger was successfully completed on 2 February 2022.

For further details of the net assets transferred to the Demetallica Group upon demerger, please see Note 20.

On 24 May 2022, Demetallica Limited was admitted to the Official List of the ASX after the successful completion of its IPO to raise $15m. The Company commenced trading on the ASX on 26 May 2022.

No other significant changes occurred during the year.

Environmental regulations

The Group is aware of its responsibility to impact as little as possible on the environment and, where there is any disturbance, to rehabilitate sites. During the year the majority of work carried out was in Queensland and South Australia and the Group followed procedures and pursued objectives in line with guidelines published by the Queensland and South Australian Governments. These guidelines are quite detailed and encompass the impact on owners and land users, heritage, health and safety and proper restoration practices.

The Group adheres to regulatory guidelines, and any local conditions applicable. The Group has not been in breach of any State or Commonwealth environmental rules or regulations during the period.

Events since the end of the reporting period

On 12 August 2022, the Company issued 3,850,000 Zero Exercise Price Options (ZEPO) to employees of the Company under the Company's Performance Rights and Option Plan. The fair value of the ZEPO issued was $693,485.

On 19 September 2022, the Company was notified of a takeover bid from AIC Mines Limited (ASX: A1M) AIC Mines' offer is unsolicited and offers AIC Mines' shares in exchange for Demetallica shares. As at the date of signing this report, Demetallica's board advises that shareholders to take no action in relation to AIC Mines' offer or any document received from AIC Mines until they receive Demetallica Directors' formal recommendation.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected the Group's operations, results or state of affairs, or may do so in the future.

Directors' Report

Unissued shares subject to performance rights and under option

Unissued ordinary shares of Demetallica Limited subject to performance rights and under option at the date of this report are:

Date issued	Expiry date	Exercise price	Number
Unlisted – Performance Rights			
25/05/2022	25/05/2027	$Nil	2,000,000
			2,000,000
Unlisted - Options			
18/05/2022	18/05/2026	$0.375	2,700,000
12/08/2022	12/08/2027	$Nil	3,850,000
			6,550,000

Shares issued as a result of exercise of options

During the year and up to the date of this report, the Company has not issued any ordinary shares as a result of the exercise of options (2021: Nil).

Indemnification and insurance of directors and officers

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company for an annual premium of $24,822. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

Remuneration report – Audited

This report outlines the remuneration arrangements in place for directors and other key management personnel of Demetallica Limited in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

Introduction

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent. These are as follows:

Dr Antonio Belperio *Non-Executive Director*

Dr Roger Higgins *Non-Executive Chair (Appointed 16 December 2021)*

Mr George McKenzie *Non-Executive Director (Appointed 16 December 2021)*

Mr Andrew Woskett *Managing Director*

Mr Varis Lidums *Commercial Manager and Company Secretary*

Directors' Report

Remuneration philosophy

Executive remuneration policies and structures

The Board is responsible for determining remuneration policies applicable to directors and senior executives of the Group. The broad policy is to ensure that remuneration properly reflects the individual's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. When determining remuneration the Board has regard to the Group's financial performance and capacity.

How executive remuneration policies and structures are determined

Decisions about executive remuneration are guided by the following four principles:

- Fairness: provide a fair level of reward to all employees
- Outcomes: ensure correlation between reward and performance
- Alignment: as far as possible align employee and shareholder interests
- Corporate Culture: facilitate leadership standards that create a culture aligned to shareholders' interests.

Fixed remuneration

Fixed remuneration consists of base salary, superannuation and other non-monetary benefits and is designed to reward for:

- The scope of the executive's role;
- The executive's skills, experience and qualifications; and
- Individual performance.

It is set with reference to comparable roles in similar companies.

Employment contracts

Mr Andrew Woskett

The employment conditions of the Managing Director, Mr Andrew Woskett, are formalised in a consultancy agreement. Mr Woskett commenced as a consultant to Demetallica Limited on 1 March 2022 and his annual retainer is $355,675 per annum, exclusive of GST. The Company may terminate the consultancy agreement without cause by providing three (3) months written notice and paying a severance amount equal to nine (9) months' retainer. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate the agreement at any time.

Mr Varis Lidums

The employment conditions of the Commercial Manager and Company Secretary, Mr Varis Lidums, are formalised in a contract of employment. Mr Lidums commenced employment on 1 March 2022 and his gross salary, inclusive of the 10% superannuation guarantee as at 30 June 2022, is $216,000 per annum. The Company may terminate the employment contract without cause by providing one (1) month written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Directors' Report

Non-executive directors of the Company

The company commenced payment of fees to directors following its demerger from the Minotaur Exploration Group on 3 March 2022. The table below details the conditions under which non-executive directors of the Company are remunerated:

Non-Executive Directors	Annual Retainer $	Share Based Payments $
Dr Roger Higgins *Non-Executive Chair*	90,000	-
Dr Antonio Belperio *Non-Executive Director*	45,000*	-
Mr George McKenzie *Non-Executive Director*	45,000	-

* Dr Belperio also provides consulting services to the Group as and when required. No amounts were paid to Dr Belperio, in addition to his director's fees detailed above, during the year (2021: $Nil). Consulting services are paid on an hourly basis and agreed with the Managing Director.

The maximum amount of remuneration pool approved for Non-Executive Directors is $500,000 per annum, as per section 39.1 of the Company's Constitution.

Key management personnel remuneration and equity holdings

The Board currently determines the nature and amount of remuneration for board members and senior executives of the Group. The policy is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives.

Directors and other executives receive a superannuation guarantee contribution when required by law, which is 10% as at 30 June 2022, and do not receive any other retirement benefits. The superannuation guarantee contribution, effective 1 July 2022, is 10.5%.

Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and other key management personnel is expensed as incurred. Key management personnel are also entitled to participate in the Group's Performance Rights and Option Plan. Options and performance rights are valued using the Black-Scholes and Monte Carlo methodologies, where appropriate.

The board policy is to remunerate non-executive directors at market rates based on comparable companies for time, commitment, responsibilities, and retention. The board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Directors' Report

Table 1: Director remuneration for the year ended 30 June 2022 and 30 June 2021

	Short Term Employee Benefits		Post-Employment	Share-based payments	Totals	Performance Based Percentage of Remuneration
	Salary & Fees	Bonus	Superannuation	Performance Rights (i)	$	%
Antonio Belperio*						
2022	15,000	-	-	-	15,000	-
2021	-	-	-	-	-	-
Roger Higgins						
2022	30,000	-	-	-	30,000	-
2021	-	-	-	-	-	-
George McKenzie						
2022	15,000	-	-	-	15,000	-
2021	-	-	-	-	-	-
Andrew Woskett						
2022	115,140	-	-	23,332	138,472	16.85
2021	-	-	-	-	-	-
Total						
2022	**175,140**	**-**	**-**	**23,332**	**198,472**	**11.76**
2021	**-**	**-**	**-**	**-**	**-**	**-**

* Dr Belperio also provides consulting services to the Group as and when required. No amounts were paid to Dr Belperio, in addition to his director's fees detailed above, during the year (2021: $Nil). Consulting services are paid on an hourly basis and agreed with the Managing Director.

