

Half Year Report



R3D Resources Limited
ABN 53 111 398 040



31 December 2021

R3D RESOURCES LIMITED

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R3D RESOURCES LIMITED

DIRECTORS' REPORT

Your directors submit the consolidated financial report of R3D Resources Limited (the "Company"), comprising the Company and the subsidiaries it controlled at any time during the half-year ended 31 December 2021 (together, "the Group").

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as follows.

Directors were in office for this entire period unless otherwise stated.

Mr Richard Ash (Non-Executive Chairman), appointed 20 July 2021

Mr Stephen Bartrop (Managing Director), appointed 20 July 2021

Mr Bruce Hills (Executive Director), appointed 20 July 2021

Mr Robert Waring (Non-Executive Director), appointed 20 July 2021

Mr Michael Thirnbeck (Non-Executive Director)

Mr Daniel Yeo Chin Tuan (former Non-Executive Chairman), resigned 20 July 2021

Dr Tiffany Tsao (former Non-Executive Director), resigned 20 July 2021

Mr Muljadi Irawan (former Non-Executive Director), resigned 20 July 2021

COMPANY SECRETARY

Mr Robert Waring, appointed as Company Secretary on 23 March 2021.

REVIEW OF OPERATIONS

The Group's net loss from continuing operations was \$4,828,965 (2020: \$801,151). The net assets of the Group increased by \$2,426,803 from \$3,731,673 at 30 June 2021 to \$6,158,475 primarily due to the acquisition of Tartana and the public offer undertaken in the period (as described in more detail below).

Acquisition of Tartana

On 4 February 2021 the Company announced an off-market takeover offer for all the ordinary shares in Tartana Resources Limited (Tartana). The offer closed on 31 July 2021 and at that date the Company had a relevant interest in 99.89% of Tartana shares. The Company then proceeded with the compulsory acquisition of the remaining shares which was finalised on 1 September 2021. As at 31 December 2021, R3D owns 100% of Tartana.

Two material conditions precedent to the Implementation Deed were firstly the ASX approval of the re-listing of R3D Resources and secondly the completion of a public offer of R3D shares with a minimum subscription for 21,250,000 FPO shares at 20 cents a share to raise \$4.25 million. Both these conditions were met with the Company advising the market on 12 July 2021 that the offer had been fully subscribed and R3D was reinstated by the ASX to official quotation on 22 July 2021. The other terms and conditions of the Implementation Deed were completed by 20 July 2021.

The Company's 100% acquisition of Tartana resulted in the Company issuing the following:

- 75,533,698 shares to the existing shareholders of Tartana at \$0.20 per share;
- 15,106,740 options to the existing shareholders of Tartana with an exercise price of \$0.40 expiring on the fifth anniversary from their date of issue;
- 13,500,000 options to existing option holders of Tartana with an exercise price of \$0.40 expiring on the fifth anniversary from their date of issue;

The Company's public offer resulted in the Company issuing the following:

- 21,250,000 shares to investors in the public offer at \$0.20 per share;
- 4,250,000 options to investors in the public offer with an exercise price of \$0.40 expiring on the fifth anniversary from their date of issue;

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- 2,000,000 options issued to brokers under the public offer with an exercise price of \$0.40 expiring on the fifth anniversary from their date of issue;
- On 20 July 2021 the Group announced completion of the Implementation Deed between Tartana and the Company including:
 - public offer of 21,250,000 FPO R3D shares at 20 cents a share raising \$4,250,000 (before costs); and
 - issue of 75,533,69 shares to the shareholders of Tartana at \$0.20 per share.
- On 29 July 2021, the Group repaid 2,500,000 convertible notes of \$0.20 each issued by Tartana under a Convertible Note Deed dated 18 December 2019 – total repaid including interest \$519,927.25.
- On 29 July 2021, the Group repaid a loan from Mr Craig Nettelbeck, a former Director of Tartana – total repaid plus interest \$85,735.
- On 30 July 2021, the Group commissioned Xcalibur / CGG Aviation Pty Limited with a contract value of \$472,555 to fly a gravity and magnetic survey over the Bellevue and Dry River exploration projects.
- On 3 August 2021, the Group announced it entered into an exclusivity agreement potentially leading to an Options Agreement with Three Rivers Prospecting Pty Ltd and Michael Thompson to purchase the Beefwood project which is defined as EPM 26399. On 31 August 2021, the Company announced it had issued 1,925,000 shares to acquire the option to purchase the Beefwood Project. The Company has to 31 March 2022 to exercise the option with a purchase price of \$385,000 in shares priced at a one-month VWAP immediately prior to option exercise notification and a residual 1% NSR royalty on any production. The Company has a minimum expenditure commitment of \$125,000 prior to 31 March 2022.
- On 14 September 2021, the Group announced it had secured the services of Associated Exploration Drillers Pty Ltd with an approx. contract value of \$330,000 to complete an exploration drilling campaign designed to test the priority copper targets represented by large IP anomalies immediately to the east and north of the Tartana open pit.
- On 17 September 2021, the Group submitted a revised Estimated Rehabilitation Cost (ERC) calculation for the Tartana Mine site Environment to the Queensland Department of Environment (DES). This was in response to changes introduced under the Financial Provisioning Scheme (FPS) under the Mineral and Energy Resource (Financial Provisioning) Act 2018. While DES has estimated Tartana's ERC to be \$1,591,504, the Company's ERC based on the third-party quotes will increase the current FA to approximately \$922,856. This represents a shortfall of \$326,456 on the current financial assurance of \$586,400 and is in line with the amount budgeted for in the Prospectus issued on 26 May 2021.
- On 25 October 2021, the Group announced the appointment of Mr Mathew Hancock as the Plant Manager of the Tartana Copper Sulphate Plant. Mr Hancock responsibilities include the coordination and management of the refurbishment and restart of the heap leach – solvent extraction – crystallization plant on the Group's Tartana mining leases.

