

# **Montem Resources Limited**

**Interim Report - 30 June 2021**

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

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 2021.

### **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 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

### **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 2021 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 232 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 three 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 Company has also identified the potential for a large mining complex to be established at the Chinook Project. A Scoping Study, being a preliminary technical and economic study of the potential viability of open cut mining at the Chinook Project, was announced in February (please refer to the cautionary statement included in the 9 February 2021 announcement "Montem completes positive Scoping Study at the Chinook Project"). The study identifies an open cut mine opportunity at the Chinook Project. Results from the Scoping Study indicate an economically and technically viable project with upside justifying progressing to a Pre-Feasibility Study. The Company intends to conduct further exploration at Chinook with the intent to increase the percentage of Indicated resources within the mine plan to over 70% of the total resources.

All of our exploration at Tent Mountain and Chinook is within Category 4 land under the 1976 Alberta Coal Policy, and remains unaffected by the pause in exploration within Category 2 lands pending the completion of the Coal Policy review by the Alberta Government.

### **Review of operations**

The Consolidated Entity made a loss after tax of \$808,163 during the half-year ended 30 June 2021 (half-year ended 30 June 2020: \$1,235,784) and had net operating cash outflows of \$612,689 (30 June 2020: \$768,419). Evaluation and exploration costs of \$2,495,010, and payments for security deposits of \$302,967 were paid during the period (30 June 2020: \$2,365,914, \$8,859, respectively). Capital of \$5,087,750 (30 June 2020: \$1,724,431), net of cash costs, was raised during the period. As at 30 June 2021, the cash balance was \$5,051,729 (31 December 2020: \$3,434,480) and net working capital surplus was \$4,399,554 (31 December 2020: Surplus of \$2,451,918).

### **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 2020 field season.

During the 2020 field program, the Company conducted its operations in compliance with the relevant Albertan regulations for occupational health and safety for coal mining. The Company has 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.

### **Operations**

In the period from January to June 2021 Montem encountered significant interruption to our business plan. A series of decisions by regulators in Alberta and Federally in Canada have impacted our business and put downward pressure on our share price. Nonetheless, the Directors believe our Canadian coal assets remain viable, and we have a resilient business plan to prudently advance our projects while protecting the value. Montem is working with both provincial and federal regulators to ascertain the correct pathway for re-starting the Tent Mountain Mine, and we have recently submitted our Initial Project Description to the Federal regulator for Tent Mountain. We have also been actively participating in the provincial review of the Coal Policy being undertaken by the Alberta Government. We have hosted multiple site visits by regulators and the Alberta Coal Policy Review Committee, and eagerly await their findings which are to be submitted to the Government in November. This is a key step in re-establishing a measure of regulatory certainty in Alberta. As the majority of Montem's assets are in Category 4 (a land category where open-cut mining is contemplated), we maintain a strong belief our assets will remain whole through the review process. Furthermore, Montem owns substantial coal resources in Alberta held as "fee simple", which means we own the coal; hence our asset base of high quality hard coking coal remains valid and strong.

### *Business planning*

The Company has undertaken an examination of our business strategy in response to the regulatory decisions in June:

1. Grassy Mountain Project denial by regulators
2. Tent Mountain Mine designation for Federal environmental review

The outcome of this is the formulation of an updated business plan focusing on three areas:

- a) Continuing development of existing assets, the Tent Mountain Mine and the Chinook Project;
- b) Alternate methods to protect and maximize value from existing assets; and
- c) Investigating potential acquisitions of active coking coal mines

As we have suffered delays to our project development at the Tent Mountain Mine, we are investigating alternate methods of monetisation of our strong asset base of hard coking coal adjacent to rail. We will keep shareholders informed as these alternate options for monetisation are realised.

Montem is excited and very conscious of the opportunity the current coal market affords. Hard coking coal prices globally are reaching unprecedented highs. Export pricing of hard coking coal from Canada and the USA is reported at over US\$300/t, and whilst Australia remains blocked from selling to China, prices for Queensland PLV HCC are over US\$250/t (IHS McCloskey: Inside Coal & Steel Raw Materials, 03 September 2021), indicating strong demand for coking coal across the globe. Montem is actively seeking to participate in this market and will keep the market abreast of developments as they occur.

