

Montem Resources Limited

Interim Report - 30 June 2020

Directors	<p>Mark Lochtenberg, Chairman (Appointed as Chairman on 13 February 2020)</p> <p>Peter Doyle, Managing Director</p> <p>Rob Tindall, Non-executive Director</p> <p>Susie Henderson, Non-executive Director</p> <p>William Souter, Non-executive Director</p>
Company secretary	Melanie Leydin
Registered office	<p>Level 4, 100 Albert Road</p> <p>South Melbourne VIC 3205</p>
Principal place of business	<p>Level 4, 100 Albert Road</p> <p>South Melbourne VIC 3205</p>
Auditor	<p>William Buck</p> <p>Level 20, 181 William Street</p> <p>Melbourne VIC 3000</p>
Solicitors	<p>Dentons Australia Pty Ltd</p> <p>567 Collins Street</p> <p>Melbourne VIC 3000</p> <p>McLennan Ross</p> <p>600 McLennan Ross Building</p> <p>12220 Stony Plain Road</p> <p>Edmonton, AB, Canada T5N 3Y4</p>
Bankers	<p>National Australia Bank</p> <p>800 Bourke Street</p> <p>Docklands VIC 3008</p> <p>Royal Bank of Canada</p> <p>1025 West Georgia Street</p> <p>Vancouver BC Canada V6Z 1N9</p>
Website	www.montem-resources.com

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Montem Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2020.

Directors

The following persons were directors of Montem Resources Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mark Lochtenberg, Chairman (appointed as Chairman on 13 February 2020) and Non-executive Director
Peter Doyle, Managing Director and CEO
Rob Tindall, Non-executive Director
Susie Henderson, Non-executive Director
William Souter, Non-executive Director
Rob Yeates, Non-executive Chairman (resigned 13 February 2020)

Company overview and principal activities

Montem Resources (Company) is a coal mine development company with metallurgical coal (steelmaking coal) properties in Canada, known as the Chinook Properties.

Montem Resources' objective is to become the operator of steelmaking coal mines in Canada by developing its properties in the Crowsnest Pass. The first component of this objective is to re-establish mining at the Tent Mountain Mine, whilst exploring and evaluating the development potential of the Chinook Project. The Chinook Project combines Chinook South and Chinook Vicary.

During the six-month period ended 30 June 2020 the principal continuing activities of the Company were the exploration and development of coal tenements.

The Chinook Properties are located in the Crowsnest Pass, south-western Alberta, Canada, in a historic mining area. The Tent Mountain Mine and the Chinook Project are estimated to contain 209 million tonnes of in-place coal resources (JORC 2012), with four areas which have hosted previous open-cut and underground mining. The previously mined properties have had extensive exploration, and as brownfield developments, are significantly more advanced than greenfield properties.

The Company is focussed on re-establishing mining at the Tent Mountain Mine to produce steelmaking coal. Over the past two years the Company has completed extensive exploration and engineering studies, including a Definitive Feasibility Study on the Tent Mountain Mine Re-start Project. The Company requires additional licences to re-start open-cut mining at Tent Mountain, and applications for these licences are being prepared by the Company. The current schedule is for the Tent Mountain Mine to re-start in late 2021, with first coal shipments expected in the first half of 2022.

The Company has also identified the potential for a large mining complex to be established at the Chinook Project. A Preliminary Economic Assessment (PEA or Concept Study) for the Chinook Project was undertaken in 2019. The study indicated Chinook contains large volumes of low-ratio steelmaking coal which is amenable to open-cut extraction. The Company plans to undertake further exploration and engineering studies at the Chinook Project in 2020.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,235,784 (30 June 2019: \$1,312,060).

Environment, Health and Safety

The Company's Board believes that all workplace injuries are avoidable. To that end, Montem Resources has adopted an overall environmental, health and safety policy. The detailed policies and procedures were written with the assistance of third-party expertise in the development of such policies for coal mining in Alberta and British Columbia. These tailored policies and procedures were in place for the 2019 field season.

During the 2019 field program, the Company conducted its operations in compliance with the relevant Albertan regulations for occupational health and safety for coal mining. The Company recorded no Loss Time Injuries and continues to operate without a Loss Time Injury since inception.