Table 2: Remuneration of other key management personnel for the year ended 30 June 2022 and 30 June 2021

	Short Term Employee Benefits		Post-Employment	Share-based payments	Totals	Performance Based Percentage of Remuneration
	Salary & Fees	Bonus	Superannuation	Options (i)	$	%
Varis Lidums						
2022	60,455	-	11,545	-	72,000	-
2021	-	-	-	-	-	-
Total						
2022	**60,455**	**-**	**11,545**	**-**	**72,000**	**-**
2021	**-**	**-**	**-**	**-**	**-**	**-**

Directors' Report

(i) It is noted that share-based payments reported in the remuneration tables above are not cash payments and represent the fair value of the equity instruments using the appropriate valuation methodologies.

Other transactions with key management personnel

Throughout the year $18,153 (2021: $Nil) (inclusive of GST) was paid to a related entity of Dr Antonio Belperio under a commercial lease agreement for the use of warehouse space located at Magill, South Australia.

Bonuses

No bonuses were paid to directors or other key management personnel during the 2022 financial year.

Share based remuneration

Performance rights and/or options may be granted to key management personnel at the discretion of the Board under a Performance Rights and Option Plan. All performance rights and options refer to instruments over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements. All instruments expire on the earlier of their expiry date or termination of the individual's employment.

Details of performance rights over ordinary shares in the Company that were granted during the year as remuneration to directors are set out below:

	Type	Number issued	Issue date	Value per performance right at grant date $	Value of performance rights at grant date $	Number vested	Expiry date
Andrew Woskett	STI	250,000	25/05/22	0.2500	147,500	Nil	25/05/27
Andrew Woskett	STI	250,000	25/05/22	0.2500	62,500	Nil	25/05/27
Andrew Woskett	LTI	750,000	25/05/22	0.2500	62,500	Nil	25/05/27
Andrew Woskett	LTI	750,000	25/05/22	0.1963	147,225	Nil	25/05/27

*All performance right on issue have a nil exercise price

The key milestones of the performance rights listed in the table above are as follows:

Short term incentives (STIs)

- up to 250,000 Performance Rights shall be capable of being converted upon the financial budget established by the Board being achieved and there being no employee fatality or serious long term injury or serious environmental incident occurring at the Company's Projects; and

- up to 250,000 Performance Rights shall be capable of being converted upon the operational budgets established by the Board being exceeded and there being no employee fatality or serious long term injury, or serious environmental incident occurring at the Company's Projects.

- Assuming no fatality, long term injury or environmental issue, the Board may, in its discretion determine that some of the Performance Rights may vest upon a consideration of the performance of the Company against the financial and operational budgets up to the limits outlined above.

Directors' Report

Long Term Incentives (LTIs)

750,000 Performance Rights shall be capable of being converted upon the Company achieving one of the following strategic goals:

- the achievement of the objective that will see the Company required to pay Oz Minerals $2.75 million under the JV Interest Sale Agreement; or
- the Company's total JORC Resources exceed 500kt of copper equivalent; or
- the Company undertakes a material asset acquisition or disposal.

750,000 Performance Rights shall be capable of being converted upon the Company's share price achieving a 30-day volume weighted average price of $0.50 or more.

No other performance rights or options were issued during the year to directors or employees of the Company, or held by any director or employee of the Company during the year.

Shares held by key management personnel

The number of fully paid ordinary shares in the Company held during the 2022 reporting period by each of the key management personnel of the Group, including their related parties are set out below.

	Balance at 1 July 2021	In-specie distribution*	Participation in IPO	Acquisitions/ (Disposals)	Balance 30 June 2022
Directors					
Antonio Belperio	-	324,037	380,000	-	704,037
Roger Higgins	-	385,322	400,000	-	785,322
George McKenzie	-	148,203	400,000	-	548,203
Andrew Woskett	-	315,841	400,000	34,917	750,758
Other key management					
Varis Lidums	-	113,731	-	-	113,731

* The in-specie distribution represents the number of shares received in Demetallica Limited, in proportion to the key management's holding of Minotaur Exploration Limited shares at the record date.

Use of remuneration consultants

As a preparatory measure to the compilation of Demetallia's Prospectus, the directors sought independent remuneration advice from an external consultant. That gave rise to formulation of short term and long term incentive schemes for the Company's executive managers.

Voting and comments made at the Company's 2021 Annual General Meeting

No remuneration report was prepared for the 2021 financial year as there was no requirement as an unlisted entity. The remuneration report for the 2022 financial year will be voted by proxy at the next Annual General Meeting.

End of audited remuneration report.

Directors' Report

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	
Director	**Eligible**	**Attended**
Antonio Belperio	2	2
Roger Higgins	2	2
George McKenzie	2	2
Andrew Woskett	2	2

Proceedings on behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

Non-audit services

During the year, Grant Thornton Audit Pty Ltd, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Directors' Report

Details of the amounts paid to the auditors of the Company, Grant Thornton Audit Pty Ltd, and its related practices for audit and non-audit services provided during the year are set out in Note 22 to the Financial Statements.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 18 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors:

Roger Higgins
Chair

Dated this 27th day of September 2022

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Auditor’s Independence Declaration

To the Directors of Demetallica Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Demetallica Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 27 September 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2022

	Note	Consolidated Group 30 June 2022 $	Consolidated Group 30 June 2021 $
Revenue	**4 (a)**	18,338	-
Other income	**4 (b)**	28,742	56
Impairment of exploration and evaluation assets	**4 (c)**	(86,920)	(772)
Project generation costs	**4 (c)**	(58,944)	-
Employee benefits expense	**4 (d)**	(335,135)	-
Depreciation expense	**4 (c)**	(105,495)	-
Finance costs	**12**	(8,212)	-
Other expenses	**4 (e)**	(502,090)	(5,317)
Profit/(Loss) before income tax expense		**(1,049,716)**	**(6,033)**
Income tax expense	**5**	-	-
Profit/(Loss) for the year		**(1,049,716)**	**(6,033)**
Other comprehensive income (net of tax)			
Items that will not be subsequently reclassified to profit or loss			
Gain on equity instruments designated at fair value through other comprehensive income		11,571	-
Total comprehensive income for the year attributable to the members of the parent entity		**(1,038,145)**	**(6,033)**
Earnings per share			
Basic earnings per share (cents)	**6**	(0.37)	(0.02)
Diluted earnings per share (cents)	**6**	(0.37)	(0.02)

Consolidated Statement of Financial Position
as at 30 June 2022

	Note	Consolidated Group	
		30 June 2022 $	30 June 2021 $
CURRENT ASSETS			
Cash and cash equivalents	7	10,607,152	10,203
Other assets	8	214,258	16,000
TOTAL CURRENT ASSETS		**10,821,410**	**26,203**
NON-CURRENT ASSETS			
Financial assets	9	615,491	-
Right-of-use assets	12	430,922	-
Property, plant and equipment	10	498,347	-
Exploration and evaluation assets	11	19,523,204	2,235,904
TOTAL NON-CURRENT ASSETS		**21,067,964**	**2,235,904**
TOTAL ASSETS		**31,889,374**	**2,262,107**
CURRENT LIABILITIES			
Trade and other payables	14	3,008,527	-
Lease liabilities	12	244,355	-
Provisions	16	380,117	-
TOTAL CURRENT LAIBILITIES		**3,632,999**	**-**
NON-CURRENT LIABILITIES			
Lease liabilities	12	233,494	-
Related party borrowings	15	-	8,024,300
TOTAL NON-CURRENT LIABILITIES		**233,494**	**8,024,300**
TOTAL LIABILITIES		**3,866,496**	**8,024,300**
NET ASSETS		**28,022,881**	**(5,762,193)**
EQUITY			
Issued capital	17	27,773,186	97,363,168
Other contributed equity	17	12,288,510	-
Reserves	18	5,523,854	-
Accumulated losses	19	(17,562,669)	(103,125,361)
TOTAL EQUITY		**28,022,881**	**(5,762,193)**

