



R3D RESOURCES LIMITED

ABN 53 111 398 040

**FINANCIAL REPORT FOR
THE YEAR ENDED
30 JUNE 2022**

R3D RESOURCES LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

CORPORATE INFORMATION

Directors

Richard Ash

Non-Executive Chairman

Stephen Bartrop

Managing Director

Bruce Hills

Executive Director

Michael Thirnbeck

Non-Executive Director

Mr Jihad Malaeb

Non-Executive Director

Auditors

BDJ

Level 8, 124 Walker Street

North Sydney NSW 2060

AUSTRALIA

Legal Advisors

Sparke Helmore Lawyers

Level 29,

25 Martin Place

Sydney NSW 2000

AUSTRALIA

Company Secretary

Sonny Didugu

Securities Exchange Listing

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

Registered Office and Principal Place of Business

169 Blues Point Road

McMahons Point NSW 2060 Australia

Website

<https://www.r3dresources.com.au>

Share Registry

Computershare Investor Services Pty Ltd

452 Johnston Street

Abbotsford Victoria 3067 Australia

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**R3D RESOURCES LIMITED – FINANCIAL REPORT
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DIRECTORS' REPORT**

Your directors submit the consolidated financial report of R3D Resources Limited (the “Company”), comprising the Company and the subsidiaries it controlled at any time during the year ended 30 June 2022 (together, “the Group”).

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Richard Ash (Non-Executive Director, Member of the Audit and Risk Committee, Chairman), appointed 20 July 2021

Education: BEc Memberships: CA

Richard Ash has more than 30 years of experience in funds management, finance and principal investment in Australia, Asia and the UK. Prior to forming AAP Capital to advise family offices on investments, Mr Ash was a Managing Director, Head of Asset Finance for Developed Asia, and a member of the Australian executive team for Nomura Australia. Richard is Chairman of Lakes Blue Energy. He has also worked at Westpac, Macquarie Bank and KPMG. Richard has a keen interest in decarbonisation and the associated structural change.

Dr Stephen Bartrop (Executive Director, Member of the Nomination and Remuneration Committee, Managing Director), appointed 20 July 2021

Education: PhD, BSc (Hons), Grad. Dip. Securities Instit. MAusIMM, F Fin, FAIG, GAICD.

Steve's professional experience spans more than 30 years covering periods in both the mining industry and financial sector. With a geology background, Steve has worked in exploration, feasibility and evaluation studies and mining in a range of commodities and in different parts of the world. In the financial sector, Steve has been involved in research, corporate transactions and IPOs spanning a period of more than 20 years, including senior roles at JPMorgan, Bankers Trust and Macquarie Equities.

Steve is also Chairman of Stibium Mining Pty Ltd, and is a director of South West Pacific Bauxite (HK) Ltd, a company developing a bauxite project in the Solomon Islands. He is also Chairman of Breakaway Research Pty Limited.

Bruce Hills (Executive Director), appointed 20 July 2021

Education: BCom, CA (NZ)

Bruce is an accountant and is currently an Executive Director of Breakaway Investment Group Pty Limited which operates the Breakaway Private Equity Emerging Resources Fund. Bruce is a Director of a number of unlisted companies in the mining and financial services sectors including South West Pacific Bauxite (HK) Ltd and Stibium Australia and a former Director of The Risk Board. Bruce has 35 years' experience in the financial sector including 20 years in the banking industry primarily in the areas of strategy, finance and risk.

Mr Michael Thirnbeck (Non-Executive Director, Member of the Nomination and Remuneration Committee and the Audit and Risk Committee, appointed Chairman of the Audit and risk Committee on 19 September 2022)

Mr Thirnbeck is an experienced geologist with over 25 years in managing numerous mineral development projects in Papua New Guinea, Indonesia and Australia. He has been a Member of the Australasian Institute of Mining and Metallurgy since 1989 and holds B.Sc. (Hons.) degree from University of Queensland.

DIRECTORS (CONTINUED)

Mr Jihad Malaeb (Non-Executive Director, appointed 15 June 2022, Member of the Audit and Risk Committee, appointed 19 September 2022 .

Mr Malaeb is an experienced entrepreneur across a number of industries, including hospitality and construction, as well as having significant experience in mineral exploration and mining operations – both as an active investor and company director. He currently owns and operates a portfolio of hospitality businesses and real estate across Australia, which have been built over the past 30 years. Mr Malaeb is a former Non-Executive Director of Critical Resources Limited (ASX: CRR), where he helped steer CRR through the past few years as one of its largest shareholders and as a board member.

Mr Malaeb is a material shareholder in R3D, having participated in the Company's placement and entitlements issue in May 2022.

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Robert Waring (Non-Executive Director, Chairman of the Nomination and Remuneration Committee and the Audit and Risk Committee), appointed 20 July 2021, resigned on 31 July 2022. Appointed as Company Secretary 23 March 2021, resigned as company secretary on 31 July 2022.

Education: B Econ, CA, FCIS, FFin, FAICD, MAusIMM

Robert Waring has over 40 years-experience in financial accounting and company secretarial roles, principally in the resources industry. He has previously been a director of two ASX listed companies and is currently the company secretary of three other public companies listed on ASX. Robert has specialist skills in the preparation of company prospectuses, due diligence work and financial assessment of projects and companies. He has a keen interest in the equity markets. Robert is a founding Executive Director of Oakhill Hamilton Pty Ltd.

Mr Daniel Yeo Chin Tuan (Non-Executive Director), resigned 20 July 2021.

Mr Yeo has over 25 years' experience in senior executive roles in a wide range of corporate and commercial roles.

Previously, he served as the CEO of Man Financial (S) Pte Ltd (now known as MF Global Singapore). He also served as a Vice President of Red Co Singapore and pioneered the Singapore futures and options market, building a distinguished track record servicing high net worth client in foreign exchange and bullion trading. Mr Yeo has served as an Independent Director of Top Global Limited since 2010. He previously served as a Director of ING Futures & Options (S) Pte Ltd, and as an Executive Director of UOB International Treasury.

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

Dr Tsao holds a PhD from the University of California, Berkeley, USA. She is currently a writer and editor of books that have been published by Amazon. She is an honorary associate at the University of Sydney, Australia. In the past, she has held teaching positions as lecturer in the University of New South Wales, University of Newcastle and Georgia Institute of Technology in Atlanta, Georgia, USA.

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

Mr Irawan holds a Bachelor of Commerce, majoring in Management Information Systems from the University of British Columbia, Vancouver Canada. After graduating from the University of British Columbia, Mr Irawan has helped to develop and expand PT Bintang Group, an Indonesian domiciled company with a diversified investment portfolio including property, renewable energy power plants, water treatment and mining, and focussing on a shipping business.

Mr Irawan was formerly a director in charge of operations at PT Sultra Prima Lestari, a palm oil company in Kendari, Southwest Sulawesi, Indonesia.

COMPANY SECRETARY

Mr Robert Waring, appointed as Company Secretary on 23 March 2021 and remained in office for the full financial year.

On 28 June 2022, **Mr Sonny Didugu** was appointed joint company secretary.

Mr Didugu is a corporate lawyer and advisor with significant corporate advisory, company secretarial and listed entity experience. Mr Didugu is a Member of the Australian Institute of Company Directors and holds a Bachelor of Laws (Honours).

On 31 July 2022, Mr Robert Waring resigned from his position as company secretary, with Mr Sonny Digugu remaining in the role.

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DIRECTORS' REPORT

DIRECTORS MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the financial year and the numbers of meetings attended by each Director were as follows:

| | Board Meetings | | Audit & Risk Committee | | Nomination and Remuneration Committee | |
|----------------------|----------------|--------------|------------------------|--------------|---------------------------------------|--------------|
| | No. Eligible | No. Attended | No. Eligible | No. Attended | No. Eligible | No. Attended |
| Richard Ash | 14 | 14 | 2 | 2 | - | - |
| Robert Waring | 14 | 14 | 2 | 2 | - | - |
| Michael Thirnbeck | 16 | 16 | 2 | 2 | - | - |
| Stephen Bartrop | 14 | 14 | 2 | 2 | - | - |
| Bruce Hills | 14 | 14 | 2 | 2 | - | - |
| Jihad Malaeb | - | - | - | - | - | - |
| Daniel Yeo Chin Tuan | 2 | 2 | - | - | - | - |
| Tiffany Tsao | 2 | 2 | - | - | - | - |
| Muljadi Irawan | 2 | 2 | - | - | - | - |

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was mineral exploration, specifically the focus on becoming a significant copper-gold explorer and developer in the Chillagoe Region of north Queensland.

REVIEW OF OPERATIONS

The Group's net loss from continuing operations was \$(6,350,273) (2021: \$(2,142,382)). The net assets of the Group increased by \$3,252,229 from \$3,731,673 at 30 June 2021 to \$6,983,902 primarily due to the acquisition of Tartana and the public offer undertaken in the year (as described in more detail below).

Acquisition of Tartana

On 4 February 2021, the Company announced an off-market takeover offer for all the ordinary shares in Tartana Resources Limited (Tartana). The offer closed on 31 July 2021 and at that date the Company had a relevant interest in 99.89% of Tartana shares. The Company then proceeded with the compulsory acquisition of the remaining shares which was finalised on 1 September 2021. As at 30 June 2022, R3D owns 100% of Tartana.

