

ERRAWARRA

Resources Ltd

ABN 95 155 472 834

Financial Report for the half-year ended 31 December 2022

www.errawarra.com

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CORPORATE DIRECTORY

Board of Directors

Executive Chairman

Mr Thomas Reddcliffe

Non-Executive Directors

Mr Jonathan Battershill

Mr George Ventouras

Company Secretary

Mrs Mindy Ku

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ABN 95 155 472 834

Auditors

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Registered Office

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Perth, Western Australia 6000

Social Network Sites

Twitter | @AuNiCuWA

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Share Registry

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Lawyers

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

DIRECTORS' REPORT

The Directors of Errawarra Resources Ltd (**Errawarra, Group or Company**) submit the financial report for the half-year ended 31 December 2022. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

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

Executive Chairman	Mr Thomas Reddcliffe (appointed on 8 Dec 2022, previously Executive Director)
Non-Executive Chairman	Mr Jonathan Murray (resigned 8 Dec 2022)
Non Executive Directors	Mr Jonathan Battershill (appointed 1 Jul 2022) Mr George Ventouras (appointed on 8 Dec 2022) Ms Greta Purich (resigned 31 Jul 2022)

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

Principal activities

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

Results

The consolidated net loss of the Group for the half-year period after income tax expense was \$1,496,314 (Dec 2021: loss \$713,762).

Review of operations

Andover West | Nickel-Copper (80% interest)

The Andover West Project is located 30km south-east of Karratha and is targeting mafic intrusions hosting nickel-copper mineralisation. There are 3 high priority VTEM/FLEM shallow conductor anomalies within the project tenement which are only 2.8km from Azure's Andover Ni-Cu discovery where Azure Minerals announced a maiden resource of 4.6Mt @ 1.11%Ni, 0.47% Cu and 0.05% Co (ASX Announcement Azure 30 March 2022) and only ~1.5km from Azure's Ridgeline prospect for which Azure recently reported a maiden resource of 1.3mt @ 1.11% Ni, 0.46% Cu and 0.05% Co (ASX Announcement Azure 13 February 2023). There are also additional geophysical targets identified and recommended for field investigation within the tenement.

Errawarra received approval from shareholders to complete the Andover West transaction with Western Exploration Pty Ltd at a General Meeting held 22 April 2022 and subsequently announced finalisation of the acquisition on 2 May 2022. This was achieved by acquiring 80% interest in private company Western Exploration Pty Ltd the holder of tenement application E47/4352 which comprises the project.

The execution of a Heritage and Access Agreement was completed with the Ngarluma Aboriginal Corporation on 1 August 2022 and the Deed to Grant a Mining Lease was submitted to DMIRS with the subsequent grant of the tenement completed on 1 September 2022. Both ethnographic and archaeological heritage clearance surveys were completed during November 2022 with final reports received in January 2023.

This was followed by the commencement of the maiden drill program which comprises the diamond core drilling of these 3 discrete conductor targets and to be followed by downhole electromagnetic (**DHEM**) surveys to determine the positioning of a potential follow-up phase of drilling. This drill and DHEM program is expected to be completed during February.

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

The Errabiddy project is located 200km north-west of Meekatharra, Western Australia on the north-eastern margin of the Yilgarn craton. Errawarra's package includes rock units prospective for intrusion hosted nickel-copper mineralisation and orogenic gold, and is in a region that is experiencing considerable exploration activity. The project tenements cover an area of 1,066km² and comprises eight granted tenements four of which are contiguous, and which are focused on and in proximity to the Errabiddy Shear Zone located within the northwest margin of the Yilgarn. The north-western margin of the Yilgarn Craton (Narryer Terrane) hosts several known mafic-ultramafic intrusive bodies that were emplaced into the deforming northwest Yilgarn Craton margin and appear to consist of an earlier set of layered mafic complexes and later discrete ultramafic plugs. Both intrusion types have Ni- Cu-Co-PGE potential with similarities to the Jinchuan deposit in China, the Voisey's Bay deposit in Canada and the Nova-Bollinger, Julimar, Milly Milly and Byro prospects in Western Australia. Because of this geological setting the area has not only been targeted by Errawarra but also by numerous other resource companies including Chalice Mines Ltd (owners of the Julimar nickel-copper-PGE discovery).

