



1. Company details

Name of entity:	Austral Resources Australia Ltd
ABN:	50 142 485 470
Reporting period:	For the half-year ended 30 June 2022
Previous period:	For the half-year ended 30 June 2021

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	59.1% to	9,495
Profit from ordinary activities for the half-year after tax attributable to the owners of Austral Resources Australia Ltd	down	944.5% to	(23,512)
Profit for the half-year attributable to the owners of Austral Resources Australia Ltd	down	944.5% to	(23,512)

Dividends

No dividends have been paid, recommended, or declared during the current financial year (2021: Nil).

Comments

The loss for the consolidated entity after providing for income tax amounted to \$23,512,000 (30 June 2021: profit of \$2,784,000).

Highlights

Austral Resources Australia Ltd has achieved the following for the six months ended 30 June 2022:

- Copper cathode sales of 717 tonnes (2021: 1,992 tonnes) at an average sale price of US\$9,930 per tonne (2021: US\$8,950 per tonne);
- Revenue from continuing operations \$9,495,000 (2021: \$23,227,000);
- The Group entered an offtake agreement with Glencore to purchase all copper produced at the Anthill mine and included a US\$15,000,000 prepayment facility;
- The Group commenced mining at Anthill and produced the first copper cathode on 14 June 2022;
- Net operating cash inflows of \$2,042,000 (2021: \$1,972,000);
- Cash and cash equivalents of \$7,158,000 (31 December 2021: \$13,334,000).

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

3. Net tangible assets

	Reporting period \$	Previous period \$
Net tangible assets per ordinary security	(0.08)	(0.03)

Austral Resources Australia Ltd
Appendix 4D
Half-year Report

4. Control gained over entities

No change during the period

5. Loss of control over entities

No change during the period

6. Details of associates and joint venture entities

No change during the period

7. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

The Interim Report of Austral Resources Australia Ltd for the half-year ended 30 June 2022 is attached.

9. Signed

Signed _____



Dan Jauncey
Managing Director and Chief Executive Officer
Brisbane

Date: 29 August 2022

Austral Resources Australia Ltd

ABN 50 142 485 470

Interim Report - 30 June 2022

Austral Resources Australia Ltd

Directors' report

30 June 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Austral Resources Australia Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2022.

Directors

The following persons were directors of Austral Resources Australia Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Phillip Thomas
Daniel Jauncey
Jeffrey Innes
Michael Hansel (appointed 14 February 2022)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of exploration, development and production activities of copper resources at the consolidated entity's mining tenements predominately situated in Queensland, Australia.

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$23,512,000 (30 June 2021: profit of \$2,784,000).

Highlights

Austral Resources Australia Ltd has achieved the following for the six months ended 30 June 2022:

- Copper cathode sales of 717 tonnes (2021: 1,992 tonnes) at an average sale price of US\$9,930 per tonne (2021: US\$8,950 per tonne);
- Revenue from continuing operations \$9,495,000 (2021: \$23,227,000);
- The Group entered an offtake agreement with Glencore to purchase all copper produced at the Anthill mine and included a US\$15,000,000 prepayment facility;
- The Group commenced mining at Anthill and produced the first copper cathode on 14 June 2022;
- Net operating cash inflows of \$2,042,000 (2021: \$1,972,000);
- Cash and cash equivalents of \$7,158,000 (31 December 2021: \$13,334,000).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Dan Jauncey
Managing Director and Chief Executive Officer

29 August 2022
Brisbane

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Austral Resources Australia Ltd for the half year ended 30 June 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.



RSM AUSTRALIA PARTNERS



David Talbot
Partner

Sydney, NSW
Dated: 29 August 2022

Austral Resources Australia Ltd

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30 June 2022

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General information

The financial statements cover Austral Resources Australia Ltd as a consolidated entity consisting of Austral Resources Australia Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Austral Resources Australia Ltd's functional and presentation currency.

Austral Resources Australia Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office and principal place of business

RACQ House
Level 9, 60 Edward Street
Brisbane City QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2022.