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

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

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

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

- 21,250,000 shares to investors in the public offer at \$0.20 per share;
- 4,250,000 options to investors in the public offer with an exercise price of \$0.40 expiring on the fifth anniversary from their date of issue;
- 2,000,000 options issued to brokers under the public offer with an exercise price of \$0.40 expiring on the fifth anniversary from their date of issue;

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anniversary from their date of issue;

- On 20 July 2021, the Group announced completion of the Implementation Deed between Tartana and the Company including:
 - public offer of 21,250,000 FPO R3D shares at 20 cents a share raising \$4,250,000 (before costs); and
 - issue of 75,533,69 shares to the shareholders of Tartana at \$0.20 per share.
- On 29 July 2021, the Group repaid 2,500,000 convertible notes of \$0.20 each issued by Tartana under a Convertible Note Deed dated 18 December 2019 – total repaid including interest \$519,927.25.
- On 29 July 2021, the Group repaid a loan from Mr Craig Nettelbeck, a former Director of Tartana – total repaid plus interest \$85,735.
- On 30 July 2021, the Group commissioned Xcalibur / CGG Aviation Pty Limited with a contract value of \$472,555 to fly a Falcon gravity and magnetic survey over the Bellevue and Dry River exploration projects.
- On 3 August 2021, the Group announced it entered into an exclusivity agreement potentially leading to an Options Agreement with Three Rivers Prospecting Pty Ltd and Michael Thompson to purchase the Beefwood project which is defined as EPM 26399. On 31 August 2021, the Company announced it had issued 1,925,000 shares to acquire the option to purchase the Beefwood Project. The Company had until 31 March 2022 to exercise the option with a purchase price of \$385,000 in shares priced at a one-month VWAP immediately prior to option exercise notification and a residual 1% NSR royalty on any production. The Company has a minimum expenditure commitment of \$125,000 prior to 31 March 2022. On 29 June 2022, R3D announced it had successfully re-negotiated the exercise price down to \$192,500 from \$385,000 (a 50% reduction), but otherwise on the same terms.
- On 14 September 2021, the Group announced it had secured the services of Associated Exploration Drillers Pty Ltd with an approx. contract value of \$330,000 to complete an exploration drilling campaign designed to test the priority copper targets represented by large IP anomalies immediately to the east and north of the Tartana open pit.
- On 17 September 2021, the Group submitted a revised Estimated Rehabilitation Cost (ERC) calculation for the Tartana Mine site to the Queensland Department of Environment (DES). This was in response to changes introduced under the Financial Provisioning Scheme (FPS) under the Mineral and Energy Resource (Financial Provisioning) Act 2018. While DES has estimated Tartana's ERC to be \$1,591,504, the Company's ERC based on the third-party quotes will increase the current FA to approximately \$922,856. This represents a shortfall of \$326,456 on the current financial assurance of \$586,400 and is in line with the amount budgeted for in the Prospectus issued on 26 May 2021.
- On 25 October 2021, the Group announced the appointment of Mr Mathew Hancock as the Plant Manager of the Tartana Copper Sulphate Plant. Mr Hancock responsibilities include the coordination and management of the refurbishment and restart of the heap leach – solvent extraction – crystallization plant on the Group's Tartana mining leases.
- On 31 January 2022, the R3D shareholders approved the proposed issue of 1,500,000 and 1,000,000 options to Mr Richard Ash and Mr Michael Thirbeck respectively. These options were issued on 28 February 2022. The options are not listed and have an exercise price of \$0.40 and expire if not exercised by 14 July 2026. The first tranche of one third of the options vest immediately. The second tranche of one third of the options will vest on 17 December 2022. The final third of the options vest on 17 December 2023. In all three cases, vesting is conditional on Messrs Ash and Thirbeck remaining Directors of the Company on the date the Options vest.
- On 3 February 2022, R3D announced that it had secured Mountain Maid Exploration Permit 27735 after becoming the preferred applicant by the Department of Resources. The permit surrounding the Group's Cardross and Mountain Maid mining lease applications.
- On 16 February 2022, the Group announced it had signed a Memorandum of Understanding (MOU) with listed company, Ark Mines Limited (AHK) enabling R3D to purchase and process oxide ore through its heap leach – solvent extraction – crystallization plant. The MOU providing the framework for the potential supply and sale of oxide copper ore with AHK and R3D working to facilitate this outcome.
- On 5 April 2022 and 26 May 2022, the Group finalised Tranche 1 and 2 involving \$500,000 placements through the issue of 5,000,000 fully paid ordinary share at \$0.10 per share to raise a total of \$1 million. In addition, on 26 May 2022, R3D announced that it had raised \$878,295 (before costs) from an entitlements issue of 8,782,954 shares at \$0.10 per share. Directors' participation in the entitlements issue, totalled \$324,378,
- On 15 June 2022, Mr Jihad Malaeb, a material shareholder in R3D, was appointed as a non-executive Director of the Company.
- On 24 June 2022, Mr Scott Jones was appointed as Chief Operating Officer, part of the executive management team, an experienced mining engineer with 34 years of experience in senior roles in the mining industry, commencing his role on 21 July 2022.

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- On 28 June 2022, Mr Sonny Didugu was appointed joint company secretary until Mr Robert Waring stepped down from the role on 31 July 2022.
- On 15 July 2022, R3D successfully placed the shortfall from its May entitlement issue, raising \$1,234,250 (before costs) through the issue of 12,342,500 fully paid ordinary shares at \$0.10 per share. This amount raised included \$330,000 raised from the directors of the Company (being \$100,000 from each of Stephen Bartrop and Jihad Malaeb, \$70,000 from Richard Ash, \$40,000 from Michael Thimbeck, and \$20,000 from Bruce Hills. The issue of these related party shares remaining subject to shareholder approval at the Company's Annual General Meeting in November 2022.

In addition, during the financial year, the Group exported 294,350 wmt of slag to South Korea through the Burnie Port with the last shipment departing on 4 May 2022. On 19 August 2022 the Group announced that they had received permits to enable access to the Northern Stockpile and to crush the remaining oversize slag from the Southern Stockpile. The first shipment under these new permits departed on 23 September 2022. Details of the shipments are set out in the Group's quarterlies, announced to the ASX during the financial year.

Covid 19

Whilst COVID 19 had no significant impact on the Company's operations during the financial year to 30 June 2022, there remains uncertainty and risk on our exploration programs and the re-start of the copper sulphate plant.

Corporate

As at 30 June 2022, there were 129,278,584 shares on issue and 37,145,809 options (exercise price \$0.40 on 14 July 2026). During the financial year, there were 75,533,698 shares issued following the takeover of Tartana Resources Limited, and 21,250,000 shares issued at \$0.20 under the 26 May 2021 Prospectus for the public offer, and 1,925,000 shares issued as consideration for the option to acquire the Beefwood Project. In the second half of the year, and up to the date of this report, the Company issued a further 22,125,454 shares at \$0.10 per share to raise a total of \$2,212,545 (before costs) through placements and an entitlements issue, as described in more detail above.

Employees

At 30 June 2022, the Group had 7 full-time employees and 2 casual employee (2021: 5 full-time and 0 casual employee).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 3 December 2020, the Company entered into an Implementation Deed to acquire 100% of the issued capital of Tartana Resources Limited, a company with a portfolio of copper-gold exploration and mining assets. As outlined in the Review of Operations above, the transaction incorporated an off market takeover offer, a public offer of R3D shares and on the successful completion of the takeover and public offer the reinstatement to official quotation by the ASX on 21 July 2021.

There were no other significant changes to the state of affairs of the Company during the year.

SIGNIFICANT EVENTS AFTER REPORTING DATE

Since the balance date the following events have occurred:

- On 15 July 2022, R3D successfully placed the shortfall from its May entitlement issue, raising \$1,234,250 (before costs) through the issue of 12,342,500 fully paid ordinary shares at \$0.10 per share. This amount raised included \$330,000 raised from the directors of the Company (being \$100,000 from each of Stephen Bartrop and Jihad Malaeb, \$70,000 from Richard Ash, \$40,000 from Michael Thimbeck, and \$20,000 from Bruce Hills. The issue of these related party shares remaining subject to shareholder approval at the Company's Annual General Meeting in November 2022.
- On 28 July 2022, the Company announced the resignation of Mr Robert Waring as a non-executive director of R3D. the resignation being effective, 31 July 2022.
- On 19 August 2022, the Group announced that it had received permits to enable access to the Zeehan Northern Stockpile and to crush the remaining oversize slag from the Southern Stockpile. The first shipment under these new permits departed on 23 September 2022.
- On 26 September 2022, The Group confirmed the first Zeehan shipment had left Burnie Port holding 11,004 tonnes destined for South Korea, with a further 120,000 tonnes remaining in the Northern Stockpile.

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

OPTIONS OVER ORDINARY SHARES

At the date of this report there were 37,356,740 unissued shares of the Group under option, as set out below.

| Options (Number) | Exercise Price (\$) | Expiry Date |
|-----------------------------|--------------------------------|--------------------|
| 37,356,740 | 0.40 | 14 July 2026 |

During the year, no options were exercised, cancelled, or expired.

Subsequent to 30 June 2022 up to the date of this report, no further options were issued. No options have been exercised or cancelled since the end of the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Comments on the expected results of operations of the Company are included in this report under the Review of Operations.

Disclosure of other information regarding likely developments in the operations of the Company in the future financial years were outlined in the Prospectus issued on 19 April 2022 and updated in the Review of Operations. Disclosure of the expected results of these operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group holds mining licenses issued by the Queensland Department of Resources and Mineral Resources of Tasmania. The licence conditions include those related to the environment including the deposit of a bond for environmental rehabilitation and the environmental restoration for damage caused on the mining license.

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ENVIRONMENTAL REGULATION AND PERFORMANCE (Continued)

Climate Change

The Group's activities are assessed as having a relatively low energy intensity, producing low exposure to climate change risks related to the transition to a lower carbon economy.

The company's activities may be carried out at sites that are vulnerable to physical climate impacts. Extreme weather events have the potential to damage infrastructure and disrupt or delay business activities. The company is enhancing its site-specific risk management plans to ensure that this risk factor is considered.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, AUDITORS AND OFFICERS

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company.

Indemnifying Officers

The Company has entered into agreements to indemnify directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid premiums to insure each of the current and former directors and senior executive officers of the Company against liabilities for costs and expenses incurred by them in defending legal proceeding arising from their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The total premiums paid during the year are not disclosable under the policy and the insurance policies do not contain details of the premiums paid in respect of individual officers of the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

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REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of R3D Resources Limited's key management personnel for the financial year ended 30 June 2022. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Remuneration of key management personnel
- Key terms of employment contracts

KEY MANAGEMENT PERSONNEL

The directors and other key management personnel of the company during or since the end of the financial year were:

Non-executive directors

R Ash (appointed 20 July 2021)

R Waring (appointed 20 July 2021, resigned 31 July 2022)

M Thirnbeck

J Malaeb (appointed 15 June 2022)

D Yeo Chin Tuan (resigned 20 July 2021)

T Tsao (resigned 20 July 2021)

M Irawan (resigned 20 July 2021)

Executive officers

S Bartrop (appointed 20 July 2021)

B Hills (appointed 20 July 2021)

S Jones (appointed 24 June 2022, commenced on 21 July 2022)

Position

Chairman, Non-executive director

Non-executive Director, Company Secretary

Non-executive Director

Non-executive Director

Chairman, Non-executive director

Non-executive Director

Non-executive Director

Position

Executive Director, Managing Director

Executive Director

Chief Operating Officer

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REMUNERATION REPORT (AUDITED) (continued)

Remuneration Policy

The remuneration policy of Group has been designed to align key management personnel (“KMP”) objectives with shareholder and business objectives. The Board of the Group believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

At the date of this report. The Company had not entered into any remuneration packages with Directors or senior executives which include specific performance-based components. Long and short term incentives, may be awarded subject to Board discretion.

