AUSTRALIAN MINES LIMITED

ABN 68 073 914 191

CONSOLIDATED INTERIM FINANCIAL REPORT
HALF YEAR ENDED 31 DECEMBER 2022

The financial statements cover Australian Mines Limited as a consolidated entity consisting of Australian Mines Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Australian Mines Limited's functional and presentation currency.

Australian Mines Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 34, 1 Eagle Street Brisbane, Queensland 4000 Australia	Level 6, 66 St Georges Terrace Perth, WA 6000, Australia

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 16 March 2023.

The Directors present their report, together with the interim financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Australian Mines Limited (referred to hereafter as the 'Company' or 'Australian Mines') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

DIRECTORS AND COMPANY SECRETARY

The following persons were Directors, Executive Officer and Company Secretary of Australian Mines Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Michael Ramsden - Chairman, Non-Executive Director
Michael Holmes - Chief Executive Officer (appointed on 5 September 2022)
Michael Elias - Non-Executive Director
Lee (Les) Guthrie - Non-Executive Director (Executive Director to 5 September 2022)
Dominic Marinelli - Non-Executive Director
Oliver Carton - Company Secretary

PRINCIPAL ACTIVITIES

The Group's principal activity during the financial half-year was the pre-development of its 100%-owned Sconi Project located in North Queensland, Australia.

REVIEW OF EVENTS

Highlights

During the six months to 31 December 2022, Australian Mines announced the strategic decision to develop the Sconi Battery Minerals Project to produce battery grade nickel sulphate, cobalt sulphate and scandium oxide following a review of recent technical and financial studies. The Company remains committed to assisting our current offtake partner LG Energy Solution to meet its future cobalt and nickel requirements. Consequently, the Company is working with LG Energy Solution regarding amendments required to the Offtake Agreement to accommodate the strategic shift and is discussing potential collaboration on the development of the Sconi Project.

Key activities and achievements during the six-month period included:

- Leadership on ESG – Australian Mines continued to be certified as a Carbon Neutral Company, sustaining its sector-leading Environmental, Social and Governance (ESG) credentials.

- CEO Recruitment to support Sconi Project Development – the Company employed Mr Michael Holmes as CEO on 5 September 2022. Mr Holmes is an accomplished mining engineer with more than 30 years' experience working in Australia, New Zealand, the Philippines and North and South America.

- Sconi Project studies – Australian Mines made the strategic decision to develop the Sconi Project to produce battery grade nickel sulphate, cobalt sulphate and scandium oxide to maximise the value of the project and return for shareholders. The Company is working on the various activities: exploration, environmental monitoring, permitting, technical and test work and project funding as we progress the project to Final Investment Decision (FID) milestone by the end of 2025.

- Sconi Project financing – the Company remains committed to our current offtake partner LG Energy Solution and providing them with nickel and cobalt products to meet their future requirements. A delegation from Australian Mines met with LG Energy Solution in Korea to discuss the required amendments to the Offtake Agreement and potential collaboration on the development of the Sconi Project. The Company will update the market in due course with respect to such amendments and collaboration if they are finalised.

- Sconi Development and Permitting – the Company continues to progress key work programs including environmental and engineering works, a hydrogeological review, Burdekin River intake designs, tailings and water management, pit, haul roads and earthworks design and geotechnical review. An Initial Advice Statement (IAS) for the Sconi Project was submitted to the Queensland Department of Environment and Science (DES) with sufficient information to support an application for a voluntary Environmental Impact Statement (EIS).

- Exploration Activities – surface rock and soil sampling activities were conducted within the Company's exploration and mine leases at the Greenvale, Lucknow and Minnamoolka projects based on a series of geophysical targets previously identified as part of the 2022 Exploration program.

- Capital Raise – Australian Mines executed Share Subscription Agreements with Investors for a combined investment of $4.55 million, together with the successful completion of a 1 for 9.8 partially underwritten non-renounceable entitlement offer raising approximately $2.8m for a combined capital raise total of approximately $7.4 million. These funds will be applied to project financing activities, bolstering the management team and advancing the Sconi project.