Although the area is highly competitive for nickel and gold exploration more recently there has been an emerging focus on REE exploration with significant exploration results reported by both Desert Metals and Krakatoa Resources both of which are in proximity to the Errabiddy Project. Due to these discoveries Errawarra had an independent review undertaken on the REE potential of the tenement package based on publicly available information. The report highlighted potential exploration target areas across the range of tenements but highlighted by E09/2459 where the review has identified multiple priority target areas. These target areas were based on the interpretation of spectral signatures and other factors following a review of remote sensing hyperspectral datasets. In addition, a review of the GSWA soil sampling dataset reveals several anomalous TREO samples within the project tenements that warrant follow-up investigation.

DIRECTORS' REPORT

Binti Binti | Gold (80% interest)

Errawarra holds interests in three tenements in the Edjudina Region of Western Australia. The Binti Binti gold project is located, 70km north-east of Kalgoorlie and covers an area of approximately 116km² within the Kanowna Mineral Field. The gold prospectivity is considered high given the proximity to the historical Gindalbie/Binti Binti Goldfield and associated workings which are developed on steeply west dipping quartz veins within an interpreted north-northwest trending shear zone.

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

The spatial association of the gold workings and the western limb of an anticlinal structure has provided a potential targeting model for the area.

Fraser Range | Nickel-Copper (70% interest)

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

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

Approximately 70% of the project area has been surveyed by MLEM with no conductors indicative of massive sulphide mineralisation being identified. However, several weak anomalous responses have been observed at early to mid-delay times, some of which are in proximity to anomalous (nickel-copper) that has reported to wide spaced historic reconnaissance soil samples. A detailed review of all of the acquired data has been completed and a program to investigate these weak anomalous responses has been recommended, including drill testing when appropriate. In addition, FLEM surveys remain under consideration for those areas where MLEM could not be completed due to the nature of the terrain.

Corporate

Errawarra held its Annual General Meeting on 29 November 2022 with all resolutions carried by poll. The majority of proxy votes cast were in favour of resolutions. The Annual Report 2022 was lodged with the ASIC in accordance with required timeframes.

On 6 September 2022, the Company converted 15,000,000 Performance Rights Class A into fully paid ordinary shares on the satisfaction of the milestone, being the grant of E47/4352. Refer to Notice of General Meeting dated 18 March 2022 for more information.

A total of 10,764 options were exercised during the period.

Subsequent events

The below matters or circumstances have arisen since 31 December 2022 that may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

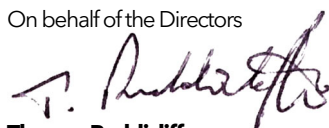
- (a) On 23 January 2023, the Company announced that Mr Thomas Reddcliffe remuneration package was increased to \$120,000 per annum to reflect the increase of work as the Executive Chairman of the Company.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 and forms part of the Directors' report for the six months ended 31 December 2022.

Signed in accordance with a resolution of directors.

On behalf of the Directors



Thomas Reddcliffe
Executive Chairman
7 March 2023

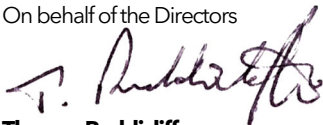
DIRECTORS' DECLARATION

The Directors declare that in the Directors' opinion:

- (a) subject to the achievement of matters noted in note 2(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standard AASB 134 and the *Corporations Regulations 2001* as disclosed in note 2 and giving a true and fair view of the financial position and performance of the Group for the half-year ended 31 December 2022.

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

On behalf of the Directors



Thomas Reddcliffe

Executive Chairman

Perth, Western Australia this 7th day of March 2023

INDEPENDENCE DECLARATION TO THE DIRECTORS OF ERRAWARRA RESOURCES LTD



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www.stantons.com.au

7 March 2023

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

Dear Sirs

RE: ERRAWARRA RESOURCES LIMITED

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

As Audit Director for the review of the financial statements of Errawarra Resources Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

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

Samir Tirodkar
Director

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ERRAWARRA RESOURCES LTD



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Errawarra Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of Errawarra Resources Limited's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 7 March 2023.