Fees and payments to the Company’s executive and non-executive directors reflect the demands which are made on, and the responsibilities of the KMP. Such fees and payments are reviewed annually by the Board. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting.

Relationship between Remuneration Policy and Company Performance

The Group’s principal activities and resultant earnings have changed considerably over the past three years and no remuneration is linked to performance conditions.

The following table shows the gross revenue, profits and dividends for the last 3 years for the Group, as well as the share prices at the end of the respective financial years.

| | 2022 | 2021² | 2020² | 2019² |
|-------------------------|-------------|-------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ | \$ |
| Revenue | 10,485,989 | 241,778 | 306,475 | 249,554 |
| Net profit/(loss) | (6,350,273) | (885,151) | (301,292) | (413,699) |
| Share price at year-end | 0.115 | 0.055 ¹ | 0.055 | 0.038 |
| Dividends paid | Nil | Nil | Nil | Nil |

¹ R3D was suspended from official quotation on the ASX on 2 March 2020. On 22 July 2021, the Company was reinstated by the ASX to official quotation.

² Company performance of the former business of R3D Resources Limited (formerly R3D Global Limited), prior to the reverse acquisition of Tartana Resources Limited on 1 September 2021.

Remuneration of key management personnel

The tables below comprise the Key Management Personnel (“KMP”)s of the Company (legal parent entity) for the current and prior financial years. Included in Note 23 to the financial report, the remuneration tables for KMPs comprise the accounting parent (Tartana) for the entire year and the legal parent for the period from the reverse takeover on 20 July 2022 to 30 June 2022. The comparatives in Note 23 are for Tartana for the full year ended 30 June 2021.

| 2022 | Short-term Benefits | Post- employment Benefits | Share based payments¹ | Total |
|------------------------------------|---------------------------------------|--|---|--------------|
| | Salary and directors' fees | | | |
| | \$ | \$ | \$ | \$ |
| Non-executive directors | | | | |
| R Ash | 47,260 | - | 35,185 | 82,445 |
| R Waring ³ | 211,001 | - | - | 211,001 |
| M Thirnbeck ⁴ | 61,356 | - | 23,438 | 84,794 |
| J Malaeb | 1,792 | 179 | - | 1,972 |
| D Yeo Chin Tuan | 1,000 | - | - | 1,000 |
| T Tsao | - | - | - | - |
| M Irawan | - | - | - | - |

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REMUNERATION REPORT (AUDITED) (continued)

Remuneration of key management personnel (continued)

| 2022 (continued) | Short-term Benefits Salary and directors' fees | Post-employment Benefits | Share based payments ¹ | Total |
|---------------------------|---|--------------------------|-----------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| Executive Officers | | | | |
| S Bartrop | 272,500 | - | - | 272,500 |
| B Hills | 222,570 | - | - | 222,570 |
| S Jones | - | - | - | - |
| Total | 817,480 | 179 | 58,623 | 876,282 |

| 2021 | Short-term Benefits Salary and directors' fees | Post-employment Benefits | Share based payments ¹ | Total |
|--------------------------------|---|--------------------------|-----------------------------------|---------------|
| | \$ | \$ | \$ | \$ |
| Non-executive directors | | | | |
| Daniel Yeo Chin Tuan | 28,400 | - | - | 28,400 |
| Michael Thirnbeck ² | - | - | - | - |
| Tiffany Tsao ² | - | - | - | - |
| Muljadi Irawan ² | - | - | - | - |
| Executive Officers | | | | |
| Florence Fang | 29,800 | - | - | 29,800 |
| Total | 58,200 | - | - | 58,200 |

¹ On 31 January 2022, the R3D shareholders approved the proposed issue of 1,500,000 and 1,000,000 options to Mr Richard Ash and Mr Michael Thirnbeck respectively. These options were issued on 28 February 2022. The options are not listed and have an exercise price of \$0.40 and expire if not exercised by 14 July 2026. The first tranche of one third of the options vest immediately. The second tranche of one third of the options will vest on 17 December 2022. The final third of the options vest on 17 December 2023. In all three cases, vesting is conditional on Messrs Ash and Thirnbeck remaining Directors of the Company on the date the Options vest. No performance-based remuneration was paid in 2021.

² Non-executive Directors have foregone their fees and superannuation in the prior financial year.

³ Includes services provided for in relation to corporate secretary.

⁴ Includes consulting services provided

Employee share options plan

The Company adopted an Employee Share Options Plan ("ESOP") at the Annual General Meeting held on 27 January 2021. The purpose of the ESOP is to provide incentives to senior staff to achieve the Company's long-term objectives and improve the long-term performance of the Company.

The options granted under the ESOP ("Employee Options") are issued for nil consideration, unless the Board resolves otherwise. The Employee Options are non-transferable. There is no obligation on the Company to apply for quotation of the Employee Options on the ASX. Option holders have no rights or entitlements to participate in dividends declared by the Company or rights to vote at meetings of the Company until that Employee Option is exercised.

Beneficiaries of the ESOP are employees and deemed employees. Eligible employees are full time or part-time employees or directors of the Company. Deemed employees are casual employees who have worked for the Company or a subsidiary for more than one year and consultants who have worked for the Company or a subsidiary for more than 6 months.

2,500,000 options under the ESOP were granted during the year to directors (30 June 2021: nil). 2,500,000 options remain outstanding as at 30 June 2022 (30 June 2021: nil).

R3D RESOURCES LIMITED – FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022
DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Key Management Personnel's Interests

The number of shares in the Company held during the financial year by each Director of the Group, including their related entities, is set out below:

| 2022 | Balance at the start of the year | On Takeover | Entitlements Issue | Changes during the year | Balance at the end of the year |
|--------------------------------|----------------------------------|-------------|--------------------|-------------------------|--------------------------------|
| Ordinary shares | No. | No. | No. | No. | No. |
| Non-Executive Directors | | | | | |
| Richard Ash | - | - | - | - | - |
| Robert Waring | - | 1,951,000 | 397,200 | 46,497 ¹ | 2,394,697 ⁸ |
| Michael Thirnbeck | - | 1,000,000 | 200,000 | - | 1,200,000 |
| Jihad Malaeb | - | - | 500,000 | 4,000,000 ² | 4,500,000 |
| Daniel Yeo Chin Tuan | 223,360 ³ | - | - | (223,360) ⁴ | - |
| Tiffany Tsao | - | - | - | - | - |
| Muljadi Irwan | - | - | - | - | - |
| Executive Officers | | | | | |
| Stephen Bartrop | - | 7,128,873 | 1,603,777 | 890,000 ⁵ | 9,622,650 ⁶ |
| Bruce Hills | - | 2,729,029 | 545,808 | - | 3,274,837 ⁷ |
| Scott Jones | - | - | - | - | - |

¹Acquired as portion of the shortfall of the Company's placement and entitlements issue in May 2022

²Acquired for cash consideration during Company placement and entitlements issue in May 22

³Ordinary shares at beginning of the financial year have been re-stated on a post consolidation basis where every 10 shares have been converted to 1 share.

⁴Resigned from the Board on 20 July 2021.

⁵Acquired on market.

⁶Held by director related entities, split 5,535,392 Fund on the Beach Superfund, 2,263,748 Troppo Resources Pty Ltd, 755,510 Seaside Property Investments, 90,000 Seaside Property Investments 2, 336,000 Fund on the Beach Superfund 2 and 642,000 Troppo Resources Pty 2 Ltd.

⁷Held by director related entities, split 2,136,311 Bruce Hills Superfund and 1,138,526 Hills Calugay Family Trust.

⁸Held personally and through director related entities, split 13,000 Robert Waring, 1,826,715 Warinco Services, 247,500 Warinco Services – Waring Super Fund, 28,500 Waring Services – Waring Super Fund 2 and 278,982 Warinco Services 2.

R3D RESOURCES LIMITED – FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022
DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Key Management Personnel's Interests

The number of options in the Company held during the financial year by each Director of the Group, including their related entities, is set out below:

| 2022 | Balance at the start of the year | On takeover – Conversion of Tartana options | Changes during the year ¹ | Balance at the end of the year | Options vested and exercisable at end of year |
|--------------------------------|----------------------------------|---|--------------------------------------|--------------------------------|---|
| Options | No. | No. | No. | No. | |
| Non-Executive Directors | | | | | |
| Richard Ash | - | - | 1,500,000 | 1,500,000 | 500,000 |
| Rob Waring | - | 890,200 | - | 890,200 | 890,200 |
| Michael Thirnbeck | - | 200,000 | 1,000,000 | 1,200,000 | 533,333 |
| Jihad Malaeb | - | - | - | - | - |
| Daniel Yeo Chin Tuan | - | - | - | - | - |
| Tiffany Tsao | - | - | - | - | - |
| Muljadi Irwan | - | - | - | - | - |
| Executive Officers | | | | | |
| Stephen Bartrop ² | - | 6,425,777 | - | 6,425,777 | 6,425,777 |
| Bruce Hills ³ | - | 2,545,429 | - | 2,545,808 | 2,545,808 |
| Scott Jones | - | - | - | - | - |

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

² Held by director related entities, split 5,922,566 Fund on the Beach Superfund, 2,193,033 Troppo Resources Pty Ltd and 125,919 Seaside Property Investments.

³ Held by director related entities, split 1,355,546 Bruce Hills Superfund and 1,189,755 Hills Calugay Family Trust.

