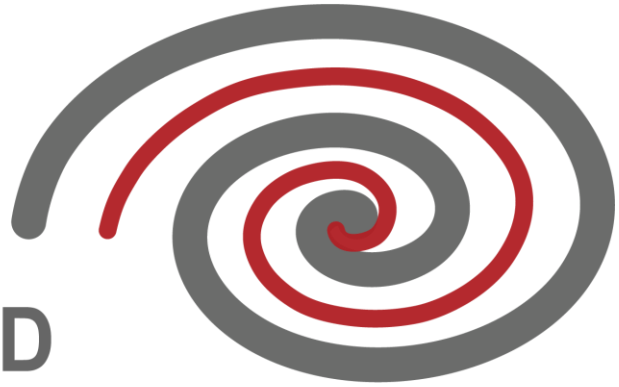


Heavy
Minerals
L I M I T E D



And Controlled Entities

ABN: 26 647 831 883

HALF YEAR REPORT

For the Period Ended 31 December 2022

CONTENTS

CORPORATE DIRECTORY	1
DIRECTORS' REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	26
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	27
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	28
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	29
CONSOLIDATED STATEMENT OF CASH FLOWS	30
NOTES TO THE FINANCIAL STATEMENTS	31
DIRECTORS' DECLARATION	40
INDEPENDENT AUDITOR'S REPORT	41

DIRECTORS

Adam Schofield	Non-Executive Chairman [Non-Independent]
Greg Jones	Non-Executive Director [Non-Independent]
Wayne Richards	Non-Executive Director [Independent]

SECRETARY

Stephen Brockhurst

REGISTERED OFFICE

Level 8, London House
216 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9481 0389
Facsimile: +61 8 9463 6103

WEBSITE & EMAIL

www.heavyminerals.com
info@heavyminerals.com

SHARE REGISTRY

Automic Registry Services Pty Ltd
Level 5
191 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9324 2099

AUDITORS

Criterion Audit Pty Ltd
Suite 2
642 Newcastle Street
Leederville WA 6902

STOCK EXCHANGE LISTING

Australian Securities Exchange
ASX Code: HVY

Your Directors submit the financial report of the Consolidated Entity for the period ended 31 December 2022.

DIRECTORS

The names of Directors who held office during or since the end of the period:

Name	Title
Adam Schofield	Non-Executive Chairman [Non-Independent]
Maurice (Nic) Matich	Executive Director & CEO (resigned 13 September 2022)
Greg Jones	Non-Executive Director [Non-Independent]
Glenn Simpson	Non-Executive Director (resigned 31 October 2022) [Non-Independent]
Wayne Richards	Non-Executive Director (appointed 31 October 2022) [Independent]

COMPANY SECRETARY

Name	Title
Stephen Brockhurst	Company Secretary

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity is exploration for industrial garnet in Australia and exploration for mineral sands in Mozambique.

REVIEW OF RESULTS

The loss after tax for the period ended 31 December 2022 was \$500,844 (2021: \$607,448 loss).

The earnings of the Consolidated Entity for the past 3 periods are summarised below (note that these figures are those of Mozmin Resources Pty Ltd as the accounting parent prior to 30 June 2021):

	31 December 2022 \$	30 June 2022 \$	31 December 2021 \$
Other income	14,688	8,802	1,840
EBITDA	(490,503)	(1,045,879)	(607,118)
EBIT	(500,745)	(1,047,924)	(607,448)
Loss after income tax	(500,844)	(1,047,924)	(607,448)

DIVIDENDS

No dividends were paid or declared during the period ended 31 December 2022 (2021: Nil).

COMPANY FOCUS AND MISSION

Heavy Minerals Limited (ASX:HVY) is an Australian listed industrial mineral exploration company. Our projects are prospective for industrial minerals including but not limited to Garnet, Zircon, Rutile and Ilmenite.

The Company's initial focus is its Port Gregory Garnet Project in Western Australia which has a JORC compliant total Mineral Resource of 135 Mt @ 4.0% Total Heavy Mineral (THM)⁴ containing 5.4 Mt of THM with an assemblage of 90% garnet, 4% ilmenite, 1% rutile and 0.6% zircon.

The Company's second project is its Inhambane Heavy Mineral Sands Project in Mozambique which has a JORC compliant Inferred total Mineral Resource of 90 million tonnes @ 3.0% THM⁵.

The Company is committed to increasing Shareholder wealth through the exploration and development of its mineral resource projects in Western Australia and Mozambique. HVY may also be looking to acquire other projects in the Industrial Minerals space that are value additive and are complementary to our existing projects and focus.

During the half year ending 31 December 2022 the Company undertook the following exploration and evaluation activities on its projects:

- ✕ Released a positive Scoping Study¹ for its Port Gregory Garnet Project which demonstrates an NPV₈ of \$253m with a reasonable capital cost of \$110m. (Pg 5-18)
- ✕ Completed an 139 hole, 4455m Extension and In-Fill Air Core drilling program at Port Gregory². (Pg 19)
- ✕ The Company planned a maiden drilling program at its Red Hill Garnet Project. (Pg 19)
- ✕ No exploration activities were undertaken in Mozambique during the reporting period. (Pg 21-22)

Post the reporting period the Company completed the following Activities:

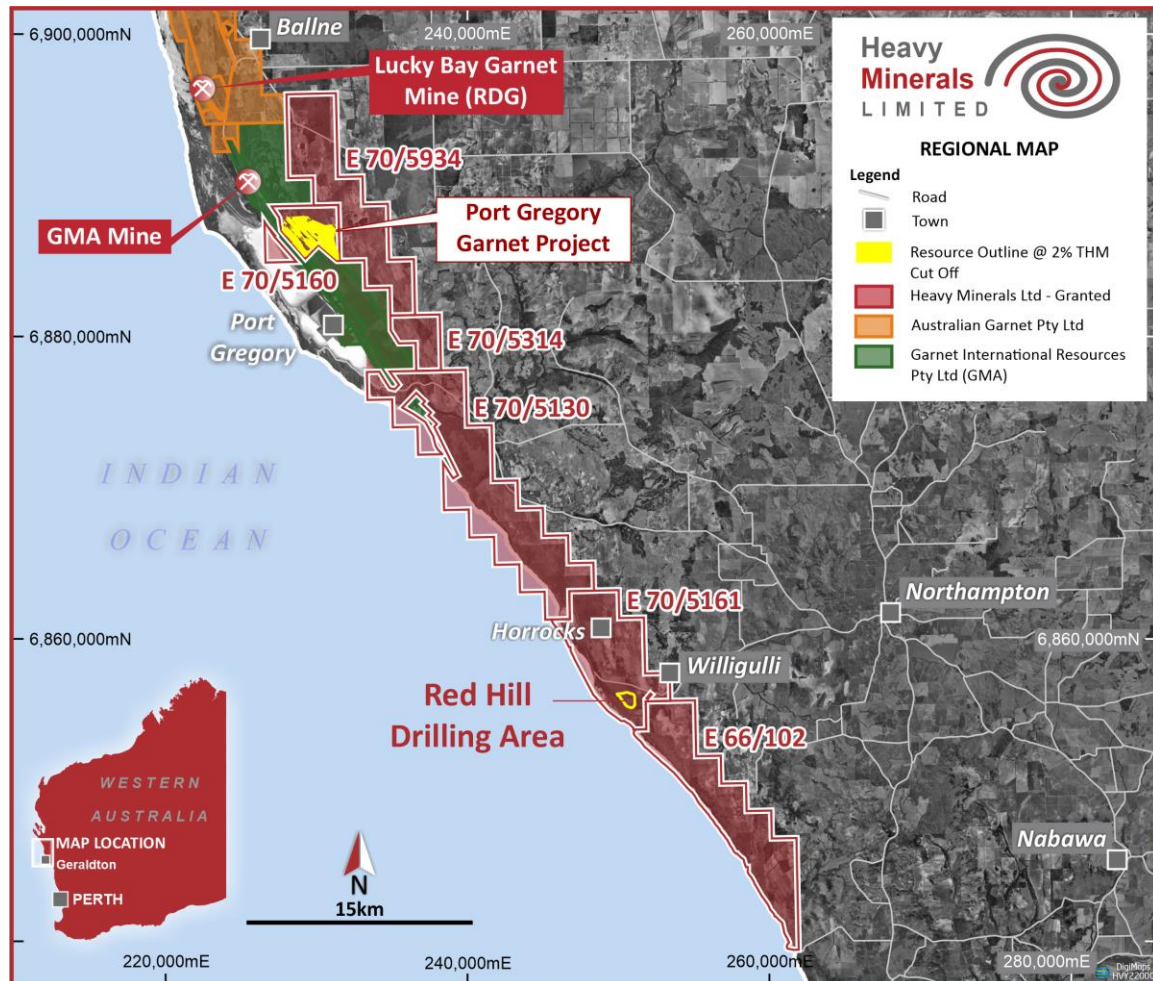
- ✕ Completed an 48 hole, 1815m Maiden Air Core drill program at its Red Hill Project³.
- ✕ Completed an additional 23 hole, 726m extension drill program at Port Gregory³.

PROJECTS

Port Gregory Project [Western Australia]

The Port Gregory Garnet Project consists of 6 tenements totalling 226.95 km² located approximately 50 km North of Geraldton.