Consolidated Statement of Changes in Equity
for the year ended 30 June 2022

		Consolidated Group				
		Issued Capital	Other Contributed Equity	Reserves	Accumulated Losses	Total Equity
	Note	$	$	$	$	$
Balance at 1 July 2021		**97,363,168**	**-**	**-**	**(103,125,361)**	**(5,762,193)**
Comprehensive income						
Total profit for the year		-	-	-	(1,049,716)	(1,049,716)
Other comprehensive income for the year		-	-	11,571	-	11,571
Total comprehensive income for the year		**-**	**-**	**11,571**	**(1,049,716)**	**(1,038,145)**
Transactions with owners, in their capacity as owners, and other transfers						
Recognition of net identifiable assets upon demerger		-	-	5,115,143	-	5,115,143
Reduction of issued capital under s258F of the Corporations Act 2001 (Cth)		(86,612,408)	-	-	86,612,408	-
IPO shares issued pursuant to the Prospectus		15,000,000	-	-	-	15,000,000
Issue of shares as part consideration for the acquisition of Exploration and Evaluation assets		2,010,134	-	-	-	2,010,134
Issue of shares through private placement		1,582,360	-	-	-	1,582,360
Transaction costs on shares issued		(1,196,260)	-	-	-	(1,196,260)
Fair value of performance rights issued to the Managing Director of the Company		-	-	23,332	-	23,332
Fair value of unlisted options issued to joint lead managers of the IPO		(373,808)	-	373,808	-	-
Value of Minotaur Exploration shares issued prior to demerger in consideration for the acquisition of Exploration and Evaluation assets and recognised as an other contribution of equity		-	3,722,108	-	-	3,722,108
Minotaur Exploration loan forgiveness		-	8,566,402	-	-	8,566,402
		(69,589,982)	**12,288,510**	**5,512,283**	**86,612,408**	**34,823,219**
Balance at 30 June 2022		**27,773,186**	**12,288,510**	**5,523,854**	**(17,562,669)**	**28,022,881**

Consolidated Statement of Changes in Equity for the year ended 30 June 2022 (Continued)

		Consolidated Group		
		Issued Capital	**Accumulated Losses**	**Total Equity**
	Note	**$**	**$**	**$**
Balance at 1 July 2020		**97,363,168**	**(103,119,328)**	**(5,756,160)**
Comprehensive income				
Total loss for the year		-	(6,033)	(6,033)
		-	**(6,033)**	**(6,033)**
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(6,033)**	**(6,033)**
Balance at 30 June 2021		**97,363,168**	**(103,125,361)**	**(5,762,193)**

Consolidated Statement of Cash Flows
for the year ended 30 June 2022

	Note	Consolidated Group 30 June 2022 $	30 June 2021 $
Cash flows from operating activities			
Receipts from customers		41,832	-
Payments to suppliers and employees		(834,206)	(2,175)
Interest received		5,248	56
Government grants received		98,700	-
Net cash used in operating activities	**7**	**(688,426)**	**(2,119)**
Cash flows from investing activities			
Cash acquired through demerger	**20**	1,847,020	-
Payment for exploration assets – OZ Minerals		(6,600,000)	-
Payment for other exploration activities – net of Joint Operation contributions		41,619	(8,639)
Net cash used in investing activities		**(4,711,361)**	**(8,639)**
Cash flows from financing activities			
Proceeds from issue of shares through IPO and share placement		16,582,360	-
Payment of transaction costs for issue of shares		(1,098,726)	-
Proceeds from related party borrowings		513,102	11,277
Repayment of related party borrowings		-	(5,255)
Net cash provided by financing activities		**115,996,736**	**6,022**
Net increase/(decrease) in cash and cash equivalents		**10,596,949**	**(4,736)**
Cash at the beginning of the year		**10,203**	**14,939**
Cash at the end of the year	**7**	**10,607,152**	**10,203**

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

These consolidated financial statements and notes represent those of Demetallica Limited and Controlled Entities (the ”Consolidated Group” or “Group”).

Supplementary information about the parent entity, Demetallica Limited, is disclosed in Note 2.

Note 1: Summary of significant accounting policies

Basis of preparation

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Demetallica Limited is the Group’s Ultimate Parent Company. Demetallica Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office is C/- O’Loughlins Lawyers, Level 2, 99 Frome Street, Adelaide SA 5000 and its principal place of business is Level 1, 8 Beulah Road, Norwood SA 5067.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The consolidated financial statements for the year ended 30 June 2022 were approved and authorised for issue by the Board of Directors on 27 September 2022.

(a) Principle of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Demetallica Limited at the end of the reporting period. The parent entity controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 24 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Consolidated Group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

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

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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

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

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

(a) a legally enforceable right of set-off exists; and

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

Tax consolidation

The parent entity and its Australian wholly-owned entities are part of a tax Consolidated Group under Australian taxation law. The head entity within the tax consolidation group for the purposes of the tax consolidation system is Minotaur Exploration Limited.

Demetallica Limited and each of its own wholly-owned subsidiaries recognise the current and deferred tax assets and deferred tax liabilities applicable to the transactions undertaken by it, after elimination of intra-group transactions. Demetallica Limited recognises the entire tax Consolidated Group’s retained tax losses.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

Land and buildings

Buildings are measured on the cost basis and therefore carried at cost less accumulated depreciation for buildings and any accumulated impairment. In the event the carrying amount of buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful life for each class of depreciable assets are:

Class of Fixed Asset	Useful Life
Leasehold improvements	3 – 7 years
Buildings	20 years
Plant and equipment	2 – 10 years
Motor vehicles	4 – 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(d) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(f) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be initially classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Notes to the Consolidated Financial Statements
for the year ended 30 June 2022

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and a joint operation loan receivable.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(g) Investments in associates, joint ventures and joint operations

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(h) Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets.

(i) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

(j) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

(k) Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Other long-term employee benefits

The Group's liabilities for long service leave are included in other long-term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

Equity-settled compensation

The Group operates an employee performance rights and share option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes and Monte Carlo pricing methodologies. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 6 months or less, and bank overdrafts.

Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(n) Revenue and Other Income

The Group generates revenues from management fees charged to joint operation partners for the management of exploration activities. This revenue is recognised over time as the management services are provided.

Rental income from operating leases is recognised on a straight-line basis over the lease term.

Interest income is reported on an accruals basis using the effective interest method.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2022

All revenue is stated net of the amount of goods and services tax (GST).

(o) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30-90 days of recognition of the liability.

(p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(r) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to capitalised exploration and evaluation expenditure are credited against the exploration and evaluation assets to which they relate in order to match the grants received with the expenditure the grants are intended to compensate.

(s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(t) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Key estimates

(i) Impairment
The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost of disposal calculations which incorporate various key assumptions.

(ii) Exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the year at $19,523,204 (2021: $2,235,904).

(iii) Research and development incentive

The Group recognises Research and Development incentives on an accrual basis. Management complete a detailed estimate of the expected claim relating to the financial year based on current projects lodged with AusIndustry.