⁴ Held personally and through director related entities, split 502,000 Robert Waring, 343,200 Warinco Services and 45,000 Warinco Services – Waring Super Fund.

Subsequent to the financial year end, on 15 July 2022, R3D successfully placed the shortfall from its May entitlement issue, raising \$1,234,250 (before costs) through the issue of 12,342,500 fully paid ordinary shares at \$0.10 per share. This amount raised included \$330,000 raised from the directors of the Company subject to shareholder approval which is yet to be sought, as follows:

- Stephen Bartrop \$100,000
- Jihad Malaeb \$100,000
- Richard Ash \$70,000
- Michael Thirnbeck \$40,000; and
- Bruce Hills \$20,000.

The issue of these related party shares, and corresponding receipt of funds, remains subject to shareholder approval at the Company's Annual General Meeting in November 2022, and hence are not included in the tables as at the date of this report.

R3D RESOURCES LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Key Terms of Employment Contracts

Non-Executive Directors remuneration arrangements

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the non-executive directors (NED) may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the NEDs has been fixed at a maximum of \$400,000 per annum to be apportioned among the NEDs in such a manner as the Board determines. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as directors.

The Company will issue a Letter of Appointment to Mr Richard Ash as incoming Chairman. For the year ending 30 June 2022, Mr Ash's fee was set at \$50,000 per annum. Letters of Appointment were also issued to the other NED with fees set at \$30,000 per annum.

During the financial year, Non-Executive Directors were asked to carry out specific duties at the rate of \$1,500 + GST per diem.

Executive Service Agreements

The remuneration earned by the three executive Directors Dr Stephen Bartrop, Mr Bruce Hills and Mr Robert Waring during the financial year is paid to related entities of each individual, as follows:

S Bartrop - Troppo Resources Pty Ltd

The Company is in the process of either replacing or novating the Service contract between Tartana entered and Troppo Resources Pty Ltd (ABN 58 506 385 938) dated 23 February 2018 for the services of Dr Stephen Bartrop as Managing Director of R3D for a term of 24 months, starting from the first provision of services, automatically renewable unless terminated by six months written notice.

The annual remuneration is \$272,000 plus GST to be reviewed annually.

The contract is a related party contract as Troppo Resources Pty Ltd is an entity controlled by Dr Stephen Bartrop who is the sole director.

At 30 June 2022, the outstanding balance is \$50,187 (30 June 2021: \$193,787).

B Hills - Bruce Hills Pty Ltd

The Company is in the process of either replacing or novating the Service contract between Tartana and Bruce Hills Pty Ltd (ACN 129 558 461) dated 23 February 2018 for the services of Mr Bruce Hills as Executive Director of Tartana for a term of 24 months, starting from the first provision of services, automatically renewable unless terminated by six months written notice. The fee is per diem and amounts to \$1,500 plus GST to be reviewed annually. Bruce Hills Pty Ltd also provides the services of Mrs Elsie Hills for bookkeeping services

The contract is a related party contract as Bruce Hills Pty Ltd is an entity controlled by Mr Bruce Hills who is the sole director.

At 30 June 2022, the outstanding balance is \$60,739.68 (30 June 2021: \$112,590)

R Waring - Warinco Services Pty Ltd

The Company has a Service contract with Warinco Services Pty Ltd (ACN 002 420 966) dated 10 August 2021 under which Mr Robert Waring provides various consulting services from time to time.

The contract is a related party contract as Warinco Services Pty Ltd is an entity controlled by Mr Robert Waring who is one of two directors.

At 30 June 2022, the outstanding balance is \$23,136 (30 June 2021: \$65,877).

Subsequent to year end, the contract was terminated on 31 July 2022.

This concludes the remuneration report, which has been audited.

R3D RESOURCES LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

DIRECTORS' REPORT

TRANSACTIONS WITH ASSOCIATES OF DIRECTORS

S. Bartrop is a Director of, and has a financial interest in Breakaway Research Pty Ltd that provided various administrative services to the company. These services were provided under normal commercial terms and conditions, and fees totalled \$13,440 in the current financial year. At 30 June 2022, the outstanding balance was \$nil (30 June 2021: \$37,490).

B. Hills is a Director of, and has a financial interest in, Bruce Hills Pty Ltd that provided bookkeeping services to the Company. These services were provided under normal commercial terms and conditions, and fees totalled \$36,263 in the current financial year. At 30 June 2022, the outstanding balance was \$22,874 (30 June 2021: \$6,410).

During the financial year, Core Metallurgy, a company that P Rohner is a Director of, and has a financial interest in, provided technical services to the Company. These services were provided under normal commercial terms and conditions and fees totalled \$50,040 in the current financial year. At 30 June 2022, the outstanding balance was \$39,205 (30 June 2021: \$nil).

NON-AUDIT SERVICES

No non-audit services were provided for the year ended 30 June 2022.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration for the year ended 30 June 2022 is included after this report.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors pursuant to S 298(2) of the *Corporations Act 2001*.

Signed by



Richard Ash
Chairman

Sydney, 30 September 2022

**R3D RESOURCES LIMITED – FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022
AUDITORS INDEPENDENCE DECLARATION**

Auditor's Independence Declaration

To the directors of R3D Resources Limited

As engagement partner for the audit of R3D Resources Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

BDJ Partners



Gregory Cliffe
Partner

29 September 2022



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R3D RESOURCES LIMITED – FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

| | | Consolidated Group | |
|--|--------------|-----------------------------------|-----------------------------------|
| | Notes | Year ended 30 Jun 2022 | Year ended 30 Jun 2021 |
| | | \$ | \$ |
| Sales Revenue | | | |
| Revenue from contracts with customers | 3 | 10,485,989 | 6,411,649 |
| Cost of sales | | (10,456,803) | (7,186,955) |
| Gross Profit | | <u>29,186</u> | <u>(775,306)</u> |
| Other income | 3 | 54,070 | 62,994 |
| Expenses | | | |
| Finance costs | | (126,629) | - |
| Administration costs | | (201,095) | (146,574) |
| Consulting fees | | (918,814) | (471,232) |
| Corporate costs | | (202,032) | (276,856) |
| Support services agreement | | (101,898) | - |
| Depreciation and amortisation expense | | (251,877) | (193,664) |
| Exploration and development expenses | | (567,123) | (155,393) |
| Corporate restructuring expenses | 18 | (3,488,382) | (9,086) |
| Other expenses | | (575,679) | (177,265) |
| Loss before income tax | | (6,350,273) | (2,142,382) |
| Income tax expense | 5 | - | - |
| Loss for the period | | (6,350,273) | (2,142,382) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | - | - |
| Exchange difference on translating foreign operations | | - | - |
| Total comprehensive loss for the period | | (6,350,273) | (2,142,382) |
| Loss attributable to: | | | |
| - Owners of the parent | | (6,350,273) | (2,142,382) |
| Total comprehensive loss attributable to: | | | |
| - Owners of the parent | | (6,350,273) | (2,142,382) |
| Loss per share from continuing operations: | | | |
| Basic loss per share | 21 | (0.059) | (0.031) |
| Diluted loss per share | 21 | (0.059) | (0.031) |

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

R3D RESOURCES LIMITED – FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

| | | Consolidated Group | |
|--------------------------------------|--------------|---------------------------|--------------------|
| | | 30 Jun 2022 | 30 Jun 2021 |
| | | \$ | \$ |
| | Notes | | |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 7 | 1,153,073 | 172,338 |
| Trade and other receivables | | 170,888 | 312,504 |
| Inventory | 8 | 176,000 | 1,798,069 |
| Other current assets | 12 | 313,238 | 613,538 |
| TOTAL CURRENT ASSETS | | 1,813,199 | 2,896,449 |
| NON-CURRENT ASSETS | | | |
| Property, plant & equipment | 9 | 3,152,568 | 2,748,893 |
| Exploration & evaluation | 10 | 5,249,963 | 2,252,524 |
| Right-of-use asset | 11 | 94,734 | 148,868 |
| Other non-current assets | 12 | 954,406 | 586,400 |
| Financial Assets | | 17,085 | - |
| TOTAL NON-CURRENT ASSETS | | 9,468,756 | 5,736,685 |
| TOTAL ASSETS | | 11,281,955 | 8,633,134 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | (958,789) | (2,080,019) |
| Borrowings | 17 | (610,422) | (772,438) |
| Loans from Directors | 15 | - | (108,001) |
| Provisions | 16 | (232,877) | (200,000) |
| Contract liabilities | | (8,888) | (443,098) |
| Lease liability | 14 | (57,934) | (54,102) |
| TOTAL CURRENT LIABILITIES | | (1,868,910) | (3,657,658) |
| NON-CURRENT LIABILITIES | | | |
| Lease liability | 14 | (46,758) | (104,692) |
| Provisions | 16 | (2,382,385) | (1,139,111) |
| TOTAL NON-CURRENT LIABILITIES | | (2,429,143) | (1,243,803) |
| TOTAL LIABILITIES | | (4,298,053) | (4,901,461) |
| NET ASSETS | | 6,983,902 | 3,731,673 |
| EQUITY | | | |
| Issued capital | 19 | 19,056,600 | 10,289,842 |
| Shares to be issued | | 535,250 | - |
| Accumulated losses | | (12,758,881) | (6,644,654) |
| Reserves | 20 | 150,933 | 86,485 |
| TOTAL EQUITY | | 6,983,902 | 3,731,673 |

