

ERRAWARRA

Resources Ltd

ABN 95 155 472 834

Financial Report for the half-year ended 31 December 2021

www.errawarra.com

CONTENTS

	Page
Corporate Directory	1
Directors' Report	2
Directors' Declaration	5
Independence Declaration to the Directors of Errawarra Resources Ltd	6
Independent Review Report to the Members of Errawarra Resources Ltd	7
Consolidated Statement Profit or Loss and Other Comprehensive Income.....	9
Consolidated Statement of Financial Position	10
Consolidated Statement of Changes in Equity.....	11
Consolidated Statement of Cash Flow.....	12
Condensed Notes to the Consolidated Financial Statements	13

CORPORATE DIRECTORY

Board of Directors

Non-Executive Chairman	Mr Jonathan Murray	Company Secretary	Mrs Mindy Ku
Executive Director	Mr Thomas Reddicliffe		
Non-Executive Director	Ms Greta Purich		

Principal Office

Level 12, 197 St Georges Terrace,
Perth, Western Australia 6000

Postal Address

PO Box 1227,
West Perth, Western Australia 6872

Contact Details

+61 8 9322 3383 (Telephone)
info@errawarra.com (Email)
www.errawarra.com (Website)

ABN 95 155 472 834

Auditors

Stantons
Level 2, 40 Kings Park Road,
West Perth, Western Australia, 6005

Registered Office

Level 12, 197 St Georges Terrace,
Perth, Western Australia 6000

Social Network Sites

Twitter | @AuNiCuWA
LinkedIn | Errawarra Resources Ltd

Share Registry

Automic
Level 5/191 St George's Terrace
Perth, Western Australia, 6000
1300 288 664 (Telephone)
www.automicgroup.com.au (Website)

Lawyers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street, Perth, Western Australia, 6000

DIRECTORS' REPORT

The Directors of Errawarra Resources Ltd (**Errawarra, Group or Company**) submit the financial report for the half-year ended 31 December 2021. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names of the Directors of the Company who have held office during and since the end of the half-year are:

Non-Executive Chairman	Executive Director	Non-Executive Directors
Mr Jonathan Murray	Mr Thomas Reddicliffe	Ms Greta Purich

The Directors held their position throughout the entire half-year period and up to the date of this report unless stated otherwise.

Principal activities

The principal activity of the Group during the half-year period was exploration and evaluation of mineral interests.

Results

The consolidated net loss of the Group for the half-year period after income tax expense was \$713,762 (Dec 2020: loss \$2,020,584).

Review of operations

Andover West | Nickel-Copper (80% interest)

On 23 November 2021 Errawarra announced it had entered into a binding agreement to acquire an 80% interest in Western Exploration Pty Ltd, the owner of E47/4352 which comprises the Andover West Nickel-Copper Project. Western Exploration Pty Ltd holds all mineral rights with the exception of Iron Ore. Approval of this acquisition will be sought from shareholders at a General Meeting (**GM**), the date of which is to be advised upon receipt of the Independent Experts Report.

The Andover West Project is situated within the north-western portion of the Pilbara Craton and covers granite greenstone terrane lithologies hosted within the West Pilbara Super Terrane. Of economic interest is the Andover Intrusive Complex of the Orpheus Supersuite which is host to nickel sulphide mineralisation (Azure Minerals Ltd ASX announcement on 12 October 2020) and which also crops out in the northwest corner of the Tenement.

There are 11 untested discrete EM conductor targets identified from historic work within the tenement which warrant testing with 4 considered high priority. The highest priority EM (Electromagnetic) target is located along the southern margin of the Andover Intrusive Complex in the northwest corner of the Andover West Tenement, and some 2.8 km to the SW of Azure Minerals Ltd Nickel Sulphide discovery "VC 07" which sits within a similar position along the edge of the intrusion contact. Two associated VTEM targets have also been identified within the Andover Intrusive Complex to the north and south of the high priority EM target area and may be related to the primary priority target.

There has been a technical reassessment of the prospectivity of these EM targets in light of the recent success of Azure across the tenement boundary. The company considers that these EM anomalies have not been properly explained, and that they represent valid untested targets requiring detailed follow up exploration, modelling and drill testing.

A heritage agreement with the Ngarluma Land Council is close to finalisation following which the tenement is anticipated to progress to grant.