- Solid State Hydrogen Storage Metal Hydride project– good progress was made on advancing the Research and Development program targeting onboard Solid-State Hydrogen Storage solutions for light-duty vehicles. Independently verified test results of a recently developed Metal Hydride, named 'MH-Oct22' demonstrated favourable absorption and desorption capacities of hydrogen at 300ºC and 350ºC and at a pressure of 38 bar. MH-Oct22 was prepared as a bulk powder using a production process that the Company considers may be applicable for industrial scale manufacturing.

Leadership and ESG

Mr Michael Holmes was appointed as CEO on 5 September 2022, with the focus to advance the Sconi Project which has been reflected in his package and incentives. Mr Holmes has extensive ESG, project development and operational experience in nickel, gold, copper, lead, and zinc mines both nationally and internationally. Mr Holmes replaced Mr Les Guthrie who supported the Company during the leadership transition period. Mr Guthrie formally concluded the role as interim CEO on the appointment of Mr Holmes and has reverted to his previous role as a Non-Executive Director on the Board.

Australian Mines continues to be certified under the Climate Active program as a Carbon Neutral organisation and it was the first mineral resources company to receive this certification. Climate Active is the only Australian Government recognised Carbon Neutral certification, and it is awarded to organisations that have credibly reached a state of achieving net zero emissions, otherwise known as carbon neutrality.

Sconi Project – Exploration, Development and Permitting

Australian Mines' primary focus is progressing the development of the Sconi Project and following a review of the technical and financial studies the Company announced the strategic decision to develop the Sconi Project producing battery grade nickel sulphate, cobalt sulphate and scandium oxide.

A pathway to construction for nickel sulphate, cobalt sulphate and scandium oxide is being mapped which will include further exploration, studies, test work, monitoring, permitting and approvals, and strategies for project funding as we progress to the Final Investment Decision (FID) targeted for the end of 2025.

The Company continued to advance key work programs included exploration activities, seasonal environmental monitoring and engineering works, a hydrogeological review, Burdekin River intake designs, tailings and water management, pit, haul roads and earthworks design and geotechnical review.

Surface rock and soil sampling was conducted within the Company's exploration leases and those neighbouring the Greenvale, Lucknow and Minnamoolka projects. This work is part of the exploration program being carried out on a series of geophysical targets previously identified. Additional geological field work was undertaken north-east of the Kokomo mine lease as a possible extension of known mineralisation. Annual activity reports were completed on several of the Company's Sconi exploration leases.

The Company completed an Initial Advice Statement (IAS) for the Sconi Project and submitted to Queensland Department of Environment and Science (DES) with sufficient information to support an application for a voluntary Environmental Impact Statement (EIS). Based on the size and scope of the Sconi Project, it was determined that the appropriate and most efficient environmental approvals pathway to obtaining an Environmental Authority (EA) was via a voluntary Environmental Impact Statement.

The current Mining Lease Application boundary for Greenvale and Mining Lease boundaries for Lucknow and Kokomo are sized to contain the ore reserves at each deposit. New expanded mining lease boundaries are required to accommodate mine infrastructure including ore and waste rock stockpiles, the process plant, tailings storage facility, raw water dam, pipelines and haul roads. An application to increase the size of the Sconi mining leases will commence in Q1 2023.

Corporate and Capital structure review

Australian Mines successfully completed a 1 for 9.8 partially underwritten non-renounceable entitlement offer raising approximately $2.8m. Together with the Institutional Placement announced to ASX on 22 November 2022 with Lind Global Fund II, LP and SBC Global Investment Fund for a combined investment of $4.55 million by way of Share Subscription Agreements, a total of approximately $7.4 million was raised.

Australian Mines will use the funds raised from the Subscription Agreement and the entitlement offer to execute its plan to bring its flagship Sconi Project into production. The funds will be applied to project financing activities, to bolster the management team, exploration outside the Sconi Project's current Ore Reserve and Mineral Resource and progress the Sconi project.