Responsibility of the Directors for the Financial Report

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

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Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

Stantons International Audit and Consulting Pty Ltd
Samir

Samir Tirodkar
Director

West Perth, Western Australia
7 March 2023

CONSOLIDATED STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 31 December 2022

	Note	Half-year ended 31 Dec 2022 \$	Half-year ended 31 Dec 2021 \$
Continuing operations			
Other income		8,490	635
Share-based payment	10	(392,212)	-
Employee expenses		(98,009)	(36,200)
Consultants expenses		(436,724)	(396,292)
Interest expense		(978)	-
Exploration and evaluation expenses		(450,932)	(219,173)
Other expenses		(125,949)	(62,732)
(Loss) from continuing operations before income tax benefit		(1,496,314)	(713,762)
Income tax benefit		-	-
(Loss) attributable to members of the parent entity		(1,496,314)	(713,762)
Other comprehensive income for the period		-	-
Total comprehensive (loss) for the period		(1,496,314)	(713,762)
Net (loss) attributable to:			
Owner of Errawarra Resources Ltd		(1,447,410)	(713,762)
Non-controlling interest		(48,904)	-
		(1,496,314)	(713,762)
Total comprehensive (loss) attributable:			
Owner of Errawarra Resources Ltd		(1,447,410)	(713,762)
Non-controlling interest		(48,904)	-
		(1,496,314)	(713,762)
(Loss) per share attributable to the parent entity:			
Basic (cents per share)		(2.63)	(1.75)

Diluted earnings per share are not disclosed as the economic entity incurred a loss and the options are not deemed to be dilutive.

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Note	31 Dec 2022 \$	30 Jun 2022 \$
Current assets			
Cash and cash equivalents		2,311,427	3,298,900
Trade and other receivables	3	106,257	29,240
Other financial assets at fair value through profit and loss		117,492	117,492
Other asset		10,040	10,000
Total current assets		2,545,216	3,455,632
Non-current assets			
Right-of-use asset	5	49,887	-
Total non-current assets		49,887	-
TOTAL ASSETS		2,595,103	3,455,632
Current liabilities			
Trade and other payables	4	374,979	689,842
Lease liability	5	27,992	-
Total current liabilities		402,971	689,842
Non-current liabilities			
Trade and other payables	4	233,133	268,673
Lease liability	5	22,500	-
Total non-current liabilities		255,633	268,673
TOTAL LIABILITIES		658,604	958,515
NET ASSETS		1,936,499	2,497,117
Equity			
Issued capital	6	7,579,621	7,576,392
Reserves	7	3,701,330	2,768,863
Accumulated losses		(9,294,888)	(7,847,478)
Parent interest		1,986,063	2,497,777
Non-controlling interest		(49,564)	(660)
TOTAL EQUITY		1,936,499	2,497,117

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2022

	Attributable to equity holders						Total Equity \$
	Issued Capital \$	Option Reserve \$	Performance Rights Reserve \$	In-specie Distribution Reserve \$	Non- controlling Interest \$	Accumulated Losses \$	
For the half-year ended 31 December 2022							
Balance as at 1 July 2022	7,576,392	1,474,171	566,112	728,580	(660)	(7,847,478)	2,497,117
Total comprehensive income							
Loss for the period	-	-	-	-	(48,904)	(1,447,410)	(1,496,314)
Other comprehensive loss for the period	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(48,904)	(1,447,410)	(1,496,314)
Transactions with owners recorded direct to equity							
Share-based payments	-	392,212	540,255	-	-	-	932,467
Options exercised	3,229	-	-	-	-	-	3,229
Total transactions with owners	3,229	392,212	540,255	-	-	-	935,696
Balance as at 31 December 2022	7,579,621	1,866,383	1,106,367	728,580	(49,564)	(9,294,888)	1,936,499