Binti Binti | Gold (80% interest)

Errawarra holds interests in three tenements in the Edjudina Region of Western Australia. The Binti Binti gold project is located, 70km north-east of Kalgoorlie. Errawarra is targeting an orogenic gold deposit in a similar structural setting to King of the Hills (ex Tarmoola).

Two programs of reconnaissance aircore drilling comprising 10,027m for 261 holes were completed on the project tenements during 2021. The first drill program was within tenement E27/603 and targeted an interpreted pressure shadow at a greenstone-granite contact coincident with a gold in soil anomaly. The drilling established that the soil anomaly was restricted to the regolith. The second drill program focused on adjoining tenement E27/577 host to prospecting pits and old workings. Two adjacent drill holes intersected steeply inclined high grade (4m@5.09g/t) quartz veins beneath a prospecting pit (grab samples reported 227g/t and 1.2 g/t Au in two separate samples). These results indicated that the gold related to a bedrock gold system (rather than a surface upgrading) and may persist at depth.

Within E27/577 the historic gold workings are spatially associated with the western limb of an anticlinal structure. This spatial association has provided a potential targeting model for the prospect and accordingly the company secured application E31/1298 to the north of and adjoining the granted tenements.

Fraser Range | Nickel-Copper (70% interest)

The Fraser Range project located approximately 30kms south-west of the operating Nova nickel-copper-cobalt mine owned by IGO Ltd is considered prospective for Nova style Ni-Cu-Co magmatic sulphide mineralisation.

The initial exploration has focused on testing priority areas with Moving Loop Electromagnetic surveys (MLEM) based on gravity anomalies, magnetic anomalies, geochemical anomalies, and favourable geological units for hosting sulphide mineralisation.

DIRECTORS' REPORT

Approximately 70% of the project area has now been surveyed by MLEM with no conductors indicative of massive sulphide mineralisation being identified. The remaining unsurveyed portion of the project tenements is not suitable for the application of MLEM and the use of Fixed Loop Electromagnetic surveys (FLEM) is being considered.

Within the surveyed areas several weak EM anomalies have been identified in proximity to anomalous (nickel-copper) that has reported to wide spaced historic reconnaissance soil samples. It is planned to investigate these areas in the first instance using auger assisted detailed soil sampling.

Errabiddy | Gold & Nickel-Copper (80-100% interest)

The Errabiddy project is located 200km north-west of Meekatharra, Western Australia on the north-eastern margin of the Yilgarn craton.

Errawarra's package includes rock units prospective for intrusion hosted nickel-copper mineralisation and orogenic gold, and is in a region that is experiencing considerable exploration activity from companies including Chalice Mines Ltd (owners of the Julimar nickel-copper-PGE discovery).

A detailed airborne magnetic (gradiometer) and radiometric survey comprising 14,384 line kilometres was completed in June 2021 with final interpreted data received November 2021. The dataset is under review with a view to undertaking reconnaissance activities including surface sampling aimed at identifying areas for detailed exploration activities including ground electromagnetic surveys. The aim of these exploration activities is to generate nickel and gold targets that warrant drill testing.

Corporate

Errawarra held its Annual General Meeting on 30 November 2021 with all resolutions carried by poll. The majority of proxy votes cast were in favour of resolutions. The Annual Report 2021 was lodged with the ASIC in accordance with required timeframes.

The Company issued 5,600,000 fully paid ordinary shares (New Shares) at an issue price of \$0.22 per New Share to professional and sophisticated investors in relation to the placement announced on 23 November 2021 (Placement). The issue of shares is detailed in the Appendix 2A lodged with ASX on 30 November 2021.

Subsequent events

The below matters or circumstances have arisen since 31 December 2021 that may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Acquisition of 80% interest in Western Exploration Pty Ltd

On 23 November 2021, the Company announced that, subject to shareholder approval, it has entered into a share sale agreement (**Agreement**) to acquire 80% interest in Western Exploration Pty Ltd (**WEX**), the holder of application E47/4352 (**Application**) which comprises the AndoverWest Project. Mr Thomas Reddicliffe, a director of Errawarra, is the sole director and shareholder of WEX (**Vendor**). The acquisition is subject to the grant of E47/4352 and all necessary shareholder, regulatory and third-party approvals being obtained.