Directors specifically address Health, Safety and Environment issues at each Board meeting and are satisfied that there were no reported Lost Time Injuries or environmental incidents during the period.

Exploration and development activities require a variety of regulatory approvals as detailed in the applicable regulatory regime, including environment plans, safety procedures and the preparation of plans to manage the undertaking of the activities and the contractors engaged in undertaking such activities.

Alberta Legislation

In Alberta, coal projects are regulated by the Alberta Energy Regulator (AER) under the Environmental Protection and Enhancement Act (EPEA) and the Coal Conservation Act (CCA). The following Albertan environmental legislation apply to Montem Resources properties excluding the Tent Mountain Mine which retains an EPEA permit:

- Environmental Protection and Enhancement Act (EPEA)
- Coal Conservation Act
- Water Act
- Public Lands Act

Canadian Federal Legislation

Coal mining is typically an activity that requires the preparation and submission of an Impact Assessment report as per the Canadian federal Impact Assessment Act of 2019 and as established on a project by project basis by the Physical Activities Regulation of that Act. Greenfield coal mine projects, including the Chinook Project, are generally subject to an Impact Assessment according to the Physical Activities Regulations.

For the Tent Mountain Mine Re-start Project, however, the Company received written notice from the Federal regulator (Impact Assessment Agency of Canada), that the project does not meet the thresholds for coal production capacity as described in the Physical Activities Regulations.

Exploration and Mine Development

Tent Mountain Mine

In 2019 the Company concentrated efforts planning the re-start of the Tent Mountain Mine.

Exploration continued, drilling 57 holes for ~7,000m, primarily for coking coal product definition, geotechnical evaluation and environmental monitoring (geochemical, hydrology and hydrogeology). The exploration provides the requisite information to complete the new JORC resource assessment for the Tent Mountain Mine, and to support mine planning for the Definitive Feasibility Study.

Independent consultants including Dahrouge (geology), SRK (mine planning and project management), Sedgman (coal preparation plant and surface infrastructure), Matrix (environment) and Lifeways (Indigenous engagement) delivered the Definitive Feasibility Study in May 2020. The study shows strong positive economic results, with the mine expected to operate for 14 years producing 1.8Mtpa run of mine coal for 1.1Mtpa of product to be marketed as a high-quality Tier 2 hard coking coal (HCC).

The Company has also secured the land required for a rail siding adjacent to the Tent Mountain Mine on the CP rail line, negating the need to use provincial roads to transport coal, as well as the power and water supply to support the rapid re-start of the mine. Additionally, the Company negotiated a port services agreement with Westshore Terminals in the Port of Vancouver for up to 1.25Mtpa, and subsequently executed the contract in July 2020.

The Company has been undertaking environmental testing and monitoring since early-2018 to facilitate the environmental permit amendment applications the Company will submit to the AER. This environmental analysis includes surface water quality and groundwater monitoring, flora and fauna surveys, fisheries and aquatics surveys as well as cultural and archaeology studies. These surveys and studies, along with the significant environmental data collected by the mine operator form a key component in the Company's environmental assessment process which underpins the permit amendment process. The studies have enabled impact assessment reports to be completed, which are being used to underpin the permit amendment applications.

The mine operating plans and the applications to amend the Company's existing environmental permits and gain additional operating permits and licenses are expected to be presented to the AER in October 2020.

Chinook Project

In 2019 the Company completed its initial concept study or "Preliminary Economic Assessment" of a large open-cut hard coking coal project in the Crowsnest Pass. The results from that study were encouraging, depicting a large open-cut mine potentially capable of producing 4.5Mtpa of hard coking coal.

In H1 2020 an updated JORC resource estimate was received for the Chinook Project, including Chinook South and Chinook Vicary. That report provided a Chinook Project resource estimate of 149.1 million tonnes, and an additional Exploration Target of 125Mt - 450Mt for the Chinook Project. To align engineering and geology, the Company commissioned independent consultant RPM Global to conduct a new concept study based on the updated resource estimate. Early results from this study are encouraging, and it is expected to be completed during Q3 2020.

