

STELAR METALS LIMITED

(FORMERLY STELAR METALS PTY LTD)

ACN 651 636 065

Consolidated Financial Report for the period:

2 July 2021 (date of incorporation) to 30 November 2021

Stelar Metals Limited
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For the period ended 30 November 2021

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Stelar Metals Limited
Auditor's Independence Declaration

The Directors of Stelar Metals Limited (formerly Stelar Metals Pty Ltd) ("the Company") present their report for the period 2 July 2021 (being the date of incorporation) to 30 November 2021.

Directors

The following persons were directors of Stelar Metals Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Stephen Biggins – appointed 2 July 2021
Geoffrey Webster – appointed 12 November 2021
William Dix – appointed 12 November 2021

Principal Activities

Stelar Metals Limited was incorporated as a holding company to complete the acquisition of six exploration licenses in South Australia from Resource Holdings Pty Ltd and BR1 Holdings Pty Ltd respectively, gain admission to the ASX Official List and to explore and evaluate the projects acquired.

Review of Operations and Results

Since incorporation, the Group has raised seed capital and incurred mainly corporate and administration costs associated with company incorporation and pre-Initial Public Offer (IPO) activities.

The Group incurred a net loss after tax for the period ended 30 November 2021 of (\$237,258). As at 30 November 2021, the Company had a net asset position of \$311,929.

Significant Changes in the State of Affairs

The Company was incorporated on 2 July 2021.

Events after the reporting period

On 3 November 2021, the Company submitted an application to the Australian Securities and Investment Commission ("ASIC") in order to change company type from a proprietary company limited by shares, to a public company limited by shares. This change was gazetted by ASIC on 9 November 2021. The Company converted to a public company limited by shares on 10 December 2021.

On 9 December 2021, Colin Skidmore was appointed as Chief Executive Officer (CEO).

No other matter or circumstance has arisen since 30 November 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

Upon completion of the IPO and admission to the ASX Official List, the Company will complete the acquisition of Resource Holdings No. 1 Pty Ltd and BR2 Pty Ltd and advance the Group's exploration strategy in relation to the acquired projects within South Australia.

Stelar Metals Limited
Directors' Report
For the period ended 30 November 2021

Name Stephen Biggins
Title Non-Executive Chairman
Experience Mr Biggins has 25 years' experience as a geologist and as an executive in both the mining industry in Australia and internationally.

Mr Biggins has applied his Honours Degree in Geology and MBA as the founding Managing Director of several ASX-listed companies. Mr Biggins has built prospective portfolios of lithium, gold, uranium and base metal exploration projects in Australia, Asia and Africa.

Mr Biggins is currently the Managing Director of Core Lithium (ASX: CXO).

Mr Biggins previously served as founding director of Southern Gold (ASX: SAU) from 2005 to 2010 and led the acquisition and discovery of the Cannon Gold Mine in Western Australia, which is currently in production. Mr Biggins was also a founding director of Investigator Resources Ltd (ASX: IVR) which has discovered a high-grade Paris Silver resource in South Australia on its founding projects.

Interest in Shares & Options 1,000,001 fully paid ordinary shares
3,000,000 options exercisable at \$0.30 expiring 3 years after date of ASX quotation

Name Geoffrey Webster
Title Non-Executive Director
Experience Mr Webster is a Chartered Professional Engineer, graduating with honours from the University of Adelaide, and is the director of a specialist engineering consultancy located in South Australia. He is a member of the Australian Institute of Company Directors and has been awarded a MBA through Latrobe University.

With nearly 20 years' experience in the engineering sectors, Mr Webster has previously worked as the General Manager for ASX 200 listed company in a national capacity, as well as working as the project manager for a Hong Kong-based investment company. Mr Webster is currently the deputy chair of not-for-profit entity. Mr Webster has recently been appointed National President of a peak body for all stakeholders in the resource recovery industry.