(iv) Accounting for restructure/Demerger

On 2 February 2022, immediately prior to the in-specie distribution of shares in Demetallica Limited undertaken by Minotaur Exploration Limited (former parent entity) to shareholders, a group restructure took place whereby Minotaur Exploration Limited's ownership of non Kaolin Australian businesses and assets were transferred to Demetallica Limited. The non Kaolin assets comprised of all remaining assets and liabilities of Minotaur including shares in Minotaur's wholly owned subsidiaries Demetallica Gold Mines Pty Ltd, Demetallica Operations Pty Ltd and Demetallica Investments Pty Ltd (as renamed). As the Australian businesses and assets were controlled by the same party both before and after, in the opinion of the directors, the restructuring/demerger represents a common control transaction and therefore the requirements of AASB 3 Business Combinations did not apply.

The restructure/demerger has been accounted for using the pooling of interests method of accounting where all assets and liabilities have been recognised at the same carrying amount immediately before and after the transaction. The restructure/demerger has resulted in a Demerger Reserve, being the amount of the net assets Demetallica Limited received as at the date of the restructure.

No comparative information has been changed as Demetallica was in existence and had carried on business prior to the restructure/demerger. Refer note 20 for further information.

(u) Changes in Accounting Policies

New and amended standards adopted by the Group

There are no new standards, amendments or interpretations applied for the first-time that have a material impact on the Group.

(v) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

There are no new standards, amendments or interpretations that are issued and not yet effective which will have a material impact on the Group in future years. None have been adopted early by the Group.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Note 2: Parent information	30 June 2022 $	30 June 2021 $
Assets		
Current assets	10,550,347	21,203
Non-current assets	18,889,887	-
	29,440,234	**21,203**
Liabilities		
Current liabilities	1,183,143	-
Non-current liabilities	234,210	8,024,300
	1,417,353	**8,024,300**
Equity		
Issued capital	27,773,186	97,363,168
Other paid up equity	12,288,510	-
Reserves	5,512,283	-
Accumulated losses	(17,551,098)	(105,366,265)
	28,022,881	**(8,003,097)**
Financial performance		
Profit/(Loss) for the year	1,202,758	(12,684)
Other comprehensive income	-	-
	1,202,758	**(12,684)**

Guarantees

Demetallica Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent Liabilities

Contingent liabilities of the parent entity have been incorporated into the Group information in Note 23. The contingent liabilities of the parent are consistent with that of the Group.

Contractual Commitments

Contractual Commitments of the parent entity have been incorporated into the Group information in Note 21. The contractual commitments of the parent are consistent with that of the Group.

Note 3: Operating segments

The Board has considered the requirements of AASB 8 *Operating Segments* and the internal reports that are reviewed by the chief operating decision maker (the Managing Director) in allocating resources and have concluded, due to the Group being focused on exploration activity, at this time that there are no separately identifiable segments. As such there is one segment being the Consolidated Group.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Note 4: Revenue and expenses	Consolidated Group 30 June 2022 $	 30 June 2021 $
(a) Revenue		
Administration fees	18,338	-
	18,338	**-**
Timing of revenue recognition		
Services transferred over time	18,338	-
Total revenue	**18,338**	**-**
(b) Other income		
Rent received	23,494	-
Bank interest received or receivable	5,248	56
	28,742	**56**
(c) Expenses		
Impairment of exploration and evaluation assets		
Impairment of exploration and evaluation assets	86,920	772
	86,920	**772**
Project generation costs		
Project generation costs	58,944	-
	58,944	**-**
Depreciation expense		
Right-of-use assets	89,776	-
Buildings	3,218	-
Plant and equipment	12,501	-
	105,495	**-**

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

	Consolidated Group	
	30 June 2022 $	**30 June 2021 $**
(d) Employee benefits expense		
Wages, salaries, directors' fees and other remuneration expenses	654,918	-
Superannuation expense	46,567	-
Transfer from annual leave provision	29,238	-
Transfer from long service leave provision	1,380	-
Share based payments expense	23,332	-
Transfer to exploration assets	(420,300)	-
	335,135	**-**
(e) Other expenses		
Professional and consultancy	111,131	-
Employee taxes and levies	15,422	-
Occupancy costs	55,068	-
Insurance costs	27,555	4,534
ASX/ASIC costs	11,129	-
Share register maintenance	18,756	-
Promotion and seminars	12,581	-
IPO related expenses	225,134	-
Other expenses	25,314	783
	502,090	**5,317**

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

	Consolidated Group	
	30 June 2022 $	**30 June 2021 $**
Note 5: Income tax expense		
The major components of income tax expense are:		
Statement of comprehensive income		
Current income tax		
Current income tax expense	-	-
Income tax expense reported in the income statement	**-**	**-**

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable statutory income tax rate is as follows:

	Consolidated Group	
	30 June 2022 $	**30 June 2021 $**
Accounting profit/(loss) before income tax	(1,049,716)	(6,033)
Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities before income tax at 25% (2021: 25%)	(262,429)	(1,508)
Expenditure not allowable for income tax purposes	75,247	-
Temporary differences not recognised due to not meeting recognition criteria	187,182	1,508
	-	**-**

Tax Consolidation

Until 2 February 2022, Demetallica and its wholly owned subsidiary were members of the Minotaur Exploration tax consolidated group. On demerger Demetallica exited that group.

Demetallica Limited and its 100% owned Australian resident subsidiaries have formed a tax Consolidated Group with effect from 3 February 2022.

Demetallica Limited is the head entity of the tax Consolidated Group.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Note 6: Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated Group	
	30 June 2022	**30 June 2021**
Net profit/(loss) attributable to ordinary equity holders of the parent	(1,049,716)	(6,033)
Weighted average number of ordinary shares for basic earnings per share	280,496,997	27,829,457

Pursuant to AASB 133 – there are no dilutive securities on issue.

	Consolidated Group	
Note 7: Cash and cash equivalents	**30 June 2022 $**	**30 June 2021 $**
Cash and cash equivalents		
Cash at bank and on hand	10,323,652	5,203
Short-term deposits	283,500	5,000
	10,607,152	**10,203**

Cash at bank earns interest at floating rates based on daily deposit rates.

Short-term deposits are made for varying periods between one month and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rate.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Restricted cash

The cash and cash equivalents disclosed above and in the statement of cash flows include $709,436 received in advance for joint operation related exploration expenditure. These amounts are not available for general use by the Group.

Short-term deposits of $283,500 relate to deposits to secure tenements and rental tenancy and as such is restricted for this use.

Reconciliation to Statement of Cash Flows

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	Consolidated Group	
	30 June 2022 $	**30 June 2021 $**
Cash at bank and on hand	10,323,652	5,203
Short-term deposits	283,500	5,000
	10,607,152	**10,203**
Reconciliation of net loss after tax to net cash flows from operations		
Net profit/(loss)	(1,049,716)	(6,033)
Adjustments for non-cash items:		
Depreciation – Property, plant and equipment	15,719	-
Depreciation – Right-of-use assets	89,775	-
Impairment of non-current assets and project generation costs	145,864	772
Share based payments expensed	23,332	-
Changes in assets and liabilities:		
Decrease in trade and other receivables	126,183	4,534
Increase in prepayments	(18,594)	-
Decrease in trade and other payables	(87,551)	(1,392)
Increase in employee provisions	66,562	-
Net cash used in operating activities	**(688,426)**	**(2,119)**

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

	Consolidated Group	
Note 8: Other current assets	**30 June 2022 $**	**30 June 2021 $**
Prepayments	37,466	-
Net GST and PAYG receivable	140,292	-
Other assets	36,500	16,000
	214,258	**16,000**

Note 9: Financial assets

	30 June 2022 $	30 June 2021 $
Equity instruments at fair value through OCI – shares in listed companies		
Opening balance	-	-
Transfers to Group from Demerger	721,520	-
Revaluations to fair value – Payable to Andromeda	(117,600)	-
Revaluations to fair value – Consolidated Group	11,571	-
	615,491	**-**

As at 30 June 2022, the Group held a parcel of shares that was in the process of being transferred to Andromeda Metals Ltd (ASX: ADN) as part of the demerger conditions. Included in the table above is $49,000, being the fair value relating to these shares as at 30 June 2022. A corresponding payable has been recognised as at 30 June 2022.