The varied key terms of the acquisition require the Company to commit to the following payment on completion of the acquisition:

- (1) issue the Vendor (or his nominees) 15,000,000 Class A Performance Rights, vesting on the grant of the Application and expiring 1 year from the date of issue; and
- (2) issue the Vendor (or his nominees) 5,000,000 Class B Performance Rights, vesting on the Company announcing maiden JORC compliant Inferred Mineral Resource (as defined in the JORC Code 2012 Edition) on the Application of at least 1,000,000 tonnes of nickel at 1% (including nickel equivalent metals) within and using industry standard lower cut off grades, expiring 5 years from the date of issue.

If, following completion, the Application is not granted 1 year from the date of issue of the Performance Rights, then any party may terminate the Agreement by notice in writing to the other party and the Company agrees to promptly return its interest in WEX to the Vendor.

Errawarra anticipates holding a general meeting to seek the necessary approvals in April 2022. Given the related party nature of the proposed acquisition and potential impacts to voting power, shareholder approval will be sought pursuant to ASX Listing Rule 10.1 and Item 7, Section 611 of the Corporations Act. An Independent Expert's Report on the proposed acquisition will be provided to shareholders along with the notice of meeting.

No other matters or circumstances have arisen since 31 December 2021 that may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' REPORT

Auditor's independence declaration

The auditor's independence declaration is included on page 6 and forms part of the Directors' report for the six months ended 31 December 2021.

Signed in accordance with a resolution of directors.

On behalf of the Directors



Thomas Reddcliffe
Executive Director
8 March 2022

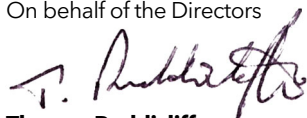
DIRECTORS' DECLARATION

The Directors declare that in the Directors' opinion:

- (a) subject to the achievement of matters noted in note 2(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standard AASB 134 and the *Corporations Regulations 2001* as disclosed in note 2 and giving a true and fair view of the financial position and performance of the Group for the half-year ended 31 December 2021.

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

On behalf of the Directors



Thomas Reddcliffe

Executive Director

Perth, Western Australia this 8th day of March 2022

INDEPENDENCE DECLARATION TO THE DIRECTORS OF ERRAWARRA RESOURCES LTD



PO Box 1908
West Perth WA 6872
Australia
Level 2, 40 Kings Park Road
West Perth WA 6005
Australia
Tel: +61 8 9481 3188
Fax: +61 8 9321 1204
ABN: 84 144 581 519
www.stantons.com.au

8 March 2022

Board of Directors
Errawarra Resources Limited
Level 12, 197 St Georges Terrace
Perth, Western Australia 6000

Dear Sirs

RE: ERRAWARRA RESOURCES LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Errawarra Resources Limited.

As Audit Director for the review of the financial statements of Errawarra Resources Limited for the half-year ended 31 December 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.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Samir Tirodkar
Director

Liability limited by a scheme approved under Professional Standards Legislation



Stantons is a member of the Russell Bedford International network of firms

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ERRAWARRA RESOURCES LTD



PO Box 1908
West Perth WA 6872
Australia
Level 2, 40 Kings Park Road
West Perth WA 6005
Australia
Tel: +61 8 9481 3188
Fax: +61 8 9321 1204
ABN: 84 144 581 519
www.stantons.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ERRAWARRA RESOURCES LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Errawarra Resources Limited, which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of Errawarra Resources Limited's financial position as at 31 December 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 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Group on 8 March 2022.

Responsibility of the Directors for the Financial Report

The directors of Errawarra 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.