Heavy Minerals Limited's Western Australian Project locations:



Heavy Minerals Limited's Western Australian Project tenure:

Licence No.	Area (Blocks)	Status	Grant date	Expiry date
E66/102	22	Current	31/10/2018	30/10/2023
E70/5130	25	Current	19/11/2018	18/11/2023
E70/5160	6	Current	08/01/2019	07/01/2024
E70/5161	15	Current	09/05/2019	08/05/2024
E70/5314	3	Current	02/12/2020	02/12/2025
E70/5394	15	Granted	14/12/2021	13/12/2026

SCOPING STUDY

Key Highlights

<u>AUD\$253M</u> After Tax NPV ₈	<u>4.2 years</u> Payback period	<u>AUD\$1.59B</u> LOM Revenue
<u>33%</u> After Tax IRR	<u>AUD\$588M</u> After Tax FCF	<u>AUD\$110M</u> CAPEX to Production

- ✕ **Substantial NPV₈ (real) of AUD\$253M** relative to HVY market capitalisation of \$5.02M (at 13 cps)
- ✕ **16-year mine life** with the potential to extend with further successful drilling (planned for 2022)
- ✕ **Low CAPEX project** due to proximity to existing Infrastructure and Geraldton, an Industrial hub with a population of over 30,000 people.
- ✕ **Low OPEX and high margin project** due to simplistic and standard processing requirements to reach final product
- ✕ **Averaging 140 kt of garnet and 6 kt of ilmenite product per annum**

Scoping Study Overview

The Port Gregory Garnet Project has a JORC Mineral Resource estimate of 135 Mt @ 4.0% (THM) or 4.9 Mt Contained garnet.

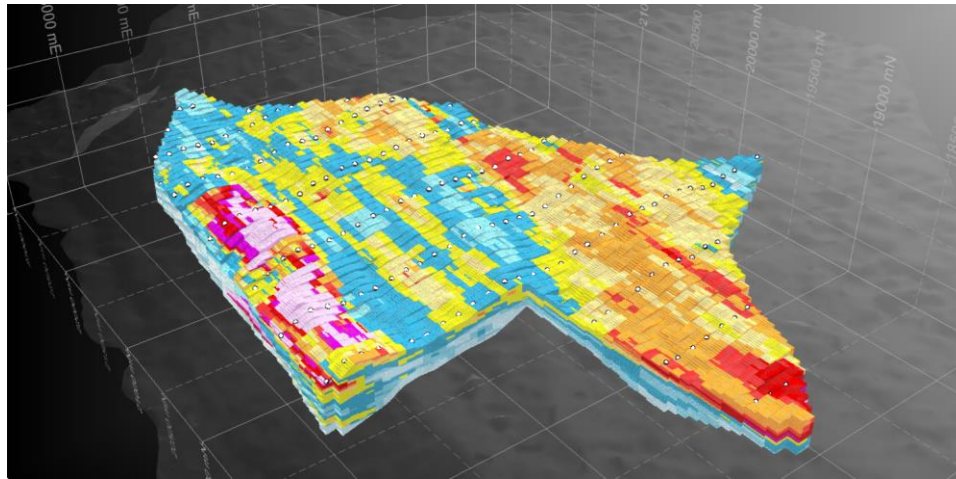


Figure 1: Port Gregory Block Model showing THM grade

The Port Gregory Mineral Resource estimate is reported at a cut-off grade of 2.0% THM and is presented below in Table 1. This table conforms to guidelines set out in the JORC Code (2012).

At a cut-off grade of 2.0% THM the Port Gregory deposit comprises a total Mineral Resource of 135 Mt @ 4.0% THM, 10% SLIMES and 10% OS (Over Size) containing 5.4 Mt of THM with an assemblage of 90% garnet, 4% ilmenite, 1% rutile and 0.6% zircon. The JORC categories are specifically stated as:

- ✕ an Indicated Mineral Resource of 88 Mt @ 3.8% THM, 10% SLIMES and 9% OS containing 3.3 Mt of THM with an assemblage of 89% garnet, 4% ilmenite, 2% rutile and 0.6% zircon; and
- ✕ an Inferred Mineral Resource of 47 Mt @ 4.5% THM, 10% SLIMES and 11% OS containing 2.1 Mt of THM with an assemblage of 91% garnet, 4% ilmenite, 1% rutile and 0.5% zircon.

Table 1: Port Gregory – Mineral Resource Estimate

Summary of Mineral Resource estimate ⁽¹⁾					THM Assemblage ⁽²⁾							
Classification	Material (Mt)	In Situ		THMSL (%)	OS (%)							
		THM (Mt)	Garnet (Mt)			Garnet (%)	Ilmenite (%)	Zircon (%)	Rutile (%)	Anatase (%)	Other (%)	
Indicated	88	3.3	3.0	3.8	10	9	89	4	0.6	2	0.4	4
Inferred	47	2.1	1.9	4.5	10	11	91	4	0.5	1	0.2	3
Grand Total	135	5.4	4.9	4.0	10	10	90	4	0.6	1	0.3	4

Notes:

(1) Mineral Resource reported at a cut-off-grade of 2.0% THM.

(2) Mineral assemblage is reported as a percentage of in situ THM content.

The Scoping Study highlights that the project has a low capital requirement for production with substantial operating margins which has the potential to elevate Heavy to the ranks of producer in the coming years. The cash flow and economic analysis has been prepared on a 100% ownership of project. Cost estimations are considered to be at a scoping study level of accuracy of $\pm 35\%$

There are two major mining areas which will be selectively mined with mining initially beginning on the eastern flank of the project where material will be mined for approximately 12 years. The western flank will be mined for the remaining 4 years of the life of mine which is currently estimated at 16 years. Given the resource is open to the north and south there is the potential for the mine life to be extended with successful drilling.

The proposed operation will process mineralisation from surface or with limited overburden removal via conventional dozer trap mining (MUP) from shallow pits at a rate of 488 TPH to produce a slurry that is pumped to a Wet Concentration Plant (WCP). A Heavy Mineral Concentrate (HMC) is produced via processing the sand fraction through a series of gravity spirals and up-current classifiers (UCC). The HMC is transferred to the dry Mineral Separation Plant (MSP) where the HMC is further upgraded by removing material via magnetic separation. The magnetic concentrate which is dominated by ilmenite will form a valuable by-product, estimated to sell for AUD\$640 per tonne. The garnet material will then be screened, bagged and shipped to Geraldton Port for export to the market. The Project has excellent surrounding infrastructure including bitumen roads and a short haulage path to Geraldton for offsite storage at a warehouse in Narngulu. Once a shippable amount of product (20kt) has accumulated, material will be trucked to port for loading onto ships for export. Furthermore, given the location, it is expected that a high-quality residential workforce located in either Geraldton or Kalbarri will enhance the opportunities for regional development. Should the project source a considerable proportion of the workforce from Kalbarri the potential for NAIF (Northern Australia Infrastructure Fund) funding will be investigated as a source of debt financing.

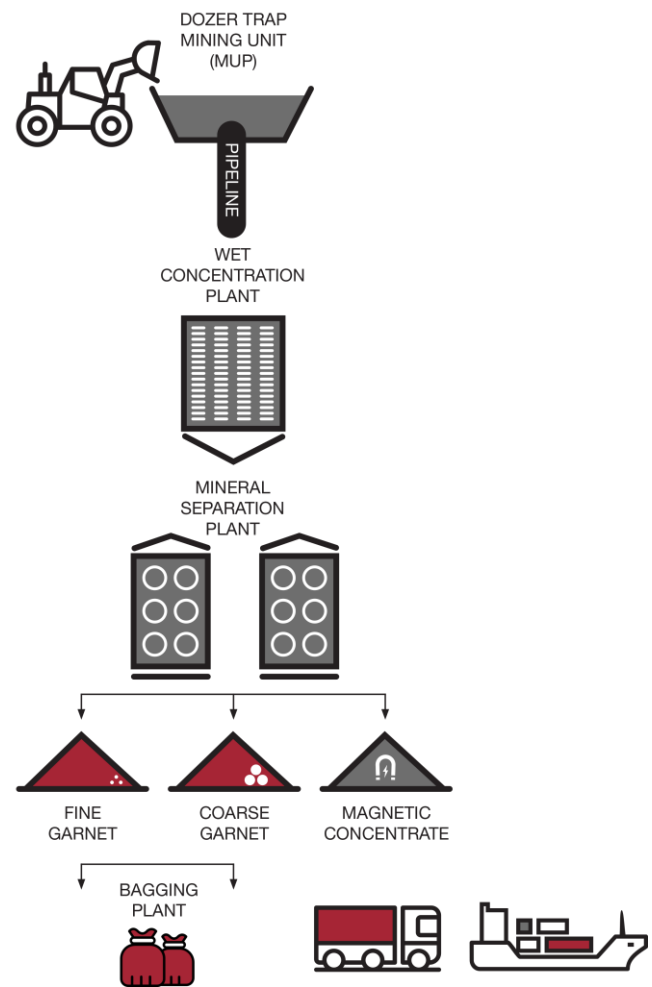


Figure 2: Stylised production flow diagram

Key Study Outcomes and Assumptions

The Scoping Study demonstrated the technically simple and robust nature of the project and the significant potential economic value that would result from a future development at Port Gregory. There remains significant upside to add to the Mineral Resource Estimate at Port Gregory as highlighted by the Mineral Resource Estimate which shows that it is open to both the North and South within HVY tenure. Should this occur the effect on the NPV of the project will rerate upwards accordingly.

A total of 8 production and processing scenarios were originally evaluated during the Scoping Study, with Scenario 1 originally the production base case. This Scenario was left out due to overproduction and bottlenecking of the processing flowsheet. The results of the Scenario modelling for Scenarios 2 to 7 are presented in Table 4. Scenario 6 was selected as the production and financial case for the Scoping Study as it does not exceed WCP / MSP capacity and allows for the reasonable placement of product volumes into the market.

A summary of the initial physical and financial evaluation of the project is shown in Table 2 and Table 3.