Fair value measurement is considered at Note 27.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Note 10: Property, plant and equipment

	Consolidated Group				
30 June 2022	**Land and buildings**	**Leasehold improvements**	**Plant and equipment**	**Motor Vehicles**	**Total**
Cost					
Opening balance	-	-	-	-	-
Transfers to Group from Demerger - Refer to Note 20	508,723	611,218	457,434	173,053	1,750,428
Additions	-	-	-	-	-
	508,723	**611,218**	**457,434**	**173,053**	**1,750,428**
Accumulated depreciation					
Opening balance	-	-	-	-	-
Transfers to Group from Demerger - Refer to Note 20	60,276	611,218	391,815	173,053	1,236,362
Depreciation	3,218	-	12,501	-	15,719
	63,494	**611,218**	**404,316**	**173,053**	**1,252,081**
Net book value	**445,229**	**-**	**53,118**	**-**	**498,347**

Property is measured at historical cost less accumulated depreciation.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

	Consolidated Group	
Note 11: Exploration and evaluation assets	**30 June 2022 $**	**30 June 2021 $**
Exploration, evaluation and development costs carried forward in respect of mining areas of interest		
Exploration and evaluation phase		
Balance at beginning of year	2,235,904	2,229,253
Transfers to Group from Demerger (Refer to Note 20)	3,453,631	-
Additions through expenditure capitalised (net of Joint Operation contributions received) (i)	1,588,347	7,423
Additions through acquisition of tenements:		
- Shares issued to Sandfire Resources (Refer to Note 17)	2,010,134	-
- Sandfire Resources consideration recognised as Other Contributed Equity (Refer to Note 17)	3,722,108	-
- Cash consideration paid to OZ Minerals	6,600,000	-
Impairment expense (ii)	(86,920)	(772)
	19,523,204	**2,235,904**

(i) At 30 June 2022, the vast majority of the additions were included in trade and other payables.
(ii) The impairment expense of $86,920 (2021: $772) arose from a review of the Group's capitalised costs and the relevant tenements to which the costs related.

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

Joint Operations

As a result of the Group's acquisition of joint venture interests from OZ Minerals and Sanfire Resources, the Eloise, Jericho and Breena Plains projects are now 100% owned by the Group.

Set out below are details of the Group's joint operations and their respective ownership conditions:

Peake & Denison project
The Peake and Denison Project is under a Farm-in and Joint Venture with OZ Minerals Ltd. The Peake and Denison JV requires OZ Minerals to invest $869,300 on exploration in the first year (Minimum Commitment for the Initial Period). Thereafter OZ Minerals may earn an initial 51% tenement interest by sole funding $4 million (including the Minimum Commitment) through the next 3-year period (Stage 1). OZ Minerals may then earn an additional 19% interest for the further expenditure of $6 million over the subsequent 3 years (Stage 2). Thus, to attain its maximum interest of 70% over 7 years OZ Minerals must invest $10 million.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2022

Note 12: Right-of-use assets and lease liabilities

This note provides information about the Group's Right-of-use assets and Lease liabilities.

The Group has a lease for its principal place of business, expiring 9 July 2024, and includes an escalation clause linked to CPI.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

30 June 2022	**Right of use assets - Leases $**	**Lease liabilities $**
Opening balance	-	-
Transfers to Group from Demerger - Refer to Note 20	520,698	568,620
Depreciation expense	(89,776)	-
Interest expense (included in finance costs)	-	8,212
Payments	-	(98,983)
	430,922	**477,849**
Current	-	244,355
Non-current	430,922	233,494
	430,922	**477,849**

Note 13: Share based payments

Performance rights and option plan

The Company adopted a Performance Rights and Option Plan (PROP) on 8 April 2022, the key terms of which are as follows:

(a) Eligibility

Participants in the PROP consist of:

(i) a Director (whether executive or non-executive) of any Group Company;
(ii) a full or part time employee of any Group Company;
(iii) a casual employee or contractor of a Group Company to the extent permitted by the Class Order; or
(iv) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming and Eligible Participant under Rules (i), (ii) or (iii) above, who is declared by the Board to be eligible to receive grants of Awards under the PROP.

(b) Offer

The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant (including an Eligible Participant who has previously received an offer) to apply for Awards, upon the terms set out in the PROP and upon such additional terms and conditions as the Board determines.

(c) Limit on Offers

Where the Company has relied or intends relying on the Class Order to make an offer, the Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Awards offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.

(d) No Consideration

(i) Performance Rights granted under the PROP will be issued for nil cash consideration.
(ii) Unless the Options are quoted on the ASX, Options issued under the PROP will be issued for no more than nominal cash consideration.

(e) Exercise Price

The Board may determine the Option exercise price (if any) for an Option offered under the offer in its absolute discretion. To the extent the ASX Listing Rules specify or require a minimum price, the Option Exercise Price in respect of an Option offered under an offer must not be less than any minimum price specified in the ASX Listing Rules.

(f) Vesting Conditions

An Award may be subject to Vesting Conditions as determined by the Board in its discretion and as specified in the offer for the Awards.

(g) Lapse of an Award

An Award will lapse upon the earlier to occur of:

(i) an unauthorised dealing in, or hedging of, the Award occurring;
(ii) a vesting condition in relation to the Award is not satisfied by the due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to waive the vesting condition and vest the Award;
(iii) in respect of an unvested Award only, a Relevant Person ceases to be an Eligible Participant, unless the Board:
    (A) exercises its discretion to vest the Award; or
    (B) in its absolute discretion, resolves to allow the unvested Award to remain unvested after the Relevant Person ceases to be an Eligible Participant.
(iv) in respect of a vested Award only, a Relevant Person ceases to be an Eligible Participant and, where required by the Board in its absolute discretion, the vested Performance Right is not exercised within a one (1) month period (or such other period as the Board determines) as notified by the Board to the Participant after the date the Relevant Person ceases to be an Eligible Participant;
(v) the Board deems that an Award lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant;
(vi) the Company undergoes a change of control or a winding up resolution or order is made, and the Award does not vest; and
(vii) the Expiry Date of the Award.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

(h) Not transferable

Awards are only transferable:

(i) in special circumstances or a change of control, in either case with the consent of the Board (which may be withheld in its absolute discretion); or
(ii) by force of law upon death to the Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy.
(i) Shares

All Shares issued under the PROP will rank equally in all respects with the Shares of the same class for the time being on issue except as regards any rights attaching to such Shares by reference to a record date prior to the date of their issue.

(j) Restriction of Dealing in Shares

The Board may, in its discretion, determine at any time up until exercise of an Award, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Awards (Restricted Shares), up to a maximum of five (5) years from the Grant Date of the Awards (Restriction Period).

(k) No participation rights

There are no participation rights or entitlements inherent in the Awards and Participants will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Awards without exercising the Award.

(l) Change in exercise price of number of underlying securities

An Award does not confer the right to a change in Exercise Price or in the number of underlying Shares over which the Award can be exercised.

(m) Reorganisation

If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

(n) Trust

The Board may, at any time, establish a trust for the sole purpose of acquiring and holding Shares in respect of which a Participant may exercise, or has exercised, vested Awards, including for the purpose of enforcing the disposal restrictions and appoint a trustee to act as trustee of the trust.

