

Austral Resources Australia Pty Ltd

ABN 50 142 485 470

Interim Report - 30 June 2021

Austral Resources Australia Pty Ltd
Directors' report
30 June 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Austral Resources Australia Pty Ltd (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 Austral Resources Australia Pty Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Dan Jauncey
Phillip Thomas (appointed 1 July 2021)
Jeffrey Innes (appointed 1 July 2021)

Principal activities

The principal activities of the consolidated entity during the period were the exploration and mining of copper resources.

Review of operations

The net profit of the consolidated entity for the period after providing for income tax amounted to \$2,784,000 (30 June 2020: net loss of \$12,620,000).

During the period the consolidated entity completed the remanent mining campaign of the Lady Annie mine. On completion of this campaign the consolidated entity was able to significantly decrease the contractor costs whilst maintaining copper production resulting in increased margins. Additionally, the consolidated entity moved to diesel generator power production from the precious supply contract which has resulted in approximately 60% decrease in power costs.

Subsequent to the end of the reporting period, the consolidated entity entered into a debt facility with Win Finance No. 359 Pty Ltd for \$30 million. The consolidated entity drew down an initial \$20 million on this facility with the remaining \$10 million to be draw on the successful completion a listing on the Australian Stock Exchange.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial 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.

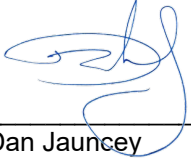
Auditor's independence declaration

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.

Austral Resources Australia Pty Ltd
Directors' report
30 June 2021

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



Dan Jauncey
Executive Director

30 September 2021
Brisbane

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Austral Resources Australia Pty Ltd for the half year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

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RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads 'David Talbot'.

David Talbot
Partner

Sydney, NSW
Dated: 30 September 2021

Austral Resources Australia Pty Ltd

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30 June 2021

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General information

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

Austral Resources Australia Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

C/- HopgoodGanim Lawyers
Waterfront Place
Level 8, 1 Eagle Street
Brisbane QLD 4000

Principal place of business

Lady Annie Mine Site
McNamara Road (off Barkly Highway)
Mount Isa
QLD 4825

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 30 September 2021. The directors have the power to amend and reissue the financial statements.

Austral Resources Australia Pty Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2021

		Consolidated	
	Note	30 Jun 2021	30 Jun 2020
		\$'000	\$'000
Revenue	2	23,227	10,116
Cost of goods sold		(16,006)	(16,191)
Gross profit / (loss)		7,221	(6,075)
Other income		132	358
Expenses			
Other operating expenses		(471)	(1,808)
Administration expenses		(2,306)	(1,925)
Write down of inventory		-	(863)
Depreciation and amortisation expense		(7)	(27)
Finance expense	3	(1,671)	(2,123)
Net foreign exchange (loss) / gain		(114)	(158)
Profit / (loss) before income tax expense		2,784	(12,620)
Income tax expense		-	-
Profit / (loss) after income tax expense for the year		2,784	(12,620)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income / (loss) for the year		2,784	(12,620)

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

Austral Resources Australia Pty Ltd
Consolidated statement of financial position
As at 30 June 2021

		Consolidated	
	Note	30 Jun 2021	31 Dec 2020
		\$'000	\$'000
Current assets			
Cash and cash equivalents		1,010	577
Trade and other receivables	4	33,064	34,099
Prepayments		60	55
Inventories	5	7,482	10,327
Other assets		68	52
Total current assets		41,684	45,110
Non-current assets			
Property, plant and equipment	6	944	299
Exploration and mining assets		444	239
Total non-current assets		1,388	538
Total assets		43,072	45,648
Liabilities			
Current liabilities			
Trade and other payables	7	58,997	63,648
Borrowings		234,310	234,995
Provisions		112	136
Total current liabilities		293,419	298,779
Non-current liabilities			
Provisions		32,521	32,521
Total non-current liabilities		32,521	32,521
Total liabilities		325,940	331,300
Net liabilities		(282,868)	(285,652)
Equity			
Issued capital		1	1
Accumulated losses		(282,869)	(285,653)
Total equity		(282,868)	(285,652)