Table 2: Port Gregory Scoping Study Project Summary – Physicals and costs

Port Gregory Garnet Project Summary		
Mining Physicals		
Total Mining Inventory	Mt	57
Average Grade	%	5.1
Mining Rate	Mtpa	3.5
Mine Life	years	16
HMC Produced (Annual)	ktpa	158
Production		
Ilmenite Product	ktpa	6
Bulk Garnet – 20/40	ktpa	14
Bulk Garnet – 30/60	ktpa	56
Bulk Garnet 80 – WJ80	ktpa	69
Bulk Garnet 12 – WJ120	ktpa	1
Total Production	ktpa	146
Capital Expenditure		
Development Capital	AUD\$m	109.5
Cash Costs		
	AUD\$m	(638)
	\$/t Ore	(11.1)
	\$/t HMC	(249)
Royalties (State and Vendor)	\$/t HMC	(46.6)

Table 3: Port Gregory Scoping Study Project Summary - Financials and Key Assumptions

Port Gregory Garnet Project Summary		
Financials and Key Assumptions		
Bulk Garnet – 20/40 (Price)	\$/t	752
Bulk Garnet – 30/60 (Price)	\$/t	714
Bulk Garnet 80 – WJ80 (Price)	\$/t	714
Bulk Garnet 12 – WJ120 (Price)	\$/t	785
Ilmenite Product (Price)	\$/t	640
Garnet Revenue	AUD\$m	1,643
Ilmenite Revenue	AUD\$m	65
Total Revenue	AUD\$m	1,708

Garnet pricing assumptions were sourced from a variety of open-source data and publications including Garnet distributors marketing pricing and Garnet producers market releases. Industry expert interviews were also conducted. Low to midpoint pricing was utilised to ensure robustness in the model.

Ilmenite concentrate pricing was sourced from current ferroalloy.net pricing data for ilmenite product ex-WA.

Production Projections and Options Investigated

The production profile of the Port Gregory Garnet Mine (Figure 3) demonstrates annual production of 70 kt of Blasting grade garnet, 70 kt of Water Jet grade garnet and 6 kt of Ilmenite product. 77% of production throughout the life of mine is sourced from Indicated Mineral Resources with the remainder from Inferred Mineral Resources. Nameplate capacity is conservatively modelled to be reached within 3 months of commissioning. It should be noted that the 80 mesh garnet could be placed into the blasting market as well as the waterjet market.

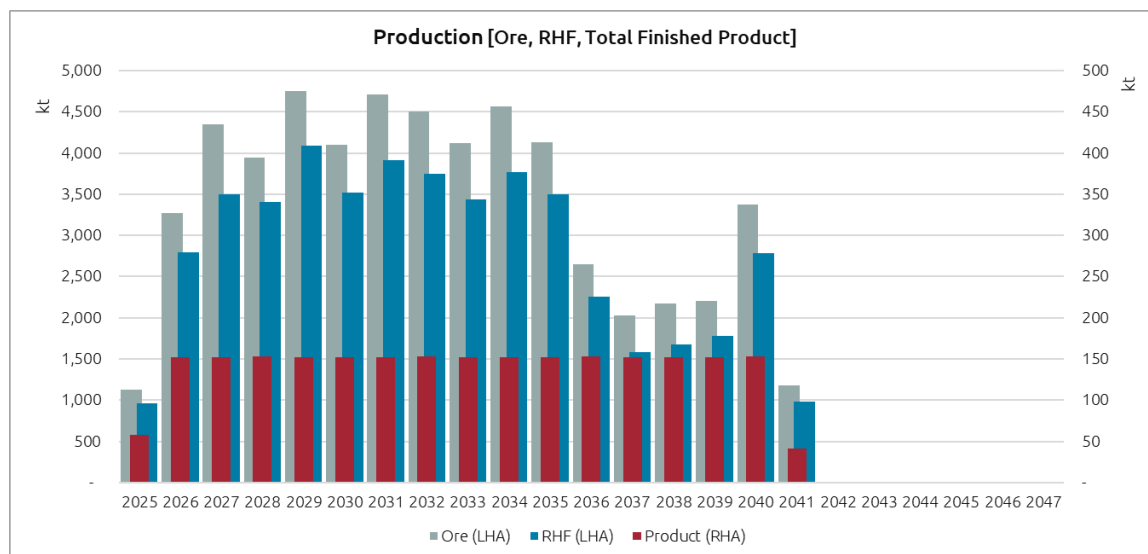


Figure 3: Production profile over the life of the project

The mining sequence and the material movement classified by Mineral Resource confidence is presented in Figure 4.

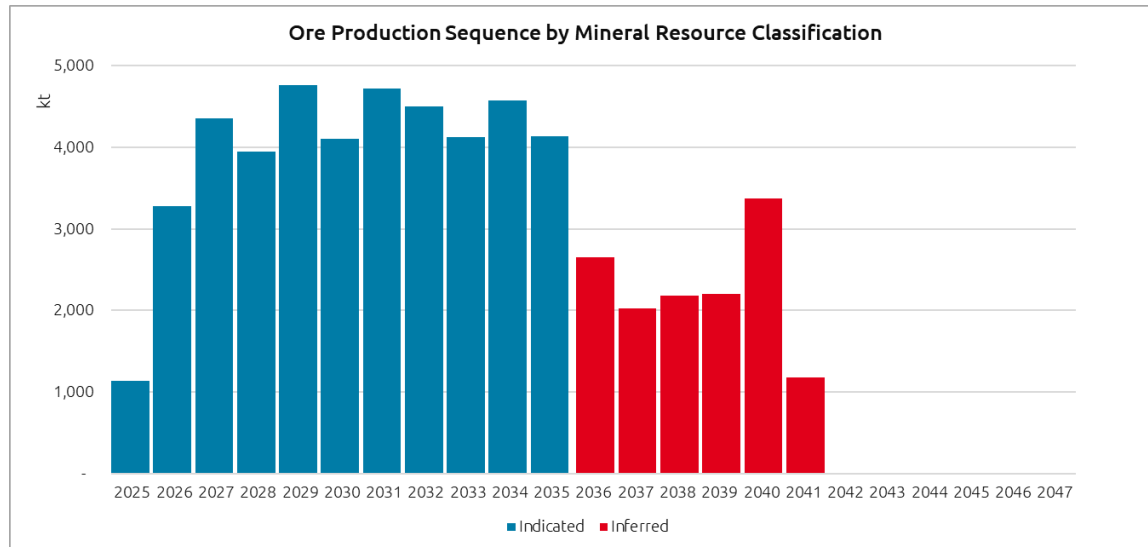


Figure 4: Production profile over the life of the project

Several alternative production and processing scenarios were investigated as part of the PGSS with a summary of the outcomes represented in Table 4.

- ✕ Scenario 2: MUP de-rated and then unconstrained; limited to WCP HMC production rate;
- ✕ Scenario 3: MUP mining smoothed production rate to ~150 ktpa of product, small increase in CAPEX;
- ✕ Scenario 4: MUP mining smoothed production rate to ~240 ktpa of product, increase in CAPEX;
- ✕ Scenario 5: Scenario 2 plus screening and bagging plant for sized product, transport to Geraldton;
- ✕ Scenario 6: Scenario 3 plus screening and bagging plant for sized product, transport to Geraldton; and
- ✕ Scenario 7: Scenario 4 plus screening and bagging plant for sized product, transport to Geraldton.

Table 4: Options investigated as part of the Scoping Study (highlighted is the selected case for presentation)

Option	Capex (AUD\$M)	NPV (AUD\$M)	IRR (%)	Mine life (years)	TPA (kt HMC)
Scenario 2	89	161	27	17	145
Scenario 3	96	176	29	16	158
Scenario 4	140	269	40	9	257
Scenario 5	104	233	31	17	145
Scenario 6	110	253	33	16	158
Scenario 7	155	370	46	9	257

The primary constraint on the project concerned the quantity of final product (garnet) that could be placed in the market given the supply / demand forecasts from work conducted by [TZ Minerals International Pty Ltd] (TZMI). The garnet market is a demand driven industrial mineral market and as such Heavy has taken a conservative approach with sizing the plant to ensure that excess product is not produced. Significant upside potential does exist should garnet demand increase or offtakes exceed the proposed output of the plant. The plant is designed in such a way that additional throughput could be achieved via modularised additions (as seen in Scenario 4 and Scenario 7).

Even with a modest increase in CAPEX there is a real increase in NPV₈. Extending the deposit footprint and the underlying Mineral Resource estimate, and thereby increasing the mining inventory will also add to the NPV₈ for all Scenarios investigated.

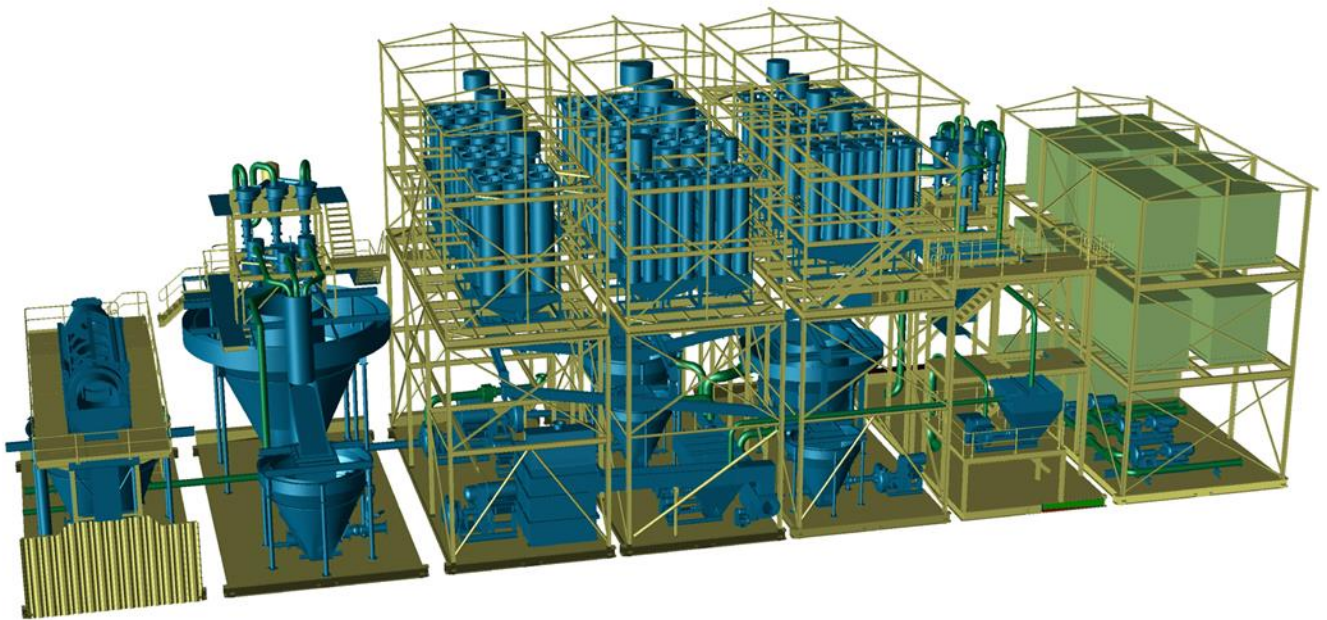


Figure 5: Mineral sands modular plant concept (IHC Mining)

Financial Metrics Analysis

The sensitivity of the project NPV and IRR to changes in key variable for the Port Gregory Project are outlined in Figure 6 and Figure 7 below. The greatest sensitivity to the project economics is the realised garnet price, which is expected given the mono-product nature of the project. Significant upside exists with positive movements in the garnet price with a +10% variance in realised price resulting in an NPV₈ of AUD\$308M (an uplift of AUD\$55M).