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2022

	Attributable to equity holders						Total Equity \$
	Issued Capital \$	Option Reserve \$	Performance Rights Reserve \$	In-specie Distribution Reserve \$	Non- controlling Interest \$	Accumulated Losses \$	
For the half-year ended 31 December 2021							
Balance as at 1 July 2021	6,598,326	444,819	-	728,580	-	(4,488,964)	3,282,761
Total comprehensive income							
Loss for the period	-	-	-	-	-	(713,762)	(713,762)
Other comprehensive loss for the period	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(713,762)	(713,762)
Transactions with owners recorded direct to equity							
Issue of shares	1,232,001	-	-	-	-	-	1,232,001
Share issue expenses	(37,879)	-	-	-	-	-	(37,879)
Total transactions with owners	1,194,122	-	-	-	-	-	1,194,122
Balance as at 31 December 2021	7,792,448	444,819	-	728,580	-	(5,202,726)	3,763,121

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

for the half-year ended 31 December 2022

	Half-year ended 31 Dec 2022 \$	Half-year ended 31 Dec 2021 \$
Cash flows from operating activities		
Payments for exploration and evaluation	(334,362)	(370,986)
Payments to suppliers and employees	(662,916)	(307,904)
Interest received	6,576	635
Net cash (used) in operating activities	(990,702)	(678,255)
Cash flows from investing activities		
Payment for acquisition of tenements	-	-
Net cash (used) in investing activities	-	-
Cash flows from financing activities		
Proceeds from issues of equity securities	3,229	1,232,001
Payment for share issue costs	-	(10,027)
Net cash received from financing activities	3,229	1,221,974
Net (decrease) / increase in cash and cash equivalents	(987,473)	543,719
Cash and cash equivalents at the beginning of the financial period	3,298,900	3,380,569
Cash and cash equivalents at the end of the financial period	2,311,427	3,924,288

The accompanying notes form part of the financial statements.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2022

1. Reporting Entity

Errawarra Resources Ltd (**Errawarra or the Company**) is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange. The consolidated half-year financial report of the Group as at and for the six months ended 31 December 2022 comprises the Company and its subsidiaries (together referred to as **the Group**).

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

The financial report of Errawarra for the half-year ended 31 December 2022 was authorised for issue by the Directors on 7 March 2023.

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

The consolidated annual financial report of the Group as at and for the year ended 30 June 2022 is available upon request from the Company's registered office or at www.errawarra.com.

2. Basis of preparation and changes to the accounting policies

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2022 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and considered together with any public announcements made by the Company during the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

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

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

(b) Changes in accounting policies

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, other than the adoption of additional accounting policies set out below:

Right of use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the asset.

Right-of-use assets are depreciated on a straight-line method from the commencement date to the end of the lease term.

The lease liability is measured at the present value of the lease payments discounted at the Group's incremental borrowing rate. Lease payments include fixed payments, and variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2022

2. Basis of preparation and changes to the accounting policies

(b) Changes in accounting policies (cont'd)

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

All other new standards and interpretations effective from 1 July 2022 were adopted with the main impact being disclosure changes. The adoption of the new or amended standards and interpretations did not result in any significant changes to the Group's accounting policies. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

	31 Dec 2022 \$	30 Jun 2022 \$
3. Current trade and other receivables		
Net goods and services tax (GST) receivable	58,040	13,419
Other receivable	48,217	15,821
	106,257	29,240
4. Current trade and other payables		
Current		
Trade payables	150,859	11,278
Payables to related party	2,555	9,742
Accruals	149,091	91,730
Other payables ⁽ⁱ⁾	72,474	577,092
	374,979	689,842
Non-current		
Other payables ⁽ⁱ⁾	233,133	268,673
	233,133	268,673

(i) Other payables include performance rights current liability of \$70,500 (30 June 2022: \$575,216) and non-current liability of \$233,133 (30 June 2022: \$268,673).