Advancing Solid State Hydrogen Storage Metal Hydride project

Development of practical, safe, cost-effective and efficient storage of a large amount of hydrogen in a small volume remains one of the fundamental challenges of the hydrogen economy. Currently, the two most common techniques used to store hydrogen are to compress it to a high pressure or to liquify it (liquefaction). These storage methods require tanks and/or cooling equipment, which are bulky and heavy and are not expected to achieve the desired gravimetric and volumetric densities required to fulfill the United States Department of Energy ('DOE') targets for onboard Hydrogen Storage for Light-Duty Vehicles[1].

Solid-state hydrogen storage is considered to have the potential to meet the DOE targets. One of the most stringent DOE criteria for a hydrogen storage system is a target gravimetric capacity of 5.5 wt% of hydrogen by 2025. In addition to the requirement of high gravimetric capacities, a desired system should exhibit a high volumetric capacity, a high rate of (de)hydrogenation at near-ambient temperatures, high reversibility (operational cycle life), high stability, and cost effectiveness.

Australian Mines Research and Development program targeting onboard Solid-State Hydrogen Storage solutions for light-duty vehicles has made positive progress with Independently verified test results from LCGC Bioanalytic Solutions LLP, of a recently developed Metal Hydride, named "MH-Oct22". The tests demonstrated favourable absorption and desorption capacities of hydrogen at 300ºC and 350ºC, respectively at a pressure of 38 bar. The best results achieved showed 5.0 wt% of hydrogen absorbed in 9.8 min and released within 3.7 minutes at 350ºC. MH1Oct22 was prepared as a bulk powder using a production process that the Company considers may be applicable for industrial scale manufacturing. Additionally, the hydrogen was stored and released in the gas phase.

Although the results are promising further development is required to achieve the 2025 DOE target for onboard Hydrogen Storage for Light-Duty Vehicles. MH-Oct22 exhibited hydrogen absorption and desorption at higher temperatures and pressures than the DOE operating temperature and pressure targets of 60ºC and 5-12 bar respectively. The company has several strategies that may improve reaction kinetics and operating temperatures and pressures. Over the coming quarters the Company plans to test these strategies to seek to develop new metal hydrides to improve on the performance of MH-Oct22. The Company has also commenced a program of intellectual property protection.

---

[1] https://www.energy.gov/eere/fuelcells/doe-technical-targets-onboard-hydrogen-storage-light-duty-vehicles

REVIEW OF OPERATIONS

The Group made a loss for the six months ended 31 December 2022 of $1,624,056. This compares with a loss of $2,382,392 for the six months ended 31 December 2021.

A comparison of the consolidated financial performance is included in the table below.

	Consolidated	
Financials	31 December 2022 $'000	31 December 2021 $'000
Revenue from operating activities	-	-
Net loss	(1,624)	(2,382)
Cash and cash equivalents	6,929	5,749

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Australian Mines issued Benjamin Bell a termination of employment letter on 21 July 2022. As a result, all shares held by him under the Loan Share Plan were subject to forfeiture, and were forfeited.

On 5 September 2022 the board announced the appointment of Mr Michael Holmes as the new CEO effective immediately. Following this announcement Mr Lee (Les) Guthrie resumed his previous role as a Non-Executive Director. Mr Holmes was former President and Chief Executive Officer of Toronto Stock Exchange listed OceanaGold Corporation, a mining company with 2021 revenue of US$745 million and EBITDA of US$330 million. He is an accomplished mining engineer with more than 30 years' experience working in Australia, New Zealand, the Philippines and North and South America. He brings to the CEO role extensive operational experience in nickel, gold, copper, lead, and zinc mines.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

On 13 January 2023, The Federal Court approved the previously announced agreement between Australian Mines and ASIC to resolve the proceedings by the Company making certain admissions of contraventions of its continuous disclosure obligations, and paying a penalty of $450,000. The Company will also pay ASIC's costs in the amount of $55,550.