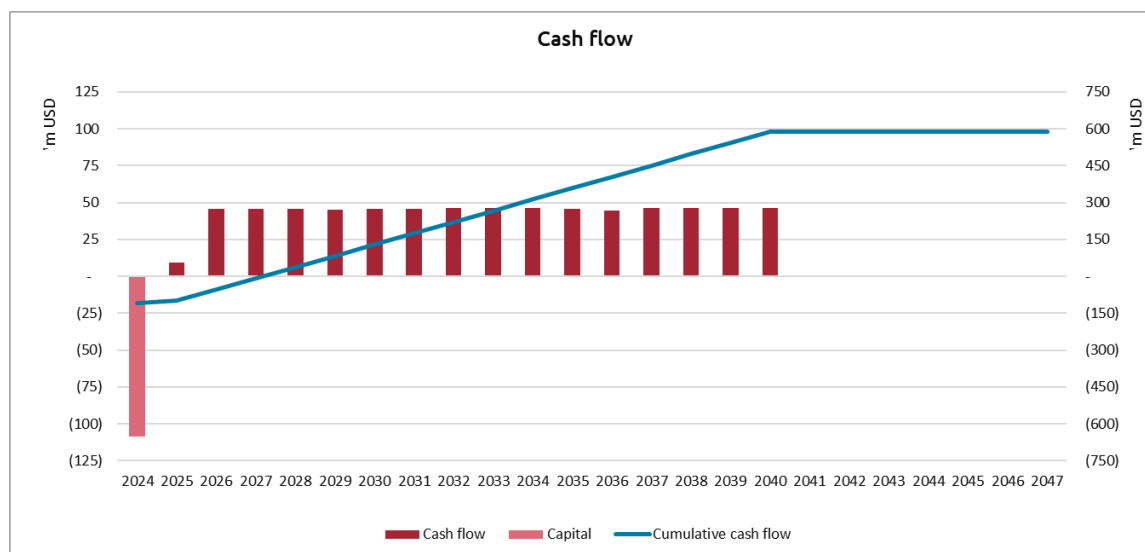


Figure 6: Cash flow over the life of the project

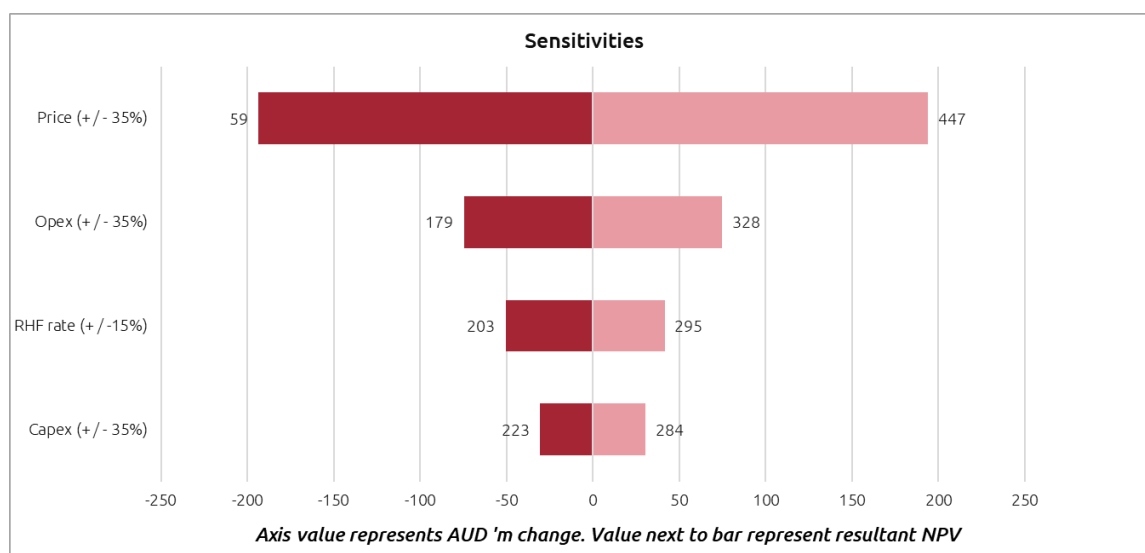


Figure 7: Project MPV sensitivities in relation to changes in key assumptions

Capital Cost Estimate

The Scoping Study costs are provided in Australian Dollars (AUD) and target a Class 5 estimate as defined by the American Association of Cost Engineering (AACE) with engineering development to between 1 - 2% and a cost accuracy of ($\pm 30 - 35\%$). As the basis for its cost estimate IHC Mining used previous work conducted on similar projects in the region and a proprietary in-house pricing database. The overall contingency is AUD\$14.3M which is 15% of the base estimate. The rates for labour were based on the Hays Australia Salary Guide 2022-2023.

Table 5: Port Gregory Capital Cost Estimate

Port Gregory Garnet Project Summary	
Capital Costs	AUD\$M
Operational Establishment	22.5
Mining Unit Plant	9.6
Wet Concentrator Plant	45.3
Magnetic Separation Plant	15.7
Bagging Plant	14.8
Load Out and Storage	1.6
Total Project Costs	109.5

Table 6: Port Gregory Cost Breakdown of Direct Cost, Indirect Cost and Contingency

Port Gregory Garnet Project Summary	
Capital Costs	AUD\$M
Direct Cost	76.7
Indirect Cost	18.5
Total Project Cost (Excluding Contingency)	95.2
Contingency	14.3
Total Project Cost	109.5

Operating Cost Estimate

The Scoping Study costs are provided in Australian Dollars (AUD) and target a Class 5 ($\pm 35\%$) estimate as defined by the American Association of Cost Engineering (AACE). The operating cost estimate was prepared by IHC Mining based upon an owner operator model. The OPEX is based on a 488 tph operation, assuming a WCP availability of 85% and MSP availability of 92%.

Table 7: Port Gregory Operating Cost Estimate

Port Gregory Garnet Project Summary	
Unit Costs	AUD\$M
Mining Costs	3.5
Overburden costs	0.8
Consumables	1.6
Power	8.4
Transportation	8.1
Labour	9.8
Maintenance	3.0
Operating Spares	0.8
Owner's costs	1.5
Rehabilitation	0.6
Annual Operating Cost	38.1

Reasonable Basis for Funding Assumptions

The Port Gregory Garnet Project is technically simple and relatively low risk with strong economics that provide a strong platform for Heavy to source traditional financing through debt and equity markets.

To achieve the range of outcomes indicated in the PGSS, pre-production funding of AUD\$110M may be required. Typical project development financing could involve a combination of debt and equity. Heavy is of the view that there is a reasonable basis to believe that the requisite funding for the development of the Port Gregory Garnet Project will be available when required however, investors should note that equity funding will be dilutive and may affect the value of Heavy Mineral's securities.

The grounds on which this reasonable basis has been established include:

The Company has had preliminary discussions with its brokers and believes that, subject to the Company continuing to develop the project in line with the assumptions in this announcement, including feasibility study results not materially worse than that of the scoping study, there is a viable pathway to fund the project through the development stages and to pre-production via equity funding.

- ✕ The Port Gregory Garnet Project is low risk, technically simple, has payback period of 4.2 years with a mine life of 16 years
- ✕ There exists potential to extend the life of mine beyond 16 years with successful extensional drilling
- ✕ Strong post-tax cash flows of AUD\$588M
- ✕ Forecast upside in Garnet demand and pricing by industry data aggregation specialists TZMI

Industrial Garnet Market

The industrial Garnet market has two primary drivers of demand, those being abrasive blasting and water jet cutting material. Whilst water jet cutting material has been the dominant driver of the growth in demand in recent times the improvement in alternate cutting techniques and the lack of “true” 30/60 alluvial almandine garnet has seen the demand for blasting grade material increase. Heavy’s potential product suite is expected to be able to fill gaps in the 30/60 mesh blasting market and the 80 mesh water jet market. Initial discussions with potential “offtakers” have begun with more formal discussions likely to occur next year after further material testing and feasibility studies have been completed.