Austral Resources Australia Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2022

		Consolidated	
	Note	30 Jun 2022	30 Jun 2021
		\$'000	\$'000
Revenue	3	9,495	23,227
Cost of goods sold		(11,907)	(16,006)
Gross (loss) / profit		<u>(2,412)</u>	<u>7,221</u>
Other income	4	385	132
Gain on derivative instruments at fair value through profit or loss		32	-
Expenses			
Other operating expenses		(4,226)	(471)
Administration expenses		(6,808)	(2,306)
Write down of inventory		(4,836)	-
Depreciation and amortisation expense		(2,413)	(7)
Finance expense	5	(2,732)	(1,671)
Net foreign exchange loss		(502)	(114)
(Loss) / profit before income tax expense from continuing operations		<u>(23,512)</u>	<u>2,784</u>
Income tax expense		-	-
(Loss) / profit after income tax expense for the half-year		<u>(23,512)</u>	<u>2,784</u>
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive (loss) / income for the half-year		<u><u>(23,512)</u></u>	<u><u>2,784</u></u>
		\$	\$
Earnings per share for (loss) / profit attributable to the owners of Austral Resources Australia Ltd			
Basic earnings per share	20	(0.05)	27,840
Diluted earnings per share	20	(0.05)	27,840

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

Austral Resources Australia Ltd
Consolidated statement of financial position
As at 30 June 2022

		Consolidated	
	Note	30 Jun 2022	31 Dec 2021
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	6	7,158	13,334
Trade and other receivables	7	2,014	1,444
Prepayments		507	445
Inventories	8	10,079	3,233
Other assets		86	48
Total current assets		<u>19,844</u>	<u>18,504</u>
Non-current assets			
Other assets	9	37,807	37,892
Property, plant and equipment	10	40,845	6,558
Right-of-Use Assets	11	5,851	6,522
Exploration and mining assets		516	516
Total non-current assets		<u>85,019</u>	<u>51,488</u>
Total assets		<u>104,863</u>	<u>69,992</u>
Liabilities			
Current liabilities			
Trade and other payables		36,986	9,138
Borrowings	12	24,757	6,394
Employee benefits		494	314
Lease Liabilities		1,166	1,166
Forward foreign exchange contracts		-	32
Other	14	-	4,000
Total current liabilities		<u>63,403</u>	<u>21,044</u>
Non-current liabilities			
Borrowings	13	27,682	21,061
Provisions	15	43,190	35,146
Lease Liabilities		4,788	5,356
Total non-current liabilities		<u>75,660</u>	<u>61,563</u>
Total liabilities		<u>139,063</u>	<u>82,607</u>
Net liabilities		<u>(34,200)</u>	<u>(12,615)</u>
Equity			
Issued capital	16	50,015	47,926
Reserves	17	1,016	1,178
Accumulated losses		(85,231)	(61,719)
Deficiency in equity		<u>(34,200)</u>	<u>(12,615)</u>

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

Austral Resources Australia Ltd
Consolidated statement of changes in equity
For the half-year ended 30 June 2022

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2021	1	-	(285,653)	(285,652)
Profit after income tax expense for the half-year	-	-	2,784	2,784
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	2,784	2,784
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-
Balance at 30 June 2021	<u>1</u>	<u>-</u>	<u>(282,869)</u>	<u>(282,868)</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2022	47,926	1,178	(61,719)	(12,615)
Loss after income tax expense for the half-year	-	-	(23,512)	(23,512)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(23,512)	(23,512)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 17)	2,089	(162)	-	1,927
Balance at 30 June 2022	<u>50,015</u>	<u>1,016</u>	<u>(85,231)</u>	<u>(34,200)</u>

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

Austral Resources Australia Ltd
Consolidated statement of cash flows
For the half-year ended 30 June 2022

	Consolidated	
Note	30 Jun 2022	30 Jun 2021
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	11,788	23,226
Payments to suppliers and employees (inclusive of GST)	<u>(10,915)</u>	<u>(21,348)</u>
	873	1,878
Interest received	44	94
Other revenue	1,153	-
Interest and other finance costs paid	<u>(28)</u>	<u>-</u>
Net cash from operating activities	<u>2,042</u>	<u>1,972</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(28,268)	(652)
Payments for exploration and mining assets	<u>-</u>	<u>(204)</u>
Net cash used in investing activities	<u>(28,268)</u>	<u>(856)</u>
Cash flows from financing activities		
Proceeds from borrowings	20,048	-
Repayment of borrowings	<u>-</u>	<u>(683)</u>
Net cash from financing activities	<u>20,048</u>	<u>(683)</u>
Net increase/(decrease) in cash and cash equivalents	(6,178)	433
Cash and cash equivalents at the beginning of the financial half-year	13,334	577
Effects of exchange rate changes on cash and cash equivalents	<u>2</u>	<u>-</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>7,158</u></u>	<u><u>1,010</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except those stated below.