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

R3D RESOURCES LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

| Consolidated Group | Issued Capital | Share Based Payment Reserve | Foreign Currency Translation Reserve | Accumulated losses | Total |
|---|-------------------|-----------------------------|--------------------------------------|---------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2020 | 62,062,337 | - | (300) | (62,044,127) | 17,910 |
| Loss for the period | - | - | - | (885,151) | (885,515) |
| Other comprehensive income | - | - | 3,636 | - | 3,636 |
| Total comprehensive loss for the period | - | - | 3,636 | (885,151) | 881,515 |
| Issue of shares | (28,283) | - | - | - | (28,283) |
| Cost of share issue | - | - | - | - | - |
| Balance as at 30 June 2021 | 62,034,054 | - | 3,336 | (62,929,278) | (891,888) |
| Balance as at 1 July 2021 | 62,034,054 | - | 3,336 | (62,929,278) | (891,888) |
| Loss for the period | - | - | - | (6,350,273) | (6,350,273) |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive loss for the period | - | - | - | (6,350,273) | (6,350,273) |
| Deemed reverse acquisition on R3D by Tartana | 2,357,353 | 86,485 | (3,336) | 56,520,670 | 58,961,172 |
| Issue of shares to Tartana vendors as part of reverse acquisition | 15,106,740 | - | - | - | 15,106,740 |
| Elimination of the acquisition of Tartana by R3D | (66,600,952) | - | - | - | (66,600,952) |
| Issue of shares | 6,513,295 | - | - | - | 6,513,295 |
| Share based payments | - | 58,596 | - | - | 58,596 |
| Issue of options to brokers | - | 5,852 | - | - | 5,852 |
| Shares to be issued | 535,250 | - | - | - | 535,250 |
| Cost of shares issue | (353,890) | - | - | - | (353,890) |
| Balance as at 30 June 2022 | 19,591,850 | 150,933 | - | (12,758,881) | 6,983,902 |

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

R3D RESOURCES LIMITED – FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

| Consolidated Group | | | |
|---|-------|---------------------------------|---------------------------------|
| | Notes | Year ended 30 Jun 2022 \$ | Year ended 30 Jun 2021 \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 10,084,086 | 6,652,878 |
| Payments to suppliers and employees | | (12,340,326) | (7,046,819) |
| Interest received | | 15,540 | 15,550 |
| Interest paid | | (63,739) | (116,084) |
| Cash receipts from other operating activities | | 5,971 | - |
| Net cash used in operating activities | 7 | (2,298,468) | (494,475) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for property, plant & equipment | 9 | (414,380) | (35,866) |
| Payments for exploration and evaluation | 10 | (1,778,107) | (559,856) |
| Payments for deposits | | (329,206) | - |
| Net cash used in investing activities | | (2,521,693) | (595,722) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issuing capital | 19 | 6,128,295 | 1,572,979 |
| Proceeds from shares to be issued | | 535,250 | - |
| Repayment of borrowings | 17 | (591,750) | (262,972) |
| Repayment of lease liabilities | | - | (50,183) |
| Share based premium reserve | | 5,852 | - |
| Share issue costs | 19 | (324,997) | - |
| Net cash used in financing activities | | 5,752,650 | 1,259,824 |
| Net increase in cash and cash equivalents held | | 932,489 | 169,627 |
| Effect of exchange rate changes on cash | | (60) | - |
| Cash and cash equivalents at beginning of period | | 172,338 | 2,711 |
| Cash acquired in reverse takeover | | 48,306 | - |
| Cash and cash equivalents at end of period | | 1,153,073 | 172,338 |

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

R3D RESOURCES LIMITED – FINANCIAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of R3D Resources Limited and its controlled entities (the Group) for the financial year ended 30 June 2022 was authorised for issue in accordance with a resolution of directors on 30 September 2022.

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

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

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has 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. The financial statements and notes also comply with International Financial Reporting Standards. The financial report has been prepared on a historical cost basis, except for certain financial investments that have been measured at fair value. The financial report is presented in Australian dollars.

The financial report should be read in conjunction with any public announcements made during the financial year.

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

Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Parent (R3D Resources Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

(b) Going Concern

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

The Group incurred a net loss after tax for the financial year ended 30 June 2022 of \$(6,350,273) (30 June 2021: \$2,142,382) and experienced net cash outflows from operating activities of \$(2,298,468) (30 June 2021: (\$494,475)). At 30 June 2022, the Group had net current liabilities of \$55,711 (30 June 2021: net current liabilities of \$761,208).

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Group has been able to demonstrate in previous years that it has been successful in raising capital when needed. The Directors remain confident that this can again be done when required to support the Group's continuing activities.

(c) Adoption of new accounting standards

Following the acquisition of Tartana Resources Limited on 20 July 2021, the Directors resolved to adopt the following new accounting policies.

Business combinations

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

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

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

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

Acquisition related costs are expensed as incurred.

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

Reverse acquisition – Tartana Resources Limited

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

R3D RESOURCES LIMITED

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Adoption of new accounting standards (continued)

The transaction has therefore been accounted for as a reverse acquisition from a consolidated perspective, where Tartana is the accounting acquirer and the Company is the legal acquirer. This financial report includes the consolidated financial statements of Tartana for the financial year ended 30 June 2022 and the Company for the period from 20 July 2021 to 30 June 2022. The financial report represents a continuation of Tartana's financial statements with the exception of the capital structure. The amount recognised in equity instruments in these consolidated statements represents the issued equity of the Company adjusted to reflect the equity issued by the Company on acquisition.

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

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

Revenue

The adoption of AASB 15: Revenue from Contracts with Customers did not have a material impact on the Group. The Group primarily derives revenue from the sale of low grade furnace slag ore.

Revenue from the sale of slag ore is recognised when the goods or services passes to the customer and no further processing is required by the Group. Control is generally considered to have passed when:

- physical possession and inventory risk is transferred;
- transfer of control of the asset;
- the customer has no practical ability to reject the product where it is within contractually specified limits; and
- price is fixed or determinable and collectability is probable

In most instances, control passes and sales revenue is recognised at the point in time the performance obligation is satisfied, when the Group transfers possession to the Customer.

Exploration & Evaluation

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

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

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

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

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Adoption of new accounting standards (continued)

Property, Plant & Equipment – Useful lives

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

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

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

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

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

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

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

Inventory

Ore Stockpiles

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

Consumables

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

Rehabilitation

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

Share Based Payments

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

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

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Adoption of new accounting standards (continued)

Share Based Payments (Continued)

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance sheet date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

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

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

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

(d) New accounting standards and interpretations

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

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

(e) Accounting standards issued but not yet effective

The Australian Accounting Standards Board (AASB) has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 2020-3 Amendments to Australian Standards – Annual Improvements 2018 – 2020 and Other Amendments

AASB 2020-3 amends AASB 1 *First-time Adoption of Australian Accounting Standards*, AASB 3 *Business Combinations*, AASB 9 *Financial Instruments*, AASB 116 *Property, Plant and Equipment*, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and AASB 141 *Agriculture*. The main amendments relate to:

- (a) AASB 1 – simplifies the application by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
- (b) AASB 3 – updates references to the Conceptual Framework for Financial Reporting;
- (c) AASB 9 – clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- (d) AASB 116 – requires an entity to recognise the sales proceeds from selling items produced while preparing PP&E for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;
- (e) AASB 137 – specifies the costs that an entity includes when assessing whether a contract will be loss making; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Accounting standards issued but not yet effective (continued)

- (f) AASB 141 – removes the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

AASB 2020-3 mandatorily applies to annual reporting periods commencing on or after 1 January 2022 and will be first applied by the Group in the financial year commencing 1 July 2022.

“The likely impact of this accounting standard on the financial statements of the Group has not been determined”

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current, AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current – Deferral of Effective Date

AASB 2020-1 amends AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It requires a liability to be classified as current when entities do not have a substantive right to defer settlement at the end of the reporting period.

AASB 2020-6 defers the mandatory effective date of amendments that were originally made in AASB 2020-1 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022. They will first be applied by the Group in the financial year commencing 1 July 2023.

“The likely impact of this accounting standard on the financial statements of the Group has not been determined”

AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

AASB 2021-2 amends AASB 7 *Financial Instruments: Disclosures*, AASB 101 *Presentation of Financial Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 134 *Interim Financial Reporting* and AASB Practice Statement 2 *Making Materiality Judgements*. The main amendments relate to:

- (a) AASB 7 – clarifies that information about measurement bases for financial instruments is expected to be material to an entity’s financial statements;
- (b) AASB 101 – requires entities to disclose their material accounting policy information rather than their significant accounting policies;
- (c) AASB 108 – clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates;
- (d) AASB 134 – to identify material accounting policy information as a component of a complete set of financial statements; and
- (e) AASB Practice Statement 2 – to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

AASB 2021-2 mandatorily applies to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the Group in the financial year commencing 1 July 2023.

“The likely impact of this accounting standard on the financial statements of the Group has not been determined”

Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Significant accounting judgements and key estimates

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

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

Reverse acquisition

As discussed in note 17, the acquisition of Tartana Resources Limited ("Tartana") has the features of a reverse acquisition as described in the Australian Accounting Standard AASB 3 Business Combinations ("AASB 3"). Judgement is exercised on why the Tartana acquisition did not constitute a business under AASB 3 and determining the fair value of the shares owned by the former R3D shareholders as well as the fair value of the assets and liabilities acquired.

Exploration and evaluation

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

Determination of Mineral Resources

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

Useful lives of property, plant & equipment

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

Rehabilitation

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

Share Based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted or for services, the date the service is provided. The fair value is determined using the Black Scholes valuation method. For options issued during the period refer to Note 17.

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 2: OPERATING SEGMENTS

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

Following the acquisition of Tartana Resources Limited (refer note 18), the Group ceased to operate as a provider of investor relations, financial media and research for small-mid cap stocks.

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

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

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 3: SALES REVENUE AND OTHER INCOME

| | 30 June 2022 | 30 June 2021 |
|--|--------------|--------------|
| | \$ | \$ |
| Revenue from contracts with customers | | |
| Sale of low grade furnace slag ore | 10,485,989 | 6,411,649 |

Revenue from the sale of slag ore is recognised when the goods or services passes to the customer and no further processing is required by the Group.