On 19 January 2023, Australian Mines received its research and development (R&D) Tax Offset refund of $473,961 from the Australian Taxation Office (ATO) for the 2022 financial year. The funds received are being used to continue advancing the Sconi Project.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial half-year.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' Report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors

D. Marinelli

Dominic Marinelli
Non-Executive Director

16 March 2023
Melbourne

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AUSTRALIAN MINES LIMITED

As lead auditor for the review of Australian Mines Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Mines Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth

16 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 $'000	31 December 2021 $'000
Revenue		-	-
Other income		41	2
Net other income		41	2
Expenses			
Corporate overheads and indirect expenses	4	(706)	(1,160)
Personal expenses		(707)	(670)
Interest on financial liabilities	7	(91)	-
Depreciation and amortisation		(92)	(97)
Share based payment expense	5	(43)	(15)
Exploration expenditure	6	(26)	(442)
Loss before income tax expense		(1,624)	(2,382)
Income tax expense		-	-
Loss after income tax expense for the half-year		(1,624)	(2,382)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year		(1,624)	(2,382)
		Cents	Cents
Earnings per share for loss			
Basic earnings per share		(0.34)	(0.56)
Diluted earnings per share		(0.34)	(0.56)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Note	31 December 2022 $'000	30 June 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		6,929	3,994
Trade and other receivables		501	157
Other assets		150	19
Total current assets		7,580	4,170
Non-current assets			
Exploration and evaluation assets	6	39,261	37,791
Intangibles		25	17
Property, plant and equipment		111	129
Right-of-use assets		71	142
Total non-current assets		39,468	38,079
Total assets		47,048	42,249
Liabilities			
Current liabilities			
Trade and other payables		161	376
Provisions		505	505
Employee benefits		162	216
Lease liabilities		91	181
Financial liabilities	7	3,481	-
Total current liabilities		4,400	1,278
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		4,400	1,278
Net assets		42,648	40,971
Equity			
Issued capital	9	104,357	102,115
Reserves		5,309	4,250
Accumulated losses		(67,018)	(65,394)
Total equity		42,648	40,971

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Issued capital $'000	Share option reserve $'000	Share based payment reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	91,904	494	3,587	(59,606)	36,379
Loss after income tax expense for the half-year	-	-	-	(2,382)	(2,382)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	(2,382)	(2,382)
Transactions with owners in their capacity as owners:					
Share-based payments transactions	-	-	64	-	64
Share issued during the period	6,500	-	-	-	6,500
Transaction costs from issue of shares	(422)	-	-	-	(422)
Balance at 31 December 2021	97,982	494	3,651	(61,988)	40,139

	Issued capital $'000	Share option reserves $'000	Share based payment reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	102,115	494	3,756	(65,394)	40,971
Loss after income tax expense for the half-year	-	-	-	(1,624)	(1,624)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	(1,624)	(1,624)
Transactions with owners in their capacity as owners:					
Share-based payments transactions	-	-	42	-	42
Share issued during the period	2,898	1,017	-	-	3,915
Transaction costs from issue of shares	(656)	-	-	-	(656)
Balance at 31 December 2022	104,357	1,511	3,798	(67,018)	42,648

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

AUSTRALIAN MINES LIMITED

	Note	31 December 2022 $'000	31 December 2021 $'000
Operating activities			
Cash payments to suppliers and employees		(1,669)	(1,896)
Interest received		1	1
Sundry income		-	1
Net cash used in operating activities		(1,668)	(1,894)
Investing activities			
Payments for exploration and evaluation		(1,974)	(2,066)
Payments for intangibles		(9)	(5)
Payments for property, plant and equipment		(3)	(5)
Net cash used in investing activities		(1,986)	(2,076)
Financing activities			
Proceeds from share issue (net of costs)	9	2,139	6,078
Proceeds from share subscription agreements	7	4,550	-
Lease payments		(100)	-
Net cash from financing activities		6,589	6,078
Net increase in cash and cash equivalents		2,935	2,108
Cash and cash equivalents at the beginning of the financial half-year		3,994	3,641
Cash and cash equivalents at the end of the financial half-year		6,929	5,749

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. Significant accounting policies

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

There are no standards, amendments to standards and interpretations which are not yet effective and have been identified as those which may materially impact the entity in the period of initial application.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. On 31 December 2022, the Company had net assets of $42,647,867 (30 June 2022: $40,970,883), a working capital surplus of $3,179,251 (30 June 2022: $2,891,694) and cash at bank of $6,820,466 (30 June 2022: $3,842,730).