(o) Participation of directors

Directors are entitled to participate in the Performance Rights Plan, subject to any requisite Shareholder approvals.

The maximum number of Shares proposed to be issued under the PROP is the maximum permitted under the ASIC Class Order.

The board may amend the Plan Rules subject to the requirements of the Listing Rules. The expense recognised in the Statement of profit or loss and other comprehensive income in relation to share-based payments is disclosed in Note 4 (d).

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

The following table illustrates the number and weighted average exercise prices (WAEP), and movements in performance rights and options under the Company's Performance Rights and Option Plan issued during the year:

	2022 Number	2022 WAEP	2021 Number	2021 WAEP
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	2,000,000	$Nil	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	**2,000,000**	**$Nil**	**-**	**-**
Exercisable at the end of the year	**-**	**-**	**-**	**-**

The outstanding balance as at 30 June 2022 is represented by:

- A total of 2,000,000 performance rights with no exercise price and expiring 25 May 2027. The performance rights have not yet vested and therefore unable to be exercised.

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2022 is 5.9 years (2021: N/A).

The range of exercise prices for performance rights outstanding at the end of the year was $Nil (2021: N/A).

Performance rights issued to directors

All of the performance rights detailed above have been issued Mr Andrew Woskett, the Managing Director of the Company. Valuation inputs for performance rights issued during the period are included at note 18.

	Consolidated Group	
Note 14: Trade and other payables	**30 June 2022 $**	**30 June 2021 $**
Trade payables (i)	1,867,234	-
Joint operation funding received in advance (ii)	709,436	-
Accrued expenses	381,158	-
Fair value of financial assets payable to Andromeda	49,000	-
Other payables (iii)	1,699	-
	3,008,527	**-**

i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
ii) These funds have been received in advance for joint operation related exploration expenditure and have therefore been recognised as restricted cash not available for general use by the Group.
iii) Other payables are non-interest bearing and are normally settled within 30-90 days.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Information regarding the credit risk of current payables is set out in Note 25.

	Consolidated Group	
Note 15: Related party borrowings	**30 June 2022 $**	**30 June 2021 $**
Non-current		
Loan from Minotaur Exploration Ltd	-	8,024,300
	-	**8,024,300**

On 2 February 2022, the Demetallica Group successfully demerged from the Minotaur Group via a pro-rata in specie distribution of Demetallica shares to Minotaur shareholders. Immediately prior to the demerger, all loans to the Demetallica Group from the Minotaur Group were forgiven.

The total amount forgiven for the period WAs $8,566,402, which is inclusive of additional funding received through to the demerger date. The amount forgiven has been recognised as an other contribution of equity.

	Consolidated Group	
Note 16: Provisions	**30 June 2022 $**	**30 June 2021 $**
Current		
Annual leave provision	95,447	-
Long service leave provision	284,670	-
	380,117	**-**

Note 17: Issued capital		
101,985,664 fully paid ordinary shares (2021: 434,854,266)	**27,773,186**	**97,363,168**

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

	2022		2021	
	Number	**$**	**Number**	**$**
Balance at beginning of financial year	434,854,266	97,363,168	434,854,266	97,363,168
Reduction of issued capital under s258F of the Corporations Act 2001 (Cth) (i)	-	(86,612,408)	-	-
Share consolidation (ii)	(407,024,809)	-	-	-
IPO shares issued	60,000,000	15,000,000	-	-
Issue of shares as part consideration for the acquisition of Exploration and Evaluation assets	7,933,793	2,010,134	-	-
Issue of shares through Placement	6,222,414	1,582,360	-	-
Transaction costs on shares issued	N/A	(1,196,260)	-	-
Fair value of unlisted options issued to joint lead managers of the IPO	N/A	(373,808)		
Balance at end of financial year	**101,985,664**	**27,773,186**	**434,854,266**	**97,363,168**

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

(i) On 22 March 2022, the Company reduced its share capital in accordance with section 258F of the Corporations Act 2001 (Cth), by the cancellation of paid-up share capital that is lost or not represented by available assets, reducing accumulated losses deemed to be of a permanent nature by the same amount.

There is no impact on shareholders from the capital reduction as no shares have been cancelled or rights varied, and there is no change in the net asset position of the Company. There is also no impact on the availability of the Company's tax losses from this capital reduction.

(ii) On 20 January 2022, the board resolved 434,854,266 fully paid ordinary shares be consolidated into 27,829,457 fully paid ordinary shares.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Other contributed equity

On 24 August 2021, Minotaur Exploration Ltd (ASX: MEP) and Sandfire Resources Ltd (ASX: SFR) agreed to assign full ownership, to MEP, of the Altia polymetallic deposit near Cloncurry. This asset was held by Demetallica pre demerger. Consideration paid by MEP on behalf of Demetallica was recognised as other contributions of equity by Demetallica.

In addition to the above and immediately prior to the demerger from Minotaur Exploration Limited, previous intercompany loans between Minotaur Exploration and Demetallica were forgiven. This forgiveness gave rise to a once off gain which has been treated as an other contribution of entity. There was no tax consequences of the forgiveness as all amounts were inside the Minotaur Exploration tax consolidated group.

The key transactions details were as follows:

Consideration components	Amount	Accounted for as	Value of other contributed equity
Cash deposit	$100,000 payable on signing	Received on 24 August 2021 by MEP with a corresponding asset recognised in Demetallica via other contributed equity	$100,000
Deferred Cash	$200,000 payable to Sandfire on conversion of the MEP Consideration Options	Received by MEP on 17 December 2021 with a corresponding asset recognised in Demetallica as via other contributed equity	$200,000
Shares	18 million new Minotaur shares payable on completion	MEP shares were Issued on 17 December 2021 with a corresponding asset recognised in Demetallica via other contributed equity	$3,330,000
Consideration Options	1 million Minotaur share options issued with an exercise price of A$0.20 expiring March 2024 - Issued on 17 December 2021	The fair value of the options were accounted for by MEP with a corresponding asset recognised in Demetallica via other contributed equity	$92,108
Deferred Shares	The value of shares Sandfire would have received as part of the in-specie distribution if it had held 9 million MEP shares at the time, and had accepted Andromeda's takeover offer	These shares were recognised through the issue of Demetallica shares	N/A
Intercompany loan forgiveness	Total loan forgiven $8,566,402	Contribution of equity	8,566,402
Total			**$12,288,510**

Notes to the Consolidated Financial Statements
for the year ended 30 June 2022

Note 18: Reserves	Consolidated Group 30 June 2022 $	30 June 2021 $
Reserves		
Share option and performance rights reserve (a)	397,140	-
FVOCI reserve (b)	11,571	-
Demerger reserve (see Note 20)	5,115,143	
	5,523,854	**-**
(a) Share option and performance rights reserve		
Balance at beginning of financial year	-	-
Issue of performance rights	23,332	-
Issue of options to Joint Lead Managers of IPO	373,808	-
Balance at end of financial year	**397,140**	**-**

The share option and performance rights reserve comprises the fair value of:

- options issued to the Joint Lead Managers of the Company's IPO; and
- performance rights issued to Mr Andrew Woskett, the Managing Director of the Company.