Liability limited by a scheme approved under Professional Standards Legislation



Stantons is a member of the Russell Bedford International network of firms



Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

Samir Tirodkar
Director

West Perth, Western Australia
8 March 2022

CONSOLIDATED STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2021

	Note	Half-year ended 31 Dec 2021 \$	Half-year ended 31 Dec 2020 \$
Continuing operations			
Other income		635	-
Share-based payment		-	(518,957)
Employee expenses		(36,200)	(100,872)
Consultants expenses		(396,292)	(118,523)
Interest expense		-	(332)
Exploration and evaluation expenses		(219,173)	(1,176,724)
Other expenses		(62,732)	(105,176)
(Loss) from continuing operations before income tax benefit		(713,762)	(2,020,584)
Income tax benefit		-	-
(Loss) attributable to members of the parent entity		(713,762)	(2,020,584)
Other comprehensive income for the period		-	-
Total comprehensive (loss) for the period		(713,762)	(2,020,584)
Net (loss) attributable to the parent entity		(713,762)	(2,020,584)
Total comprehensive (loss) attributable to the parent entity		(713,762)	(2,020,584)
(Loss) per share:			
Basic (cents per share)		(1.75)	(25.21)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Note	31 Dec 2021 \$	30 Jun 2021 \$
Current assets			
Cash and cash equivalents		3,924,288	3,380,569
Trade and other receivables	3	75,720	90,626
Other financial assets at fair value through profit and loss		117,492	117,492
Total current assets		4,117,500	3,588,687
Non-current assets			
Intangible assets		-	-
Total non-current assets		-	-
TOTAL ASSETS		4,117,500	3,588,687
Current liabilities			
Trade and other payables	4	354,379	305,926
Total current liabilities		354,379	305,926
TOTAL LIABILITIES		354,379	305,926
NET ASSETS		3,763,121	3,282,761
Equity			
Issued capital	5	7,792,448	6,598,326
Reserves	6	1,173,399	1,173,399
Accumulated losses		(5,202,726)	(4,488,964)
TOTAL EQUITY		3,763,121	3,282,761

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2021

For the half-year ended 31 December 2021	Attributable to equity holders			Total Equity \$
	Issued Capital \$	Reserves \$	Accumulated Losses \$	
Balance as at 1 July 2021	6,598,326	1,173,399	(4,488,964)	3,282,761
Total comprehensive income				
Loss for the period	-	-	(713,762)	(713,762)
Other comprehensive loss for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(713,762)	(713,762)
Transactions with owners recorded direct to equity				
Issue of shares	1,232,001	-	-	1,232,001
Share issue expenses	(37,879)	-	-	(37,879)
Total transactions with owners	1,194,122	-	-	1,194,122
Balance as at 31 December 2021	7,792,448	1,173,399	(5,202,726)	3,763,121

For the half-year ended 31 December 2020	Attributable to equity holders			Total Equity \$
	Issued Capital \$	Reserves \$	Accumulated Losses \$	
Balance as at 1 July 2020	122,525	728,580	(1,230,398)	(379,293)
Total comprehensive income				
Loss for the period	-	-	(2,020,584)	(2,020,584)
Other comprehensive loss for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(2,020,584)	(2,020,584)
Transactions with owners recorded direct to equity				
Issue of shares	6,852,860	-	-	6,852,860
Shares to be issued	53,750	-	-	53,750
Share based payments	-	444,819	-	444,819
Share issue expenses	(884,120)	-	-	(884,120)
Total transactions with owners	6,022,490	444,819	-	6,467,309
Balance as at 31 December 2020	6,145,015	1,173,399	(3,250,982)	4,067,432

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

for the half-year ended 31 December 2021

	Half-year ended 31 Dec 2021 \$	Half-year ended 31 Dec 2020 \$
Cash flows from operating activities		
Payments for exploration and evaluation	(370,986)	(258,808)
Payments to suppliers and employees	(307,904)	(289,476)
Interest received	635	-
Interest paid	-	(332)
Net cash (used) in operating activities	(678,255)	(548,616)
Cash flows from investing activities		
Payment for acquisition of tenements	-	(126,044)
Net cash (used) in investing activities	-	(126,044)
Cash flows from financing activities		
Proceeds from issues of equity securities	1,232,001	6,160,000
Payment for share issue costs	(10,027)	(647,537)
Proceeds from borrowings	-	41,980
Repayment of borrowings	-	(41,980)
Net cash received in financing activities	1,221,974	5,512,463
Net increase in cash and cash equivalents	543,719	4,837,803
Cash and cash equivalents at the beginning of the financial period	3,380,569	16,825
Cash and cash equivalents at the end of the financial period	3,924,288	4,854,628

The accompanying notes form part of the financial statements.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

1. Reporting Entity

Errawarra Resources Ltd (**Errawarra** or **the Company**) is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange. The consolidated half-year financial report of the Group as at and for the six months ended 31 December 2021 comprises the Company and its subsidiaries (together referred to as **the Group**).

The consolidated financial statements are presented in Australian Dollars, which is the Group's functional and presentation currency.

The financial report of Errawarra for the half-year ended 31 December 2021 was authorised for issue by the Directors on 8 March 2022.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2021 is available upon request from the Company's registered office or at www.errawarra.com.