Note 2. Critical accounting judgements, estimates and assumptions

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2022 except for below.

Share subscription agreements

Included in note 7 is financial liability in relation to share subscription agreements. There is significant judgement included in determining whether the share subscription agreement is a hybrid instrument, compound instrument, equity or purely debt. The directors have exercised their judgement in determining that the share subscription agreement be classified as hybrid instruments on the basis that the instruments do not meet the "fixed for fixed" test in that there is a potential variation that serves to underwrite and protect the value of the conversion option in the event of a decrease in value of the shares. The fair value of the embedded derivative liability and the hosting debt requires significant judgement in determining the interest rate that would apply to an otherwise identical debt instrument with no conversion feature. See note 7 for further information on the key inputs used in the valuation of the conversion feature.

Note 3. Segment information

The Company only operates in a single reportable geographical segment. As a result, no additional segment information provided.

Note 4. Corporate overheads and indirect expenses

	Consolidated	
	31 December 2022 $'000	31 December 2021 $'000
Insurance	122	99
Travel and accommodation	96	44
Legal fees	28	78
Accounting, tax and audit services	83	67
Share registry services	60	135
Conferences	4	(3)
Investor relations fees	98	301
Advisors and consultants	92	58
Other fees and consultants	17	201
General administration	106	180
	706	1,160

Note 5. Share-based payment reserve

On 2 September 2022, 4,020,000 Ordinary Shares were transferred, and 40,000 Ordinary Shares were issued by the Company to Michael Holmes in accordance with his employment contract and the Loan Share Plan. The Company provided an interest free limited recourse loan to Mr Holmes to enable him to purchase the Shares. The Shares are escrowed and are held as security for the loan. The Shares are divided into 2 tranches and subject to service period vesting conditions. The 4,020,000 Ordinary Shares transferred were the Ordinary Shares forfeited by Benjamin Bell.

Grant Date: 2 September 2022

Number of shares: 4,060,000

Vesting Conditions

i. Continuous employment from the Commencement Date; and

ii. From the Commencement Date to 30 June 2025 (Period):

A) 2,030,000 Shares (Tranche 1) will vest on total shareholder return (TSR) hurdle measured against the Peer Group as follows:

1. If TSR is at 50th percentile of the Peer Group, 65% of the Tranche 1 Shares will vest;
2. If the TSR is at 90th percentile of the Peer Group, 100% of the Tranche 1 Shares will vest; and
3. If the TSR is between the 50th and 90th percentile, a pro-rata number of the Tranche 1 Shares will vest (as determined by the board).

Note 5. Share-based payment reserve (continued)

B) 2,030,000 Shares (Tranche 2) will vest on upon a decision by the Board, project sponsor, capital provider, and/or joint owner to fully proceed with the investment for the construction and commissioning of the Sconi Project, including the decision that sufficient financial resources are available to meet the total project spend.

Lapse of Shares

Shares will be forfeited in the following circumstances:

- Employment, office or contractual relationship with the Company ceases;
- Relevant vesting conditions are not satisfied by the relevant time;
- The holder acts fraudulently or dishonestly or in breach of their obligations to the Group; or
- The holder becomes insolvent.

If the Shares are forfeited and sold pursuant to the Plan Rules, the proceeds will first be applied against the respective loan and any surplus applied in accordance with the Plan Rules.

Loan Arrangements

Under the Loan Agreement, the Group will lend Mr Holmes the funds required to purchase the Shares. No interest will be payable on the loan, and it is a limited recourse loan. Shares purchased by the loan are held in escrow as security for repayment of the loan.