Exploration is planned on the Chinook Project in H2 2020.

Corporate Activity

Montem Resource's Independent Chairman and Non-Executive Director, Robert Yeates, announced his retirement in February 2020. Mr. Yeates was integral to the development and implementation of Montem's strategy, and was a steadying hand to the organisation for the two years of his tenure. The Board acknowledged his guidance and focus on governance and is thankful for his service.

Mr Mark Lochtenberg was elected Chairman following Mr Yeates' retirement.

Mr. Lochtenberg joined the Montem Resources Board in H1 2019 and brings a range of skills and experience to the role. Mr Lochtenberg has worked in the resource sector for more than 30 years. He was formerly the co-head of Glencore International AG's worldwide coal division, where he spent 13 years overseeing a range of trading activities and coal asset purchase and delivered significant growth for their portfolio of coal assets.

During the year ended 31 December 2019, the Company issued 4,335,000 convertible notes at an annual simple interest rate of 10%, raising \$4,164,500, net of financing fees. The face value of each note is \$1.00 with a maturity date (Maturity Date) of 31 December 2020.

Significant changes in the state of affairs

Between February to May 2020, the Company issued 860,000 convertible notes under the same terms as detailed above (and Note 4 to the financial statement), at an annual simple interest rate of 10%, raising \$860,000, net of financing fees. In addition, on 8 April 2020 and 13 May 2020, the Company also issued convertible notes amounting to \$150,000 to discharge a trade payable on the same terms and conditions. The face value of each note is \$1.00 with a maturity date (Maturity Date) of 31 December 2020.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout North America. The spread of COVID-19 has caused significant volatility in North America and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 and therefore the Company has taken precautionary measures by temporarily closing the Company's office and having arranged the employees work remotely, as well as curtailing travel. Management believes that this will allow efforts to continue the Feasibility Study and permitting activities. At the date of this report, the impact of these measures is not expected to significantly impact the completion of the Feasibility Study. However, as the circumstances continue to evolve, there may be disruptions to the Feasibility Study timeline if employees, consultants or their respective families are personally impacted by the COVID-19.

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

Matters subsequent to the end of the financial half-year

On 13 July 2020, the Company issued 3,000,000 performance rights under the terms of the Company's Employee Incentive Plan to the Directors, Managing Director and senior executives for no consideration with fair value of \$0.15 each, all with an expiry date of 30 June 2023.

In July the Company hired Morgans Corporate Limited as advisors to assist our preparation of an Initial Public Offering (IPO) on the Australian Stock Exchange (ASX). The Company successfully completed the IPO in August, offering \$8,000,000 in new securities at \$0.25 (25 cents) per share. The Company expects to issue 32,000,000 new ordinary shares and begin trading on the ASX in September, under the ASX code "MR1". Completion of the IPO also creates a conversion event for the \$5,345,000 Convertible Notes currently on issue, which will be converted to approximately 32,931,608 ordinary shares.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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



Mark Lochtenberg
Chairman

10 September 2020

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF MONTEM RESOURCES
LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2020 there have been:

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



William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



J. C. Luckins
Director

Melbourne, 10 September 2020

ACCOUNTANTS & ADVISORS

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Montem Resources Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2020



	Note	30 June 2020	30 June 2019
		\$	\$
Other income			
Interest income		(368)	-
Expenses			
Personnel and consulting		(517,532)	(438,275)
Professional fees		(90,814)	(132,019)
Share based payments		(996)	(314,347)
Finance costs		(412,531)	(142,385)
Marketing		(18,606)	(11,786)
General administration		(175,028)	(272,621)
Depreciation charges		(19,909)	(627)
Loss before income tax expense		(1,235,784)	(1,312,060)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Montem Resources Limited		(1,235,784)	(1,312,060)
Other comprehensive profit/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(555,060)	348,494
Other comprehensive (loss)/profit for the half-year, net of tax		(555,060)	348,494
Total comprehensive loss for the half-year attributable to the owners of Montem Resources Limited		(1,790,844)	(963,566)
		Cents	Cents
Basic earnings per share	11	(0.9623)	(1.2814)
Diluted earnings per share	11	(0.9623)	(1.2814)