Stripping (waste removal) costs

After the commencement of production, further development of the mine may require a phase of unusually high stripping. Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below.

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

- future economic benefits (being improved access to the ore body) are probable;
- the component of the ore body for which access will be improved can be accurately identified; and
- the costs associated with the improved access can be reliably measured.

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of 'Property, plant and equipment' in the statement of financial position. This forms part of the total investment in the relevant cash generating units, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Austral Resources Australia Ltd
Notes to the financial statements
30 June 2022

Note 1. Significant accounting policies (continued)

Going Concern

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

As disclosed in the financial statements, the consolidated entity incurred losses of \$23.5 million and had net cash outflows from investing activities of \$28.2 million for the period ended 30 June 2022. As at that date consolidated entity had net current liabilities of \$43.6 million and net liabilities of \$34.2 million.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The Group has entered into a binding Offtake Agreement with Glencore International AG. Under the Offtake Agreement, Glencore will have the offtake rights for up to 40,000 tonnes of copper cathode production from the Group's Anthill Mine. Sales to Glencore International AG commenced in April 2022;
- The Group successfully completed its capital raise of \$16 million (net of capital raising cost) under a share placement on 18 August 2022;
- The Group is currently in negotiation with external creditors to extend payment terms.
- The Group has the ability to reduce its discretionary spending in its mining activities in the next 12 months if required because the Group is currently ahead of schedule for its planned mining activities;
- The Group has the ability to raise additional fund via shares issue in future if required.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment, being mining and exploration operations. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The principal products and services of this operating segment are the mining and exploration operations in Australia.

Major customers

During the half-year ended 30 June 2022 approximately \$9,495,000 (30 June 2021: \$23,227,000) of the consolidated entity's external revenue was derived from sales to two major Australian copper exporters.

Geographical information

	Sales to external customers		Geographical non-current assets	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000	30 Jun 2022 \$'000	31 Dec 2021 \$'000
Australia	9,495	23,227	41,361	7,074
	<u>9,495</u>	<u>23,227</u>	<u>41,361</u>	<u>7,074</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Austral Resources Australia Ltd
Notes to the financial statements
30 June 2022

Note 3. Revenue

Consolidated	
30 Jun 2022	30 Jun 2021
\$'000	\$'000

From continuing operations

Revenue from contracts with customers

Sale of goods	9,495	23,227
Revenue	<u>9,495</u>	<u>23,227</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Consolidated	
30 Jun 2022	30 Jun 2021
\$'000	\$'000

Major product lines

Copper Cathode	9,495	23,227
	<u>9,495</u>	<u>23,227</u>

Geographical regions

Australia	9,495	23,227
	<u>9,495</u>	<u>23,227</u>

Timing of revenue recognition

Goods transferred at a point in time	9,495	23,227
	<u>9,495</u>	<u>23,227</u>

Note 4. Other income

Consolidated	
30 Jun 2022	30 Jun 2021
\$'000	\$'000

Insurance recoveries	74	-
Interest income	44	81
Other income	267	51
Other income	<u>385</u>	<u>132</u>

Note 5. Finance Expenses

Consolidated	
30 Jun 2022	30 Jun 2021
\$'000	\$'000

Interest on interest bearing loans	2,203	1,671
Interest on leases	246	-
Interest on unwinding rehabilitation provision	283	-
	<u>2,732</u>	<u>1,671</u>

Austral Resources Australia Ltd
Notes to the financial statements
30 June 2022

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Cash on hand	1	1
Cash at bank	7,157	13,333
	<u>7,158</u>	<u>13,334</u>

Note 7. Current assets - trade and other receivables

	Consolidated	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Trade receivables	-	964
Less: Allowance for expected credit losses	-	-
GST Receivable	2,014	480
	<u>2,014</u>	<u>1,444</u>