Interest in Shares & Options 100,000 fully paid ordinary shares
1,000,000 options exercisable at \$0.30 expiring 3 years after date of ASX quotation

Name William Dix
Title Non-Executive Director
Experience Mr Dix is a geologist with 23 years' experience in base metal, gold and uranium exploration and mining. Earlier in his career, he spent seven years with the highly successful international nickel producer LionOre Mining International in a variety of exploration, mining and management roles.

He has a proven track record of successful project and team management and also has extensive experience in commercial activities including capital raisings, mergers, acquisitions and divestments. He holds a Bachelor of Science and Master of Science (Geology) from Monash University and is a member of AusIMM.

Mr Dix is currently the Managing Director of Todd River Resources (ASX:TRT) and has previously served as a director of Fitzroy Resources Ltd (ASX:FRY), Credo Resources Ltd (ASX:CRQ), BBX Minerals Limited (ASX:BBX) and Consolidated Zinc Limited (ASX:CZL).

Interest in Shares & Options 100,000 fully paid ordinary shares
1,000,000 options exercisable at \$0.30 expiring 3 years after date of ASX quotation

Stelar Metals Limited
Directors' Report
For the period ended 30 November 2021

Company Secretary

Jack Rosagro is a Chartered Company Secretary, a Fellow of Governance Institute of Australia, and holds a Bachelor of Commerce majoring in Finance. He has 16 years' experience in capital markets, share registry, and governance. He is currently the company secretary for several ASX listed clients including Intra Energy Corporation Limited (ASX: IEC) and Harvest Technology Group Limited (ASX: HTG).

Meetings of Directors

The Board of Directors ('the Board') did not hold any meetings during the period.

Dividends

There were no dividends paid, recommended or declared during the period.

Shares under Option

At the date of this report, the unissued ordinary shares of the Company under option are as follows.

Number of Options				
Granted	Grant Date	Expiry Date	Exercise Price (\$)	
2,000,000 *	24 September 2021	3yrs after ASX quotation	0.30	
1,500,000 *	25 October 2021	3yrs after ASX quotation	0.30	
3,000,000	16 November 2021	3yrs after ASX quotation	0.30	

* These options are free-attaching options relating to subscribed Seed Shares.

Shares Issued on the Exercise of Options

There are no shares issued on the exercise of the Company options during the period ended 30 November 2021 and up to the date of this report.

Environmental Regulation

The Directors believe that the Group has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

Indemnity and Insurance of Directors and Officers

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial period, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and Insurance of Auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Grant Thornton Audit Pty Ltd during or since the financial period.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-Audit Services

No non-audit services were provided by the entity's auditor, Grant Thornton Australia during the reporting period. However, during the period, Grant Thornton Australia were engaged to prepare an Investigating Accountants' Report in support of a prospectus for the Company's Initial Public Offer. This work was ongoing at the period-end.

Stelar Metals Limited
Directors' Report
For the period ended 30 November 2021

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.

Signed in accordance with a resolution of the Directors

A handwritten signature in black ink, consisting of a stylized 'S' followed by several horizontal strokes.

Stephen Biggins
Non-Executive Chairman
Perth
14 January 2022

Auditor's Independence Declaration

To the Directors of Stelar Metals Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Stelar Metals Limited for the period ended 30 November 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L A Stella
Partner – Audit & Assurance

Perth, 14 January 2022

Stelar Metals Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 30 November 2021

	Note	2 July 2021 – 30 November 2021 \$
Revenue		-
Expenses		
Exploration expense		26,585
Corporate and administration costs		133,782
Share-based payment expense		76,736
Other expenses		155
Loss before income tax expense		<u>(237,258)</u>
Income tax expense	2	-
Loss after income tax for the period attributable to the owners		<u>(237,258)</u>
Other comprehensive income for the period, net of tax		-
Total comprehensive loss for the period attributable to the owners		<u>(237,258)</u>
Basic and diluted loss per share (cents)	13	<u>(15.94)</u>

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

Stelar Metals Limited
Consolidated statement of financial position
As at 30 November 2021