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

Montem Resources Limited
Statement of financial position
As at 30 June 2020



	Note	30 June 2020	31 December 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		787,761	1,430,751
Trade and other receivables		44,332	333,407
Deposits and advances		8,406	17,119
Prepaid expenses		76,612	25,857
Total current assets		917,111	1,807,134
Non-current assets			
Property, plant and equipment		748,909	752,806
Right-of-use assets		278,634	239,645
Exploration and evaluation	3	16,746,420	14,556,002
Non-current deposits		593,751	675,610
Total non-current assets		18,367,714	16,224,063
Total assets		19,284,825	18,031,197
Liabilities			
Current liabilities			
Trade and other payables		823,766	1,086,657
Borrowings	4	5,661,109	4,401,842
Lease liabilities		116,256	85,909
Employee benefits		185,148	129,962
Total current liabilities		6,786,279	5,704,370
Non-current liabilities			
Borrowings		42,636	-
Lease liabilities		176,065	162,581
Total non-current liabilities		218,701	162,581
Total liabilities		7,004,980	5,866,951
Net assets		12,279,845	12,164,246
Equity			
Issued capital	5	24,154,904	22,430,473
Reserves	6	3,312,786	3,685,834
Accumulated losses		(15,187,845)	(13,952,061)
Total equity		12,279,845	12,164,246

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

Montem Resources Limited
Statement of changes in equity
For the half-year ended 30 June 2020



	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2019	14,560,004	113,102	2,042,481	(10,637,607)	6,077,980
Loss after income tax expense for the half-year	-	-	-	(1,312,060)	(1,312,060)
Other comprehensive profit for the half-year, net of tax	-	348,494	-	-	348,494
Total comprehensive profit/(loss) for the half- year	-	348,494	-	(1,312,060)	(963,566)
Issue of shares	6,110,000	-	-	-	6,110,000
Share issue transaction costs	(251,016)	-	-	-	(251,016)
Issue of performance shares	-	-	318,662	-	318,662
Share based payments	-	-	116,421	-	116,421
Balance at 30 June 2019	<u>20,418,988</u>	<u>461,596</u>	<u>2,477,564</u>	<u>(11,949,667)</u>	<u>11,408,481</u>

	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2020	22,430,473	472,385	3,213,449	(13,952,061)	12,164,246
Loss after income tax expense for the half-year	-	-	-	(1,235,784)	(1,235,784)
Other comprehensive loss for the half-year, net of tax	-	(555,060)	-	-	(555,060)
Total comprehensive loss for the half-year	-	(555,060)	-	(1,235,784)	(1,790,844)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (Note 5)	1,724,431	-	-	-	1,724,431
Share-based payments (Note 12)	-	-	645,288	-	645,288
Share options and rights lapsed	-	-	(463,276)	-	(463,276)
Balance at 30 June 2020	<u>24,154,904</u>	<u>(82,675)</u>	<u>3,395,461</u>	<u>(15,187,845)</u>	<u>12,279,845</u>

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

Montem Resources Limited
Statement of cash flows
For the half-year ended 30 June 2020



	30 June 2020 \$	30 June 2019 \$
Cash flows from operating activities		
Payments to suppliers and employees	(768,419)	(909,874)
Net cash used in operating activities	(768,419)	(909,874)
Cash flows from investing activities		
Payments for property, plant and equipment	(27,598)	(412,191)
Payments for exploration and evaluation	(2,365,914)	(2,354,568)
Payments for security deposits	81,859	(425,128)
Net cash used in investing activities	(2,311,653)	(3,191,887)
Cash flows from financing activities		
Proceeds from issue of shares	1,918,713	6,110,000
(Repayments of) / proceeds from borrowings	902,636	(987,814)
Share issue transaction costs	(194,282)	(251,016)
Repayment of lease liabilities	(60,006)	-
Net cash from financing activities	2,567,061	4,871,170
Net increase/(decrease) in cash and cash equivalents	(513,011)	769,409
Cash and cash equivalents at the beginning of the financial half-year	1,430,751	1,601,349
Effects of exchange rate changes on cash and cash equivalents	(129,979)	305,517
Cash and cash equivalents at the end of the financial half-year	<u>787,761</u>	<u>2,676,275</u>

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

Note 1. General information

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

A description of the nature of the consolidated entity'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 10 September 2020.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2020 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 31 December 2019 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 consolidated entity 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.