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2022

	31 Dec 2022 \$	30 Jun 2022 \$
5. Leases		
Right-of-use asset		
Non-current	49,887	-
	49,887	-
	Building \$	Total \$
Balance at beginning of financial year	-	-
Addition	57,014	57,014
Depreciation expense	(7,127)	(7,127)
Balance at end of financial year	49,887	49,887
	31 Dec 2022 \$	30 Jun 2022 \$
Lease Liability		
Current	27,992	-
Non-current	22,500	-
	50,492	-
Amounts recognised in profit or loss		
Depreciation expense on right-of-use asset	7,127	-
Interest expense on lease liabilities	978	-
6. Issued capital		
60,504,002 fully paid ordinary shares (Jun 2022: 45,493,238)	7,579,621	7,576,392
	7,579,621	7,576,392

	31 Dec 2022		30 Jun 2022	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial period	45,493,238	7,576,392	39,893,234	6,598,326
Issue of shares – Placement ⁽ⁱ⁾	-	-	5,600,000	1,232,000
Issue of shares				
– Conversion of performance rights ⁽ⁱⁱ⁾	15,000,000	-	-	-
Issue of shares – Exercise of options	10,764	3,229	4	1
Share issue costs	-	-	-	(253,935)
Balance at end of financial period	60,504,002	7,579,621	45,493,238	7,576,392

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

(ii) On 6 September 2022, the Company converted 15,000,000 Performance Rights Class A into fully paid ordinary shares on the satisfaction of the milestone, being the grant of E47/4352.

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

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2022

	31 Dec 2022 \$	30 Jun 2022 \$
7. Reserves		
Comprising:		
Reserve relating to the in-specie distribution of shares received from Hannans Ltd in February 2012	728,580	728,580
Option reserve	1,866,383	1,474,171
Performance Rights reserve	1,106,367	566,112
	3,701,330	2,768,863
Movements in reserve relating to the in-specie distribution of shares received from Hannans Ltd in February 2012		
Balance at the beginning of the financial period	728,580	728,580
Reserve movement during the financial period	-	-
Balance at the end of the period	728,580	728,580
Movements in Option reserve		
Balance at the beginning of the financial period	1,474,171	444,819
Share-based payments	392,212	1,029,352
Balance at the end of the financial period	1,866,383	1,474,171
Movements in Performance Rights reserve		
Balance at the beginning of the financial period	566,112	-
Share-based payments	540,255	566,112
Balance at the end of the financial period	1,106,367	566,112

Nature and purpose

Option reserve

The option reserve recognises the fair value of options issued and valued using the Black-Scholes model.

Performance Rights reserve

The performance rights reserve recognises the fair value of performance rights issued and is based on the independent expert report prepared by RSM.

Options

As at 31 December 2022 options over 17,600,000 (30 June 2022: 34,333,413) ordinary shares in aggregate are as follow:

Issuing entity	No of shares under option	Class of shares	Exercise price of option	Expiry date
Errawarra Resources Ltd	300,000	Ordinary	\$0.30 each	26 Nov 2024
Errawarra Resources Ltd	1,500,000	Ordinary	\$0.30 each	26 Nov 2024
Errawarra Resources Ltd	1,800,000	Ordinary	\$0.30 each	03 Dec 2024
Errawarra Resources Ltd	7,500,000	Ordinary	\$0.30 each	21 Apr 2025
Errawarra Resources Ltd	1,500,000	Ordinary	\$0.25 each	29 Jun 2025
Errawarra Resources Ltd	2,000,000	Ordinary	\$0.40 each	21 Apr 2026
Errawarra Resources Ltd	1,500,000	Ordinary	\$0.25 each	30 Nov 2025
Errawarra Resources Ltd	1,500,000	Ordinary	\$0.25 each	25 Sep 2025
Total	17,600,000			

All share options are unlisted, carry no rights to dividends and no voting rights. During the period, 3,000,000 options were issued, 10,764 options were exercised, and 19,722,649 options expired. Refer to Note 10 for further details.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2022

7. Reserves (cont'd)

Performance Rights

As at 31 December 2022 performance rights (PR) over 5,000,000 (30 June 2022: 20,000,000) ordinary shares in aggregate are as follows:

Issuing entity	No of shares under PR	Class of shares	Exercise price of option	Expiry date
Errawarra Resources Ltd	5,000,000	Ordinary	Class B Milestone ⁽ⁱ⁾	21 Apr 2027

(i) Class B Milestone will vest when the Company announces a maiden JORC compliant Inferred Mineral Resources (as defined in the JORC Code 2012 Edition) on the Application Tenement at least 1 million tonnes of nickel at 1% (including nickel equivalent metals) within and using industry standard lower cut off grades.