### *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 (Act) 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.

In June 2021 the Federal Minister of Environment and Climate Change, the Honourable Jonathan Wilkinson, designated the Tent Mountain Re-start Project for Federal review under the Act. He took into account that the Project may cause adverse effects to the transboundary environments, Indigenous peoples and fish and fish habitat, given the uncertainty related to the effectiveness of proposed measures to avoid deposition of selenium and other deleterious substances. Minister Wilkinson also took into consideration public concerns related to these potential effects and the context that the entire Project is not captured in a single provincial assessment. Subsequently, the Company is preparing to undertake the Federal review process.

#### *Exploration and Mine Development*

##### Tent Mountain Mine

In 2021 the Company concentrated efforts planning the re-start of the Tent Mountain Mine and undertaking the necessary steps to work through the regulatory process to re-start the mine.

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.

In January, the Alberta Energy Regulator (AER) recommended the Company undertake an Environmental Impact Assessment (EIA) for the mine re-start. The Company worked with the AER, Indigenous Peoples, the local community, and stakeholders to determine the appropriate Terms of Reference (TOR) for the EIA. In May the AER published the final TOR, an important milestone as it allows the Company to complete remaining reports in support of the EIA.

In June, the Canadian Federal Minister of Environment and Climate change designated Tent Mountain as a project requiring review under the Federal Impact Assessment Act. Hence the Tent Mountain Mine, requires both Provincial and Federal approval to re-start. The Federal process is being initiated in Q3 2021 with submission of the Initial Project Description to the Impact Assessment Agency of Canada (IAAC). The terms of a Federal Impact Assessment will be established by the IAAC planning process that can take up to 180 days to finalise.

The Company is awaiting the outcome of its IAAC submission and the implications of the Federal EIA process prior to completing the Alberta EIA application. This will enable us to work on both applications simultaneously, limiting the amount of re-work.

##### Alberta Coal Policy Update

The Government of Alberta halted all exploration activities on Alberta 1976 Coal Development Policy Category 2 lands while it completes a public consultation process for development of a new Coal Policy. As Montem's Tent Mountain Mine and the Chinook Project are located on Category 4 lands, its activities remain unaffected by the decision. Montem supports the Government's process to devise an updated coal development policy for Alberta, which includes a public consultation period, and it will continue to stay involved in the consultation. An independent committee undertaking public consultation will report to the Alberta Government by 15 November 2021. Montem is participating in the review both as a member of the Coal Association of Canada and as an independent project proponent.

### Chinook Project

In February 2021, the Company released summary results of a Scoping Study that focused on the Chinook Vicary area of the Chinook Project. The Scoping Study identifies an open cut mine opportunity at the Chinook Project, centred around the old Vicary underground, and to the north of the old workings. Results from the Scoping Study indicate an economically and technically viable project with upside justifying progressing to a Pre-Feasibility Study.

The Scoping Study considered Montem's JORC 2012 Indicated and Inferred in-place resource of 149.1 M tonnes (Measured 0.0Mt; Indicated 103.8Mt; Inferred 45.3Mt), and leverages existing rail, power, and road infrastructure adjacent to the project. As the proportion of Indicated Resources underpinning the engineering study is less than 70%, the resulting financial analysis of the Study are not able to be released to the market (in accordance with regulatory requirements).

The Chinook Project has the potential to be a major open-cut steelmaking coal project adjacent to rail, power, and highway infrastructure. The Company focused on Chinook Vicary as it is within Category 4 lands, has the advantage of brownfield development, and sits adjacent to a historical mine that previously exported high quality hard coking coal to Japanese steel makers.

At a high level, this is a very attractive Project in an excellent mining jurisdiction. The key recommendations from the Scoping Study are to undertake further drilling to convert additional resources to the Indicated category (JORC 2012), as well as commencing geotechnical test work and environmental studies to progress with a Pre-Feasibility Study.

Montem's Board and Management are pleased with the results of the Scoping Study which identifies the potential to realize cash flow from surface mining within the Chinook Project. On the strength of that study, the Company will execute plans to conduct additional drilling, engineering and environmental work to produce a Pre-Feasibility Study for Chinook Vicary.

Following the release of the Scoping study, the Company announced the results of coal quality test work performed on drill samples collected at Chinook Vicary in Q4 CY2020.