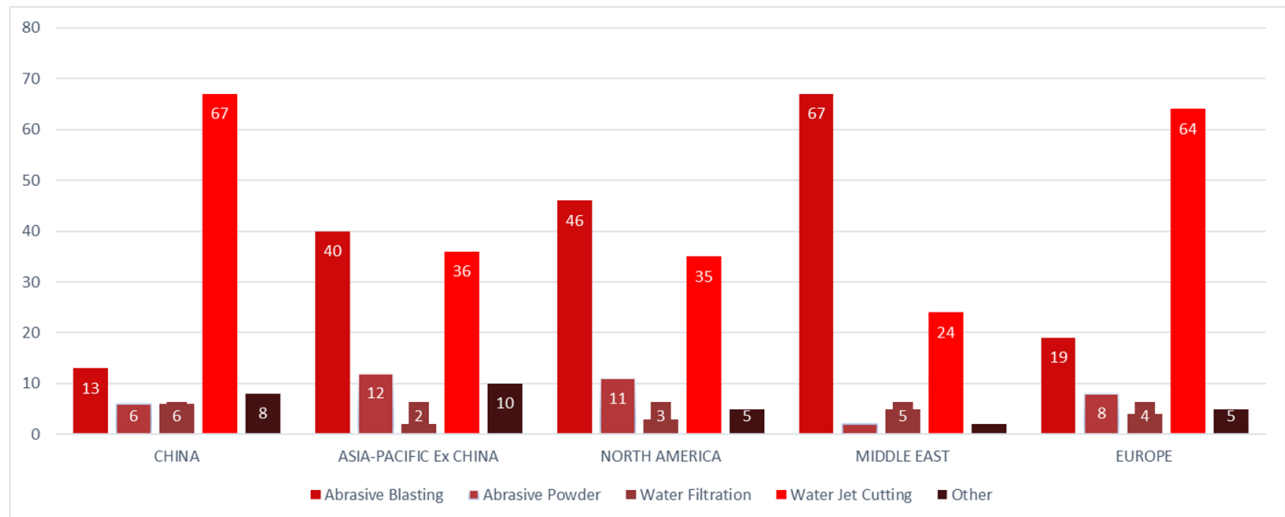


Figure 8: Annual garnet end use by region (kt) - TZMI

Market research conducted by TZMI in 2021 highlighted a widening supply demand deficit. Industry players in the Port Gregory region have found that product has been accepted into the market with long term offtakes readily sourced.

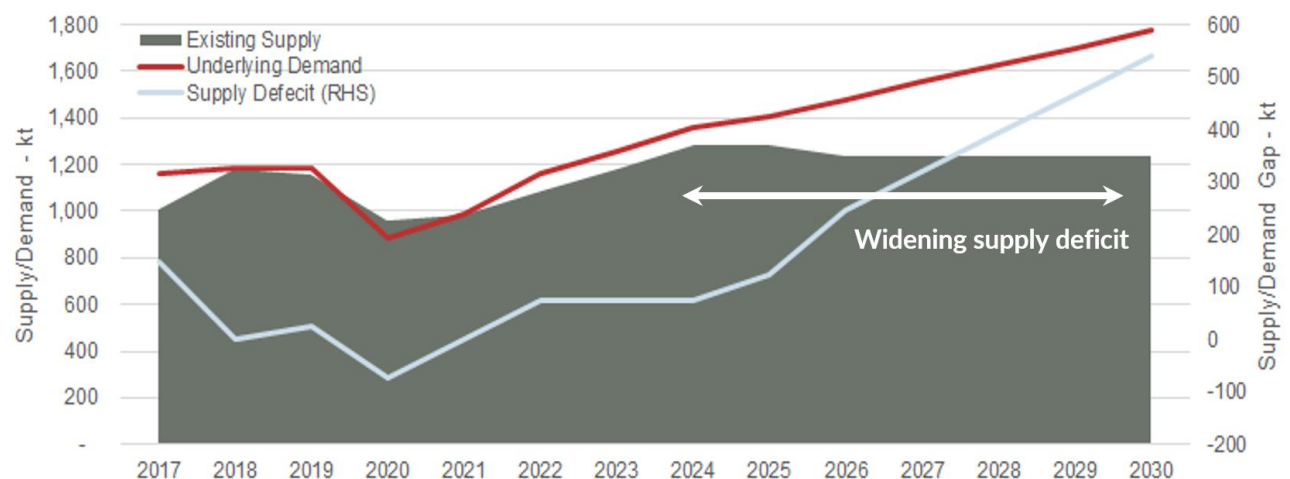


Figure 9: Garnet supply / demand forecast – TZMI

Metallurgy

Metallurgy results for the Port Gregory Garnet Project released on the 15th August 2022 highlight that the potential products produced could be marketed as 30/60 mesh and 80 mesh blasting grade products and 80 mesh and 120 mesh water jet cutting products. The ilmenite stream has the potential to also add revenue to the project as a valuable by-product.

The following key products were produced during the study:

- ✕ High grade garnet concentrate product containing 98.3% garnet
- ✕ Potential primary ilmenite product containing 53.8% TiO₂ which was readily upgraded from magnetic concentrate
- ✕ A coarse and fine garnet stream can be produced which has the potential to generate a blasting grade product and a water jet cutting grade product being:
- ✕ Coarse garnet product D50 and D80 of 418 µm and 490 µm containing 99% garnet
- ✕ Fine garnet product D50 and D80 of 220 µm and 277 µm containing 98% garnet

IHC Mining were quoted as saying:
 “Metallurgical scoping test work completed confirms the Port Gregory material processes readily using typical physical separation methodologies and standard equipment. The produced combined garnet product is high grade and is determined to contain 98.3% garnet.
 The magnetic concentrate was readily upgraded to a potential ilmenite product containing 53.8% TiO₂ and low levels of contaminants.”

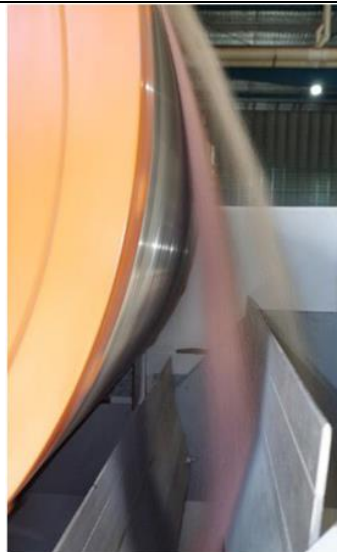


Figure 10: Fine garnet RED roll

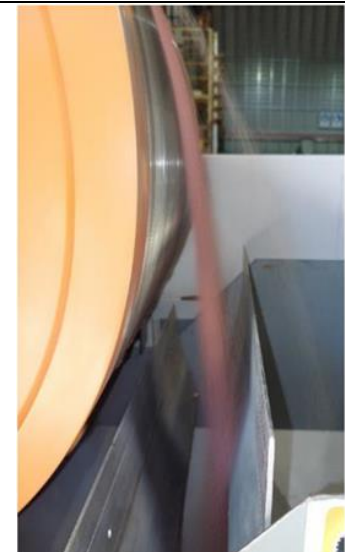


Figure 11: Coarse garnet RED roll

Final Product Images

Images of the products produced from the Port Gregory raw material are presented in **Error! Reference source not found.** and Figure 13.

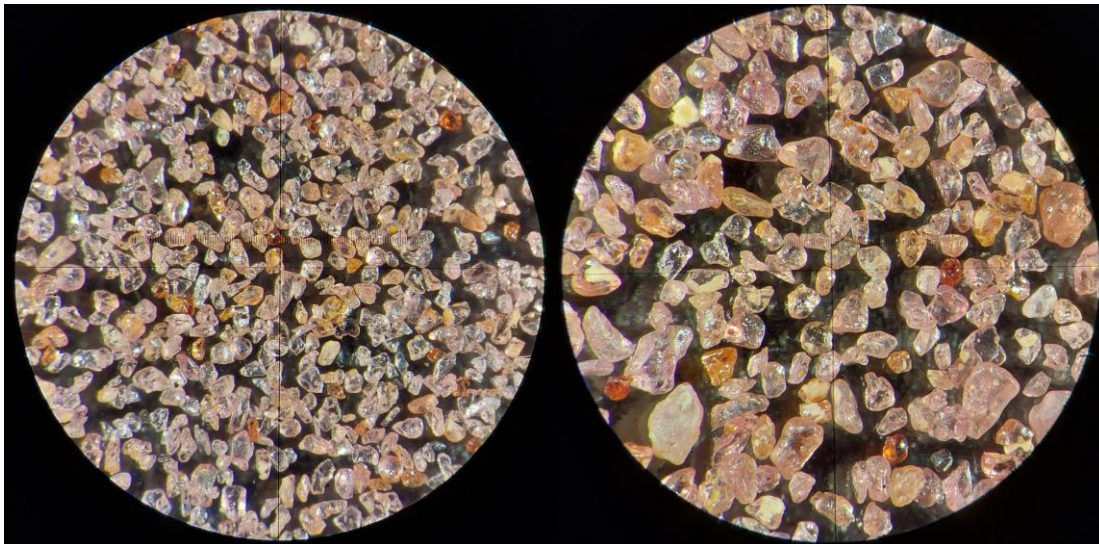


Figure 12: Fine garnet product (8.5mm field of view)

Figure 13: Coarse garnet product (8.5mm field of view)

Regional Geology

The heavy minerals in the known deposits in Western Australia were ultimately, but indirectly, derived from the weathering of crystalline igneous rocks in the Archean Yilgarn Block. Heavy mineral grains derived from the Yilgarn Block were initially deposited in thick sequences of Mesozoic sediments that filled the Perth Basin. There was some local degree of concentration of heavy minerals in these sediments relative to the primary source areas, in places reaching potential ore grades. For example, the Beenup deposit is thought to be Mesozoic in age. Erosion and reworking of the relatively soft Mesozoic sediments, particularly those parts of the stratigraphic sequence dominated by coarse sandstones and grits, subsequently released the heavy minerals into the strand deposits.

The project area lies in the most northerly part of the Perth Basin, on the western side of the Northampton Block.

The Tamala Limestone, a belt of coastal limestone extends up to 8 km inland. It is composed of eolianite, which accumulated originally as coastal sand dunes in the late Pleistocene. This has developed over a basement of late Cretaceous age Winning Group sediments which can be seen outcropping near Yanganooka Well. Several erosional scarps have been developed on the seaward side of the Tamala Limestone, one of which is equivalent to the strand-line mineralisation to the south. Fossil crescent dunes can also be distinguished on top of the massive limestone area which may be of early Pleistocene age.

Mobile coastal dunes, equivalent to the Safety Bay Sand, are extensively developed and in the northern part transgress over the Tamala Limestone. They are divided into a coastal zone of large mobile longitudinal and crescent dunes, from an inner zone of older, stabilized and more sparsely distributed crescent dunes.

Project Geology

The local geology is dominated by dunal accumulations of grey to brown to white sand and Limesand. These sediments are thought to be Quaternary in age and overlay Silurian aged Tumblagooda Sandstone which is composed of a Red-bed sequence of sandstone; siltstone; and minor conglomerate. They locally appear to have been deposited in an embayment eroded into the Tumblagooda Sandstone.