Performance rights carry no rights to dividends and no voting rights. No performance rights were issued during the period. During the period, 15,000,000 performance rights were exercised and converted to ordinary shares. Refer to Note 10 for further details.

8. Contingencies and commitments

(a) Contingent liabilities

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

(b) Contingent assets

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

Other than the above, there are no other contingent liabilities or contingent assets as at 31 December 2022.

(c) Exploration and evaluation and associate commitments

As at 31 December 2022, tenement commitments for the group totalled \$2,603,072 (30 June 2022: \$1,940,817).

9. Related party disclosure

(a) Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Country of Incorporation	Ownership Interest	
		31 Dec 2022 %	30 Jun 2022 %
Errawarra Pty Ltd	Australia	100	100
Western Exploration Pty Ltd ⁽ⁱ⁾	Australia	80	80

(i) The 20% non-controlling interests were held by Mr Thomas Reddcliffe.

(b) Loans to and from key management personnel and their related parties

There were no loans to and from key management personnel and their related parties during the period (2021: nil).

(c) Transactions with other related parties

Director transactions

- (i) During the period, Steinepreis Paganin, of which Mr Jonathan Murray is a Partner, provided legal services amounting to \$20,727 (2021: \$55,293). As at 31 December 2022, no amount was payable to Steinepreis Paganin (30 June 2022: nil). Mr Murray resigned as director of the Company on 8 December 2022.
- (ii) During the period Sorrento Resources Pty Ltd, of which Mr Thomas Reddcliffe is a Director, provided consulting services for Andover West Project and corporate services amounting to \$248,819 inclusive of expense reimbursements (2021: nil). As at 31 December 2022, \$28,555 was owed to Sorrento Resources (30 June 2022: nil).

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2022

10. Share-based payment

Expenses arising from share-based payment transactions:

	31 Dec 2022 \$	31 Dec 2021 \$
Options issued to directors ⁽ⁱ⁾	261,086	-
Options issued to consultants ⁽ⁱ⁾	131,126	-
	392,212	-

(i) Shared-based payments in relation to:

- 1,500,000 options issued to directors on 26 June 2022 for nil consideration. The expense recognised in respect of the 1,500,000 options was \$31,888 and
- 1,500,000 options issued to directors on 29 November 2022 for nil consideration. The expense recognised in respect of the 1,500,000 options was \$229,198.

(ii) On 24 October 2022, 1,500,000 options were issued to consultants for nil consideration. The expense recognised in respect of the 1,500,000 options was \$131,126.

OPTIONS

The following unlisted options were in existence during the current period and relates to payments to key management personnel, brokers and consultants:

Option series	Number	Grant date	Expiry date	Exercise price
ERWO1ESCA	1,800,000	26 Nov 2020	26 Nov 2024	\$0.30
ERWO1ESCB	1,800,000	03 Dec 2020	03 Dec 2024	\$0.30
ERWO1ESCC	2,000,000	22 Apr 2022	21 Apr 2026	\$0.40
ERWO3	7,500,000	22 Apr 2022	21 Apr 2025	\$0.30
ERWO4	1,500,000	26 Jun 2022	29 Jun 2025	\$0.25
ERWO5	1,500,000	24 Oct 2022	30 Nov 2025	\$0.25
ERWO6	1,500,000	29 Nov 2022	25 Sep 2025	\$0.25
Total	17,600,000			

The following unlisted options were issued during the period and are share-based payments to directors and consultants:

Option series	Number	Grant date	Expiry date	Exercise price
ERWO5	1,500,000	24 Oct 2022	30 Nov 2025	\$0.25
ERWO6	1,500,000	29 Nov 2022	25 Sep 2025	\$0.25
Total	3,000,000			