In addition, during the half-year, the Group exported 128,805 tonnes of slag to South Korea through the Burnie Port with the last shipment departing on 12 December 2021. Details of the shipments are set out in the Group's quarterly, announced to the ASX on 31 January 2022.

Covid 19

Whilst COVID 19 had no significant impact on the Company's operations during the period to 31 December 2021, there remains uncertainty and risk on our exploration programs and the re-start of the copper sulphate plant.

Corporate

As at 31 December 2021 (and the date of this report) there were 110,495,630 shares on issue and 34,856,740 options (exercise price \$0.40 and expiry 14 July 2026). During the half year there were 75,533,698 shares issued following the takeover of Tartana Resources Limited, and 21,250,000 shares issued at \$0.20 under the 26 May 2021 Prospectus for the public offer, and 1,925,000 shares issued as consideration for the option to acquire the Beefwood Project

SIGNIFICANT EVENTS AFTER REPORTING DATE

Since the balance date the following events have occurred:

- On 31 January 2022, the R3D shareholders approved the proposed issue of 1,500,000 and 1,000,000 options to Mr Richard Ash and Mr Michael Thirnbeck respectively. These options were issued on 28 February 2022 and the options are not listed and have an exercise price of \$0.40 and expire if not exercised by 14 July 2026. The first tranche of one third of the options vest immediately. The second tranche of one third of the options will vest

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DIRECTORS' REPORT

on 17 December 2022. The final third of the options vest on 17 December 2023. In all three cases, vesting is conditional on Messrs Ash and Thirnbeck remaining a Director of the Company on the date the Options vest.

There are no other significant events which have arisen since the end of the period which may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial period.

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independent declaration under section 307C of the Corporations Act 2001 for the year ended 31 December 2021 is set out on page 7.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s. 306 (3) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to be 'B Hills', written over a light blue horizontal line.

Bruce Hills
Executive Director

16 March 2022

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of R3D Resources Limited and Controlled Entities

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2021 there have been:

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

BDJ Partners



Gregory W Cliffe
Partner

14 March 2022

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

		Consolidated Group	
	Notes	Half-year 31 Dec 2021	Half-year 31 Dec 2020
		\$	\$
Sales Revenue			
Revenue from contracts with customers	3	7,404,406	2,510,034
Cost of sales		(7,367,056)	(2,799,359)
Gross Profit		37,350	(289,325)
Other income	3	32,915	47,220
Expenses			
Finance costs		(8,031)	-
Administration costs		(124,094)	(21,872)
Consulting fees		(408,814)	(219,189)
Corporate costs		(92,816)	(50,726)
Support services agreement		(85,953)	-
Depreciation and amortisation expense		(144,350)	(59,355)
Exploration and development expenses		(320,354)	(108,072)
Corporate restructuring expenses	9	(3,488,382)	-
Other expenses		(226,436)	(99,832)
Loss before income tax		(4,828,965)	(801,151)
Income tax expense		-	-
Loss for the period		(4,828,965)	(801,151)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translating foreign operations		-	-
Total comprehensive loss for the period		(4,828,965)	(801,151)
Loss attributable to:			
- Owners of the parent		(4,828,965)	(801,151)
Total comprehensive loss attributable to:			
- Owners of the parent		(4,828,965)	(801,151)
Loss per share from continuing operations:		Cents	Cents
Basic loss per share (cents per share)		(0.0486)	(0.0123)
Diluted loss per share (cents per share)		(0.0486)	(0.0123)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

		Consolidated Group	
		31 Dec 2021	30 Jun 2021
		\$	\$
	Notes		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,340,948	172,338
Trade and other receivables		411,764	312,504
Inventory	4	296,000	1,798,069
Other current assets		742,908	613,538
TOTAL CURRENT ASSETS		2,791,620	2,896,449
NON-CURRENT ASSETS			
Property, plant & equipment	5	2,885,357	2,748,893
Exploration & evaluation	6	3,103,319	1,999,017
Right-of-use asset		121,801	148,868
Other non-current assets		817,439	839,907
Financial Assets		32,160	-
TOTAL NON-CURRENT ASSETS		6,960,076	5,736,685
TOTAL ASSETS		9,751,696	8,633,134
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		(1,489,143)	(2,080,019)
Borrowings	8	(508,142)	(772,438))
Loans from Directors		-	(108,001)
Provisions	7	(219,578)	(200,000)
Contract liabilities		(156,913)	(443,098)
Lease liability		(55,795)	(54,102)
TOTAL CURRENT LIABILITIES		(2,429,571)	(3,657,658)
NON-CURRENT LIABILITIES			
Lease liability		(76,364)	(104,692)
Provisions	7	(1,087,286)	(1,139,111)
TOTAL NON-CURRENT LIABILITIES		(1,163,650)	(1,243,803)
TOTAL LIABILITIES		(3,593,221)	(4,901,461)
NET ASSETS		6,158,475	3,731,673
EQUITY			
Issued capital	10	17,303,711	10,289,842
Accumulated losses		(11,237,573)	(6,644,654)
Reserves	11	92,337	86,485
TOTAL EQUITY		6,158,475	3,731,673