The Limesand has been partially indurated with carbonate cementation and sandy limestone is locally developed. The older the formation the more induration appears to be developed.

Conclusions and Recommendations

The pit optimisation and preliminary mine planning exercise carried out on the Port Gregory Garnet Project demonstrates that there are economically exploitable pits to potentially support a mining operation of approximately 10-17 years duration.

The Modifying Factors used for the pit optimisation have been developed from a combination of first principles analysis, a historical database of costs, experience and the test work carried out by the IHC Mining laboratory in Brisbane. Revenues have been supplied by HVY and vetted for application by the IHC team. The pit shells were developed and vetted by the IHC Mining team in Australia with input from the HVY team. The final recommendation of the pit shells was made by the IHC Mining team with sign-off by the HVY technical team.

The global mining inventory developed for the Scoping Study and PEA totalled 57 Mt at an average THM grade of 5.1% for a total contained THM of 2.92 Mt.

The following recommendations flow from this work package and are in no particular order of importance, but should be taken for consideration:

- ✕ The next phase of work should establish a firm basis for mineral pricing based on off-take agreements so as to firm up the revenue drivers for the project;
- ✕ Consideration of other mining methodologies should be considered such as scrapers and truck and excavator;
- ✕ Detailed work needs to be undertaken on the nature of the SLIMES and the direct impact this has on flocculent / coagulant usage as well as handling with respect to water recovery, solar drying requirements, and potential for co-disposal; and
- ✕ The most likely next step is a Pre-Feasibility Study (PFS) and one of the key deliverables from that level of study will be a Probable Ore Reserve. In order to undertake that work, there is a considerable amount of background study work that needs to be completed, including but not restricted to:
 - o Hydrogeology study, development of piezometers, bores, baseline data, etc
 - o Transport study;
 - o Power study;
 - o Port development study; and
 - o Investigation of alternative mining methodologies.

PORT GREGORY IN-FILL AND EXTENSION DRILLING

During the Reporting Period the Company completed a 139 hole, 4455m Air Core drill program that was intended to improve the classification of the existing JORC Mineral Resource prior to commencing a pre-feasibility study and to also potentially increase the total resource based on extension drilling to the east, north and south. The Company expects to receive the remaining assay results in mid March to include the additional 23 hole, 726m extension Air Core drill program at Port Gregory³ done post the reporting period.

Subject to the timing of QXRD results being returned from the laboratory, the Company anticipates delivering a Mineral Resource update in mid-April 2023.

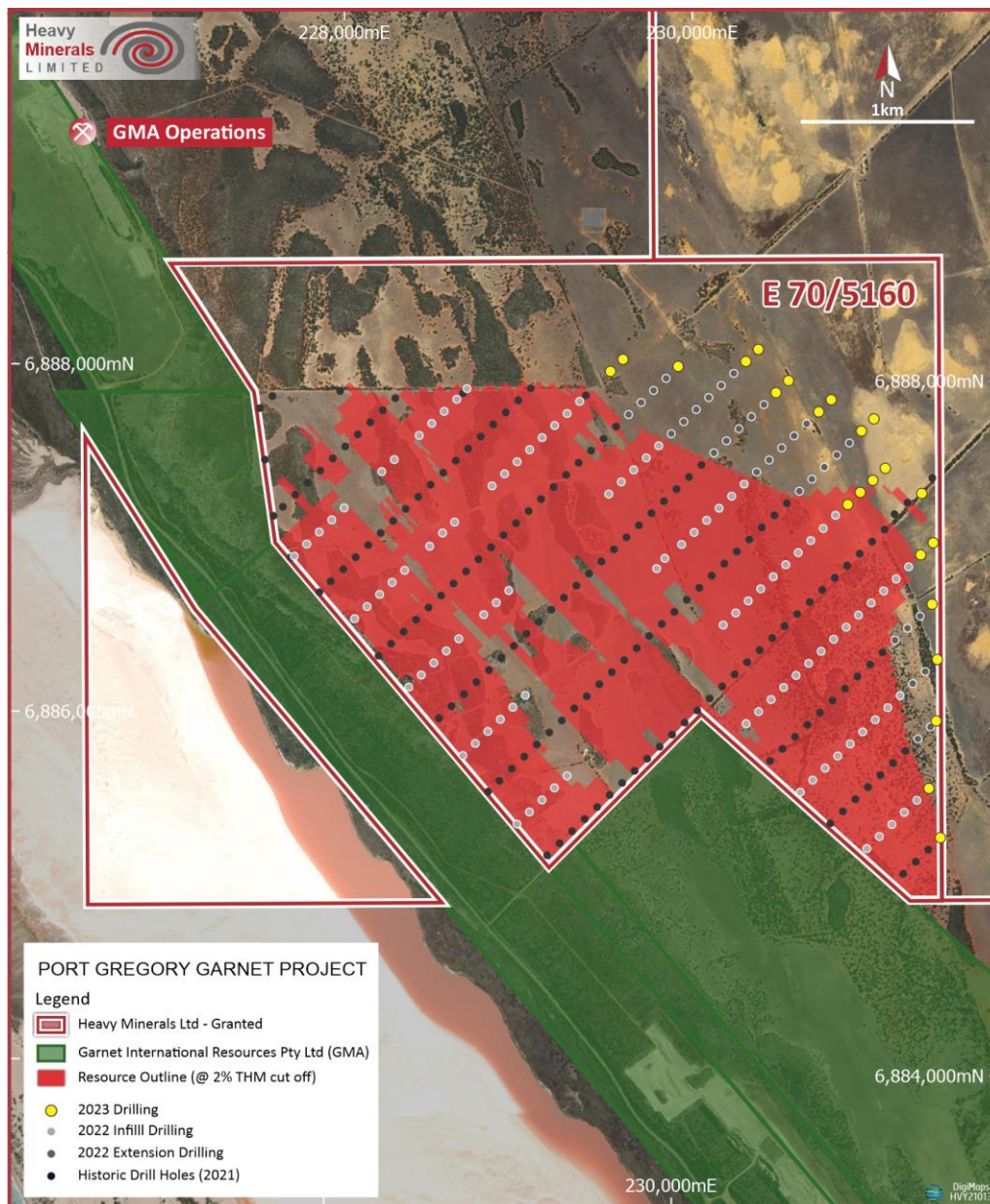


Figure 14: Port Gregory Garnet Project showing holes drilled during and post the reporting period.

RED HILL MAIDEN DRILLING

Post the period the Company completed a 48 hole, 1815m Maiden Air Core drill program at its Red Hill Project³.

This Maiden drilling program was designed to test the Heavy Mineral potential of the project. The Company observed many positive visual results during the drilling program and anticipates receiving assay results in late March 2023 with the potential to release a resource in Q2 2023 pending positive results.



Figure 15: Red Hill Garnet Project showing holes drilled.

Inhambane Project [Mozambique]

The Inhambane Heavy Mineral Sands Project in Mozambique consists of a mining concession application (which was lodged on 11 March 2020). The Inhambane Project has a JORC Compliant Inferred Mineral Resource of 90 million tonnes @ 3.0% Total Heavy Mineral. The Company has a 70% direct interest in the Inhambane Project (via its wholly owned subsidiary, Mozmin Resources (Mauritius) Limited) with the remaining 30% owned by Galilei LTDA (which will be free carried until a decision to mine is made by the Company). While the exploration licence preceding the mining concession application has expired, the grant of the Mining Concession supersedes this and is currently pending.

Table 8: Inhambane Mineral Resource Summary
MINERAL RESOURCE SUMMARY FOR INHAMBANE PROJECT AS AT DECEMBER 2021

Summary of Mineral Resources ⁽¹⁾						HM Assemblage ⁽²⁾					
Mineral Resource Category	Material (Mt)	In Situ THM (Mt)	THM (%)	SL (%)	OS (%)	Altered Ilmenite (%)	Primary Ilmenite (%)	Rutile (%)	Leucoxene (HiTi) (%)	Zircon (%)	Others (%)
Inferred	90	2.7	3.0	5	0	29	31	2	4	5	29
Grand Total⁽³⁾	90	2.7	3.0	5	0	29	31	2	4	5	29

Notes:

- (1) Mineral resources reported at a cut-off-grade of 1.7% HM.
- (2) Mineral assemblage is reported as a percentage of in situ HM content.
- (3) HVY has a 70% interest in the Inhambane heavy mineral sands project