	Note	2021 \$
Assets		
Current assets		
Cash and cash equivalents	3	461,330
Trade and other receivables		16,099
Other current assets		<u>16,126</u>
Total current assets		<u>493,555</u>
Total assets		<u>493,555</u>
Liabilities		
Current liabilities		
Trade and other payables	4	<u>181,626</u>
Total current liabilities		<u>181,626</u>
Net assets		<u>311,929</u>
Equity		
Issued capital	5	472,451
Share-based payment reserve	6	76,736
Accumulated losses		<u>(237,258)</u>
Total equity		<u>311,929</u>

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

Stelar Metals Limited
Consolidated statement of changes in equity
For the period ended 30 November 2021

	Note	Issued capital \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 2 July 2021 (date of incorporation)		-	-	-	-
Loss after income tax expense for the period		-	-	(237,258)	(237,258)
Other comprehensive income for the period		-	-	-	-
Total comprehensive loss for the period		-	-	(237,258)	(237,258)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	5	472,451	-	-	472,451
Issue of director options	6	-	76,736	-	76,736
Balance at 30 November 2021		472,451	76,736	(237,258)	311,929

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

Stelar Metals Limited
Consolidated statement of cash flows
For the period ended 30 November 2021

	Note	2 July 2021 – 30 November 2021 \$
Cash flows from operating activities		
Payments to suppliers and employees		<u>(11,121)</u>
Net cash used in operating activities	11	<u>(11,121)</u>
 Cash flows from financing activities		
Proceeds from issue of shares, net of transaction costs	5	<u>472,451</u>
Net cash provided by financing activities		<u>472,451</u>
Net increase in cash and cash equivalents		461,330
Cash and cash equivalents at the beginning of the financial period		<u>-</u>
Cash and cash equivalents at the end of the financial period	3	<u><u>461,330</u></u>

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

Stelar Metals Limited
Notes to the consolidated financial statements
For the period ended 30 November 2021

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group 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.

Basis of preparation

These financial statements present the financial information for Stelar Metals Limited (the "Company") and its controlled entities (the "Group") as at and for the period from 2 July 2021 (date of incorporation) to 30 November 2021. Stelar Metals Limited is a public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are Ground Floor, 16 Ord Street West Perth WA 6005.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 14 January 2022. The Directors have the power to amend and reissue the financial statements.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). The financial statements are presented in Australian dollars, which is Stelar Metals Limited's functional and presentation currency.

The Company was incorporated on 2 July 2021 and hence the reporting period is from incorporation to 30 November 2021. As this is the Company's first financial report, no comparatives have been included.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Going concern

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

The Group incurred a loss for the period of \$237,258 and had net assets of \$311,929 at 30 November 2021.

Based on the Group's future cashflow forecast, the Group will require additional funding in the next 12 months to enable it to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due.

The Company is currently in the process of undertaking an IPO in order to raise a minimum of \$5,000,000 through the issue of 25,000,000 fully paid ordinary shares and a maximum of \$7,000,000 through the issue of 35,000,000 fully paid ordinary shares at an issue price of \$0.20 per share. The directors are confident that the pre-IPO capital raising and IPO will be completed and funds received in order to ensure it has sufficient working capital available over the next 12 months.

Should the IPO not proceed, further equity or debt funding will need to be undertaken.

These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Stelar Metals Limited
Notes to the consolidated financial statements
For the period ended 30 November 2021

Note 1. Significant accounting policies (continued)

Parent entity information

In accordance with the Corporations Act 2001, these consolidated financial statements present the results of the Group. However, supplementary information about the parent entity is not disclosed separately as the parent entity results are not materially different to that of the Group.

Principles of consolidation

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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:

- 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
- 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.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 1. Significant accounting policies (continued)

Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- Such costs are expected to be recouped through successful development and exploitation or from sale of the area: or
- Exploration and evaluation activities in the area have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Costs incurred, excluding acquisition costs, prior to the Group having rights to tenure are expensed as incurred.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Impairment of assets

At each reporting date the Group assesses whether there is any indication that an asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Any excess of the asset's carrying value over its recoverable amount is expensed to profit and loss.