Note 8. Current assets - inventories

	Consolidated	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Spare parts and consumables	2,241	1,461
Copper ROM	4,656	-
Copper in process	1,851	1,676
Copper cathode	1,331	96
	<u>10,079</u>	<u>3,233</u>

Note 9. Non-current assets - other assets

	Consolidated	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Term deposits as security for bank guarantees (i)	37,700	37,785
Security deposits for Queensland Mines Department	107	107
	<u>37,807</u>	<u>37,892</u>

- (i) Security deposits held with Bank of China and ANZ as security for the issuance of a bank guarantee to satisfy the financial assurance requirements with the Queensland Government's Department of Environment and Science for the Lady Annie Mine's Environmental Authority EPML00753513.

Austral Resources Australia Ltd
Notes to the financial statements
30 June 2022

Note 10. Non-current assets - property, plant and equipment

	Consolidated	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Land and buildings – at cost	6,292	6,292
Less: Accumulated depreciation	(6,289)	(6,289)
	<u>3</u>	<u>3</u>
Plant and equipment - at cost	34,944	34,864
Less: Accumulated depreciation	(34,586)	(34,559)
	<u>358</u>	<u>305</u>
Office Equipment, furniture and fittings - at cost	1,750	1,671
Less: Accumulated depreciation	(1,566)	(1,552)
	<u>184</u>	<u>119</u>
Capital works in progress - at cost	<u>7,799</u>	<u>3,117</u>
Mine development – at cost	234,724	226,963
Less: Accumulated amortisation	(223,949)	(223,949)
	<u>10,775</u>	<u>3,014</u>
Stripping activity asset – at cost	23,427	-
Less: Accumulated amortisation	(1,701)	-
	<u>21,726</u>	<u>-</u>
	<u><u>40,845</u></u>	<u><u>6,558</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Capital works In progress \$'000	Land and buildings \$'000	Office equipment, furniture and fittings \$'000	Plant and equipment \$'000	Mine development \$'000	Stripping activity asset \$'000	Total \$'000
Balance at 1 January 2022	3,117	3	119	305	3,014	-	6,558
Additions	4,682	-	79	80	7,761	23,427	36,029
Disposals	-	-	-	-	-	-	-
Depreciation and amortisation expense	-	-	(14)	(27)	-	(1,701)	(1,742)
Balance at 30 June 2022	<u>7,799</u>	<u>3</u>	<u>184</u>	<u>358</u>	<u>10,775</u>	<u>21,726</u>	<u>40,845</u>

Austral Resources Australia Pty Ltd
Notes to the financial statements
30 June 2022

Note 11. Non-current assets – right-of-use assets

	Consolidated	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Land and buildings - right-of-use	97	97
Less: Accumulated depreciation	(36)	(12)
Plant and equipment - right-of-use	6,791	6,791
Less: Accumulated depreciation	(1,001)	(354)
	<u>5,851</u>	<u>6,522</u>

The consolidated entity leases office space under an agreement of two years. On renewal, the terms of the leases are renegotiated. There is no option to extend. The consolidated entity also leases power generators for the processing plant under an agreement of four years. This agreement has escalation clause, and the consolidated entity has the right to extend a further two years.

The consolidated entity leases mining and office equipment under agreements of less than one year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Note 12. Current liabilities - borrowings

	Consolidated	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Wingate Facility	13,144	6,394
Glencore prepayment facility	11,613	-
	<u>24,757</u>	<u>6,394</u>

Refer to note 13 for further information on assets pledged as security and financing arrangements.

Note 13. Non-current liabilities - borrowings

	Consolidated	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Wingate Facility	17,521	21,061
Glencore prepayment facility	10,161	-
	<u>27,682</u>	<u>21,061</u>

Wingate Facility

On 9 August 2021, the company entered into a facility agreement with Win Finance No. 359 Pty Ltd, primarily to fund its working capital and to restructure the company through the listing process. The facility is interest bearing with an interest rate of 15% per annum, payable quarterly in arrears and for a period of 36 months from the date of initial drawdown. An initial drawdown of \$20 million was made on 13 August 2021 and the remaining \$10 million was drawn following the company successfully listing on the ASX in November 2021. At 31 December 2021 this facility was fully drawn down. The facility is subject to debt covenants and obligations to make principal and interest payments on set dates. Should these terms not be met by the Company and event of default may eventuate.