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Consolidated Group	Issued Capital	Convertible Note Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2020	62,062,337	-	-	(300)	(62,069,461)	(7,424)
Loss for the period	-	-	-	-	(185,793)	(185,793)
Other comprehensive income	-	-	-	210	-	210
Total comprehensive loss for the period	-	-	-	210	(185,793)	(185,583)
Balance as at 31 December 2020	62,062,337	-	-	(90)	(62,255,254)	(193,007)
Balance as at 1 July 2021	62,034,054	-	-	3,336	(62,929,278)	(891,888)
Loss for the period	-	-	-	-	(4,828,965)	(4,828,965)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(4,828,965)	(4,828,965)
Deemed reverse acquisition on R3D by Tartana	2,357,353	-	86,485	(3,336)	56,520,670	58,961,172
Issue of shares to Tartana vendors as part of reverse acquisition	15,106,740	-	-	-	-	15,106,740
Elimination of the acquisition of Tartana by R3D	(66,600,952)	-	-	-	-	(66,600,962)
Issue of shares	4,635,000	-	-	-	-	4,635,000
Issue of options to brokers	-	-	5,852	-	-	5,852
Cost of shares issue	(228,484)	-	-	-	-	(228,484)
Balance as at 31 December 2021	17,303,711	-	92,337	-	(11,237,573)	6,158,475

The above statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

		Consolidated Group	
	Notes	Half-year 31 Dec 2021 \$	Half-year 31 Dec 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		6,678,180	2,417,387
Payments to suppliers and employees		(8,088,648)	(2,974,850)
Interest received		7,834	7,842
Interest paid		-	(56,888)
Cash receipts from other operating activities		11,768	-
Cash payments from other operating activities		(11)	-
Net cash used in operating activities		(1,390,877)	(606,509)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant & equipment	5	(49,773)	(26,322)
Payments for exploration and evaluation	6	(784,455)	(379,920)
Net cash used in investing activities		(834,228)	(406,242)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing capital	10	4,250,000	1,072,978
Repayment of borrowings	8	(681,900)	-
Repayment of lease		-	(27,218)
Share issue costs	10	(222,632)	-
Net cash used in investing activities		3,345,468	1,045,760
Net decrease in cash and cash equivalents held		1,120,363	33,009
Effect of exchange rate changes on cash		(59)	-
Cash and cash equivalents at beginning of period		172,338	2,711
Cash acquired in reverse takeover		48,306	-
Cash and cash equivalents at end of period		1,340,948	35,720

The above statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of R3D Resources Limited and its controlled entities (the Group) for the half-year ended 31 December 2021 was authorised for issue in accordance with a resolution of directors on 15 March 2022.

R3D Resources Limited is a company limited by shares, incorporated in Australia, whose shares are listed on the Australian Securities Exchange (ASX).

The principal activity of the Group during the half-year, following the acquisition of Tartana Resources Limited and its controlled entities on 1 September 2021 was an explorer and developer of mineral projects. Through this acquisition, as previously reported, the objective of R3D Resources is to become a significant copper-gold explorer and developer in the Chillagoe Region in north Queensland.

(a) Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standard 134 ensures that the financial statements and notes also comply with International Financial Reporting Standard IAS 134 Interim Financial Reporting.

The half-year financial report should be read in conjunction with the annual financial report of the Group for the year ended 30 June 2021, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the financial statements for the year ended 30 June 2021, except for those as describe in Note 1(c) below.

Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Parent (R3D Resources Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls. The Parent controls an entity when it 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 over the entity.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(b) Going Concern

The financial report has been prepared on the going concern basis, which assumes that the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

The Group incurred a net loss after tax for the half year ended 31 December 2021 of \$(4,828,965) (31 December 2020: \$(801,151)) and experienced net cash outflows from operating activities of \$1,777,085 (31 December 2020: \$(171,611)). At 31 December 2021, the Group had net current assets of \$6,158,475 (30 June 2021: net current assets of \$3,751,257).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (Continued)**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Directors recognise that additional funding either through the issue of further shares, or debt or convertible notes, or the sale of assets, or a combination of these steps will be required for the Group to meet its minimum administrative and overhead expenses, restart the copper sulphate plant and to actively explore its mineral properties. The Directors are also aware that the Group can reduce certain project expenditures in order to maintain cash at appropriate levels.

The Directors have reviewed the business outlook and the assets and liabilities of the Group and are of the opinion that the use of the going concern basis of accounting is appropriate. Directors are of the opinion that the Group will have adequate resources to continue to be able to meet its obligations as and when they fall due. For this reason, they continue to adopt the going concern basis in preparing the Half Year Financial Report.

If all of these fundraising options are unsuccessful, this may indicate that there is a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. A cash flow forecast has been produced by the Group (unaudited) which demonstrates that if certain outcomes are achieved then the Group will be in a cashflow positive position for the foreseeable future.

The Group has been able to demonstrate in Tartana Resources Limited in previous years that it has been successful in raising capital when needed. The Directors remain confident that this can again be done when required to support the Group's continuing activities including the restart of the plant, the ERC bond and working capital requirements if required.