Going concern

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

The Consolidated Entity made a loss after tax of \$1,235,784 during the half-year ended 30 June 2020 (half-year ended 30 June 2019: \$1,312,060) and had net operating cash outflows of \$918,419 (30 June 2019: \$909,874). Evaluation and exploration costs of \$2,365,914, and property, plant and equipment of \$27,598 were paid during the period (30 June 2019: \$2,354,568, \$412,191, respectively; and payments for security deposits of \$425,128). Capital of \$1,724,431 (30 June 2019: \$5,858,984), net of cash costs, was raised during the period. As at 30 June 2020, the cash balance was \$787,761 (31 December 2019: \$1,430,751) and net working capital deficit was \$5,869,168 (31 December 2019: Deficit of \$3,897,236).

In considering the ability of the Consolidated Entity to continue as a going concern the Directors considered the following matters:

- The Consolidated Entity has the ability to raise additional working capital through the issue of equity, as needed;
- The Consolidated Entity has a successful history in raising funds and is well supported by its major shareholders;
- If required, the Consolidated Entity has the ability to undertake either the full or partial sale of its existing tenement portfolio, enter into farm-out arrangements of its existing tenement portfolio or obtain approval for the deferral of the current work programs.

The Directors will continue to monitor the ongoing funding requirements of the Consolidated Entity. As a consequence of the above, the directors believe that, notwithstanding the Consolidated Entity's operating results for the year, the Consolidated Entity will be able to continue as a going concern and therefore, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

Note 3. Non-current assets - exploration and evaluation

	30 June 2020 \$	31 December 2019 \$
Exploration and evaluation Chinook - at cost	1,065,900	1,096,250
Exploration and evaluation Tent Mountain - at cost	15,680,520	13,459,752
	<u>16,746,420</u>	<u>14,556,002</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Chinook \$	Tent Mountain \$	Total \$
Consolidated			
Balance at 1 January 2020	1,096,250	13,459,752	14,556,002
Additions	-	2,670,780	2,670,780
Exchange differences	(30,350)	(450,012)	(480,362)
Balance at 30 June 2020	<u>1,065,900</u>	<u>15,680,520</u>	<u>16,746,420</u>

Note 4. Current liabilities - borrowings

	30 June 2020 \$	31 December 2019 \$
Convertible notes payable	<u>5,661,109</u>	<u>4,401,842</u>

Convertible notes payable

During the year ended 31 December 2019, the Company issued 4,335,000 convertible notes at an annual simple interest rate of 10%, raising \$4,164,500, net of financing fees. In addition, between February to May 2020, the Company issued 860,000 convertible notes under the same terms as detailed above, raising \$860,000, net of financing fees. Also, on 8 April 2020 and 13 May 2020, the Company issued convertible notes amounting to \$150,000 to discharge a trade payable on the same terms and conditions. The face value of each note is \$1.00 with a maturity date (Maturity Date) of 31 December 2020. The convertible notes are convertible at the following prices:

- If there is an initial public offering event (IPO Conversion Event):
- on or before 31 March 2020, the price is at a 20% discount to the issue price of shares to investors under the initial public offering (IPO).
- between 1 April 2020 and 30 September 2020, the price is at a 30% discount to the issue price of shares to investors under the IPO.
- after 30 September 2020 but before the Maturity Date, the price is at a 40% discount to the issue price of shares to investors under the IPO.
- If there is a change of control event other than through an IPO or the completion of a fundraising event (other than an IPO) which raises \$10 million or more (Qualifying Financing Event), at a price pre-share as determined by the Company's auditors.

If on Maturity Date, at a price per share to be determined based on the value of the Company as determined by one of several professional accountants as selected by the Company, divided by the number of shares on issue immediately before the relevant event.