2. Basis of preparation and changes to the accounting policies

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2021 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and considered together with any public announcements made by the Company during the half-year ended 31 December 2021 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The half-year financial report has been prepared on a historical cost basis except for financial assets which are measured at fair value through profit and loss.

Apart from the changes in accounting policy in note 2(b), the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(b) Changes in accounting policies

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021, other than the adoption of additional accounting policies set out below.

All other new standards and interpretations effective from 1 July 2021 were adopted with the main impact being disclosure changes. The adoption of the new or amended standards and interpretations did not result in any significant changes to the Group's accounting policies. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

	31 Dec 2021 \$	30 Jun 2021 \$
3. Current trade and other receivables		
Net goods and services tax (GST) receivable	28,351	53,575
Receivable from related party	-	23,903
Other receivable	47,369	13,148
	75,720	90,626

4. Current trade and other payables		
Trade payables	99,477	126,508
Payables to related party ⁽ⁱ⁾	200,000	11,508
Accruals	53,065	139,825
Other payables	1,837	28,085
	354,379	305,926

(i) This includes \$200,000 sign-on fee payable to Bennelong Corporate Advisers Limited, an associate of Mr Reddicliffe.

5. Issued capital		
45,493,238 fully paid ordinary shares (Jun 2021: 39,893,234)	7,792,448	6,598,326
	7,792,448	6,598,326

	31 Dec 2021		30 Jun 2021	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	39,893,234	6,598,326	2,187,643	122,525
Issue of shares - Placement ⁽ⁱ⁾	5,600,000	1,232,000	-	-
Issue of shares - Exercise of options	4	1	-	-
Issue of shares - Convert debt to equity	-	-	2,812,357	449,977
Issue of shares - Seed raising	-	-	1,000,000	160,000
Issue of shares - IPO	-	-	30,000,000	6,000,000
Issue of shares - Acquisition of tenement	-	-	3,643,234	728,647
Issue of shares - Acquisition of tenement	-	-	250,000	53,750
Share issue costs		(37,879)		(916,573)
Balance at end of financial period	45,493,238	7,792,448	39,893,234	6,598,326

(i) In December 2021 the Company completed a \$1,232,000 capital raising at \$0.22 per share to sophisticated investor.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

	31 Dec 2021 \$	30 Jun 2021 \$
6. Reserves		
The balance of reserves is made up as follows:		
Reserve relating to the in-specie distribution of shares received from Hannans Ltd in February 2012	728,580	728,580
Option reserve	444,819	444,819
	1,173,399	1,173,399
Balance at the beginning of the financial period	1,173,399	728,580
Share based payment expense	-	444,819
Balance at the end of the period	1,173,399	1,173,399

Share options

As at 31 December 2021, options over 23,333,417 (2021: 23,333,417) ordinary shares in aggregate are as follow:

Issuing entity	No of shares under option	Class of shares	Exercise price of option	Expiry date of option
Errawarra Resources Ltd	16,772,341	Ordinary	30 cents each	30 Sep 2022
Errawarra Resources Ltd	2,961,072	Ordinary	30 cents each	30 Sep 2022
Errawarra Resources Ltd	1,800,000	Ordinary	30 cents each	26 Nov 2024
Errawarra Resources Ltd	1,800,000	Ordinary	30 cents each	3 Dec 2024

16,772,341 share options are listed. All other share options are unlisted, carry no rights to dividends and no voting rights. A total of 4 options were exercised during the period.

7. Contingencies and commitments

(a) Contingent liabilities

The Office of State Revenue (**OSR**) informed the Company on 30 October 2012 that it has raised a Duties Investigation regarding the restructure involving the Mineral Rights Deed between the Company and Hannans Ltd. OSR has requested preliminary supporting information to assess the duty on the transaction. The Company responded to the OSR in regard to this matter. On 21 October 2015 OSR informed the Company that the matter is currently being reviewed by the technical branch. The Company does not consider it probable a stamp duty liability will arise.

(b) Contingent assets

In 2014, the Group sold the Jigalong manganese project in the East Pilbara region of Western Australia to Atlas Iron Limited (ASX:AGO). As part of the sale agreement, Atlas Iron agreed to pay the Group a 1% gross sales revenue royalty from manganese sourced from within the tenements.

Other than the above, there are no other contingent liabilities or contingent assets as at 31 December 2021.