The unlisted share options and performance rights were issued under the following terms and conditions:

	Number Issued	Exercise Price	Vesting Date	Expiry Date
Options				
Options issued to Joint Lead Managers of the Company's IPO	2,700,000	$0.375	26 May 2024	18 May 2026
Performance rights				
Performance rights issued to the Managing Director of the Company – short term	500,000	$Nil	25 May 2023	25 May 2027
Performance rights issued to the Managing Director of the Company – long term	1,500,000	$Nil	25 May 2025	25 May 2027

The key milestones of the performance rights listed in the table above can be found in the audited remuneration report.

Share-based payments to employees and directors issued under the Company's Performance Rights and Option Plan are measured at the fair value of the instruments issued and amortised over the vesting periods or expensed immediately if these vest on grant date.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The corresponding amount is recorded to the share option and performance rights reserve.

The fair value of options is determined using the inputs and methodologies listed in the following table:

	Options	Performance Rights	
Valuation methodology:	Black-Scholes	Black-Scholes	Monte Carlo
Assumed share price at grant date:	$0.25	$0.25	$0.25
Expected volatility:	86%	85%	85%
VWAP hurdle:	N/A	N/A	$0.50
Risk free rate:	3.07%	2.66%	2.66%
Fair value at grant date:	$0.1385	$0.2500	$0.1963

	Consolidated Group	
	30 June 2021 $	30 June 2021 $
(b) FVOCI reserve		
Balance at beginning of financial year	-	-
Net revaluation (decrement)/increment	11,571	-
Balance at end of financial year	**11,571**	**-**

The FVOCI reserve comprises the cumulative net change in the fair value of shares held in listed companies.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Note 19: Accumulated losses	Consolidated Group	
	30 June 2021 $	**30 June 2021 $**
Balance at beginning of financial year	(103,125,361)	(103,119,328)
Net profit/(loss) attributable to members of the parent entity	(1,049,716)	(6,033)
Reduction of issued capital under s258F of the Corporations Act 2001(Cth)*	86,612,408	-
Balance at end of financial year	**(17,562,669)**	**(103,125,361)**

* On 22 March 2022, the Company reduced its share capital in accordance with section 258F of the Corporations Act 2001 (Cth), by the cancellation of paid-up share capital that is lost or not represented by available assets, reducing accumulated losses deemed to be of a permanent nature by the same amount.

There is no impact on shareholders from the capital reduction as no shares have been cancelled or rights varied, and there is no change in the net asset position of the Company. There is also no impact on the availability of the Company's tax losses from this capital reduction.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Note 20: Demerger

As announced on 10 November 2021 by Minotaur Exploration Limited (Minotaur) (ASX: MEP), Minotaur entered into a bid implementation agreement (BIA) with Andromeda Metals Limited (Andromeda) (ASX: ADN), pursuant to which Andromeda offered to acquire all the issued ordinary shares of Minotaur by way of an off-market takeover offer (Takeover Offer).

As part of the Takeover Offer, Minotaur demerged its remaining net assets not being acquired by Andromeda into one of its existing subsidiaries, Demetallica Limited (Demetallica), and distributed the shares held by Minotaur in Demetallica to all Shareholders of Minotaur at the record date via a pro-rata in specie distribution of Demetallica shares (Demerger).

As outlined in Note 1(t), the carrying value of Minotaur assets subject of the demerger were accounted for within equity as a demerger reserve.

The demerger was successfully completed on 2 February 2022.

Details of the net assets transferred to the Demetallica Group upon demerger are as follows:

Net assets transferred upon demerger	**$**
Cash and cash equivalents	1,847,020
Trade and other receivables	39,872
Other assets	125,602
Total current assets	**2,012,494**
Property, plant and equipment	514,067
Right-of-use assets	520,698
Financial assets - unrestricted	554,920
Financial assets – restricted	171,500
Exploration and evaluation assets	3,453,631
Total non-current assets	**5,214,816**
Trade and other payables	122,758
Fair value of financial assets payable to Andromeda	171,500
Lease liabilities	244,356
Borrowings	954,845
Provisions	313,555
Total current liabilities	**486,964**
Lease liabilities	305,153
Total non-current liabilities	**305,153**
Identifiable net assets – Accounted for as Demerger Reserve	**5,115,143**

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Note 21: Commitments for expenditure

Exploration licences

In order for Demetallica to maintain current rights of tenure to exploration tenements the Group will be required to outlay in the year ending 30 June 2023 amounts of approximately $3.17 million in respect of exploration licence rentals and to meet minimum expenditure requirements. It is expected that of this minimum expenditure requirement, $0.75 million will be funded by Demetallica's current joint venture partners. The net obligation to the Group is expected to be fulfilled in the normal course of operations.

	Consolidated Group	
Note 22: Auditor's remuneration	**30 June 2022 $**	**30 June 2021 $**
Audit or review of the financial report	40,473	-
Taxation compliance	4,000	-
Investigating Accountant's Report	36,300	-
Total auditor's remuneration	**80,773**	**-**

Note 23: Contingent liabilities and contingent assets

The Group has various bank guarantees in place with a number of State Governments in Australia, totalling $265,000 at 30 June 2022 (2021: $5,000). These guarantees are designed to act as collateral over the tenements which Demetallica explores on and can be used by the relevant Government authorities in the event that Demetallica does not sufficiently rehabilitate the land it explores on. It is noted that the bank guarantees have, as at the date of signing this report, never been utilised by any State Government.

The Company also has a bank guarantee in place totalling $55,000 relating to its commercial lease for office space at its principal place of business.

No other contingent assets or liabilities are known.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Note 24: Controlled entities

Name of entity	Country of incorporation	Ownership interest 2022 %	2021 %
Parent entity			
Demetallica Limited	Australia		
Subsidiaries			
Demetallica Gold Mines Pty Ltd	Australia	100	-
Demetallica Operations Pty Ltd	Australia	100	-
Demetallica Investments Pty Ltd	Australia	100	-
Levuka Resources Pty Ltd	Australia	100	100

On 18 November 2021, Breakaway Resources Pty Ltd legally changed its name to Demetallica Pty Ltd.

On 7 January 2022, Demetallica Pty Ltd was granted a change in company type to a public company.

On 2 February 2022, the Demetallica Group successfully demerged from the Minotaur Group via a pro-rata in specie distribution of Demetallica shares to Minotaur shareholders at the record date. See Note 20 for further information.

Note 25: Financial assets and liabilities

Note 1(f) provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

30 June 2022 Financial assets	Note	Equity instruments at FV through OCI $	Cash $	Loans and Receivables $	Total $
Cash and cash equivalents	**7**	-	10,607,152	-	10,607,152
Trade and other receivables	**8**	-	-	214,258	214,258
Equity instruments	**9, 27**	615,491	-	-	615,491
		615,491	**10,607,152**	**214,258**	**11,436,901**

Financial liabilities	Note	Payables $	Borrowings $	Lease Liabilities $	Total $
Trade and other payables	**14**	3,008,527	-	-	3,008,527
Lease liabilities	**12**	-	-	477,849	477,849
		3,008,527	**-**	**477,849**	**3,486,376**

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

30 June 2021 Financial assets	Note	Equity instruments at FV through OCI $	Cash $	Loans and Receivables $	Total $
Cash and cash equivalents	**7**	-	10,203	-	10,203
Trade and other receivables	**8**	-	-	16,000	16,000
Equity instruments	**9, 27**	-	-	-	-
		-	**10,203**	**16,000**	**26,203**

Financial liabilities	Note	Payables $	Borrowings $	Lease Liabilities $	Total $
Trade and other payables	**14**	-	-	-	-
Lease Liabilities	**12**	-	-	-	-
Non-current related party borrowings	**15, 25(a)**	-	8,024,300	-	8,024,300
		-	**8,024,300**	**-**	**8,024,300**

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 26.