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 consolidated statement of financial position.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial 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.

Equity and reserves

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.

The share-based payment reserve records the value of share-based payments.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Stelar Metals Limited
Notes to the consolidated financial statements
For the period ended 30 November 2021

Note 1. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Share-based payment transactions for the acquisition of goods and services

Share-based payment arrangements in which the Company receives goods or services in exchange for its own equity instruments are accounted for as equity-settled share-based payment transactions. The Company measures the value of equity instruments granted at the fair value of the goods and services received, unless that fair value cannot be measured reliably. If the fair value of the goods or services received cannot be reliably measured, the transaction is measured by the reference to the fair value of the instruments granted.

The number of share options and performance rights expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting period ended 30 November 2021. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Company may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

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 within the next financial year are discussed below.

Share-Based Payments

The Group 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.

Stelar Metals Limited
Notes to the consolidated financial statements
For the period ended 30 November 2021

Note 2. Income tax expense

	2021
	\$
Current tax expense	-
Deferred tax expense	-
	<u>-</u>
Loss before income tax expense	(237,258)
Tax at statutory tax rate of 25%	(59,315)
Effect of changes in unrecognised temporary differences and unused tax losses	59,315
Income tax expense	<u>-</u>

Note 3. Cash and cash equivalents

	2021
	\$
Cash at bank	<u>461,330</u>

Note 4. Trade and other payables

	2021
	\$
Trade payables	154,902
Accruals	26,724
	<u>181,626</u>

Note 5. Equity - issued capital

	2021	2021
	Number	\$
Ordinary shares - fully paid	7,450,001	<u>472,451</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price (\$)	\$
Opening balance	2-Jul-21	-	-	-
Founder share	2-Jul-21	1	1.000	1
Issue of shares – corporate adviser	27-Sep-21	950,000	0.001	950
Issue of shares – promoter	29-Sep-21	1,000,000	0.025	25,000
Issue of shares – 2 nd round seed capital	25-Oct-21	1,500,000	0.050	75,000
Issue of shares – pre-IPO seed capital	18-Nov-21	4,000,000	0.100	400,000
Less: Capital raising costs		-	-	(28,500)
Closing balance	30-Nov-21	<u>7,450,001</u>		<u>472,451</u>

Stelar Metals Limited
Notes to the consolidated financial statements
For the period ended 30 November 2021

Note 5. Equity - issued capital (continued)

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.

Capital risk management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. The capital structure of the Company consists of equity comprising issued capital and accumulated losses.

Due to the nature of the Group's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is to maintain sufficient current working capital position to meet the requirements of the Company to meet exploration programs and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

Note 6. Share-based payment reserve

	2021
	\$
Opening balance	-
Share-based payments	76,736
Closing balance	<u>76,736</u>

Nature of reserve

This reserve records the fair value of equity instruments issued to directors, employees and suppliers as recognition for services provided.

On 17 November 2021, 3,000,000 share options were issued to the directors of the Company. The options are exercisable at \$0.30 per option 3 years after the date of admission of the Company to the ASX Official List.

Movements in share-based payment reserve for the period

Date	Details	Number of Options	\$
2 Jul 2021	Balance	-	-
17 Nov 2021	Issue of options to Directors	3,000,000	76,736
30 Nov 2021	Balance	<u>3,000,000</u>	<u>76,736</u>

See Note 14 for details of the inputs used in determining the fair value of the Director options.