Large diameter core samples, obtained from Montem's exploration drilling at Chinook Vicary in late 2020, were analysed, with coal quality and carbonization results confirming the occurrence of high quality low volatile Hard Coking Coal (HCC) at Chinook Vicary. The drilling at Chinook Vicary was within the conceptual open-cut pit shell areas designed during the Chinook Project Scoping Study. These drilling and coal quality results will form the basis of an update to the JORC Resource Estimate for Chinook Vicary, expected to be completed in Q3 2021.

In August, subsequent to the end of the first half of 2021, Montem announce it has completed a JORC Resource Estimate update for the Chinook Project. The coal Resource Estimate for the Chinook Project has increased by 23Mt to 172Mt (108Mt Indicated and 64Mt Inferred). The Chinook Project ("Chinook" or the "Project") in Alberta, Canada is made up of two areas, Chinook Vicary and Chinook South (Figure 1). The Project is located entirely within 1976 Coal Development Policy for Alberta Category 4 lands. Along with the 172Mt coal Resource Estimate, the Project also contains a coal Exploration Target Estimate of an additional 125Mt to 450Mt at Chinook Vicary. This is in addition to the 60 million tonne Resource Estimate for Tent Mountain (JORC 2012) for a combined total of 232 million tonnes of estimated coal resource.

### **Competent persons statement**

The information in this Interim Financial Report that relates to 2021 Mineral Resource Estimates for the Vicary Domain of the Chinook Project is based on, and fairly represents, information and supporting documentation prepared by Mr. Shaun Tamplin, an employee of Tamplin Resources Pty Ltd (Tamplin Resources) and a member of the Australasian Institute of Mining and Metallurgy (No. 228544). Mr. Tamplin has sufficient experience (20+ years) of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Tamplin consents to the inclusion in this report of the matters based on information in the form and context which it appears.

### **Forward looking statements**

This Interim Financial Report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, prevailing commodity prices, as well as other matters not yet known to the Company or not currently considered material by the Company.

**Significant changes in the state of affairs**

On 26 February 2021, the Company has issued 30,394,021 fully paid ordinary shares to professional and sophisticated investors at an issue price of \$0.17 (17 cents) per share.

On 29 March 2021, the Company has issued 1,176,475 fully paid ordinary shares to professional and sophisticated investors at an issue price of \$0.17 (17 cents) per share.

On 28 May 2021, the Company has issued 1,692,606 Option over ordinary shares to the directors of the Company with following terms:

- 564,203 Options with exercise price of \$0.31, which were vested on issue and expire on 28 May 2026
- 564,203 Options with exercise price of \$0.37, which will vest on 28 May 2022 and expire on 28 May 2026
- 564,203 Options with exercise price of \$0.50, which will vest on 28 May 2023 and expire on 28 May 2026

On 30 June 2021, 150,000 performance rights over ordinary shares and 750,000 Options over ordinary shares were forfeited as the conditions attached with these securities have not been, or have become incapable of being, satisfied.

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**

No matter or circumstance has arisen since 30 June 2021 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



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Mark Lochtenberg  
Chairman

9 September 2021

**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 2021 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

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



**N. S. Benbow**  
Director

Melbourne, 9 September 2021

**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 2021**



	<b>Note</b>	<b>Consolidated</b>	
		<b>30 June 2021</b>	<b>30 June 2020</b>
		<b>\$</b>	<b>\$</b>
<b>Expenses</b>			
Employee benefits expense		(384,718)	(518,528)
Professional fees		(113,844)	(90,814)
Marketing and business development		(98,640)	(18,606)
Corporate expenses		(183,419)	(175,396)
Depreciation charges		(21,040)	(19,909)
Financing costs		(6,502)	(412,531)
		<hr/>	<hr/>
<b>Loss before income tax expense</b>		(808,163)	(1,235,784)
Income tax expense		<hr/>	<hr/>
		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of Montem Resources Limited</b>		(808,163)	(1,235,784)
 <b>Other comprehensive profit/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<hr/>	<hr/>
		1,279,372	(555,060)
Other comprehensive profit/(loss) for the half-year, net of tax		<hr/>	<hr/>
		1,279,372	(555,060)
<b>Total comprehensive profit/(loss) for the half-year attributable to the owners of Montem Resources Limited</b>		<hr/> <hr/>	<hr/> <hr/>
		471,209	(1,790,844)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	10	(0.3604)	(0.9623)
Diluted earnings per share	10	(0.3604)	(0.9623)