Note 5. Equity - issued capital

	30 June 2020 Shares	31 December 2019 Shares	30 June 2020 \$	31 December 2019 \$
Ordinary shares - fully paid	<u>137,695,203</u>	<u>124,903,784</u>	<u>24,154,904</u>	<u>22,430,473</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2020	124,903,784		22,430,473
Share issue	12 May 2020	12,791,419	\$0.1500	1,918,713
Share issue costs		-	\$0.0000	(194,282)
Balance	30 June 2020	<u>137,695,203</u>		<u>24,154,904</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 6. Equity - reserves

	30 June 2020 \$	31 December 2019 \$
Foreign currency translation reserve	(82,675)	472,385
Share-based payments reserve	<u>3,395,461</u>	<u>3,213,449</u>
	<u>3,312,786</u>	<u>3,685,834</u>

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Foreign currency translation reserve \$	Share based payment reserve \$	Total \$
Balance at 1 January 2020	472,385	3,213,449	3,685,834
Foreign currency translation	(555,060)	-	(555,060)
Share based payments - option issues	-	282,063	282,063
Share based payments - performance rights issues	-	363,225	363,225
Lapsed options and performance rights	-	(463,276)	(463,276)
Balance at 30 June 2020	<u>(82,675)</u>	<u>3,395,461</u>	<u>3,312,786</u>

Note 7. Equity - dividends

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

Note 8. Contingent liabilities

The Consolidated Entity does not have any contingent liabilities at reporting date.

Note 9. Commitments

In November 2019 the Company entered into a binding agreement to ship up to 1.25Mtpa of coking coal through Westshore Terminals in Vancouver. The agreement included a reservation fee of CAD\$1,250,000 (equivalent to AUD1,302,083 as at 29 July 2020) which is payable in two parts. CAD\$100,000 was paid on 8 January 2020 and the balance of CAD\$1,150,000 is to be paid by 2 November 2020.

There were no other commitments existed at 30 June 2020.

Note 10. Events after the reporting period

On 13 July 2020, the Company issued 3,000,000 performance rights under the terms of the Company's Employee Incentive Plan to the Directors, Managing Director and senior executives for no consideration with fair value of \$0.15 each, all with an expiry date of 30 June 2023.

In July the Company hired Morgans Corporate Limited as advisors to assist our preparation of an Initial Public Offering (IPO) on the Australian Stock Exchange (ASX). The Company successfully completed the IPO in August, offering \$8,000,000 in new securities at \$0.25 (25 cents) per share. The Company expects to issue 32,000,000 new ordinary shares and begin trading on the ASX in September, under the ASX code "MR1". Completion of the IPO also creates a conversion event for the \$5,345,000 Convertible Notes currently on issue, which will be converted to approximately 32,931,608 ordinary shares.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 11. Earnings per share

	30 June 2020	30 June 2019
	\$	\$
Loss after income tax attributable to the owners of Montem Resources Limited	<u>(1,235,784)</u>	<u>(1,312,060)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>128,417,910</u>	<u>102,391,134</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>128,417,910</u>	<u>102,391,134</u>
	Cents	Cents
Basic earnings per share	(0.9623)	(1.2814)
Diluted earnings per share	(0.9623)	(1.2814)

Note 12. Share-based payments

The Company has established an employee incentive plan, whereby the Company may, at the discretion of the Plan Committee, grant options over ordinary shares in the Company or performance rights over ordinary shares in the Company to eligible employees and any director of the Company. The options are issued pursuant to the plan rules with an exercise price at grant, issued in three equal tranches vesting over a two-year period.

Note 12. Share-based payments (continued)