Other income

| | | |
|-------------------------------|---------------|---------------|
| Sale – office rental services | 15,000 | 16,397 |
| Interest income | 15,540 | 15,550 |
| Other income | 23,530 | 31,047 |
| | <u>54,070</u> | <u>62,994</u> |

NOTE 4: EXPENSES

Employee and Directors benefits expense:

| | | |
|--|----------------|----------------|
| Employee benefits expense | 38,147 | - |
| Directors' fees | 602,116 | 446,295 |
| Other employee and directors benefits (consulting fees paid) | 198,162 | 24,937 |
| Superannuation expenses | 34,979 | 4,051 |
| | <u>873,404</u> | <u>475,283</u> |

NOTE 5: INCOME TAX

Income tax expense

| | 30 June 2022 | 30 June 2021 |
|---|--------------|--------------|
| | \$ | \$ |
| Components of income tax expense | | |
| Current income tax | - | - |
| Deferred income tax | - | - |
| Under/(over) provision in prior years | - | - |
| | <u>-</u> | <u>-</u> |

Prima facie tax payable

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

| | | |
|---|-------------|-----------|
| Prima facie income tax payable on profit before income tax at 25% (2021: 26%) | (1,587,568) | (230,139) |
| Add/(Less) Tax effect of; | | |
| Other non-deductible amounts | 6,719 | 413 |
| Share based payments | 27,149 | - |
| Corporate restructure costs | 872,095 | - |
| Deferred tax position not recognised | 681,605 | 229,726 |
| | <u>-</u> | <u>-</u> |

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 5: INCOME TAX (Continued)

| | 30 June 2022 | 30 June 2021 |
|--|--------------|--------------|
| | \$ | \$ |
| Current tax liability | | |
| Current tax relates to the follow: | | |
| <i>Current tax liabilities/(assets)</i> | | |
| Opening balance | - | - |
| Income tax | - | - |
| Instalments paid | - | - |
| | - | - |
| Deferred tax | | |
| Deferred tax relates to the following: | | |
| Deferred tax assets balance comprises: | | |
| Investments | 3,769 | - |
| Accruals | 56,590 | 21,206 |
| Provisions – Annual & Long Service Leave | 9,537 | - |
| Borrowing costs | 11,113 | - |
| Capital raising costs | 64,999 | - |
| Business related costs | 209 | - |
| Offset against DTL/Non-recognition | (5,646,885) | (4,479,350) |
| Tax losses | 5,500,668 | 4,458,144 |
| | - | - |
| Deferred tax liabilities balance comprises: | | |
| Plant and equipment under lease | 3,866 | 7,506 |
| Exploration expenditure | (571,962) | (228,353) |
| Offset against DTA/Non-recognition | 568,096 | 220,848 |
| | - | - |
| Deferred tax assets not brought to account: | | |
| Temporary differences | (429,610) | (214,653) |
| Operating tax losses | 5,500,667 | 2,161,434 |
| Capital losses | - | - |
| | 5,071,057 | 1,946,781 |

Potential future income tax benefits attributable to gross tax losses of \$5,500,667 (30 June 2021: \$1,161,434) carried forward have not been brought to account at 30 June 2022 because the Directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. These benefits will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be released
- (ii) the Group continues to comply with the conditions for deductibility imposed by the law
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses

Tax losses carried forward have no expiry date

NOTE 6: AUDITOR'S REMUNERATION

| | 30 June 2022 | 30 June 2021 |
|---|--------------|--------------|
| | \$ | \$ |
| Auditing and reviewing the financial report | 65,500 | 68,700 |

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 7: CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

(a) Reconciliation of cash

| | 30 June 2022 | 30 June 2021 |
|--------------------------|-----------------|-----------------|
| | \$ | \$ |
| Cash at bank and on hand | 1,153,073 | 172,338 |

(b) Reconciliation of loss for the financial year to net cash flows from operating activities

| | 30 June 2022 | 30 June 2021 |
|--|--------------------|------------------|
| | \$ | \$ |
| Profit (Loss) for the year | (6,350,273) | (2,142,382) |
| Depreciation expense | 128,284 | 117,257 |
| Rehabilitation Expense | 144,827 | 85,493 |
| Corporate Restructuring Expense | 3,488,382 | |
| Impairment | 15,075 | 7,640 |
| <i>Movements in working capital</i> | | |
| (Increase)/decrease in trade and other receivables | 141,616 | (311,315) |
| (Increase)/decrease in inventory | 1,381,650 | 455,975 |
| (Increase)/decrease in other current assets | 540,719 | (257,077) |
| (Decrease)/increase in trade and other payables | (1,183,693) | 1,122,483 |
| (Decrease)/increase in accruals | 62,463 | 34 |
| (Decrease)/increase in other current liabilities | (667,518) | 427,417 |
| | <u>(2,298,468)</u> | <u>(494,475)</u> |

NOTE 8: INVENTORY

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

| | 30 June 2022 | 30 June 2021 |
|--|----------------|------------------|
| | \$ | \$ |
| Current | | |
| Inventory – Copper in Ponds | 176,000 | 176,000 |
| Inventory – Zinc Matte Slag Stockpiles | - | 680,000 |
| Inventory – Zinc Matte Slag ready for shipment | - | 942,069 |
| | <u>176,000</u> | <u>1,798,069</u> |

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 9: PROPERTY, PLANT & EQUIPMENT

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Plant and equipment - at cost | 1,093,531 | 713,141 |
| Buildings - at fair value | 490,000 | 490,000 |
| Infrastructure & Site Improvements – at fair value | 1,801,000 | 1,801,000 |
| IT & Development costs – at cost | 16,527 | 16,527 |
| Office and other equipment at cost | 47,320 | 13,380 |
| Vehicles at cost | 76,067 | - |
| Accumulated depreciation | (371,787) | (285,155) |
| | 3,152,568 | 2,748,893 |
| <i>Movement in property, plant & equipment</i> | | |
| Balance at the beginning of the period, net of accumulated depreciation | 2,748,893 | 2,776,150 |
| Additions | 477,825 | 35,866 |
| Depreciation | (74,150) | (63,123) |
| Balance at end of period, net of accumulated depreciation | 3,152,568 | 2,748,893 |

NOTE 10: EXPLORATION AND EVALUATION

| <i>Areas of interest in the exploration and evaluation phases</i> | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Balance at the beginning of the period | 2,252,524 | 1,228,779 |
| Shares issued to acquire option over Beefwood Project | 385,000 | - |
| Expenditure incurred during the period | 2,612,439 | 1,023,745 |
| | 5,249,963 | 2,252,524 |

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

NOTE 11: RIGHT OF USE ASSETS

| | | |
|---|---------------|----------------|
| Balance at the beginning of the period - cost | 148,868 | 257,475 |
| Accumulated depreciation | (54,134) | (108,607) |
| | 94,734 | 148,868 |

The initial lease of the Company's office space at McMahons Point, NSW, was for a term of 36 months, with an expiry date of 7 April 2022. At the end of this lease term, there was an option to renew the lease for a further 3 years. The Company extended the lease for a further 2 years under this option to 7 April 2024 and this is recognised as a right-of-use asset and a corresponding lease liability.

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 12: OTHER ASSETS

| | 30 June 2022 | 30 June 2021 |
|-------------------------|-----------------|-----------------|
| <i>Current</i> | | |
| Accrued revenue | 240,419 | 233,821 |
| Prepayments | 72,819 | 35,331 |
| Loan to R3D | - | 175,057 |
| Deferred rehabilitation | - | 123,593 |
| Deposits | - | 38,800 |
| Other | - | 6,936 |
| | 313,238 | 613,538 |
| <i>Non-Current</i> | | |
| Rental Bond | 22,000 | - |
| Security Deposit | 19,550 | - |
| Term Deposit | 912,856 | 586,400 |
| | 954,406 | 586,400 |

Term Deposit is held against an environmental guarantee provided by the Bank for the Company's obligation under its environmental permit for Tartana Copper assets in Queensland.

NOTE 13: TRADE AND OTHER PAYABLES

| | 30 June 2022 \$ | 30 June 2021 \$ |
|--------------------------------------|-----------------------|-----------------------|
| <i>Unsecured</i> | | |
| Sundry payables and accrued expenses | 146,132 | 122,670 |
| Trade Payables (i) | 812,657 | 1,957,349 |
| | 958,789 | 2,080,019 |

(i) Trade payables are non-interest bearing and are normally settled on 30 days end of month terms

NOTE 14: LEASE LIABILITIES

| | 30 June 2022 \$ | 30 June 2021 \$ |
|--------------------|-----------------------|-----------------------|
| Current | | |
| Lease liabilities | 57,934 | 54,102 |
| Non-current | | |
| Lease liabilities | 46,758 | 104,692 |

The total cash outflow for repayment of leases amount to \$55,500.

The initial lease of the company's office space at McMahons Point, NSW, was for a term of 36 months, with an expiry date of 7 April 2022. At the end of this lease term, there was an option to renew the lease for a further 3 years. The company has extended the lease for a further 2 years under this option to 7 April 2024 and this is recognised a right-of-use asset and a corresponding lease liability.

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 15: LOANS FROM DIRECTORS

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|-----------------------|-----------------------|
| <i>Unsecured – at amortised cost</i> | | |
| Loan from Craig Nettlebeck (i) | - | 85,001 |
| Loan for Bruce Hills Pty Ltd (ii) | - | 8,000 |
| Loan from Warinco Services Pty Ltd (ii) | - | 5,000 |
| Loan from Melueca Trust (ii) | - | 10,000 |
| | <u>-</u> | <u>108,001</u> |

(i) On 25 October 2018 the Company received an unsecured loan from Craig Nettlebeck, a non-Executive Director of the Company. The annual interest rate (accruing quarterly) was 2% until 31 December 2018 and based on the Westpac Small Business Overdraft of 6.66% from 1 January 2019. The principal and interest are to be paid back within 14 days of quotation date of the Company on the ASX unless rolled over by mutual agreement. Craig Nettlebeck resigned as a Director on 10 November 2020.

(ii) the loans from Directors are interest free, unsecured and repayable on demand. The loan from Melueca Trust is an entity controlled by Peter Rohner who resigned as a Director on 12 August 2020.

NOTE 16: PROVISIONS

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Current | | |
| Employee benefits – annual leave | (32,877) | - |
| Provision – Rehabilitation (i) | (200,000) | (200,000) |
| | <u>(232,877)</u> | <u>-</u> |
| Non-current | | |
| Provision – Rehabilitation | | |
| Carrying amount at the beginning of the year | (1,139,111) | (889,811) |
| Movement in provision during period (ii) | (1,238,004) | (249,300) |
| Carrying amount at the end of the period (ii) | <u>(2,377,115)</u> | <u>(1,139,111)</u> |
| Employee benefits – long service leave | (5,270) | - |
| | <u>(2,382,385)</u> | <u>(1,139,111)</u> |

The rehabilitation provision represents:

(i) *Intec Zeehan Residues*

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

(ii) *Tartana Copper*

During the year, the Group updated its underlying cost assumptions in its rehabilitation model from \$922,856 to \$1,750,149 based on correspondence with the ERC under the Queensland Financial Provisioning Scheme (FPS) under the Mineral and Energy Resource (Financial Provisioning) Act 2018. On a discounted basis this comprised \$1,123,659 of the above movement with the balance relating to updates in economic assumptions and the unwinding of the provision over time.