Assets pledged as security

The Wingate facility is secured by first mortgages over the consolidated entity's tenements.

Austral Resources Australia Pty Ltd
Notes to the financial statements
30 June 2022

Note 13. Non-current liabilities - borrowings (continued)

Glencore prepayment facility

On 3 February 2022, the company entered into a facility agreement with Glencore International AG for USD \$15 million, primarily to accelerate its exploration program and fund working capital. The facility is interest bearing with an interest rate of LIBOR plus a margin of 8.5% per annum, payable monthly in arrears and for a period of 24 months from the date of initial drawdown. An initial drawdown of USD \$15 million was made on 17 March 2022. At 30 June 2022 this facility was fully drawn down.

Note 14. Current liabilities - other

	Consolidated	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Anthill Production Payment	-	4,000

In July 2021, Austral Resources Australia Ltd entered into negotiations with Top Gallery Investments Limited, a subsidiary of CST Group Limited, regarding the Anthill Production Payment obligation and the permitted indebtedness clause with Wingate.

The parties agreed to the following variation to achieve a mutually beneficial outcome:

- \$1 million was paid on 26 July 2021;
- \$1.3 million is due on or before 31 March 2022;
- \$1.3 million is due on or before 31 May 2022;
- \$1.4 million is due on or before 20 July 2022.

This was fully repaid at 30 June 2022.

Note 15. Non-current liabilities - provisions

	Consolidated	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Mine rehabilitation and closure	43,190	35,146

Environmental

The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred over the life of the estimated life of mine, which is when the producing mine properties are expected to cease operations. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Rehabilitation \$'000
Carrying amount at 1 January 2022	35,146
Additional provisions recognised	7,761
Amounts transferred to current	-
Unwinding of discount	283
Carrying amount at 30 June 2022	43,190

Austral Resources Australia Ltd
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Note 16. Equity - issued capital

	Consolidated			
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>455,819,042</u>	<u>445,375,000</u>	<u>50,015</u>	<u>47,926</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2022	445,375,000		47,926
Exercise of performance rights by KMP	7 April 2022	1,848,306	\$0.20	370
Exercise of performance rights by KMP	14 April 2022	<u>8,595,736</u>	\$0.20	<u>1,719</u>
Balance	30 June 2022	<u>455,819,042</u>		<u>50,015</u>

Note 17. Equity - reserves

	Consolidated	
	30 Jun 2022	31 Dec 2021
	\$'000	\$'000
Share-based payments reserve	<u>1,016</u>	<u>1,178</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current financial year are set out below:

Consolidated	Share-based payments reserve \$'000
Balance at 1 January 2021	-
Share-based payments expense during the year	<u>1,178</u>
Balance at 31 December 2021	<u>1,178</u>
Balance at 1 January 2022	1,178
Share-based payments expense during the year	1,927
Shares issued/transfers to settle share-based payments	<u>(2,089)</u>
Balance at 30 June 2022	<u>1,016</u>

Note 18. Contingent liabilities

There are no contingent liabilities of the Group as at 30 June 2022.

Austral Resources Australia Ltd
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30 June 2022

Note 19. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 18 August 2022 the group successfully completed the placement of approximately 45.9 million shares for \$17 million (\$0.37 per share). 43.2 million of these shares were issued on 18 August 2022, the remaining 2.7 million shares will be issued in October 2022 following shareholder approval. The proceeds will primarily be used for exploration, partial repayment of the Wingate debt facility and working capital.

On 11 August 2022 the group issued 400,837 shares upon exercise of performance rights.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 20. Earnings per share

	Consolidated	
	30 Jun 2022	30 Jun 2021
	\$'000	\$'000
<i>Earnings per share for profit</i>		
Profit after income tax	(23,512)	2,784
Profit after income tax attributable to the owners of Austral Resources Australia Ltd	<u>(23,512)</u>	<u>2,784</u>
	\$	\$
Basic earnings per share	(0.05)	27,840
Diluted earnings per share	(0.05)	27,840
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	449,947,229	100
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Convertible notes	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>449,947,229</u>	<u>100</u>

No options currently have a dilutive effect on earnings

Note 21. Share-based payments

Directors and key management personnel

On 4 August 2021, 44,537,500 performance rights were issued to key management personnel under the Performance Share Plan. The performance rights will lapse 3 months after the eligible employee leaves the Company. On 12 May 2022, 1,603,350 performance rights were issued to Michael Hansel under the Performance Share Plan and were approved at the company's AGM. These performance rights are subject to the same KPIs as the performance rights issued to the key management personnel on 4 August 2021. Total expense arising from share-based payments transactions is \$1,927,000 for the half-year ended 30 June 2022.