The following table summarises the options during the period:

Grant date	Expiry date	Exercise price	Balance at 1 Jul No.	Granted No.	Exercised No.	Balance at 31 Dec No.	Vested and exercisable at 31 Dec No.
26 Nov 20	26 Nov 24	\$0.30	1,800,000	-	-	1,800,000	1,800,000
3 Dec 20	3 Dec 24	\$0.30	1,800,000	-	-	1,800,000	1,800,000
22 Apr 22	21 Apr 26	\$0.40	2,000,000	-	-	2,000,000	2,000,000
22 Apr 22	21 Apr 25	\$0.30	7,500,000	-	-	7,500,000	7,500,000
26 Jun 22	29 Jun 25	\$0.25	1,500,000	-	-	1,500,000	500,000
24 Oct 22	30 Nov 25	\$0.25	-	1,500,000	-	1,500,000	1,500,000
29 Nov 22	25 Sep 25	\$0.25	-	1,500,000	-	1,500,000	1,500,000
			14,600,000	3,000,000	-	17,600,000	16,600,000
Weighted average exercise price			\$0.31	\$0.25	-	\$0.30	\$0.30

The share options outstanding at the end of the financial period had a weighted average remaining contractual life of 2.45 years (30 June 2022: 2.87 years)

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2022

10. Share-based payment (cont'd)

(i) Issued during the financial period

For the options granted during the financial period, 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
24 Oct 22	30 Nov 25	\$0.16	\$0.25	98.55%	Nil	3.29%	\$0.087
29 Nov 22	25 Sep 25	\$0.25	\$0.25	98.55%	Nil	3.29%	\$0.153

(ii) Exercised during the financial period

During the financial period a total of 10,764 (2021: 4) options over ordinary shares were exercised, comprising of 10,764 options exercisable at \$0.30 per option expiring on 30 September 2022 to raise \$3,229.

(iii) Expired during the financial period

During the financial period a total of 19,722,649 options (2021: nil) options over ordinary shares expired as the vesting conditions were not achieved, comprising of 19,722,649 options exercisable at \$0.30 per option expiring on 30 September 2022.

PERFORMANCE RIGHTS

The following performance rights were in existence as at 31 December 2022 and relates to payments to key management personnel:

Option series	Number	Grant date	Expiry date	Exercise price
PR B	5,000,000	22 Apr 2022	21 Apr 2027	Milestone 2 (M2)

The following table summarise the performance rights during the period:

Grant date	Expiry date	Exercise price	Balance at 1 Jul No.	Granted No.	Exercised No.	Balance at 31 Dec No.	Vested and exercisable at 31 Dec No.
22 Apr 22	21 Apr 23	M1 ⁽ⁱ⁾	15,000,000	-	(15,000,000) ⁽ⁱⁱ⁾	-	-
22 Apr 22	21 Apr 27	M2 ⁽ⁱⁱⁱ⁾	5,000,000	-	-	5,000,000	-
			20,000,000	-	(15,000,000)	5,000,000	-

(i) Milestone 1 (M1) vests on the grant of the tenement application.

(ii) On 6 September 2022, the Company converted 15,000,000 Performance Rights Class A into fully paid ordinary shares on the satisfaction of the milestone, being the grant of E47/4352. Refer to Notice of General Meeting dated 18 March 2022 for more information.

(iii) Milestone 2 (M2) will vest when the Group announces a maiden JORC compliant Inferred Mineral Resource (as defined in the JORC Code 2012 Edition) on the Application Tenement of at least 1 million tonnes of nickel at 1% (including nickel equivalent metals) without and using industry standard lower cut off grades.

No performance rights were issued during the financial period.

11. Subsequent events

The following matters or circumstances have arisen since 31 December 2022 that may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

(a) On 23 January 2023, the Company announced that Mr Thomas Reddicliffe remuneration package was increased to \$120,000 per annum to reflect the increase of work as the Executive Chairman of the Company.

No other matters or circumstances have arisen since 31 December 2022 that may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Group in future financial years.