Set out below are summaries of Shares granted under the plan:

Tranche	Grant date	Expiry date	Number issued	Value per share	Condition	Total value $	Vesting period	Value not vested at the half-year ended 31 Dec 2022 $
1	02/09/2022	30/06/2025	2,030,000	$ 0.065	Market Conditions	131,950	2.8	116,606
2	02/09/2022	30/06/2025	2,030,000	$ 0.080	Non-Market Conditions	162,400	2.8	143,516

The total value of the Shares is expensed in proportion to the percentage of the vesting period that has elapsed. On 31 December 2022 12% of the vesting period had elapsed and as such a share-based payment expense of $34,227 was recorded for the period.

The above fair value was calculated using the Hoadley Hybrid Relative TSR vs Peer Group Model and the Hoadley ESO2 Model, and was based on the following inputs:

	Tranche 1	Tranche 2
Share price at date granted	$0.08	$0.08
Risk free rate	3.30%	3.30%
Volatility factor	95%	95%
Exercise Price	N/A	N/A
Term	2.83 years	2.83 years
Expected dividend yield	0%	0%

In December 2020, Company Secretary, Oliver Carton was invited to apply for 10,000,000 pre-consolidation shares under a loan share plan. A limited recourse loan was provided to allow the Company Secretary to purchase the shares for $0.025 per pre-consolidation share. The limited recourse loan plan shares are divided into 4 tranches vesting on 1 July each year from 2021 to 2024. The shares are subject to service period vesting conditions.

Note 5. Share-based payment reserve (continued)

Plan shares

Granted 14 Dec 2020, vesting 1 Jul 2021	2,500,000
Granted 14 Dec 2020, vesting 1 Jul 2022	2,500,000
Granted 14 Dec 2020, vesting 1 Jul 2023	2,500,000
Granted 14 Dec 2020, vesting 1 Jul 2024	2,500,000
Total plan shares	10,000,000

The fair value of the Loan Share Plan was calculated using the Black Scholes pricing model on the next page. The value of the shares has been expensed on a proportionate basis for each period from grant date under AASB 2 to vesting date.

Tranche	Grant date	Number issued	Value per right	Total value	Vesting period	Value vested	Value vested current period	Value not vested at the half-year ended 31 Dec 2022
				$		$	$	$
1	14/12/2020	2,500,000	$ 0.00559	13,984	1	13,984	-	-
2	14/12/2020	2,500,000	$ 0.00768	19,198	2	19,198	34	-
3	14/12/2020	2,500,000	$ 0.00921	23,021	3	18,511	4,560	4,509
4	14/12/2020	2,500,000	$ 0.01038	25,956	4	14,972	3,688	10,984
				82,159		66,665	8,282	15,493

Details of the vesting conditions of the plan shares

Tranche 1: Service to the Company as an eligible person until 01 July 2021
Tranche 2: Service to the Company as an eligible person until 01 July 2022
Tranche 3: Service to the Company as an eligible person until 01 July 2023
Tranche 4: Service to the Company as an eligible person until 01 July 2024

Note 6. Exploration and evaluation assets

Reconciliations of the carrying amounts for each class of exploration and evaluation expenditure are set out below:

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Opening balance	37,791	33,091
Expenditure incurred	1,918	6,188
Expenditure expensed	(26)	(1,079)
R&D refund	(422)	(409)
Exploration costs carried forward	39,261	37,791

The 2022 research and development tax offset has been lodged and considered receivable as at 31 December 2022. The total $473,961 refundable offset was received in January 2023, of which $421,826 was offset against the exploration and evaluation expenditure.

Note 6. Exploration and evaluation assets (continued)

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

Note 7. Financial liabilities

	Consolidated	
	31 December 2022 $'000	30 June 2022 $'000
Current liabilities		
Share subscription agreements - debt component	3,113	-
Share subscription agreements - embedded derivative component	368	-
	3,481	-

The Company entered into share subscription agreements with a total face value of $5,000,000 on 30 November 2022.

The share subscription agreements are unsecured, and no interest is payable under the subscription agreements.

Refer to note 10 for further information on fair value measurement.