(c) Exploration and evaluation and associate commitments

As at 31 December 2021, tenement commitments for the group totalled \$2,223,802 (Jun 2021: \$2,574,494).

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

7. Contingencies and commitments (cont'd)

(d) Other commitments

On 23 November 2021, the Company announced that, subject to shareholder approval, it has entered into a share sale agreement (**Agreement**) to acquire 80% interest in Western Exploration Pty Ltd (**WEX**), the holder of application E47/4352 (**Application**) which comprises the Andover West Project. Mr Thomas Reddicliffe, a director of Errawarra, is the sole director and shareholder of WEX (**Vendor**). The acquisition is subject to all necessary shareholder, regulatory and third-party approvals being obtained.

The Company is required to commit to the following payment on completion of the acquisition:

- (1) issue the Vendor (or his nominees) 15,000,000 Class A Performance Rights, vesting on the grant of the Application and expiring 1 year from the date of issue; and
- (2) issue the Vendor (or his nominees) 5,000,000 Class B Performance Rights, vesting on the Company announcing maiden JORC compliant Inferred Mineral Resource (as defined in the JORC Code 2012 Edition) on the Application of at least 1,000,000 tonnes of nickel at 1% (including nickel equivalent metals) within and using industry standard lower cut off grades, expiring 5 years from the date of issue.

If, following completion, the Application is not granted 1 year from the date of issue of the Performance Rights, then any party may terminate the Agreement by notice in writing to the other party and the Company agrees to promptly return its interest in WEX to the Vendor.

Refer to note 9 for further information.

8. Share-based payment

The following share-based payment arrangements existed at 31 December 2021:

OPTIONS

On 26 November 2020, 1,500,000 options were granted to key management personnel for nil consideration and 300,000 options were issued to unrelated third parties. The expense recognised in respect of the 1,800,000 options was \$222,325.

On 3 December 2020, 1,800,000 options were granted to the Lead Manager for broker related services rendered during the period. The expense recognised in respect of the 1,800,000 options was \$222,494.

The following share-based payment arrangements were in existence during the current and comparative reporting periods and relates to payments to key management personnel:

Option series	Number	Grant date	Expiry date	Exercise price
OPT001	1,500,000	26 Nov 2020	26 Nov 2024	\$0.30
OPT002	300,000	26 Nov 2020	26 Nov 2024	\$0.30
OPT003	1,800,000	3 Dec 2020	3 Dec 2024	\$0.30

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

9. Subsequent events

The following matters or circumstances have arisen since 31 December 2021 that may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

On 23 November 2021, the Company announced that, subject to shareholder approval, it has entered into a share sale agreement (**Agreement**) to acquire 80% interest in Western Exploration Pty Ltd (**WEX**), the holder of application E47/4352 (**Application**) which comprises the Andover West Project. Mr Thomas Reddicliffe, a director of Errawarra, is the sole director and shareholder of WEX (**Vendor**). The acquisition is subject to the grant of E47/4352 and all necessary shareholder, regulatory and third-party approvals being obtained.

On 23 February 2022, the Company announced the varied key terms of the acquisition where the consideration securities to be issued to WEX on completion of the acquisition was changed from ordinary shares to performance rights, as follows:

- (1) issue the Vendor (or his nominees) 15,000,000 Class A Performance Rights, vesting on the grant of the Application and expiring 1 year from the date of issue; and
- (2) issue the Vendor (or his nominees) 5,000,000 Class B Performance Rights, vesting on the Company announcing maiden JORC compliant Inferred Mineral Resource (as defined in the JORC Code 2012 Edition) on the Application of at least 1,000,000 tonnes of nickel at 1% (including nickel equivalent metals) within and using industry standard lower cut off grades, expiring 5 years from the date of issue.

If, following completion, the Application is not granted 1 year from the date of issue of the Performance Rights, then any party may terminate the Agreement by notice in writing to the other party and the Company agrees to promptly return its interest in WEX to the Vendor.

Errawarra anticipates holding a general meeting to seek the necessary approvals in April 2022. Given the related party nature of the proposed acquisition and potential impacts to voting power, shareholder approval will be sought pursuant to ASX Listing Rule 10.1 and Item 7, Section 611 of the Corporations Act. An Independent Expert's Report on the proposed acquisition will be provided to shareholders along with the notice of meeting.

No other matters or circumstances have arisen since 31 December 2021 that may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Group in future financial years.