*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 2021**



	<b>Consolidated</b>	
	<b>31 December</b>	
<b>Note</b>	<b>30 June 2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,051,729	3,434,480
Trade and other receivables	56,087	104,946
Deposits and advances	35,041	33,117
Prepaid expenses	577	32,059
<b>Total current assets</b>	<u>5,143,434</u>	<u>3,604,602</u>
<b>Non-current assets</b>		
Receivables	-	5,103
Property, plant and equipment	739,616	707,730
Right-of-use assets	265,054	208,576
Exploration and evaluation	4 22,456,185	19,561,890
Non-current deposits	683,208	350,831
<b>Total non-current assets</b>	<u>24,144,063</u>	<u>20,834,130</u>
<b>Total assets</b>	<u>29,287,497</u>	<u>24,438,732</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	437,921	845,348
Lease liabilities	142,394	116,144
Employee benefits	163,566	191,192
<b>Total current liabilities</b>	<u>743,881</u>	<u>1,152,684</u>
<b>Non-current liabilities</b>		
Borrowings	43,034	40,671
Lease liabilities	126,524	109,017
<b>Total non-current liabilities</b>	<u>169,558</u>	<u>149,688</u>
<b>Total liabilities</b>	<u>913,439</u>	<u>1,302,372</u>
<b>Net assets</b>	<u>28,374,058</u>	<u>23,136,360</u>
<b>Equity</b>		
Issued capital	5 42,402,087	37,313,701
Reserves	3,706,252	2,748,777
Accumulated losses	(17,734,281)	(16,926,118)
<b>Total equity</b>	<u>28,374,058</u>	<u>23,136,360</u>

*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 2021**



<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Foreign currency translation reserve</b> \$	<b>Share based payments reserve</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
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	1,724,431	-	-	-	1,724,431
Share-based payments (note 11)	-	-	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>

<b>Consolidated</b>	<b>Issued capital</b> \$	<b>Foreign currency translation reserve</b> \$	<b>Share based payments reserve</b> \$	<b>Accumulated losses</b> \$	<b>Total equity</b> \$
Balance at 1 January 2021	37,313,701	(821,973)	3,570,750	(16,926,118)	23,136,360
Loss after income tax expense for the half-year	-	-	-	(808,163)	(808,163)
Other comprehensive profit for the half-year, net of tax	-	1,279,372	-	-	1,279,372
Total comprehensive profit/(loss) for the half-year	-	1,279,372	-	(808,163)	471,209
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 5)	5,088,386	-	-	-	5,088,386
Share-based payments (note 11)	-	-	28,689	-	28,689
Share options and rights forfeited (note 11)	-	-	(350,586)	-	(350,586)
Balance at 30 June 2021	<u>42,402,087</u>	<u>457,399</u>	<u>3,248,853</u>	<u>(17,734,281)</u>	<u>28,374,058</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 2021**



	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(607,289)	(768,419)
Interest and other finance costs paid	(5,400)	-
	<u>(612,689)</u>	<u>(768,419)</u>
Net cash used in operating activities		
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(16,033)	(27,598)
Payments for exploration and evaluation	(2,525,331)	(2,365,914)
(Payments) / refunds for / from security deposits	(302,967)	81,859
	<u>(2,844,331)</u>	<u>(2,311,653)</u>
Net cash used in investing activities		
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	5,366,984	1,918,713
Proceeds from borrowings	-	902,636
Share issue transaction costs	(279,234)	(194,282)
Repayment of lease liabilities	(76,011)	(60,006)
	<u>5,011,739</u>	<u>2,567,061</u>
Net cash from financing activities		
Net increase/(decrease) in cash and cash equivalents	1,554,719	(513,011)
Cash and cash equivalents at the beginning of the financial half-year	3,434,480	1,430,751
Effects of exchange rate changes on cash and cash equivalents	62,530	(129,979)
	<u>5,051,729</u>	<u>787,761</u>
Cash and cash equivalents at the end of the financial half-year		

*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 2021.

## **Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 30 June 2021 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 2020 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 \$808,163 during the half-year ended 30 June 2021 (half-year ended 30 June 2020: \$1,235,784) and had net operating cash outflows of \$612,689 (30 June 2020: \$768,419). Evaluation and exploration costs of \$2,495,010, and payments for security deposits of \$302,967 were paid during the period (30 June 2020: \$2,365,914, \$8,859, respectively). Capital of \$5,087,750 (30 June 2020: \$1,724,431), net of cash costs, was raised during the period. As at 30 June 2021, the cash balance was \$5,051,729 (31 December 2020: \$3,434,480) and net working capital surplus was \$4,399,554 (31 December 2020: Surplus of \$2,451,918).