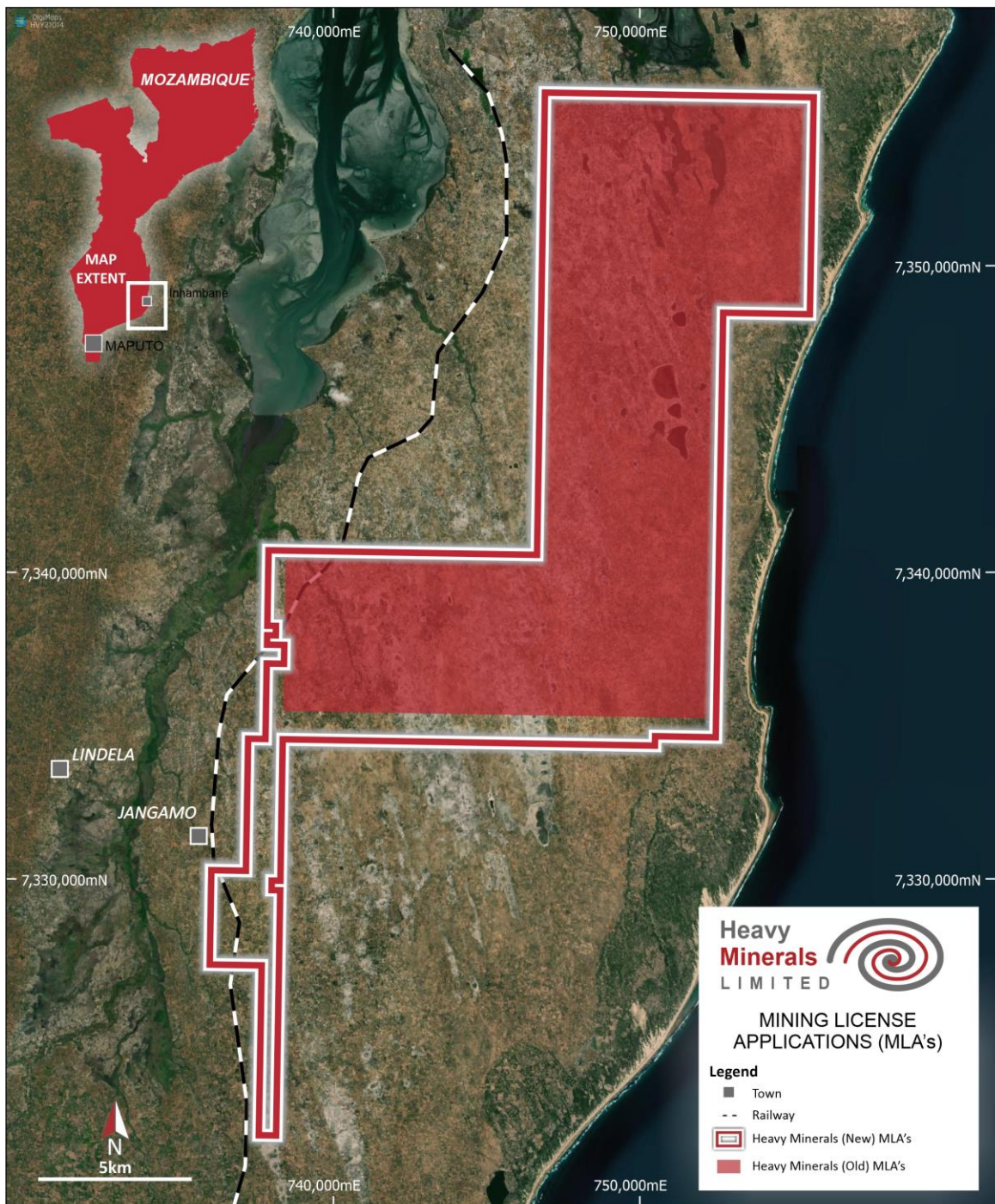


Figure 16: Current MLA relative to previous MLA

Competent Persons Statements

The information in this announcement that relates to Minerals Resource estimates is based on and fairly represents information and supporting documentation prepared by Mr. Greg Jones who is a Non-Executive Director of Heavy Minerals Limited. Mr. Jones is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being reported on to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Jones has reviewed this report and consents to the inclusion in the report of the matters in the form and context with which it appears.

The Mineral Resource estimates referred to in this announcement were first reported in accordance with ASX Listing Rule 5.7 in the Company's prospectus dated 27 July 2021 and released on the ASX market announcements platform on 10 September 2021. The JORC Mineral Resource report that supports this original Mineral Resource estimate is hosted on the Company website at the following links:

References:

¹ https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02566850-6A1109092?access_token=83ff96335c2d45a094df02a206a39ff4

² https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02616747-6A1130149?access_token=83ff96335c2d45a094df02a206a39ff4

³ https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02625345-6A1133655?access_token=83ff96335c2d45a094df02a206a39ff4

⁴ https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02516855-6A1089842?access_token=83ff96335c2d45a094df02a206a39ff4

⁵ https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02462745-6A1067130?access_token=83ff96335c2d45a094df02a206a39ff4

Environmental Regulation

The Company's projects are not subject to direct physical risk arising from climate factors. Global warming may make the Company's projects more inaccessible over time. The Projects are not subject to any direct physical risk from climate factors such as flooding or excessive drought. The Consolidated Entity is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The Directors are not aware of any environmental law that is not being complied with.

CORPORATE

- ✂ On 13 September 2022 Nic Matich resigned as Executive Director and CEO.
- ✂ On 31 October 2022 Glenn Simpson resigned as Non-Executive Director.
- ✂ On 31 October 2022 Wayne Richards was appointed as Non-Executive Director.
- ✂ On 16 November 2022 the Company advised that it had received a section 249D notice.
- ✂ On 12 December 2022 the Company advised that the requisition notices had been withdrawn.

COVID-19 Impacts

COVID 19 did not impact operations in Western Australia during the financial year given the relatively limited number of “lock-downs” in the State and limited travel requirements intrastate.

In Mozambique the force majeure position with respect to the expenditure requirements of the Mozambique assets remained in place.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in the state of affairs of the Company.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no likely developments of which the Directors are aware of which could be expected to significantly affect the results of the Company's operations in subsequent financial periods not otherwise disclosed in the 'Principal activities' and 'Review of operations' or the 'Significant events after the balance sheet date' sections of the Directors' report.

SHARE OPTIONS

As at the date of this report:

No. Options	Exercise Price	Expiry Date	Listed / Unlisted
3,782,226	\$0.25	14 September 2023	Unlisted
10,000,000	\$0.25	14 September 2024	Unlisted

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

No shares as a result of the exercise of the options were issued as at the date of this report.

EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances have arisen since the end of the period which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the period ended 31 December 2022 has been received and is included within the financial statements.

AUDITOR

Criterion Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

Signed in accordance on behalf of the Directors.



Adam Schofield
Non-Executive Chairman

13 March 2023

Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 233 LEEDERVILLE WA 6902

Suite 2, 642 Newcastle Street
LEEDERVILLE WA 6007

Phone: 9466 9009

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the review of the financial statements of Heavy Minerals Limited and its Controlled Entities 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:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



CHRIS WATTS CA
Director

CRITERION AUDIT PTY LTD

DATED at PERTH this 13th day of March 2023

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2022**

	Note	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
Revenue	3	14,688	1,840
Accounting fees		(38,216)	(30,015)
Compliance fees		(60,062)	(53,958)
Consultancy fees		(1,124)	(2,499)
Depreciation		(10,242)	(330)
Directors' remuneration		(202,272)	(185,333)
Exploration expenditure expensed		(12,430)	(3,850)
Foreign exchange loss		-	(29,109)
Insurance expense		(18,889)	(14,725)
Interest expense		(99)	-
IT expenses		(5,240)	(12,811)
Legal fees		(77,198)	(171,885)
Marketing		(40,175)	(46,381)
Occupancy expenses		(5,960)	(33,000)
Other expenses		(22,351)	(18,694)
Travel expenses		(21,274)	(6,698)
Loss before tax		(500,844)	(607,448)
Income tax benefit/(expense)		-	-
Net loss for the period from operations		(500,844)	(607,448)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		3,869	14
Total comprehensive loss for the period		(496,975)	(607,434)
Attributable to owners of the Consolidated Entity		(496,975)	(607,434)
Attributable to non-controlling interest		-	-
		(496,975)	(607,434)
Basic and diluted loss per share (cents)		(0.93)c	(1.52)c

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	Consolidated Entity 31 December 2021 \$	Consolidated Entity 30 June 2022 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	1,378,323	2,411,626
Trade and other receivables		46,806	47,763
Other assets		60,081	39,690
Total Current Assets		1,485,210	2,499,079
Non-Current Assets			
Plant and equipment		89,312	64,103
Exploration and evaluation assets	5	2,371,248	1,911,483
Total Non-Current Assets		2,460,559	1,975,586
Total Assets		3,945,769	4,474,665
LIABILITIES			
Current Liabilities			
Trade and other payables		98,521	110,797
Provisions		-	18,270
Total Current Liabilities		98,521	129,067
Total Liabilities		98,521	129,067
Net Assets		3,847,248	4,345,598
EQUITY			
Contributed equity	6	8,321,436	8,322,811
Reserves	7	998,956	995,087
Accumulated losses		(5,429,649)	(4,928,805)
Attributable to owners of the Consolidated Entity		3,890,743	4,389,093
Attributable to non-controlling interest		(43,495)	(43,495)
Total Equity		3,847,248	4,345,598

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2022**

Consolidated Entity	Contributed Equity	Foreign Currency Translation Reserve	Share Based Payments Reserve	Accumulated Losses	Attributable to Owners of the Consolidated Entity	Attributable to Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	8,322,811	29,692	965,395	(4,928,805)	4,389,093	(43,495)	4,345,598
Equity issues	-	-	-	-	-	-	-
Capital raising costs	(1,375)	-	-	-	(1,375)	-	(1,375)
Share based payments	-	-	-	-	-	-	-
Foreign exchange on translation of operations	-	3,869	-	-	3,869	-	3,869
Loss for the period	-	-	-	(500,844)	(500,844)	-	(500,844)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(500,844)	(496,975)	-	(496,975)
Balance at 31 December 2022	8,321,436	33,561	965,395	(5,429,649)	3,890,743	(43,495)	3,847,248
Balance at 1 July 2021	2,707,849	30,581	946,935	(3,880,881)	(195,516)	(43,495)	(239,011)
Equity issues	6,232,323	-	-	-	6,232,323	-	6,232,323
Capital raising costs	(870,170)	-	-	-	(870,170)	-	(870,170)
Share based payments	-	-	275,000	-	275,000	-	275,000
Foreign exchange on translation of operations	-	14	-	-	14	-	14
Loss for the period	-	-	-	(607,448)	(607,448)	-	(607,448)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(607,448)	(607,434)	-	(607,434)
Balance at 31 December 2021	8,070,002	30,595	1,221,935	(4,488,329)	4,834,203	(43,495)	4,790,708

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

	Note	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
Cash flows from operating activities			
Payments to suppliers and employees		(519,666)	(947,246)
Interest received		14,338	901
Interest paid		(99)	-
Net cash used in operating activities		(505,427)	(946,345)
Cash flows from investing activities			
Payment for plant and equipment		(33,230)	(2,796)
Payment for exploration and evaluation		(489,900)	(624,440)
Net cash used in investing activities		(523,130)	(627,236)
Cash flows from financing activities			
Proceeds from equity issues		-	5,650,000
Payment for costs of equity issues		(1,375)	(485,818)
Loans to other entities		(1,150)	-
Repayment of borrowings		(2,221)	(20,000)
Net cash (used in) / provided by from financing activities		(4,746)	5,144,182
Net increase / (decrease) in cash held		(1,033,303)	3,570,601
Cash and cash equivalents at beginning of the period		2,411,626	34,872
Foreign exchange effect on cash and cash equivalents		-	-
Cash and cash equivalents at period end	4	<u>1,378,323</u>	<u>3,605,473</u>

The accompanying notes form part of these financial statements.