Austral Resources Australia Ltd
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30 June 2022

Note 21. Share-based payment (continued)

The movements in the current year of the number of Performance Rights issued to Key Management Personnel (KMP) are as follows:

	Balance at 1 January 2022	Granted as part of remuneration	Number of Rights Exercised	Number of Rights Lapsed	Balance at 30 June 2022
KPI 1 First material ore production from Anthill deposit	11,134,371	400,837	(10,444,042)	-	1,091,166
KPI 2 Production of 20kt of copper cathode from Anthill Project	4,453,753	160,335	-	-	4,614,088
KPI 3 Generate 20kt inferred resource 1	11,134,371	400,837	-	-	11,535,208
KPI 4 Share price target of \$0.50	8,907,500	320,670	-	-	9,228,170
KPI 5 Health Safety Security Environment and Quality (HSSEQ) and Indigenous Affairs – FY 2022	2,226,876	80,168	-	-	2,307,044
KPI 6 HSSEQ and Indigenous Affairs – FY 2023	2,226,876	80,168	-	-	2,307,044
KPI 7 Generate 20kt inferred resource 2	4,453,753	160,335	-	-	4,614,088
Total	44,537,500	1,603,350	(10,444,042)	-	35,696,808

Condition 11.5 of Austral's "Conditions of quotation" of the Company following its initial public offering (IPO) requires certain disclosures be made in relation to unquoted KPI based performance rights (Rights) disclosed in the Company's IPO Prospectus:

- Austral has 34,093,458 Performance Rights on issue as at 30 June 2022 (of those issued at IPO)
- 10,444,042 performance rights were converted into ordinary shares in April 2022, no performance rights were cancelled during the period.
- KPI 1 "First material ore production from Anthill deposit" vested on 31 March 2022 as announced on the ASX.
- Each Performance Right converts into one AR1 share upon vesting and exercise.

The Performance Rights set out above will vest on satisfaction of the below mentioned performance hurdles:

#	Key Performance Indicators	Performance Right #	Vesting Date ¹	Expiry Date ²
1	First material ore production from Anthill deposit	11,134,372	Vested ³	30 Jun 25
2	Production of 20kt of copper cathode from Anthill Project	4,453,752	30 Jun 24	30 Jun 26
3	Generate 20kt inferred resource 1	11,134,372	30 Jun 25	30 Jun 26
4	Share price target of \$0.50	8,907,500	30 Jun 25	30 Jun 26
5	Health Safety Security Environment and Quality (HSSEQ) and Indigenous Affairs – FY 2022	2,226,876	30 Jun 22	30 Jun 25
6	HSSEQ and Indigenous Affairs – FY 2023	2,226,876	30 Jun 23	30 Jun 26
7	Generate 20kt inferred resource 2	4,453,752	30 Jun 25	30 Jun 26
Total		44,537,500		

1. Unless otherwise specified, the Vesting Date represents the last possible date by which the relevant KPI must be met in order for the relevant Performance Rights to vest.
2. Expiry date applies where the KPI has been met by the relevant Vesting Date. Where a KPI is not met, the Performance Rights will lapse no later than 3 months after the Vesting Date.
3. Some of the vested rights have been exercised

Note 21. Share-based payment (continued)

The table below provides an overview of the Key Performance Indicators:

No.	KPI	Overview
1	5,000 tonnes of ore moved from the Anthill deposit within 6 months of commencement of overburden mining at the Anthill Project	This KPI will be considered satisfied on the movement of 5,000 tonnes of ROM ore from the Anthill pit to the crusher. This is defined as removing overburden and transporting ore from the Anthill pit within 6 months of commencement of overburden mining at the Anthill Project.
2	Production of at least 20,000 tonnes of Copper cathode.	This KPI will be considered satisfied if the Company produces 20,000 tonnes of LME grade Copper cathode by the relevant Vesting Date.
3	Generate a JORC compliant Inferred Mineral Resource estimate of 20,000t of contained Cu through the exploration program within 70km of the Mt Kelly processing facility	This KPI represents an exploration target for the exploration team to either continue more detailed exploration work on the top 12 prospects or explore and drill a new Mineral Resource estimate so that collectively an Inferred Mineral Resource estimate of 20,000 tonnes of contained Cu at a cut-off grade of 0.2% is achieved. This represents approximately half the resource at Anthill and must be within 70km of the Mt Kelly facility.
4	Share price target of \$0.50	This KPI will be considered satisfied where the volume weighted price average of the Company's Shares trades at or above \$0.50 for 20 consecutive Trading Days (as that term is defined in the Listing Rules).
5	Health, Safety, Security, Environment, Quality (HSSEQ) and Indigenous Affairs – to 30 June 2022	This KPI will be considered satisfied where both of the following criteria are met during the relevant period: <ul style="list-style-type: none"> (1) the Company's published Lost Time Injury Frequency Rate (LTIFR) is no more than 10% higher than the twelve month rolling average LTIFR for surface minerals mines as reported in the Queensland Government 'Mines and Quarries Safety Performance and Health Reports' (adjusted on a pro-rata basis for any period prior to first production at the Anthill Project); and (2) the Company (or its relevant subsidiary) is not in material breach or in material dispute with any counter-party to any indigenous land use agreement (ILUA) (including for example the agreements set out in section 12.7 of the Prospectus).
6	HSSEQ and Indigenous Affairs – from 1 July 2022 to 30 June 2023	This KPI will be considered satisfied where both of the following criteria are met during the relevant period: <ul style="list-style-type: none"> (3) the Company's published LTIFR is no more than 10% higher than the twelve month rolling average LTIFR for surface minerals mines as reported in the Queensland Government 'Mines and Quarries Safety Performance and Health Reports'; and (4) the Company (or its relevant subsidiary) is not in material breach or in material dispute with any counter-party to any ILUA (including for example the agreements set out in section 12.7 of the Prospectus).
7	Generate a JORC compliant Inferred Mineral Resource estimate measuring 20,000 tonnes contained Cu in sulphide mineralisation	This KPI represents an exploration target for the exploration team to develop a more detailed exploration work on the sulphides (from existing pits, existing targets and drill a new Mineral Resource so that collectively an Inferred Mineral Resource estimate generating 20,000 tonnes of contained Cu in the sulphides at a cut-off grade of 0.2%.

Austral Resources Australia Ltd
Notes to the financial statements
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Note 21. Share-based payment (continued)

The fair value of performance rights granted is estimated at the date of grant.

The following table lists the inputs to the models used for the valuation of the performance rights issued to key management personnel:

	Performance rights under KPI #4	Performance rights under KPI #1-3 and #5-7
Expected volatility (%)	90%	90%
Risk-free interest rate (%)	0.89%	0.89%
Expected life	4 years	4 years
Model used	Monte Carlo	Black-Scholes
Grant date	4 August 2021	4 August 2021

The following table lists the inputs to the models used for the valuation of the performance rights issued to Michael Hansel:

	Performance rights under KPI #4	Performance rights under KPI #1-3 and #5-7
Expected volatility (%)	108.7%	108.7%
Risk-free interest rate (%)	2.66%	2.66%
Expected life	3.2 years	3.2 years
Model used	Monte Carlo	Black-Scholes
Grant date	12 May 2022	12 May 2022

Austral Resources Australia Ltd
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Dan Jauncey
Managing Director and Chief Executive Officer

29 August 2022
Brisbane

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
AUSTRAL RESOURCES AUSTRALIA LTD**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Austral Resources Australia Ltd (the Company) and its subsidiaries (the Group) which comprises which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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.

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 Austral Resources Australia Ltd 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 30 June 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 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 Company 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, which has been given to the directors of Austral Resources Australia Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Responsibility of the Directors' for the Financial Report

The directors of the Austral Resources Australia Ltd 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 is free from material misstatement, whether due to fraud or error.

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. 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 half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 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.



RSM AUSTRALIA PARTNERS



David Talbot
Partner

Sydney, NSW
Dated: 29 August 2022