(c) Adoption of new accounting standards

Following the acquisition of Tartana Resources Limited on [enter date] the Directors resolved to adopt the following new accounting policies.

Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in the profit or loss.

Acquisition related costs are expensed as incurred.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities, as the initial recognition exemption for deferred tax under AASB 112 Income Taxes applies. No goodwill will arise on the acquisition.

Reverse acquisition – Tartana Resources Limited

R3D Resources Limited ("Company") acquired Tartana Resources Limited on 20 July 2021. From a legal and taxation perspective, the Company is considered the acquiring entity. However, the acquisition has the features of a reverse acquisition as described in the Australian Accounting Standard AASB 3 Business Combinations ("AASB 3") because the acquisition resulted in Tartana shareholders holding a controlling interest in the Company after the transaction, notwithstanding the Company being the legal parent of the Group. At the time of the acquisition, the had suspended its business operations, and its activities were limited to managing its cash balances, filing obligations (i.e., a listed shell), and completion of the acquisition. It is therefore considered that the Company does not meet the definition of a business for the purposes of AASB 3 as it did not have any processes or outputs.

**TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021
(Continued)****Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(c) Adoption of new accounting standards (continued)**

The transaction has therefore been accounted for as a reverse acquisition from a consolidated perspective, where Tartana is the accounting acquirer and the Company is the legal acquirer. This half year financial report includes the consolidated financial statements of Tartana for the six months ended 31 December 2021 and the Company for the period from 20 July 2021 to 31 December 2021. The half year report represents a continuation of Tartana's financial statements with the exception of the capital structure. The amount recognised in equity instruments in these consolidated statements represents the issued equity of the Company adjusted to reflect the equity issued by the Company on acquisition.

Under the reverse acquisition principles, the consideration provided by Tartana was determined to be \$2,357,353, which is the deemed fair value of the 11,786,765 shares (on a post-consolidation basis) owned by the former R3D Resources Limited shareholders at the completion of the acquisition, valued at the capital raising share price of \$0.20 per share.

The excess of the deemed fair value of the shares owned by the Company shareholders and the fair value of the identifiable net assets of the Company, immediately prior to the completion of the merger, is accounted for under AASB 2 Share Based Payments ("AASB 2") and resulted in the recognition of \$3,488,381 being recorded as a "Corporate Restructure Expense". The net assets of the Company were recorded at fair value at acquisition date.

Exploration & Evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) The rights to tenure of the area of interest are current; and
- (ii) At least one of the following conditions is also met:
 - The exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - Exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then classified to development.

Property, Plant & Equipment – Useful lives

Plant and equipment is stated at cost or fair value less accumulated depreciation as per valuation on 17 September 2018.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. Plant and Equipment and Infrastructure & Site Improvements are depreciated on a straight-line basis using life of mine method based on estimated mineral reserves linked to the production of copper sulphate. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (Continued)**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(c) Adoption of new accounting standards (continued)**

Depreciation is calculated on a straight-line basis so as the write off the cost or revalued amount of each fixed asset over its estimated useful life, as follows to its estimated residual value.

Software	1-3 years
Buildings	5 years
Plant & Equipment	Useful life of mine
Infrastructure & Site Improvements	Useful life of mine
Website & development costs	1-3 years
Low Value Pool	1-3 years
Office Equipment	3-7 years

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Inventory**Ore Stockpiles**

Stockpiles of unprocessed ore are stated at the lower of cost and estimated net realizable value. Cost comprises the cost of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to ore stockpiles on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables

Consumables are valued at cost less an appropriate provision for obsolescence.

Rehabilitation

Mine closure and restoration costs include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the infrastructure. Mine closure costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, or on the acquisition of a mine. The provision is based on the net present value of estimated future costs.

Share Based Payments

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the shares at the grant date.

The cost of equity-settled transactions is recognised in the Statement of Comprehensive Income, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance sheet date. No

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (Continued)**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(c) Adoption of new accounting standards (continued)*****Share Based Payments (Continued)***

adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transactions a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share, unless the Group is loss making, then it is anti-dilutive as the inclusion of these options would reduce the loss per share.

(d) New accounting standards and interpretations

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

There are no new Accounting Standards or Interpretations that have been published but are not yet mandatory that are expected to have a material impact on the Group.

(e) Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reports amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those in the Group's 30 June 2021 annual report, with the following additions:

Reverse acquisition

As discussed in note 9, the acquisition of Tartana Resources Limited ("Tartana") has the features of a reverse acquisition as described in the Australian Accounting Standard AASB 3 Business Combinations ("AASB 3"). Judgement is exercised on why the Tartana acquisition did not constitute a business under AASB 3 and determining the fair value of the shares owned by the former R3D shareholders as well as the fair value of the assets and liabilities acquired.

Exploration and evaluation

The Group's accounting policy for exploration and evaluation is set out in Note 1(c) to this interim financial report. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, management conclude that they are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be impaired to the Consolidated Statement of Comprehensive Income.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(c) Adoption of new accounting standards (continued)*****Determination of Mineral Resources***

The determination of Mineral Resources and Ore Estimates impacts the accounting for asset carrying values, depreciation and amortisation rates and provisions for rehabilitation. The Group annually reports information in accordance with the Aus.IMM "Australian Code for reporting of Identified Mineral Resources or Ore Reserves". The information is prepared by or under supervision of a competent person as identified by the Code. There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in reserves being restated.