Stelar Metals Limited
Notes to the consolidated financial statements
For the period ended 30 November 2021

Note 7. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Market risk

Foreign currency risk

The Group is not exposed to any significant foreign exchange risk.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any significant interest rate risk.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or category of receivables under financial instruments entered into by the Group.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The following tables detail the Group's contractual maturity for its financial assets and liabilities:

	Carrying amount \$	Contractual cash flows \$	Less than 1 year \$
<i>Financial assets</i>	-	-	-
<i>Financial liabilities</i>			
Trade and other payables	181,626	181,626	181,626
	181,626	181,626	181,626

Fair value

Due to their short-term nature, the carrying amount of the financial assets and financial liabilities is assumed to approximate their fair value.

Note 8. Contingent assets and liabilities

The Group did not have any contingent assets or liabilities as at 30 November 2021.

Stelar Metals Limited
Notes to the consolidated financial statements
For the period ended 30 November 2021

Note 9. Commitments

The Group did not have any commitments as at 30 November 2021.

Note 10. Related party transactions

The Group did not have any transactions with related parties during the reporting period or balances with related parties at 30 November 2021.

Note 11. Reconciliation of cash flows from operating activities.

	2021
	\$
Loss after income tax expense for the period	(237,258)
<i>Adjustment for non-cash items:</i>	
Share based payment expense	76,736
<i>Adjustments for:</i>	
(Increase) in receivables	(16,099)
(Increase) in prepayments	(16,126)
Increase in trade and other payables	181,626
Net cash (used in) operating activities	<u>(11,121)</u>

During the reporting period, there were no non-cash investing and financing activities.

Note 12. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1. Details of the legal parent's subsidiary at the end of the reporting period are as follows:

Name	Principal place of business / Country of incorporation	2021 %
Stelar Metals Exploration Pty Ltd	Australia	100%

Stelar Metals Limited
Notes to the consolidated financial statements
For the period ended 30 November 2021

Note 13. Earnings / (Loss) per share

Basic EPS is calculated by dividing the profit/(loss) for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2021
	\$
Net loss attributable to ordinary equity holders	(237,258)
Weighted average number of ordinary shares outstanding during the period used the calculation of the basic and diluted loss per share	1,488,743
Loss attributable to ordinary equity holders (cents)	<u>(15.94)</u>

As the Group incurred a loss for the period, the options on issue have an anti-dilutive effect, therefore the diluted EPS is equal to the basic EPS. A total of 3,000,000 share options which could potentially dilute EPS in the future have been excluded from the diluted EPS calculation because they are anti-dilutive for the current year presented.

Note 14. Share-based payment expense

On 17 November 2021, 3,000,000 share options were issued to the directors of the Company. The options are exercisable at \$0.30 per option 3 years after the date of admission of the Company to the ASX Official List.

The options were valued using the Black-Scholes model. The valuation model inputs used to determine the fair value at the grant date, are as follows.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
16/11/2021	01/02/2025*	\$0.10	\$0.30	80%	0%	0.23%	\$0.02558

* Estimated expiry date based on 3 years after the expected date of admission of the Company to the ASX Official List of 1 February 2022

Note 15. Events after the reporting period

On 3 November 2021, the Company submitted an application to the Australian Securities and Investment Commission ("ASIC") in order to change company type from a proprietary company limited by shares, to a public company limited by shares. This change was gazetted by ASIC on 9 November 2021. The Company converted to a public company limited by shares on 10 December 2021.

On 9 December 2021, Colin Skidmore was appointed as Chief Executive Officer (CEO).

No other matter or circumstance has arisen since 30 November 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Stelar Metals Limited
Directors' declaration
For the period ended 30 November 2021

In the Directors' opinion:

- the attached consolidated financial statements and notes comply with Accounting Standards;
- the attached consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached consolidated financial statements and notes give a true and fair view of the Group's financial position as at 30 November 2021 and of its performance for the period 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.

On behalf of the Directors



Stephen Biggins
Non-Executive Chairman
14 January 2022

Independent Auditor's Report

To the Members of Stellar Metals Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Stellar Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 November 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 period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 November 2021 and of its performance for the period ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Group incurred a net loss of \$237,258 during the period ended 30 November 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the period ended 30 November 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L Stella
Partner – Audit & Assurance

Perth, 14 January 2022