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 17: FINANCIAL LIABILITIES - BORROWINGS

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Third party borrowings | (610,422) | - |
| Convertible Notes | - | (772,438) |
| | (610,422) | (772,438) |
| Balance at the beginning of the period, at amortised cost | (772,438) | (781,644) |
| Acquired on acquisition | (485,579) | - |
| Accrued interest | (22,315) | 9,206 |
| Arteva Funding | (80,090) | |
| Conversion of Convertible Notes | 250,000 | - |
| Repayment of Convertible Notes | 500,000 | - |
| Balance at end of period, at amortised cost | (610,422) | (772,438) |

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

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

The loan was to be advanced in one instalment with any further funds provided at the discretion of Yaputri with the loan to be drawn in full prior to 1 March 2021 (or such later date as is agreed). The loan bears interest at 10% pa. The loan is due to be repaid in full on 28 February 2023

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

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 18: REVERSE ACQUISITION

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

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

The terms are set out in Note 20.

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

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

\$

The consideration transferred is as follows:

| | |
|---|-------------------------|
| 11,786,765 shares issued and outstanding of R3D (a) | 2,357,353 |
| Total consideration transferred | <u>2,357,353</u> |

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

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 18: REVERSE ACQUISITION (Continued)

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

| | |
|-------------------------------|------------------|
| | \$ |
| Cash | 48,306 |
| Trade and other receivables | 67,392 |
| Prepayments | 95,515 |
| Investments | 27,213 |
| Trade and other payables | (708,877) |
| Borrowings | (660,578) |
| Corporate Restructure Expense | 3,488,382 |
| | 2,357,353 |

NOTE 19: ISSUED CAPITAL & RESERVES

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| 129,278,584 (30 June 2021: 11,786,932 ¹) fully paid ordinary shares | 19,056,600 | 62,034,054 |
| <i>Movement in share capital</i> | Shares | \$ |
| Balance at 1 July 2021 | 11,786,932 | 62,034,054 |
| Deemed reverse acquisition on R3D by Tartana | - | 2,357,353 |
| Issue of shares to Tartana vendors as part of reverse acquisition | 75,533,698 | 15,106,740 |
| Elimination of the acquisition of Tartana by R3D | - | (66,600,952) |
| Shares issued for cash in public offer | 21,250,000 | 4,250,000 |
| Shares issued to acquire option over Beefwood Project | 1,925,000 | 385,000 |
| Shares issued – Tranche 1 placement | 5,000,000 | 500,000 |
| Shares issued – Tranche 2 placement | 5,000,000 | 500,000 |
| Shares issued under an entitlements issue | 8,782,954 | 878,295 |
| Cost of share issues | - | (353,890) |
| Balance as at 30 June 2022 | 129,278,584 | 19,056,600 |
| Shares to be issued ² | 5,352,500 | 535,250 |
| Total | 134,631,084 | 19,591,850 |

¹ Post 4:1 share consolidation in March 2021.

² Monies received for 5,352,500 shares at \$0.10 per share in respect of the shortfall from the Company's May entitlements issue. The shares were issued on 15 July 2022 as part of the total shortfall issue of 12,342,500 fully paid ordinary shares at \$0.10 per share.

Share based payment reserve

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

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 20: OPTIONS ISSUED

| | | |
|---|-------------------|----------------|
| 37,356,740 (30 June 2021: nil) options | 150,933 | - |
| | Options | \$ |
| Movement in options | | |
| Balance at 1 July 2021 | - | - |
| Deemed reverse acquisition on R3D by Tartana: | | |
| - Issued to Tartana shareholders | 15,106,740 | - |
| - Issued to Tartana option holders | 13,500,000 | 86,485 |
| Issue of options as part of placement | 4,250,000 | - |
| Issue of options to brokers | 2,000,000 | 5,852 |
| Issue of options to Key Management Personnel | 2,500,000 | 58,596 |
| Balance as at 30 June 2022 | 37,356,740 | 150,933 |

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

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

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

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

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

Options Issued to Tartana Option Holders

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

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

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

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

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

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

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 21: EARNINGS PER SHARE

| | 30 June 2022 \$ | 30 June 2021 \$ |
|--|--------------------|--------------------|
| The following reflects the income and share data used in the calculation of basic and diluted earnings per share: | | |
| Net loss | (6,350,273) | (2,142,382) |
| Weighted average number of ordinary shares used in calculating basic earnings per share ¹ | 107,269,272 | 68,889,826 |
| Effect of dilutive securities: Share options ² | 0 | 0 |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | 107,269,272 | 68,889,826 |

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

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

There was a total of 5,352,500 share options that were potentially dilutive to shares on issue at 30 June 2022 (30 June 2021: nil).

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

Conversion, calls, subscriptions or issues after 30 June 2022

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

NOTE 22: PARENT ENTITY INFORMATION

Financial Position

| | 30 June 2022 \$ | 30 June 2021 \$ |
|--|--------------------|--------------------|
| Assets | | |
| Current assets | 1,247,228 | 133,085 |
| Non-current assets | 15,138,497 | 32,171 |
| Intercompany Loans to Subsidiaries | 4,318,871 | |
| | 20,704,596 | 165,256 |
| Liabilities | | |
| Current liabilities | 310,023 | 619,731 |
| Non-current liabilities | 602,214 | 450,000 |
| | 912,237 | 1,069,731 |
| Net Assets | 19,792,359 | (904,475) |
| Equity | | |
| Issued Capital | 83,835,449 | 62,034,054 |
| Reserves | 64,448 | |
| Accumulated losses | (64,107,538) | (62,938,529) |
| | 19,792,359 | (904,475) |
| Financial Performance | | |
| Loss for the period | (1,169,009) | (968,472) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the period | (1,169,009) | (968,472) |

Contingent Liabilities

The parent entity had no contingent liabilities at 30 June 2021 and 30 June 2022.

Guarantees

The parent entity has not entered into any guarantees in the current or previous financial year, with respect to the debts of its subsidiaries.

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 22: PARENT ENTITY INFORMATION (Continued)

The consolidated financial statements incorporate the assets, liabilities and results of the following companies in accordance with the accounting policy described in Note 1(c).

| Name of entity | Country of incorporation | Ownership interest | |
|-------------------------------------|--------------------------|--------------------|------|
| | | 2022 | 2021 |
| | | % | % |
| R3D Resources (Legal Parent entity) | Australia | 100 | - |
| R3D Singapore Pte Ltd | Singapore | 100 | 100* |
| Tartana Resources Pty Limited | Australia | 100 | 100 |
| Riverside Exploration (QLD) Pty Ltd | Australia | 100 | 100 |
| Chillagoe Exploration Pty Ltd | Australia | 100 | 100 |
| Intec Zeehan Residues Pty Ltd | Australia | 100 | 100 |
| Oldfield Exploration Pty Ltd | Australia | 100 | 100 |
| Oldfield Resources Pty Ltd | Australia | 100 | 100 |
| Mother Lode Pty Ltd | Australia | 100 | 100 |

- Legally owned by R3D Resources Limited.

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

The transaction has therefore been accounted for as a reverse acquisition from a consolidated perspective, where Tartana is the accounting acquirer and the Company is the legal acquirer. This financial report includes the consolidated financial statements of Tartana for the financial year ended 30 June 2022 and the Company for the period from 20 July 2021 to 30 June 2022. The financial report represents a continuation of Tartana's financial statements with the exception of the capital structure. The amount recognised in equity instruments in these consolidated statements represents the issued equity of the Company adjusted to reflect the equity issued by the Company on acquisition.

NOTE 23: KEY MANAGEMENT PERSONNEL DISCLOSURES

The directors and other key management personnel of the company during or since the end of the financial year were:

Non-executive directors

R Ash (appointed 20 July 2021)

R Waring (appointed 20 July 2021, resigned 31 July 2022)

M Thirnbeck

J Malaeb (appointed 15 June 2022)

D Yeo Chin Tuan (resigned 20 July 2021)

T Tsao (resigned 20 July 2021)

M Irawan (resigned 20 July 2021)

Executive officers

S Bartrop (appointed 20 July 2021)

B Hills (appointed 20 July 2021)

S Jones (appointed 24 June, commenced 21 July 2022)

Position

Chairman, Non-executive director

Non-executive Director, Company Secretary

Non-executive Director

Non-executive Director

Chairman, Non-executive director

Non-executive Director

Non-executive Director

Position

Executive Director, Managing Director

Executive Director

Chief Operating Officer

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 23: KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

Remuneration of key management personnel

The following tables relates to the consolidated remuneration of Key Management Personnel, comprising the consolidated financial statements of Tartana for the financial year ended 30 June 2022 and the Company for the period from 20 July 2021 to 30 June 2022. For more information, refer to note 1(c). The comparative information represents the remuneration of Key Management Personnel as contained in the audited financial statements of Tartana for the financial year ended 30 June 2021.

