Historical and Pro Forma Statements of Financial Position

	Note	Cosmo Metals Reviewed 30-Sep-21 $	Subsequent events Unaudited 30-Sep-21 $	Pro forma adjustments Unaudited 30-Sep-21 $	Pro forma Unaudited 30-Sep-21 $
Assets					
Current assets					
Cash and cash equivalents	1.4	-		4,501,439	4,501,439
Trade and other receivables		1	-	-	1
Total current assets		1	-	4,501,439	4,501,440
Non-current assets					
Exploration and evaluation expenditure	1.5	-	5,000,000	-	5,000,000
Total non-current assets		-	5,000,000	-	5,000,000
Total assets		1	5,000,000	4,501,439	9,501,440
Liabilities					
Current liabilities					
Trade and other payables		93,929	-	(93,929)	-
Total current liabilities		93,929	-	(93,929)	-
Total liabilities		93,929	-	(93,929)	-
Net assets/(liabilities)		(93,928)	5,000,000	4,595,368	9,501,440
Equity					
Issued Capital	1.6	1	5,000,000	4,169,380	9,169,381
Reserves	1.7	-	484,500	484,500	969,000
Accumulated losses	1.8	(93,929)	(484,500)	(58,512)	(636,941)
Total equity		(93,928)	5,000,000	4,595,368	9,501,440

1.0 Notes to the Financial Information

1.1 Historical Statement of Financial Position

The Historical Statement of Financial Position of the Company detailed above has been extracted without adjustment from the reviewed financial statements of the Company for the period 26 August to 30 September 2021.

1.2 Pro Forma Historical Statement of Financial Position

The Pro Forma Statement of Financial Position has been compiled by extracting the Historical Statement of Financial Position of the Company as at 30 September 2021 and reflecting the Directors' pro forma adjustments for the impact of the following subsequent events and other transactions which are proposed to occur immediately before or following completion of the Share Offer.

The following pro forma adjustments have been made in relation to events subsequent to 30 September 2021:

(i) the issue of 25,000,000 fully paid ordinary shares in the Company at $0.20 each (**Consideration Shares**) to Great Boulder as consideration for the Yamarna Project Assets; and

(ii) the issue of 5,000,000 unlisted options (**Director Options**) on 12 November 2021 to the Directors. Director Options have a $0.25 exercise price and expire 3 years from the date of issue.

The following pro forma adjustments have been made in relation to events which are expected to occur immediately before or following completion of the Share Offer:

(iii) the issue of a minimum of 25,000,000 and a maximum of 35,000,000 fully paid ordinary shares in the Company at $0.20 each (**Public Offer**), to raise a minimum of $5,000,000 up to a maximum of $7,000,000 before costs pursuant to the Offer;

(iv) the payment of cash costs related to the Share Offer estimated to be $565,800 in the case of raising the Minimum Subscription and $696,778 in the case of raising the Maximum Subscription, including Lead Manager fees of 6% of gross proceeds raised and repayment of $66,921 of transaction costs paid by GBR on behalf of the Company;

(v) the repayment of a $27,008 trade payable to GBR for other costs incurred on behalf of the Company; and

(vi) the issue of 5,000,000 unlisted options (**Lead Manager Options**) to the Lead Managers (and/or their nominees). Lead Manager Options have a $0.25 exercise price and expire 3 years from the date of issue.

1.3 Significant Accounting Policies

The principal accounting policies adopted in the preparation of the Financial Information are detailed below.

(a) Basis of preparation

Historical cost convention

The Financial Information has been prepared on an accruals basis and is based on historical costs. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

(i) when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

(ii) when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

(c) Current and non-current classifications

Assets and liabilities are presented in the Statutory and Pro Forma Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(e) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(f) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is the date that the Company commits itself to either purchase of sale of assets.

Financial liabilities

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

An instrument is a financial liability when an issuer is, or can be required, to deliver either cash or another financial asset (e.g. ordinary shares in the Company) to the holder.