Funding arrangement through share subscription

On 22 November 2022 the Company announced that it had executed agreements with Lind Global Fund II, LP ("Lind"), and SBC Global Investment Fund ("SBC") for a combined investment of $4.55 million before costs by way of the Subscription Agreements.

The $4.55 million investment is via a pre-payment for a placement of ordinary fully paid shares and 21,186,441 unlisted 3-year options to each investor, with an exercise price of $0.089. The issue of additional Options is subject to shareholder approval.

Under the agreement, Lind and SBC have pre-paid a total of $4,550,000 (Advance Payment), in return for the Options and in total a credit amount worth $5,000,000 (Advance Payment Credit), which may be used to subscribe to shares during the Term (Placement Shares). The advance payment does not accrue interest. Initial shares were issued in return for the Advance Payment on 30 November 2022. AUZ issued 12,500,000 shares to Lind and 12,500,000 shares to SBC towards satisfying the subscription agreement.

Placement shares may be issued at two different prices, being either $0.089 per share (Fixed Subscription Price) or 90% of the average of the five lowest daily VWAPs during the 20 days the Company's shares trade on the ASX prior to the date on which the price is to be determined, rounded down to the lowest $0.001 (Variable Subscription Price). Lind and SBC can subscribe for Placement Shares during the Term until 28 February 2023, at the Fixed Subscription Price, and from 1 March 2023 until 21 November 2023, the Fixed Subscription Price or the Variable Subscription Price, however Lind and SBC may only subscribe for shares at the Variable Subscription Price up to a maximum amount of $200,000 each for each calendar month during this period. Following 21 November 2023 at the Fixed Subscription Price or the Variable Subscription Price, without monthly limits.

Note 7. Financial liabilities (continued)

Valuation summary

	Grant date	Revaluation date
Valuation date	30 November 2022	31 December 2022
Face value	$5,000,000	$5,000,000
Spot price	$0.058	$0.053
Conversion price	$0.048	$0.044
Expiry date	30 May 2024	30 May 2024
Expected future volatility	85%	85%
Risk free rate	3.11%	3.41%
Value per conversion right	$0.0096	$0.0086
Number of conversion shares	42,727,000	42,727,000
Fair value of the embedded derivative	$408,103	$368,249
Fair value of the host liability	$3,574,947	N/A
Valuation model	Black Scholes Model	Black Scholes Model

Accounting policy for share subscription agreements
Share subscription agreements are treated as hybrid financial instruments and separated into the host liability and embedded derivative components based on the terms of the agreement. On issuance of the share subscription agreements, the host liability component is initially recognised at the residual value from deducting the fair value of the derivative liability from the amount of financial liabilities. The embedded derivative component is initially recognised at fair value. The host debt is carried at amortised cost using the effective interest method until it is extinguished on conversion or redemption. An interest expense of $90,849 was recognised under this method for the half year ended 31 December 2022.

Embedded Derivative
An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

The embedded derivative is separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. The embedded derivative is measured at fair value with changes in value being recorded in profit or loss.

De-recognition of financial liabilities
The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Note 8. Issue of options

Under the Share Subscription Agreement, the Company issued of 21,186,441 free-attaching options each to Lind Global Fund II, LP and SBC Global Investment Fund with exercise price of $0.08 and expiry date of 36 months after issue, being 30 November 2025, valued at fair value using a binomial option valuation model with the inputs as shown in the table below at Grant Date.

Note 8. Issue of options (continued)

Assumptions	Grant date
Valuation date	30 November 2022
Spot price	$0.058
Conversion price	$0.044
Maturity date	30 May 2024
Expected future volatility	85%
Discount rate	3.11%

The opening share option reserve was $494,361 and under the Share Subscription Agreement, the number of share options issued in the period was 42,372,882 valued at $0.024 per option based on the above valuation inputs. For the half year ended 31 December 2022, the share option reserve increased by $1,016,950 being the fair value of the options issued.