Useful lives of property, plant & equipment

Judgement is applied in determining the useful lives of the Group's property, plant & equipment, including the determination of life of mine. As described above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

Rehabilitation

In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation. The discount rate used in the calculation of these provisions is consistent with the risk-free rate (as applied to risk adjusted cashflows). The ultimate cost of decommissioning and restoration is uncertain, and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates. Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

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 or for services, the date the service is provided. The fair value is determined using the Black Scholes valuation method. For options issued during the period refer to Note 11.

NOTE 2: OPERATING SEGMENTS

Operating segments that meet the quantitative criteria of AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to the users of the financial statements.

Following the acquisition of Tartana Resources Limited (refer note 9), the Group ceased to operate as a provider of investor relations, financial media and research for small-mid cap stocks.

The Group determines its operating segments by reference to internal reports that are reviewed and used by the Board of Directors (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The Board of Directors currently receive Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income information that is prepared in accordance with Australian Accounting Standards.

The Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income information received by the Board of Directors does not include any information by segment. The executive team manages each exploration activity of each exploration concession through review and approval of statutory expenditure requirements and other operational information. Based on this criterion, the Group has only one operating segment, being exploration, and the segment operations and results are the same as the Group results.

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (Continued)

NOTE 3: SALES REVENUE AND OTHER INCOME

	31 Dec 2021	31 Dec 2020
	\$	\$
Revenue from contracts with customers		
Sale of low grade furnace slag ore	7,404,406	2,510,034

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or hourly rate.

All revenue is generated from one geographic location for services rendered.

Other income		
Sale – office rental services	6,000	12,600
Interest income	7,834	7,842
Other income	19,081	26,778
	32,915	47,220

NOTE 4: INVENTORY

Inventory comprises stockpiles residing at the Zeehan Zinc low grade furnace slag/ matte project in Western Tasmania. The stockpiles were initially recorded at fair value, based on a valuation completed on 17 September 2018, and thereafter at net realisable value.

	31 Dec 2021	30 Jun 2021
	\$	\$
Current		
Inventory – Copper in Ponds	176,000	176,000
Inventory – Zinc Matte Slag Stockpiles	120,000	680,000
Inventory – Zinc Matte Slag ready for shipment	-	942,069
	296,000	1,798,069

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (Continued)

NOTE 5: PROPERTY, PLANT & EQUIPMENT

	31 Dec 2021 \$	30 Jun 2021 \$
Plant and equipment - at fair value	802,882	713,141
Buildings - at fair value	490,000	490,000
Infrastructure & Site Improvements – at fair value	1,801,000	1,801,000
IT & Development costs – at cost	16,527	16,527
Office equipment at cost	14,153	13,380
Vehicles and equipment at cost	76,067	-
Leasehold improvements at cost	-	-
Accumulated depreciation	(315,272)	(285,155)
	2,885,357	2,748,893
<i>Movement in property, plant & equipment</i>		
Balance at the beginning of the period, net of accumulated depreciation	2,748,893	2,776,150
Additions	166,581	35,866
Depreciation	(30,117)	(63,123)
Balance at end of period, net of accumulated depreciation	2,885,357	2,748,893

NOTE 6: EXPLORATION AND EVALUATION

Areas of interest in the exploration and evaluation phases

	31 Dec 2021 \$	30 Jun 2021 \$
Balance at the beginning of the period	1,999,017	1,228,779
Option to acquire Beefwood Project	385,000	-
Expenditure incurred during the period	719,302	770,238
	3,103,319	1,999,017

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (Continued)
NOTE 7: PROVISIONS

	31 Dec 2021 \$	30 Jun 2021 \$
Current		
Employee benefits – annual leave	(19,578)	-
Provision – Rehabilitation (i)	(200,000)	(200,000)
	<u>(219,578)</u>	<u>-</u>
Non-current		
Provision – Rehabilitation		
Carrying amount at the beginning of the year	(1,139,111)	(889,811)
Movement in provision during period	55,987	(249,300)
Carrying amount at the end of the period (ii)	<u>(1,083,124)</u>	<u>(1,139,111)</u>
Employee benefits – long service leave	(4,162)	-
	<u>(1,087,286)</u>	<u>(1,139,111)</u>

The rehabilitation provision represents:

(i) *Intec Zeehan Residues*

A provision for site rehabilitation of the area previously disturbed during mining activities up to the reporting date, but not yet rehabilitated at the Zeehan Zinc low grade furnace slag/matte project.

(ii) *Tartana Copper*

In Queensland from 1 April 2019, financial assurance requirements for resource activities under the Environmental Protection Act 1994 were replaced with the Financial Provisioning Scheme (FPS) under the Mineral and Energy Resource (Financial Provisioning) Act 2018. Tartana has submitted an application for a revised ERC decision based on the third-party quote and which will increase the current FA to approximately \$922,856.