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

Austral Resources Australia Pty Ltd
Statement of changes in equity
For the half-year ended 30 June 2021

Consolidated	Issued capital \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2020	1	(263,122)	(263,121)
Loss after income tax expense for the half-year	-	(12,620)	(12,620)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(12,620)	(12,620)
<i>Transactions with owners in their capacity as owners:</i>	-	-	-
Balance at 30 June 2020	1	(275,742)	(275,741)

Consolidated	Issued capital \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2021	1	(285,653)	(285,652)
Profit after income tax expense for the half-year	-	2,784	2,784
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	2,784	2,784
<i>Transactions with owners in their capacity as owners:</i>	-	-	-
Balance at 30 June 2021	1	(282,869)	(282,868)

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

Austral Resources Australia Pty Ltd
Consolidated statement of cash flows
For the half-year ended 30 June 2021

	Consolidated	
Note	30 Jun 2021	30 Jun 2020
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	23,226	11,104
Payments to suppliers and employees (inclusive of GST)	(21,348)	(13,830)
	<u>1,878</u>	<u>(2,726)</u>
Interest received	94	389
Net cash from operating activities	<u>1,972</u>	<u>(2,337)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(652)	(457)
Payments for exploration and mining assets	(204)	(113)
Net cash used in investing activities	<u>(856)</u>	<u>(570)</u>
Cash flows from financing activities		
Proceeds from / (repayment) of borrowings	(683)	2,696
Net cash used in financing activities	<u>(683)</u>	<u>2,696</u>
Net increase/(decrease) in cash and cash equivalents	433	(211)
Cash and cash equivalents at the beginning of the financial year	577	271
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the financial half-year	<u><u>1,010</u></u>	<u><u>60</u></u>

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

Note 1. 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 information and disclosures required in annual financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2020.

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 statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a profit of \$2,784 thousand and had net cash inflows from operating activities of \$1,972 thousand for the period ended 30 June 2021. As at that date the consolidated entity had net current liabilities of \$251,735 thousand and net liabilities of \$282,868 thousand.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- Yellow Gear Pty Ltd ('the parent') will not request the repayment of the parent loan at \$221,668 thousand and corresponding accrued interest at \$54,770 thousand for a period of no less than 12 months from the date of the auditor's review report for the Group for the period ended 30 June 2021;
- The parent will not request the repayment of the working capital loan at \$12,642 thousand for a period of no less than 12 months from the date of the auditor's review report for the Group for the period ended 30 June 2021 unless the Company's planned initial public offering at ASX is successful during the next 12 months from the date of the auditor's review report;
- The Group has entered into a debt facility with Win Finance No.359 Pty Ltd for \$30 million on 9 August 2021;
- The Group is seeking to raise \$27.5m in equity capital from an Initial Public Offering on the Australian Stock Exchange at the end of September 2021; and
- The Group has the ability to reduce discretionary spending in its mining and production activities.

Note 2. Revenue

	Consolidated	
	30 Jun 2021	30 Jun 2020
	\$'000	\$'000
From continuing operations		
<i>Revenue from contracts with customers</i>		
Sale of goods	23,227	10,116
Revenue	<u>23,277</u>	<u>10,116</u>

Austral Resources Australia Pty Ltd
Notes to the financial statements
30 June 2021

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	30 Jun 2021	30 Jun 2020
	\$'000	\$'000
<i>Major product lines</i>		
Copper Cathode	23,227	10,116
	<u>23,227</u>	<u>10,116</u>
<i>Geographical regions</i>		
Australia	23,227	10,116
	<u>23,227</u>	<u>10,116</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	23,227	10,116
	<u>23,227</u>	<u>10,116</u>

Note 3. Finance expenses

	Consolidated	
	30 Jun 2021	30 Jun 2020
	\$'000	\$'000
Interest on interest bearing loans	1,671	2,123