Note 9. Share capital

	31 December 2022 $	31 December 2022 No.	30 June 2022 $	30 June 2022 No.
Reconciliation of issued capital				
Balance at 1 July	102,115,529	468,713,841	91,904,488	3,961,453,850
Share placement @ $0.019 (i)	-	-	6,500,000	342,105,264
Share consolidation (ii)	-	-	-	(3,873,201,417)
Share placement @ $0.115 (iii)	-	-	3,700,000	32,173,913
Share rights issue @ $0.115 (iv)	-	-	710,966	6,182,231
Share transfer (v)	-	(4,020,000)	-	-
Share transfer (v)	-	4,020,000	-	-
Share placement (vi)	-	40,000	-	-
Share placement (vii)	-	25,000,000	-	-
Share placement @ $0.059 (viii)	1,034,814	17,539,212	-	-
Share placement @ $0.059 (ix)	251,000	4,254,235	-	-
Share placement @ $0.059 (x)	1,611,906	27,320,144	-	-
Costs of capital raising	(656,139)	-	(699,925)	-
Closing balance	104,357,110	542,867,432	102,115,529	468,713,841

(i) On 4 August 2021 Australian Mines Limited raised $6.5 million via a fully committed Share Placement of 342,105,264 shares at an issue price of $0.019 per share.

(ii) On 17 December 2021 shareholders approved a 1 for 10 consolidation of Australian Mines Limited's share capital. On the 21 December 2021 implementation date, the total number of ordinary shares on issue was reduced by 3,873,201,417 to bring into effect the consolidation.

(iii) On 27 May 2022 Australian Mines Limited raised $3.7 million via a fully committed Share Placement of 32,173,913 shares at an issue price of $0.115 per share.

(iv) On 24 June 2022 Australian Mines Limited raised $710,966 via a rights issue of 6,182,231 shares and 6,182,231 listed options at an issue price of $0.115 per share.

(v) In September 2022 Benjamin Bell's 2017 share loan plan shares were transferred to Michael Holmes, following the forfeiture of Benjamin Bell's share loan plan shares resulting from his termination.

Note 9. Share capital (continued)

(vi) On 1 September 2022 Australian Mines Limited issued 40,000 shares to Michael Holmes under a share loan plan, resulting in a total of 4,060,000 share loan plan shares granted to Michael Holmes in accordance with his employment contact.

(vii) On 25 November 2022 Australian Mines Limited issued 12,500,000 shares to Lind Global Fund II, LP and 12,500,000 shares to SBC Global Investment Fund, under the terms of the share subscription agreements.

(viii) On 22 December 2022 Australian Mines Limited raised $1,034,814 via an entitlement offer of 17,539,212 shares and 8,769,606 unlisted options, settled through Underwriter Bell Potter at an issue price of $0.059 per share.

(ix) On 22 December 2022 Australian Mines Limited issued 4,254,235 shares at a price of $0.059 per share under clause 5.6 of the KMP Underwriting Agreement (Entitlement Offer). For every two securities issued one unlisted option was provided, for a total of 2,127,118 options.

(x) On 30 December 2022 Australian Mines Limited raised $1,611,906 via an entitlement offer of 27,320,144 shares and 13,660,480 unlisted options at an issue price of $0.059 per share.

Note 10. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
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

Consolidated - 31 December 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Share subscription agreements	-	368	-	368
Total liabilities	-	368	-	368

Derivative financial instruments have been valued using derivative valuation models. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Note 11. Events after the reporting period

On 13 January 2023, The Federal Court approved the previously announced agreement between Australian Mines and ASIC to resolve the proceedings by the Company making certain admissions of contraventions of its continuous disclosure obligations, and paying a penalty of $450,000. The Company will also pay ASIC's costs in the amount of $55,550.

On 19 January 2023, Australian Mines received its research and development (R&D) Tax Offset refund of $473,961 from the Australian Taxation Office (ATO) for the 2022 financial year. The funds received are being used to continue advancing the Sconi Project.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, *Australian Accounting Standard AASB 134 'Interim Financial Reporting'*, *the Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Dominic Marinelli
Non-Executive Director

16 March 2023
Melbourne

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Australian Mines Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Mines Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth

16 March 2023