Where the Company has the choice of settling a financial instrument in cash or otherwise is contingent on the outcome of circumstances beyond the control of both the Company and the holder, the Company accounts for the instrument as a financial liability.

All financial liabilities are initially recognised at fair value. The Company's financial liabilities include trade payable and accruals.

Financial assets

Financial assets are initially recognised at fair value. The Company's financial assets include trade and other receivables.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the Statement of Financial Position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the accounting period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost 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 grant date fair value of the award, 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.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

(i) during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period; an

(ii) from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(j) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(k) Going concern

The Financial Information has been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

The Directors believe that the Company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the Financial Information.

1.4 Cash and Cash Equivalents

	Pro forma Unaudited 30-Sep-21 $
Reviewed cash and cash equivalents as at 30 September 2021	-
Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:	
Proceeds from the Public Offer	5,102,000
Capital Raising Costs (inclusive of repayment of offer costs incurred by GBR)	(573,553)
Repayment of cash costs incurred by GBR on behalf of Cosmo	(27,008)
	4,501,439
Pro forma cash and cash equivalents	**4,501,439**

1.5 Exploration and Evaluation Expenditure

	Pro forma Unaudited 30-Sep-21 $
Reviewed exploration and evaluation expenditure as at 30 September 2021	-
Subsequent events are summarised as follows:	
Yamarna acquisition consideration	5,000,000
Pro forma Exploration and Evaluation Expenditure	**5,000,000**

1.6 Trade and Other Payables

	Pro forma Unaudited 30-Sep-21 $
Reviewed trade and other payables as at 30 September 2021	93,929
Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:	
Repayment of costs incurred by GBR on behalf of Cosmo included in costs of the Share Offer	(66,921)
Repayment of remaining costs incurred by GBR on behalf of Cosmo	(27,008)
	(93,929)
Pro forma trade and other payables	**-**

1.7 Issued Capital

	Cosmo Metals 30-Sep-21 No. of Shares	Pro forma Unaudited 30-Sep-21 $
Reviewed issued capital as at 30 September 2021	1	1
Subsequent events are summarised as follows:		
Consideration shares for acquisition of Yamarna	25,000,000	5,000,000
	25,000,000	5,000,000
Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:		
Proceeds from the Share Offer	25,510,000	5,102,000
Cash costs associated with the Share Offer	-	(448,120)
Cost of Lead Manager options	-	(484,500)
	25,510,000	4,169,380
Pro forma Issued Capital	**50,510,001**	**9,169,381**

1.8 Reserves

	Pro forma Unaudited 30-Sep-21 $
Reviewed reserves as at 30 September 2021	-
Subsequent events are summarised as follows:	
Issue of Director options	484,500
	484,500
Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:	
Issue of Lead Manager options	484,500
	484,500
Pro forma Reserves	**969,000**

1.9 Unlisted Options and Rights

Pursuant to the Share Offer, the Company will issue 5,000,000 Options to the Lead Managers (and/or their respective nominees). The Options will each be convertible into one ordinary share in the Company. The Company also issued 5,000,000 Options to Directors of the Company on 12 November 2021.

The Lead Manager Options and Director Options have been valued using a standard binomial pricing model on the assumption that the Offer price represents the fair value of a Share at the grant date, using the following assumptions:

Assumptions	**Director Options**	**Lead Manager Options**
Stock price	$0.20	$0.20
Exercise price	$0.25	$0.25
Expiry	3 years	3 years
Expected future volatility	100%	100%
Risk free rate	0.67%	0.67%

1.10 Accumulated Losses

	Pro forma Unaudited 30-Sep-21 $
Reviewed accumulated losses as at 30 June 2021	(93,929)
Subsequent events are summarised as follows:	
Issue of Director options	(484,500)
	(484,500)
Adjustments arising in the preparation of the pro forma statement of financial position are summarised as follows:	
Listing costs expensed	(58,512)
	(58,512)
Pro forma Accumulated Losses	**(636,941)**


COSMO
METALS