Note 4. Current assets - trade and other receivables

	Consolidated	
	30 Jun 2021	31 Dec 2020
	\$'000	\$'000
Trade receivables	1,839	1,772
Less: Allowance for expected credit losses	-	-
GST Receivable	399	552
	<u>2,238</u>	<u>2,324</u>
Term deposits as security for bank guarantees (i) and (ii)	30,718	31,668
Security deposits for Queensland Mines Department	107	107
	<u>33,064</u>	<u>34,099</u>

- (i) Security deposits held with Bank of China as security for bank guarantee issued to third parties in relation to the provision of power
- (ii) Security deposits held with Bank of China as security for the issuance of a bank guarantee to satisfy the financial assurance requirements with the Queensland Government's Department of Environment and Science for the Lady Annie Mine's Environmental Authority EPML00753513.

Interest rates on the term deposits range from 0.01% to 0.42% (2020: 0.02% to 1.25%)

Austral Resources Australia Pty Ltd
Notes to the financial statements
30 June 2021

Note 5. Current assets - inventories

	Consolidated	
	30 Jun 2021	31 Dec 2020
	\$'000	\$'000
Spare parts and consumables	1,561	864
Copper in process	5,705	9,332
Copper cathode	216	131
	<u>7,482</u>	<u>10,327</u>

Note 6. Non-current assets - property, plant and equipment

	Consolidated	
	30 Jun 2021	31 Dec 2020
	\$'000	\$'000
Land and buildings – at cost	6,289	6,289
Less: Accumulated depreciation	(6,289)	(6,289)
	<u>-</u>	<u>-</u>
Plant and equipment - at cost	34,782	34,743
Less: Accumulated depreciation	(34,746)	(34,729)
	<u>36</u>	<u>14</u>
Office Equipment, furniture and fittings - at cost	1,546	1,546
Less: Accumulated depreciation	(1,546)	(1,546)
	<u>-</u>	<u>-</u>
Capital works in progress - at cost	699	286
Mine development – at cost	224,158	223,949
Less: Accumulated amortisation	(223,949)	(223,949)
	<u>209</u>	<u>-</u>
	<u>944</u>	<u>299</u>

Reconciliations

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

	Capital works in progress \$'000	Land and buildings \$'000	Office equipment, furniture and fittings \$'000	Plant and equipment \$'000	Mine development \$'000	Total \$'000
Consolidated						
Balance at 1 January 2021	286	-	-	14	-	299
Additions	414	-	-	39	209	662
Disposals	-	-	-	-	-	-
Depreciation and amortisation expense	-	-	-	(17)	-	(17)
Balance at 30 June 2021	<u>699</u>	<u>-</u>	<u>-</u>	<u>36</u>	<u>209</u>	<u>944</u>

Note 7. Current liabilities - trade and other payables

	Consolidated	
	30 Jun 2021	31 Dec 2020
	\$'000	\$'000
Trade payables and accruals	4,227	10,544
Interest accrued on related party loan	54,770	53,100
GST Payable	-	4
	<u>58,997</u>	<u>63,648</u>

Due to the short-term nature, the current trade and other payables have a carrying value which approximates their fair value.

Note 8. Contingent liabilities

The Anthill Production Payment of \$5,000,000 (Anthill Production Payment) is contemplated in the Share Sale Agreement dated 14 March 2019 between Top Gallery Investment Limited, CST Minerals Australia Pty Ltd (now Austral Resources Australia Pty Ltd) (ARA or the Company), CST Minerals Lady Annie Pty Ltd (now Austral Resources Operations Pty Ltd) (ARO), CST Minerals Exploration Pty Ltd (now Austral Resources Exploration Pty Ltd) (ARE), Bentley Resources Pte. Ltd (Bentley) and Kombi Mining Pty Ltd atf Lady Annie Trust (Kombi) (Share Sale Agreement).