NOTE 8: FINANCIAL LIABILITIES - BORROWINGS

	31 Dec 2021 \$	30 Jun 2021 \$
Third party borrowings	(508,142)	-
Convertible Notes	-	(772,438)
	<u>(508,142)</u>	<u>(772,438)</u>
Balance at the beginning of the period, at amortised cost	(772,438)	(781,644)
Acquired on acquisition	(485,579)	-
Accrued interest	(125)	9,206
Conversion of Convertible Notes	250,000	-
Repayment of Convertible Notes	500,000	-
Balance at end of period, at amortised cost	<u>(508,142)</u>	<u>(772,438)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (Continued)**NOTE 8: FINANCIAL LIABILITIES – BORROWINGS (Continued)**

On 29 July 2021, the Group repaid 2,500,000 convertible notes of \$0.20 each issued by Tartana under a Convertible Note Deed dated 18 December 2019, with the total repaid \$519,927 including interest. The convertible notes paid interest at 12% per annum (paid quarterly) and had an 18-month term from the date of the Deed.

The Company, as borrower, entered into a loan agreement with Yaputri Pte Ltd (Yaputri) as the lender, which was subsequently amended. The loan is for \$A250,000 and is unsecured and was paid to the Company on 17 September 2020.

The loan was to be advanced in one instalment with any further funds provided at the discretion of Yaputri with the loan to be drawn in full prior to 1 March 2021 (or such later date as is agreed). The loan bears interest at 10% pa. The loan together with interest thereon is required to be paid on the earlier of 25 months from the date of reinstatement of securities of the Company to the Official List of the ASX; the issue of Convertible Notes by the Company in substitution of the loan agreement on terms agreed by the parties; or receipt by the Company of funds in the amount of not less than A\$1,000,000 raised through the issue of FPO Shares occurring following reinstatement of the Company's securities to the Official List of the ASX.

On 8 February 2021, a further A\$200,000 of funds was received as part of the loan agreement with Yaputri.

NOTE 9: REVERSE ACQUISITION

During the financial half-year, the Group completed its all-scrip takeover for 100% of the fully paid ordinary shares and 100% of the options in Tartana Resources Limited, through the issue of the following instruments:

- 1 R3D share for each Tartana share held by a Tartana shareholder, for the issue of 75,533,698 R3D shares;
- 1 R3D option per each 5 Tartana shares held by a Tartana shareholder, for the issue of 15,106,740 R3D options; and
- 1 R3D option per each Tartana Option held by a Tartana option holder, for the issue of a further 13,500,000 R3D options.

The terms are set out in Note 11.

The primary reason for the asset acquisition was to purchase Tartana's enviable tenure position in the prospective Chillagoe region of Far North Queensland and to advance its projects, including working towards refurbishing the Heap Leach – Solvent Extraction – Crystallisation plant at the Tartanmaine site near Chillagoe to provide a second source of cashflow for the Company. The acquisition also included the Zeehan Zinc low grade furnace slag/matte project in western Tasmania which has continued to provide cashflow to the Group from regular slag exports to South Korea through the Burnie Port.

In accordance with AASB 3 Business Combinations ("AASB 3"), the substance of the acquisition is a reverse acquisition as shareholders of Tartana hold the majority of the shares in R3D. The acquisition of Tartana does not constitute a business combination as R3D does not meet the definition of a business under AASB 3. As a result, the acquisition is accounted for in accordance with AASB 2 Share Based Payments ("AASB 2"), with Tartana being identified as the acquirer and the net assets of R3D deemed acquired. The consideration of the Transaction is measured at the fair value of the shares and options of R3D that are outstanding just before the Transaction, or if not reliably measurable, the fair value of the consideration given up, i.e. the 'deemed' transaction price for obtaining control over R3D. In this instance, as R3D's shares were suspended for an extended period prior to the transaction, the transaction price has been determined by reference to the 'deemed' transaction price.

\$

The consideration transferred is as follows:

11,786,765 shares issued and outstanding of R3D (a)	2,357,353
Total consideration transferred	2,357,353

- (a) The 'deemed' fair value of the consideration in the Transaction is determined by reference to the 11,786,765 shares (post consolidation) owned by the former R3D Resource Limited shareholders at the completion of the acquisition, valued at the capital raising share price of \$0.20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (Continued)
NOTE 9: REVERSE ACQUISITION (Continued)

The allocation of the consideration transferred to the net assets acquired by Tartana is as follows:

	\$
Cash	48,306
Trade and other receivables	67,392
Prepayments	95,515
Investments	27,213
Trade and other payables	(708,876)
Borrowings	(660,578)
Corporate Restructure Expense	3,488,381
	2,357,353

NOTE 10: ISSUED CAPITAL

	31 Dec 2021 \$	30 Jun 2021 \$
110,495,630 (30 June 2021: 11,786,932 ¹) fully paid ordinary shares	17,303,711	62,034,054
Movement in share capital	Shares	\$
Balance at 1 July 2021	11,786,932	62,034,054
Deemed reverse acquisition on R3D by Tartana		2,357,353
Issue of shares to Tartana vendors as part of reverse acquisition	75,533,698	15,106,740
Elimination of the acquisition of Tartana by R3D		(66,829,436)
Shares issued for cash in public offer	21,250,000	4,250,000
Shares issued to acquire option over Beefwood Project	1,925,000	385,000
Balance as at 31 December 2021	110,495,630	17,303,711

¹ Post 4:1 share consolidation in March 2021.