1. Corporate information

This half year report covers Heavy Minerals Limited (the “Consolidated Entity”), a company incorporated in Australia for the 6 month period ended 31 December 2022. The presentation currency of the Company is Australian Dollars (“\$”). A description of the Consolidated Entity’s operations is included in the review and results of operations in the Directors’ Report. The Directors’ Report is not part of the financial statements. The Consolidated Entity is a for-profit entity and limited by shares incorporated in Australia whose shares are traded under the ASX code “HVV”. The financial statements were authorised for issue on 13 March 2023 by the Directors of the Consolidated Entity. The Directors have the power to amend and reissue the financial statements. The principal accounting policies adopted in the preparation of the financial statements are set out below.

2. Accounting policies

a. Statement of compliance

The general purpose financial statements of the Company have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, including AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board.

b. Going concern

The half year report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Consolidated Entity incurred a loss from ordinary activities of \$500,844 for the period ended 31 December 2022 (2021: \$607,448) and net cash outflows from operating activities of \$505,427 (2021: \$946,345). The working capital of the Consolidated Entity at 31 December 2022 was \$1,386,689 (30 June 2022: \$2,370,012 working capital). The Consolidated Entity has exploration commitments due within the next 12 months. The ability of the Consolidated Entity to continue to pay its debts as and when they fall due is principally dependent upon the Company successfully raising additional share capital, full or partial divestment of assets, or containing expenditure in line with available funding. The Directors have prepared a cash flow forecast and based on this forecast the directors have the ability to scale back exploration costs and reduce other discretionary expenditure to preserve cash reserves. The cash flow forecast indicates that the Consolidated Entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report. Based on the cash flow forecasts, the working capital surplus and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate.

2. Accounting policies (continued)

c. Basis of preparation

The general purpose financial statements of the Consolidated Entity have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial report has also been prepared on a historical cost base. It is recommended that the half year financial report be considered together with the 30 June 2022 annual report and any public announcements made by the Consolidated Entity up to the issue date of this report, which the Consolidated Entity has made in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*. The financial statements have been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of financial assets and financial liabilities.

d. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Heavy Minerals Limited (Company or parent entity) as at 31 December 2022 and the results of all subsidiaries for the period then ended. Heavy Minerals Limited and its subsidiaries together are referred to in these financial statements as the Consolidated Entity. Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity. The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent. Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance. Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

2. Accounting policies (continued)

e. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

f. Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

g. Significant management judgement in applying accounting policies and estimate uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below.

i. Exploration and evaluation expenditure

Exploration and evaluation costs have been capitalised and are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Key judgements are applied in considering the costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

ii. Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the options issued are determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

2. Accounting policies (continued)

h. Accounting Standards that are mandatorily effective for the current reporting period

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020. The Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Company accounting policies.

i. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Company has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Company's accounting policies, however further analysis will be performed when the relevant standards are effective.

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 31 December 2021 \$
3. Revenue		
Interest revenue	14,688	1,840
	14,688	1,840
	Consolidated Entity 31 December 2022 \$	Consolidated Entity 30 June 2022 \$
4. Cash and cash equivalents		
Cash at bank	377,124	910,730
Cash on hand	1,199	896
Term deposits	1,000,000	1,500,000
	1,378,323	2,411,626
5. Exploration and evaluation assets		
Balance at beginning of period	1,911,483	90,350
Exploration and evaluation expenditure incurred during the period	459,765	1,821,133
Balance at end of period	2,371,248	1,911,483

	Consolidated Entity 31 December 2022		Consolidated Entity 30 June 2022	
	No.	\$	No.	\$
6. Contributed equity				
Balance at beginning of period	53,873,665	8,322,811	19,396,641	2,707,849
Seed share issue: 23-Jul-21	-	-	1,500,000	150,000
Share issue upon loan conversions:				
06-Sep-21	-	-	978,925	195,785
Vendor share issue: 06-Sep-21	-	-	1,932,692	386,538
IPO share issue: 06-Sep-21	-	-	27,500,000	5,500,000
Performance rights conversion:				
03-May-22	-	-	2,565,407	256,541
Capital raising costs	-	(1,375)	-	(873,902)
Balance at end of period	53,873,665	8,321,436	53,873,665	8,322,811

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 30 June 2022 \$
7. Reserves		
<u>Foreign currency translation reserve</u>		
Balance at beginning of period	26,692	30,581
Foreign exchange on translation of operations	3,869	(889)
Balance at end of period	33,561	26,692
<u>Share based payments reserve</u>		
Balance at beginning of period	965,395	946,935
Options granted ¹	-	18,460
Balance at end of period	965,395	965,395

7. Reserves (continued)

¹Variables used to calculate the option valuations during the year ended 30 June 2022 are as follows:

Inputs	Director & Consultant Options	Shareholder Options	Broker & Vendor Options
Number of options	5,000,000	3,782,226	5,000,000
Exercise price	\$0.25	\$0.25	\$0.25
Expiry date	14-Sep-24	14-Sep-23	14-Sep-24
Grant date	07-May-21	01-Jun-21	06-Sep-21
Share price at grant date	\$0.20	\$0.20	\$0.20
Risk free interest rate	0.11%	0.09%	0.11%
Volatility	50%	50%	50%
Option value	\$0.055	\$0.042	\$0.055

	Consolidated Entity 31 December 2022 No.	Consolidated Entity 30 June 2022 No.
<u>Unlisted options</u>		
Balance at beginning of period	13,782,226	8,782,226
Options granted ¹	-	5,000,000
Balance at end of period	13,782,226	13,782,226

8. Operating segments

The Consolidated Entity has determined operating segments based on the information provided to the Board of Directors. The Consolidated Entity operates predominantly in one business segment being the exploration for minerals with entities based in three geographic segments, being Australia, Mauritius and Mozambique.

	Australia Exploration & Corporate	Mauritius Exploration & Corporate	Mozambique Exploration & Corporate	Total
31 December 2022				
Segment revenue	14,688	-	-	14,688
Segment loss	(472,306)	(22,563)	(5,975)	(500,844)
Segment assets	3,749,081	5,642	191,046	3,945,769
Segment liabilities	(97,688)	(833)	-	(98,521)
30 June 2022				
Segment assets	4,313,001	3,594	158,070	4,474,665
Segment liabilities	(128,118)	(949)	-	(129,067)
31 December 2021				
Segment revenue	1,840	-	-	1,840
Segment loss	(595,004)	(12,417)	(13)	(607,434)

9. Events after the end of the reporting period

There are no matters or circumstances have arisen since the end of the period which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

	Consolidated Entity 31 December 2022 \$	Consolidated Entity 30 June 2022 \$
10. Commitments and contingencies		
a. Commitments relating to operating and exploration expenditures		
Not longer than 1 year	182,005	658,480
More than 1 year but not longer than 5 years	232,912	709,386
More than 5 years	-	-
	414,917	1,367,866

There are no other material commitments as at 31 December 2022.

10. Commitments and contingencies (continued)

b. Contingent assets

There are no contingent assets as at 31 December 2022.

c. Contingent liabilities

Contingent liabilities as at 31 December 2022 consist of the following contingent liability in Mozambique:

Transfers of interest that have occurred under the +258 Agreement (being Mozmin Mauritius' acquisition of 70% of the equity in +258 Limitada set out in Section 7.1(b)) and the Share Swap (being the Company's acquisition of 100% of the share capital of MRPL) have not received Government Approval. The Company has retrospectively commenced the process to obtain these approvals and is not aware of any reason why these approvals would not be granted, however, until such time as the approvals are received, the Company has allocated minimal funds to the Inhambane Project. There is no guarantee that the Government Approvals will be received and further, there is a likelihood that the approvals will require the payment of stamp duty. The Company understands that stamp duty rates vary between 0.1% to 10% of the face value of relevant documents. The Company anticipates that the stamp duty will be approximately USD 750.

11. Related party transactions

During the period the Company paid the following:

- ✕ \$30,000 (2021:\$10,500) in technical consultancy fees to Greg Jones's company, GNJ Consulting Pty Ltd, in addition to his Director fees of which \$Nil was outstanding at the end of the period (2021:\$Nil);
- ✕ \$11,987 (2021:\$Nil) in additional consultancy fees to Glenn Simpson's company, Vienna Investments Pty Ltd, in addition to his Director fees of which \$Nil was outstanding at the end of the period;
- ✕ \$1,150 (2021: \$Nil) as a loan to cover corporate costs for Heavy Minerals Ltd, (a company incorporated in England & Wales, related by way of a mutual director, Adam Schofield) of which \$3,352 was outstanding at the end of the period (2021:\$Nil);
- ✕ \$3,000 (2021: \$18,000) to Nelson Resources Limited (a company of which Adam Schofield was a director) provided office rent on a sublease.

The Directors of the Consolidated Entity declare that:

The financial statements and notes are in accordance with the *Corporations Act 2001* and:

- ✕ comply with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001;
- ✕ give a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of the performance for the period ended 31 December 2022;

In the Directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors



Adam Schofield
Non-Executive Chairman

13 March 2023

Independent Auditor's Review Report

To the Members of Heavy Minerals Limited

Conclusion

We have reviewed the half-year financial report of Heavy Minerals Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 Heavy Minerals Limited does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity'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 Consolidated Entity in accordance with the ethical 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Half-Year Financial Report

The Directors are responsible for the preparation of the half-year financial report that gives us 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-Year 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 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.

Criterion Audit

CRITERION AUDIT PTY LTD

Chris Watts

CHRIS WATTS CA
Director

DATED at PERTH this 13th day of March 2023