The methods used to measure financial assets and liabilities reported at fair value are described in Note 27.

25(a) Related party borrowings

Related party borrowings include the following financial liabilities:

	Current		Non-Current	
Financial liabilities	**2022**	**2021**	**2022**	**2021**
Carried at amortised cost				
Related party borrowings - Minotaur Exploration Ltd	-	-	-	8,024,300
	-	**-**	**-**	**8,024,300**

All amounts due to Minotaur Exploration were forgiven immediately prior to demerger.

All borrowings are denominated in AUD.

There were no covenants on the borrowings.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Other financial instruments

The carrying amount of the following financial assets and liabilities is considered to be a reasonable approximation of the fair value:

- Trade and other receivables;
- Cash and cash equivalents; and
- Trade and other payables

Note 26: Financial risk management

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in Notes 17, 18, 19 respectively. Proceeds from share issues and joint operation contributions are used to maintain and expand the Group's exploration activities and fund operating costs.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Interest rate risk

The tables listed below detail the Group's interest bearing assets, consisting solely of cash on hand and on short term deposit (with all maturities less than one year in duration).

Consolidated

	Weighted average effective interest rate **%**	**Less than 1 year** **$**
2022		
Variable interest rate	0.10	$10,607,152
2021		
Variable interest rate	0.45	$10,203

At the reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net loss would increase or decrease by $26,549 which is mainly attributable to the Group's exposure to interest rates on its variable bank deposits.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Liquidity and interest risk tables

The following table details the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Consolidated

	Weighted average effective interest rate %	Less than 1 year $	Longer than 1 year and not longer than 5 years $	Longer than 5 year $
2022				
Interest bearing	-	-	-	-
Non-interest bearing	N/A	3,008,527	-	-
2021				
Interest bearing	-	-	-	-
Non-interest bearing	N/A	-	-	8,024,300

Equity instrument risk management

Ultimate responsibility for the Group's investments in equity instruments rests with the Board. The Board actively manages its investments by reviewing the market value of the Group's portfolio periodically at board meetings and making appropriate investment decisions.

Note 27: Fair Value Measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- **level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **level 3:** unobservable inputs for the asset or liability

Notes to the Consolidated Financial Statements
for the year ended 30 June 2022

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2022 and 30 June 2021:

30 June 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value				
Equity instruments designated at FVOCI				
Equity instruments	615,491	-	-	615,491
	615,491	**-**	**-**	**615,491**

30 June 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value				
Equity instruments designated at FVOCI				
Equity instruments	-	-	-	-
	-	**-**	**-**	**-**

There were no transfers between Level 1 and Level 2 in 2022 or 2021.

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

Note 28: Related party disclosure and key management personnel remuneration

Transactions with key management personnel

The following individuals are classified as key management personnel in accordance with AASB 124 ‘Related Party Disclosures’:

Directors

Dr Antonio Belperio, *Non-Executive Director*
Dr Roger Higgins, *Non-Executive Chair (Appointed 16 December 2021)*
Mr George McKenzie, *Non-Executive Director (Appointed 16 December 2021)*
Mr Andrew Woskett, *Managing Director*

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Other key management personnel

Mr Varis Lidums, *Commercial Manager and Company Secretary*

Key management personnel remuneration includes the following expenses:

	30 June 2022 $	30 June 2021 $
Salaries and fees	235,595	-
Total short term employee benefits	**235,595**	**-**
Superannuation	11,545	-
Total post-employment benefits	**11,545**	**-**
Share based payments	23,332	-
Total share based payments	**23,332**	**-**
Total remuneration	**270,472**	**-**

Dr Belperio also provides consulting services to the Group as and when required. No amounts were paid to Dr Belperio, in addition to his director's fees detailed above, during the year (2021: $Nil).

Transactions with associates

Throughout the year no transactions took place between Demetallica Limited and any associates (2021: $Nil). In addition, no amounts were owed by any associates at the end of the year (2021: $Nil).

Director and key management personnel related entities

Throughout the year $18,153 (2021: $Nil) (inclusive of GST) was paid to a related entity of Dr Antonio Belperio under a commercial lease agreement for the use of warehouse space located at Magill, South Australia.

Throughout the year, no other transactions took place between Demetallica Limited and any director or key management personnel related entities.

Wholly owned Group transactions

The entities comprising the wholly owned Group and ownership interests in these controlled entities are set out in Note 24. Transactions between Demetallica Limited and other entities in the wholly owned Group during the year consisted of loans advanced by Demetallica Limited to fund exploration activities.

Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Note 29: Post-reporting date events

On 12 August 2022, the Company issued 3,850,000 Zero Exercise Price Options (ZEPO) to employees of the Company under the Company's Performance Rights and Option Plan. The fair value of the ZEPO issued was $693,485.

On 19 September 2022, the Company was notified of a takeover bid from AIC Mines Limited (ASX: A1M) AIC Mines' offer is unsolicited and offers AIC Mines' shares in exchange for Demetallica shares. As at the date of signing this report, Demetallica's board advises that shareholders to take no action in relation to AIC Mines' offer or any document received from AIC Mines until they receive Demetallica Directors' formal recommendation.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected the Group's operations, results or state of affairs, or may do so in the future.

Directors' Declaration

The directors of the Company declare that:

1. the consolidated financial statements and notes, as set out on pages 19 to 63, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Company and Consolidated Group;
2. the Managing Director and Company Secretary have each declared that:
   a. the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view; and
3. 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.

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

Roger Higgins
Chair

Dated this 27th day of September 2022

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Independent Auditor's Report

To the Members of Demetallica Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Demetallica Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Exploration and evaluation assets - Notes 1(d) & 11</td></tr>
<tr><td>At 30 June 2022 the carrying value of exploration and evaluation assets was $19,523,204.

In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.

The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.

This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.</td><td>Our procedures included, amongst others:
obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;
reviewing management's area of interest considerations against AASB 6;
conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including;
tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;
enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;
understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;
assessing the accuracy of impairment recorded for the year as it pertained to exploration interests;
evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and
assessing the appropriateness of the related financial statement disclosures.</td></tr>
<tr><td colspan="2">Accounting for restructure / demerger – Notes 1(t)(iv) and 20</td></tr>
<tr><td>In February 2022, Minotaur Exploration Limited (former parent entity) completed a demerger of certain copper and gold exploration projects and associated net assets through to a group of subsidiaries headed by Demetallica Limited, via a pro-rata in specie distribution of Demetallica shares to Minotaur shareholders.

The transaction is complex and is not specifically covered by the Australian Accounting Standards. As such an accounting policy choice was required to recognise the acquisition via the demerger transaction.</td><td>Our procedures included, amongst others:
reviewing the accounting memorandum prepared by Management relating to key estimates and judgements as well as accounting policy choices utilised to reflect the demerger deed and compare the treatment to the Australian Accounting Standards;
obtaining management reconciliations of the demerger net assets received and perform reasonableness tests on judgements and assumptions utilised;</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Accounting for restructure / demerger – Notes 1(t)(iv) and 20	
This area is a key audit matter due to the significant judgement involved in determining process undertaken by management to assess the transaction and to develop an accounting policy.	• consulting with our Financial Accounting experts to ensure that the accounting policy choice is appropriate; • reviewing the consolidated financial statements to determine if prepared in line with Australian Accounting Standards; • assessing the appropriateness of the related financial statement disclosures

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, 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 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf.This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Demetallica Limited, for the year ended 30 June 2022 complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 27 September 2022