NOTE 11: OPTIONS ISSUED

34,856,740 (30 June 2021: nil) options	92,337	-
Movement in options	Options	\$
Balance at 1 July 2021	-	-
Deemed reverse acquisition on R3D by Tartana:		-
- Issued to Tartana shareholders	15,106,740	-
- Issued to Tartana option holders	13,500,000	86,485
Issue of options as part of placement	4,250,000	-
Issue of options to brokers	2,000,000	5,852
Balance as at 31 December 2021	34,856,740	92,337

During the half year, on 20 July 2021, the Group issued the following instruments:

- 15,106,740 options to the existing shareholders of Tartana with an exercise price of \$0.40 expiring on the fifth anniversary from their date of issue;
- 13,500,000 options to existing option holders of Tartana with an exercise price of \$0.40 expiring on the fifth anniversary from their date of issue;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (Continued)
NOTE 11: OPTIONS ISSUED (Continued)

and as part of the Group's public offer of 21,250,000 shares to investors at \$0.20 per share:

- 4,250,000 options to investors in the public offer with an exercise price of \$0.40 expiring on the fifth anniversary from their date of issue; and
- 2,000,000 options issued to brokers under the public offer with an exercise price of \$0.40 expiring on the fifth anniversary from their date of issue.

The options issued to the existing shareholders of Tartana have not been valued and recognised at fair value under the principles of accounting standard, AASB 2 Share Based Payments given they did not form part of the consideration transferred to the original shareholders of R3D Resources Limited under reverse acquisition accounting.

Options Issued to Tartana Option Holders

Tartana Resources Limited ("Tartana") had previously granted options to a core team of key personnel that intended to lead the company for an extended period following their issue.

On 26 February 2018, Tartana issued 11,000,000 options. One option converted to one share on exercise at an exercise price of \$0.40 per ordinary share. No amounts were paid or are payable by the recipient on receipt of the option. The option carried neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The options granted expire on their expiry date, or one month after the resignation of the employee, whichever is the earlier. Half the options issued at the Tartana's Annual General Meeting on 26 February 2018, vested at the end of the Annual General Meeting and the remainder vested on 26 February 2019. The options may be exercised any time on or before 25 February 2022.

On 30 November 2018 the company issued 2,500,000 options. One option converts to one share on exercise at an exercise price of \$0.40 per ordinary share. No amounts were paid or are payable by the recipient on receipt of the option. The option carries neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The options granted expire on their expiry date, or one month after the resignation of the employee, whichever is the earlier. Half the options issued at the Annual General Meeting on 30 November 2018 vested at the end of the Annual General Meeting and the remainder vested on 30 November 2019. The options may be exercised any time on or before 30 November 2022.

As part of the legal acquisition of Tartana by R3D Resources, the above instruments were cancelled and were replaced by 13,500,000 options with an exercise price of \$40 expiring on 20 July 2026.

Share based payment reserve

The nature and purpose of the share-based payment reserve is to record the value of equity benefits provided to Directors, employees and consultants as part of their remuneration, or the value of equity settled transactions for goods and services received by the Group.

NOTE 12: EARNINGS PER SHARE

	31 Dec 2021 \$	31 Dec 2020 \$
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net loss	(4,828,965)	(801,151)
Weighted average number of ordinary shares used in calculating basic earnings per share ¹	99,327,022	64,939,500
Effect of dilutive securities: Share options ²	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	0.0486	0.0123

¹ Adjusted for the 4:1 share consolidation in March 2021 for comparative purposes.

² Share options are not dilutive as their inclusion would give rise to a reduced loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (Continued)

NOTE 12: EARNINGS PER SHARE (continued)

There was a total of 34,856,740 share options that were potentially dilutive to shares on issue at 31 December 2021 (30 June 2021: nil).

The above weighted average number of shares incorporates an adjustment to the calculation to incorporate the effects of bonus elements (if any) in relation to rights issues in the current and previous financial year.

Conversion, calls, subscriptions or issues after 31 December 2021

There have been no other options issued, conversions to, calls of, or subscriptions for ordinary shares since the reporting date and before the completion of this interim financial report.

NOTE 13: COMMITMENTS AND CONTINGENT LIABILITIES

In order to maintain the Company's tenements in good standing with the various mines departments, the Company will be required to incur exploration expenditure under the terms of each licence. These commitments are not binding as exploration tenements can be reduced or relinquished at any time. Management has estimated expenditure to meet these commitments as detailed below:

	31 Dec 2021	30 Jun 2021
	\$	\$
Payable not later than one year	1,078,900	1,078,900
Payable later than one year but not later than two years	<u>742,900</u>	<u>742,900</u>
	<u>1,821,800</u>	<u>1,821,800</u>

Tartana Resources Limited has a Financial Assurance of \$586,400 in place for the rehabilitation of the Tartana Mine Site.

In Queensland from 1 April 2019, financial assurance requirements for resource activities under the Environmental Protection Act 1994 were replaced with the Financial Provisioning Scheme (FPS) under the Mineral and Energy Resource (Financial Provisioning) Act 2018. As a consequence, Tartana Resources is required to assess its Estimated Rehabilitation Cost (ERC) for the mine site and provide additional surety if required. In 2019/2020 Tartana applied a third-party quote for its ERC estimation which unfortunately did not meet the Department of Environment and Science (DES) new third-party quote detail requirements. Tartana has been working with DES to upgrade a third-party quote to meet DES's new requirements. In the meantime, DES has estimated Tartana's ERC to be \$1,591,504 with Queensland Treasury having invoiced Tartana for the difference between the existing financial assurance and this new ERC level on 26 February 2021. In liaison with DES, Tartana is submitting an application for a revised ERC decision based on the third-party quote and which will increase the current FA to approximately \$850,000. DES has agreed to Tartana increasing its FA or surety level as a result of any shortfall in ERC level by the 16th July 2021.