The Directors will continue to monitor the ongoing funding requirements of the Consolidated Entity. 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. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

#### *Impairment of non-financial assets*

The combined entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the combined entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

#### *Exploration and evaluation costs*

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Refer note 4 for further information on exploration and evaluation assets.

### Note 4. Non-current assets - exploration and evaluation

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation Chinook - at cost	<u>2,661,661</u>	<u>2,411,092</u>
Exploration and evaluation Tent Mountain - at cost	<u>19,794,524</u>	<u>17,150,798</u>
	<u><u>22,456,185</u></u>	<u><u>19,561,890</u></u>

The Consolidated Entity has a portfolio of hard coking coal (steelmaking coal) projects in western Canada's Crowsnest Pass region including the Tent Mountain Mine Re-start Project ("Tent Mountain"), the Chinook Project ("Chinook"), and the greenfield exploration Isola, 4-Stack and Oldman projects.

**Note 4. Non-current assets - exploration and evaluation (continued)**

	Chinook \$	Tent Mountain \$	Total \$
Balance at 1 January 2020	1,096,250	13,459,752	14,556,002
Expenditure during the year	-	6,061,132	6,061,132
Chinook expenses reclassification*	1,394,315	(1,394,315)	-
Exchange differences	(79,473)	(975,771)	(1,055,244)
Balance at 31 December 2020	<u>2,411,092</u>	<u>17,150,798</u>	<u>19,561,890</u>

\* During the period, the Consolidated Entity reclassified Chinook exploration expenses of \$1,394,315, which was previously reported under Tent Mountain.

	Chinook \$	Tent Mountain \$	Total \$
Balance at 1 January 2021	2,411,092	17,150,798	19,561,890
Expenditure during the half-year	110,495	1,856,255	1,966,750
Share-based payment arrangements forfeited during period (note 11)	-	(208,917)	(208,917)
Exchange differences	140,074	996,388	1,136,462
Balance at 30 June 2021	<u>2,661,661</u>	<u>19,794,524</u>	<u>22,456,185</u>

In late June, the Company notified the market that the Government of Canada announced on 17 June 2021 that the Joint Review Panel (JRP), in its capacity as Alberta Energy Regulator, denied the application for the Grassy Mountain Coal Project owned by Benga Mining Limited (subsidiary of Hancock Prospecting Pty Ltd). The Grassy Mountain Coal Project is located in close proximity to Montem's assets in Alberta and as such its developmental process may be relevant to Montem's own operational considerations. The Panel concluded that "the project is likely to result in significant adverse environmental effects on surface water quality, Westslope cutthroat trout and their habitat, Whitebark pine, rough fescue grasslands and vegetation species and community biodiversity; and, significant adverse effects on physical and cultural heritage of some First Nations." On 19 July 2021, Benga Mining announced it has commenced a legal appeal process following the decision of the JRP to deny issuing a permit for its Grassy Mountain Steelmaking Coal Project.

The Board of Montem considers a number of factors differentiate the Tent Mountain Project from the Grassy Mountain Coal Project application and the stated reasons for its denial. Montem will continue to engage Provincial and Federal regulators, Indigenous Peoples, local communities, and other engaged stakeholders at all stages of the application, process, paying specific attention to concerns raised by the panel in relation to the Grassy Mountain Project.

On 29 June 2021, the Consolidated Entity received notification that Canada's Federal Environment and Climate Change Minister Jonathan Wilkinson had designated the Tent Mountain Mine Re-start Project to undergo a Federal Impact Assessment under subsection 9(1) of the Impact Assessment Act. The Federal Impact Assessment is an effective process featuring set timelines but is likely to delay permitting for the Project, which was schedule to produce first coal in 2023. The Federal process is being initiated in Q3 2021 with submission of the Initial Project Description to the Impact Assessment Agency of Canada (IAAC). The terms of a Federal Impact Assessment will be established by the IAAC planning process that can take up to 180 days to finalise.

The Consolidated Entity is confident based on environmental monitoring and studies completed to date, its engagement activities with Indigenous Peoples and the rapidly advancing selenium treatment technologies that it can satisfy all these concerns during the Federal Impact Assessment process.