The Anthill Production Payment is due on the Production Payment Date, which is defined in the Share Sale Agreement to mean the earlier to occur of

- (a) the date that is 5 Business Days after the First Commercial Production from the Anthill Project;
- (b) the date of any Insolvency Event in respect of Kombi, Bentley, the Company or a Subsidiary of the Company; or
- (c) 36 months after the date of Completion.

The liability to pay the Anthill Production Payment was initially an obligation of Bentley under the Share Sale Agreement which ARA, ARE and ARO have guaranteed the performance of the Anthill Production Payment.

On 18 June 2020, Bentley, Kombi, Yellow Gear atf the Super Snake Trust (Yellow Gear), ARA, ARO, Riggers Splash for Cash Pty Ltd atf the Riggers Splash for Cash Trust, Nathan Tinkler and Dan Jauncey entered into a deed of assignment where Yellow Gear and ARA jointly and severally indemnified Kombi and Bentley against the Anthill Production Payment.

As at 30 June 2021, none of the above conditions have been met and therefore the consolidated entity has disclosed the Anthill Production Payment as a contingent liability.

Note 9. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

In July 2021, Austral entered into negotiations with Top Gallery with regards to the Anthill Production Payment obligation and the permitted indebtedness clause with Wingate.

The parties agreed to the following variation to achieve a mutually beneficial outcome:

- \$1 million was paid on 26 July 2021;
- \$1.3 million is due on or before 31 March 2022;
- \$1.3 million is due on or before 31 May 2022;
- \$1.4 million is due on or before 20 July 2022.

Austral Resources Australia Pty Limited will pay the above amounts which will, in turn, reduce the amount owing from Austral to Yellow Gear under the intercompany loan.

Note 9. Events after the reporting period (continued)

On 9 August 2021, the consolidated entity entered into a debt facility with Win Finance No. 359 Pty Ltd for \$30 million. On 13 August 2021, the consolidated entity drew down an initial \$20 million on this facility with the remaining \$10 million to be draw on the consolidated entity successfully completing a listing on the Australian Stock Exchange.

The issue of 10,000,000 ordinary shares at \$0.05 per share to the pre-IPO investors, amounting to \$500k in July 2021, of which \$112k was applied to settle a portion of the payable to Kamara Group in consideration of the IPO services undertaken. Each pre-IPO investor received one free attaching option per share subscribed for and is exercisable at \$0.40 with a term of 3 years and which vest upon IPO.

On 27 August 2021, part of the intercompany loans were repaid through applying the \$2.0 million of insurance proceeds arising from an insurance claim made by the consolidated entity attributable to fire damage which occurred in November 2020.

No other 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.

Austral Resources Australia Pty Ltd

Directors' declaration

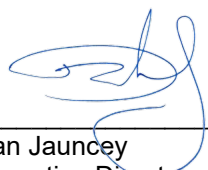
30 June 2021

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



Dan Jauncey
Executive Director

30 September 2021
Brisbane

RSM Australia Partners

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www.rsm.com.au**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF****Austral Resources Australia Pty Ltd****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Austral Resources Australia Pty Ltd (the Company) and its subsidiaries (the 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, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 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*. As the auditor of Austral Resources Australia Pty Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Austral Resources Australia Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Basis for Qualified Conclusion

As this is the first year that Austral Resources Australia Pty Ltd is required to prepare a half-year financial report and have it reviewed, the consolidated statement of financial position as at 30 June 2020, and 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, accompanying notes and the director's declaration for the preceding corresponding half-year have not been reviewed or audited. Accordingly, we are not in a position to and do not express any assurance in respect of the comparative information for the half-year ended 30 June 2020. We have, however, audited the financial report for the preceding financial year ended 31 December 2020 and therefore our review statement is not qualified in respect of the comparative information for the year ended 31 December 2020 included in the consolidated statement of financial position.

Qualified Conclusion

Except for the effect, if any, on the comparatives for the preceding corresponding half-year that may result from the qualification in the preceding paragraph, 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 Austral Resources Australia Pty Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in dark ink that reads "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in dark ink that reads "David Talbot".

David Talbot
Partner

Sydney, NSW
Dated: 30 September 2021