Other than the matter noted above, the Group has no other contingent liabilities as at 31 December 2021.

NOTE 14: RESTATEMENT OF PRIOR PERIOD BALANCES

While preparing the financial statements of the Group for the year ended 30 June 2021, including the reverse acquisition accounting, R3D identified the following matters in respect of Tartana's historical financial statements.

1. No rehabilitation provision had been recognized as at 29 January 2018 when Tartana Resources Limited acquired 100% of the issued share capital of Intec Zeehan Residues Pty Ltd from Intec Environmental Ltd (as seller) and SciDev (as guarantor);
2. In recognizing the fair value of the assets, liabilities (and contingent liabilities) acquired in the acquisition of IZR, no value had been attributed to the low grade furnace slag zinc stockpiles acquired; and
3. No rehabilitation provision had been recognized as at 18 April 2018, when Tartana Resources Limited acquired the asset and liabilities of the Tartana Copper-Zinc Project from Mr Martin Meter for a total consideration of \$515,925, as disclosed in Tartana's 30 June 2018 financial report.

The above adjustments resulted in the restatement of the following items for the year ended 30 June 2020:

- Inventory (current) was increased by \$745,326;
- Goodwill was reduced by \$1,984,619;
- Inventory (non-current) was increased by \$1,239,093;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021 (Continued)
NOTE 14: RESTATEMENT OF PRIOR PERIOD BALANCES (continued)

- Other assets were increased by \$13,293;
- Provisions was increased by \$889,811; and
- Accumulated losses was increased by \$878,518.

Together, the above adjustments had the following impact on the 30 June 2021 financial statements:

	30 Jun 20	Adjustment	30 Jun 20
	\$	\$	\$
<u>Consolidated Statement of Financial Position extract</u>			
Current assets			
Inventory	176,000	745,526	921,526
Total current assets	229,335	745,526	974,861
Non-current assets			
Goodwill	1,984,619	(1,984,619)	0
Other assets	586,400	13,293	599,693
Inventory	0	1,239,093	1,239,093
Total non-current assets	6,671,276	(732,233)	5,939,043
Total current liabilities	(1,707,785)	-	(1,707,785)
Non-current liabilities			
Provisions	-	(889,811)	(889,811)
Total non-current liabilities	546,015	(889,811)	(1,435,826)
Total liabilities	(2,253,800)	(889,811)	(3,143,611)
Net assets	4,646,811	(876,518)	3,770,293
Equity			
Accumulated losses	3,625,687	876,518	4,502,205
Total equity	(4,646,811)	876,518	(3,770,293)

NOTE 15: EVENTS AFTER BALANCE DATE

Since the balance date the following events have occurred:

On 31 January 2022, the R3D shareholders approved the proposed issue of 1,500,000 and 1,000,000 options to Mr Richard Ash and Mr Michael Thirnbeck respectively. These options were issued on 28 February 2022 and the options are not listed and have an exercise price of \$0.40 and expire if not exercised by 14 July 2026. The first tranche of one third of the options vest immediately. The second tranche of one third of the options will vest on 17 December 2022. The final third of the options vest on 17 December 2023. In all three cases, vesting is conditional on Messrs Ash and Thirnbeck remaining a Director of the Company on the date the Options vest.

No other matter or circumstance has arisen since the end of the half-year that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Bruce Hills
Executive Director

16 March 2022

Independent Auditor's Review Report

To the members of R3D Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of R3D Resources Limited and controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of R3D Resources Limited (the company) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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*. As the auditor of the consolidated entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Office

Level 8, 124
Walker Street
North Sydney
NSW 2060

Postal

PO Box 1664,
North Sydney

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of R3D Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 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 Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) "Going concern" which states that the directors are investigating options to raise additional funds, sell assets or reduce costs. Should the fund raising be unsuccessful, it would indicate a material uncertainty which may cast doubt about the consolidated entity's ability to continue as a going concern and the consolidated entity's ability to pay its debts as and when they fall due. Our conclusion is not modified in respect of this matter.

BDJ Partners



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Gregory W Cliffe
Partner

Dated 16 March 2022

Tax

Accounting

Financial
Advice

Super

Audit

Loans



Corporate Directory

Registered and Principal Office

169 Blues Point Road
McMahon's Point NSW 2060 Australia
Telephone: +61 2 9392 8032
Fax: +61 2 9279 2727

Postal Address

169 Blues Point Road
McMahon's Point NSW 2060 Australia

Website

<https://r3dresources.com.au>

Share Registry

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street, Sydney, NSW 2000
Phone: +61 02 8234 5000

Securities Exchange Listing

R3D Resources Limited – shares are listed on the Australian Securities Exchange (ASX Code: R3D)

Board Directors

Richard Ash
Independent Non-Executive
Chairman

Stephen Bartrop
Managing Director

Bruce Hills
Executive Director

Robert Waring
Independent Non-Executive Director
and Company Secretary

Michael Thirnbeck
Independent Non-Executive Director

Company Secretary

Robert Waring

Auditor

BDJ
Level 8, 124 Walker Street
North Sydney NSW 2060
Australia

Solicitors

Sparke Helmore Lawyers
Level 29/25 Martin Place
Sydney NSW 2000