30 June 2020

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
12/01/2018	12/01/2023	\$0.6300	1,736,472	-	-	-	1,736,472
12/01/2018	31/12/2023	\$0.7500	649,806	-	-	-	649,806
12/01/2018	31/12/2023	\$1.0000	649,806	-	-	-	649,806
31/01/2018	12/01/2023	\$0.6300	233,463	-	-	-	233,463
31/01/2018	12/01/2023	\$0.7500	233,463	-	-	-	233,463
31/01/2018	12/01/2023	\$1.0000	233,463	-	-	(71,631)	161,832
06/04/2018	12/01/2023	\$0.6300	116,732	-	-	-	116,732
06/04/2018	31/12/2023	\$0.7500	116,732	-	-	-	116,732
06/04/2018	31/12/2024	\$1.0000	116,730	-	-	-	116,730
18/07/2019	12/01/2023	\$0.6300	-	58,366	-	-	58,366
18/07/2019	31/12/2023	\$0.7500	-	58,366	-	-	58,366
18/07/2019	31/12/2004	\$1.0000	-	58,365	-	-	58,365
24/09/2019	23/09/2023	\$0.2500	-	2,250,000	-	(875,000)	1,375,000
24/09/2019	23/09/2023	\$0.5000	-	2,750,000	-	(2,000,000)	750,000
			4,086,667	5,175,097	-	(2,946,631)	6,315,133

30 June 2019

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
12/01/2018	12/01/2023	\$0.6300	1,736,472	-	-	-	1,736,472
12/01/2018	31/12/2023	\$0.7500	649,806	-	-	-	649,806
12/01/2018	31/12/2023	\$1.0000	649,806	-	-	-	649,806
31/01/2018	12/01/2023	\$0.6300	233,463	-	-	-	233,463
31/01/2018	12/01/2023	\$0.7500	233,463	-	-	-	233,463
31/01/2018	12/01/2023	\$1.0000	233,463	-	-	-	233,463
06/04/2018	12/01/2023	\$0.6300	116,732	-	-	-	116,732
06/04/2018	31/12/2023	\$0.7500	116,732	-	-	-	116,732
06/04/2018	31/12/2024	\$1.0000	116,730	-	-	-	116,730
			4,086,667	-	-	-	4,086,667

Note 12. Share-based payments (continued)

For the options outstanding at the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
12/01/2018	12/01/2023	\$0.1500	\$0.6300	100.00%	2.30%	\$0.3611
12/01/2018	31/12/2023	\$0.1500	\$0.7500	100.00%	2.30%	\$0.3736
12/01/2018	31/12/2024	\$0.1500	\$1.0000	100.00%	2.61%	\$0.3808
31/01/2018	12/01/2023	\$0.1500	\$0.6300	100.00%	2.24%	\$0.3595
31/01/2018	12/01/2023	\$0.1500	\$0.7500	100.00%	2.24%	\$0.3467
31/01/2018	12/01/2023	\$0.1500	\$1.0000	100.00%	2.24%	\$0.3255
06/04/2018	12/01/2023	\$0.1500	\$0.6300	100.00%	2.27%	\$0.3546
06/04/2018	31/12/2023	\$0.1500	\$0.7500	100.00%	2.27%	\$0.3680
06/04/2018	31/12/2024	\$0.1500	\$1.0000	100.00%	2.27%	\$0.3745
24/09/2019	22/09/2022	\$0.2500	\$0.2500	95.00%	0.75%	\$0.1290
24/09/2019	22/09/2022	\$0.2500	\$0.5000	95.00%	0.75%	\$0.0990
24/09/2019	22/09/2022	\$0.2500	\$0.2500	95.00%	0.75%	\$0.1320
24/09/2019	22/09/2022	\$0.2500	\$0.2500	95.00%	0.75%	\$0.1050
08/07/2019	12/01/2023	\$0.2500	\$0.6300	95.00%	0.95%	\$0.0980
08/07/2019	31/12/2023	\$0.2500	\$0.7500	95.00%	1.02%	\$0.1050
08/07/2019	31/12/2024	\$0.2500	\$1.0000	95.00%	1.02%	\$0.1100

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 consolidated entity's financial position as at 30 June 2020 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



Mark Lochtenberg
Chairman

10 September 2020

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Montem Resources Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 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 half-year financial report of Montem Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 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 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

The directors of the Montem Resources Limited 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.

ACCOUNTANTS & ADVISORS

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Auditor's Responsibilities 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 Company's financial position as at 30 June 2020 and its 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.

A handwritten signature in blue ink that reads "William Buck".

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

A handwritten signature in blue ink, appearing to be "J. C. Luckins".

J. C. Luckins
Director

Melbourne, 10 September 2020