Due to these developments, the Consolidated Entity's management have performed a detailed impairment review at 30 June 2021, involving following key assumptions:

**Note 4. Non-current assets - exploration and evaluation (continued)**

- delay the project commencement by 4 to 6 years;
- including additional working capital costs between now and project commencement; and
- additional discount rate to factor in the increased risk attributed to the outcome of the Federal Impact Review.

Based on the assessment and information available at the date of this report, management conclude that the current carrying value of \$21.4 million is significantly low in comparison to the discounted cash flows of the Project and no impairment charge has been recognised at 30 June 2021.

The Consolidated Entity will continue to assess the Project viability around the permitting approvals and outcome of the Federal Impact Review and the Grassy Mountain Appeal.

**Note 5. Equity - issued capital**

	Consolidated			
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>234,197,307</u>	<u>202,626,811</u>	<u>42,402,087</u>	<u>37,313,701</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 January 2021	202,626,811		37,313,701
Share issue	26 February 2021	30,394,021	\$0.1700	5,166,984
Share issue	29 March 2021	1,176,475	\$0.1700	200,000
Share issue costs		<u>-</u>	\$0.0000	<u>(278,598)</u>
Balance	30 June 2021	<u>234,197,307</u>		<u>42,402,087</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.

**Note 6. Equity - dividends**

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

**Note 7. Contingent liabilities**

The Consolidated Entity provided a non-refundable deposit CAD\$275,000 for a land purchase option (Refer note 8 for further information). The Consolidated Entity will forgo deposit if the option is not exercised. With the exception to the above matter, the Consolidated Entity does not have any other contingent liabilities at reporting date.



### Note 8. Commitments

On 31 October 2019 Montem agreed to purchase a parcel of land which is planned to be used for a rail loading facility for the Tent Mountain Mine. Under the original agreement, a final payment of CAD\$2,535,400 was to be made on 4 January 2021.

On 20 January 2021, the Consolidated Entity and Land Vendors agreed to an extension of this agreement under the following terms:

- Extension of agreement to 4 January 2022
- Total purchase price CAD\$3,000,000
- Montem forfeit the existing CAD\$184,000 deposit on 4 January 2021
- Montem, posted a new, non-refundable deposit CAD\$275,000

The Land Vendors are not Related Parties.

There were no other commitments existed at 30 June 2021.

### Note 9. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 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 10. Earnings per share

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of Montem Resources Limited	<u>(808,163)</u>	<u>(1,235,784)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>224,228,144</u>	<u>128,417,910</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>224,228,144</u>	<u>128,417,910</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.3604)	(0.9623)
Diluted earnings per share	(0.3604)	(0.9623)

#### ***Diluted earnings per share***

Options and performance rights have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted earnings per share as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The options and performance rights are non-dilutive as the Consolidated Entity has generated a loss for the year.

**Note 11. Share-based payments**

	<b>Consolidated</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	\$	\$
<b><i>Share-based payments expense - equity-settled</i></b>		
Total expense recognised for the period arising from share-based payment transactions in the income statement	28,689	966
Share-based payment arrangements forfeited during period recognised in the income statement	(141,669)	-
Total expense recognised for the period arising from share-based payment transactions under exploration assets	-	644,322
Share-based payment arrangements forfeited during period recognised under exploration assets	<u>(208,917)</u>	<u>-</u>
	<u><u>(321,897)</u></u>	<u><u>645,288</u></u>

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the fair value of the award on the grant date, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Reversals of the costs of equity-settled transactions during the period are for following reasons;

- Forfeiture of performance rights and options, for not meeting the non-market vesting conditions and the employee no longer being in the employment of the Company.
- Changes to the estimation of number of performance rights expected to become exercisable during the period. Estimates are revised during the period and the cumulative share-based compensation resulting from a revision is recognised in the current period.

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 2021 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



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Mark Lochtenberg  
Chairman

9 September 2021

## Montem Resources

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 2021, 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 2021 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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Melbourne VIC 3000

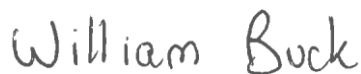
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**Auditor's Responsibilities for the Review of the Financial Report**

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 2021 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.



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



**N. S. Benbow**  
Director

Melbourne, 9 September 2021