Mr Rohner and Mr Craig Nettelbeck, as directors of Tartana are not considered Key Management Personnel for the financial year ended 30 June 2022 following their resignation as directors in the prior financial year.

| | | Short-term Benefits | Post-employment Benefits | Share based payments | Total |
|--------------------------------|-------------|----------------------------|--------------------------|----------------------|----------------|
| | | Salary and directors' fees | | (Note 25) | |
| | | \$ | \$ | \$ | \$ |
| Non-Executive Directors | | | | | |
| R Ash | 2022 | 47,260 | - | 35,185 | 82,445 |
| | 2021 | | | | |
| R Waring ³ | 2022 | 211,011 | - | - | 211,001 |
| | 2021 | 24,937 | - | - | 24,937 |
| M Thirnbeck ^{2,4} | 2022 | 61,356 | - | 23,438 | 84,794 |
| | 2021 | - | - | - | - |
| J Malaeb | 2022 | 1,793 | 179 | - | 1,973 |
| | 2021 | - | - | - | - |
| D Yeo Chin Tuan ¹ | 2022 | 1,000 | - | - | 1,000 |
| | 2021 | n/a | n/a | n/a | n/a |
| T Tsao ^{1,2} | 2022 | - | - | - | - |
| | 2021 | n/a | n/a | n/a | n/a |
| M Irawan ^{1,2} | 2022 | - | - | - | - |
| | 2021 | n/a | n/a | n/a | n/a |
| P Rohner ³ | 2022 | n/a | n/a | n/a | n/a |
| | 2021 | 3,015 | - | - | 3,015 |
| C Nettelbeck | 2022 | n/a | n/a | n/a | n/a |
| | 2021 | - | - | - | - |
| Executive Officers | | | | | |
| S Bartrop | 2022 | 272,500 | - | - | 272,500 |
| | 2021 | 249,935 | - | - | 249,935 |
| B Hills | 2022 | 222,570 | - | - | 222,570 |
| | 2021 | 193,345 | - | - | 193,345 |
| S Jones | 2022 | - | - | - | - |
| | 2021 | - | - | - | - |
| Total | 2022 | 817,480 | 179 | 58,623 | 876,282 |
| | 2021 | 471,232 | - | - | 471,232 |

¹ Former R3D Resources Limited directors were not involved in, or paid by, the former business of Tartana prior to the reverse takeover and are hence excluded from payments made to KMPs in the year ended 30 June 2021.

² Non-executive Directors of the legal parent entity, R3D Resources Limited, forwent their fees and superannuation in the 2021 financial year and until their resignations on 20 July 2022. Mr Michael Thirnbeck continued as a Director following the reverse takeover.

³ Executive contract with Corporate Elements Pty Ltd was terminated on 12 August 2020. While Mr Peter Rohner remains a director of Tartana, he does not meet the definition of a KMP during the current financial year.

⁴ Includes services provided for in relation to corporate secretary.

⁵ Includes consulting services provided during the year.

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 23: KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

Remuneration of key management personnel (continued)

The remuneration earned by three Directors Dr Stephen Bartrop, Mr Bruce Hills and Mr Robert Waring during the financial year is paid to related entities of each individual, as follows:

S Bartrop - Troppo Resources Pty Ltd

The Company is in the process of either replacing or novating the Service contract between Tartana entered and Troppo Resources Pty Ltd (ABN 58 506 385 938) dated 23 February 2018 for the services of Dr Stephen Bartrop as Managing Director of R3D for a term of 24 months, starting from the first provision of services, automatically renewable unless terminated by six months written notice.

The annual remuneration is \$272,000 plus GST to be reviewed annually.

The contract is a related party contract as Troppo Resources Pty Ltd is an entity controlled by Dr Stephen Bartrop who is the sole director.

At 30 June 2022, the outstanding balance is \$50,187 (30 June 2021: \$193,787)

B Hills - Bruce Hills Pty Ltd

The Company is in the process of either replacing or novating the Service contract between Tartana and Bruce Hills Pty Ltd (ACN 129 558 461) dated 23 February 2018 for the services of Mr Bruce Hills as Executive Director of Tartana for a term of 24 months, starting from the first provision of services, automatically renewable unless terminated by six months written notice. The fee is per diem and amounts to \$1,500 plus GST to be reviewed annually. Bruce Hills Pty Ltd also provides the services of Mrs Elsie Hills for bookkeeping services (refer Note 15(d)).

The contract is a related party contract as Bruce Hills Pty Ltd is an entity controlled by Mr Bruce Hills who is the sole director.

At 30 June 2022, the outstanding balance is \$60,739 (30 June 2021: \$112,590)

R Waring - Warinco Services Pty Ltd

Mr Waring services were provided under a service contract between Tartana and Warinco. Under the contract Mr Waring provides various consulting services from time to time.

The contract is a related party contract as Warinco Services Pty Ltd is an entity controlled by Mr Robert Waring who is one of two directors.

At 30 June 2022, the outstanding balance is \$28,180 (30 June 2021: \$65,877).

Subsequent to year end, the contract was terminated on 31 July 2022.

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 23: KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

Remuneration of key management personnel (continued)

In the prior financial year:

P Rohner - Corporate Elements Pty Ltd

Tartana entered into a services contract with Corporate Elements Pty Ltd ACN 135 763 996 dated 23 February 2018 for the services of Mr Peter Rohner as Executive Director of Tartana for a term of 24 months, starting from the first provision of services, automatically renewable unless terminated by six months written notice. The fee per diem was \$2,000 plus GST to be reviewed annually. In response to the impact of Covid, for the period from 1 April 2020 to 30 September 2020, the company reduced the per diem to \$1,333 plus GST. The Contract was terminated on 12 August 2020. At 30 June 2022, the outstanding balance for all services owed was \$nil (30 June 2021: \$3,316).

The contract is a related party contract as Corporate Elements Pty Ltd is an entity controlled by Mr Peter Rohner who is one of its two directors.

NOTE 24: RELATED PARTY TRANSACTIONS

(a) *Parent entities*

The parent entity within the group is R3D Resources Limited.

(b) *Key management personnel.*

Disclosures relating to key management personnel are set out in note 23.

(c) *Subsidiaries*

Interests in subsidiaries are set out in note 22.

(d) *Other related party transactions*

TRANSACTIONS WITH ASSOCIATES OF DIRECTORS

S. Bartrop is a Director of, and has a financial interest in Breakaway Research Pty Ltd that provided various administrative services to the company. These services were provided under normal commercial terms and conditions, and fees totalled \$13,440 in the current financial year. At 30 June 2022, the outstanding balance was \$nil (30 June 2021: \$37,490).

B. Hills is a Director of, and has a financial interest in, Bruce Hills Pty Ltd that provided bookkeeping services to the Company. These services were provided under normal commercial terms and conditions, and fees totalled \$36,263 in the current financial year. At 30 June 2022, the outstanding balance was \$22,874 (30 June 2021: \$6,410)

During the financial year, Core Metallurgy, a company that P Rohner is a Director of, and has a financial interest in, provided technical services to the Company. These services were provided under normal commercial terms and conditions and fees totalled \$50,040 in the current financial year. At 30 June 2022, the outstanding balance was \$39,205 (30 June 2021: \$nil)

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 25: SHARE BASED PAYMENTS

The Company adopted an Employee Share Options Plan (ESOP) at the Annual General Meeting held on 27 January 2021. The purpose of the ESOP is to provide incentives to senior staff to achieve the Company's long-term objectives and improve the long-term performance of the Company.

The options granted under the ESOP ("Employee Options") are issued for nil consideration, unless the Board resolves otherwise. The Employee Options are non-transferable. There is no obligation on the Company to apply for quotation of the Employee Options on the ASX. Option holders have no rights or entitlements to participate in dividends declared by the Company or rights to vote at meetings of the Company until that Employee Option is exercised.

Beneficiaries of the ESOP are employees and deemed employees. Eligible employees are full time or part-time employees or directors of the Company. Deemed employees are casual employees who have worked for the Company or a subsidiary for more than one year and consultants who have worked for the Company or a subsidiary for more than 6 months.

2,500,000 options under the ESOP were granted during the year to directors (30 June 2021: nil). 2,500,000 options remain outstanding as at 30 June 2022 (30 June 2021: nil).

| | 30 June 2022 | 30 June 2021 |
|---|---------------|--------------|
| | \$ | \$ |
| Share based payments expense comprises: | | |
| Options issued to Key Management Personnel | 58,623 | - |
| Total share based payments expense recognised in profit and loss | 58,623 | - |

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

Options granted are unlisted and carry no dividend or voting rights. When exercised, each option is convertible into an ordinary share of the Company with full dividend and voting rights.

Options issued as connection with goods or services are accounting for as share based payments in accordance with the Group's accounting policy set out in Note 1.

Set out in the table below is a summary of the options issued during the financial year:

| Grant date | Expiry date | Exercise price (cents) | Value per option at grant date (cents) | Balance of SBP options at the start of the year | Options granted during the year | Options exercised during the year | Options lapsed during the year | Balance of SBP options at the end of the year | Options exercisable at the end of the year |
|---|-------------|------------------------|--|---|---------------------------------|-----------------------------------|--------------------------------|---|--|
| 28 Feb 22 | 14 July 26 | 40.0 | 4.39 | - | 2,500,000 | - | - | 2,500,000 | 833,000 |
| | | | | - | 2,500,000 | - | - | 2,500,000 | 833,000 |
| Weighted average exercise price (cents) | | | | - | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 |

The weighted average remaining contractual life of share options outstanding at the end of the year was 4.0 years.

Fair value of options granted

The fair value for options issued was calculated using the Black-Scholes valuation methodology using the following parameters.

| | 2022 |
|---|-----------|
| Weighted average exercise price (cents) | 40.0 |
| Weighted average life of the option | 4.5 years |
| Weighted average underlying share price (cents) | 13.00 |
| Expected share price volatility | 73% |
| Risk-free interest rate | 3.5% |
| Number of options issued | 2,500,000 |
| Fair value per option (cents) | 4.39 |

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 26: FINANCIAL INSTRUMENTS

Capital management

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximizing the return to stakeholders through the optimisation of its equity balance.

In managing its capital, the group's primary objective is to ensure its continued ability to maintain its operations and provide a platform to enable a return for its equity shareholders to be made when successful commercial operations are achieved. In order to achieve this objective, the group seeks to maximise its fund raising to provide sufficient funding to enable the group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues, or reduction of debt, the group considers not only its short-term position but also its long-term operational and strategic objectives.

The group's overall strategy remains unchanged from 2021.

The capital structure of the group consists of cash and bank balances (note 7) and the equity of the group (comprising issued capital, reserves and accumulated losses as detailed in notes 19 to 21)

The group is not subject to any externally imposed capital requirements.

(a) Market risk

The group's activities expose it primarily to the financial risks of changes in interest rates.

There has been no change to the group's exposure to market risks or the manner in which these risks are managed and measured.

(i) Interest rate risk management

The group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

| 2022 | Weighted average interest rate | Floating interest rate \$ | Fixed maturing in 1yr to 5 yrs \$ | Non- interest bearing \$ | Total \$ |
|------------------------------|--------------------------------------|------------------------------------|--|-----------------------------------|-------------|
| Financial assets | | | | | |
| Cash | 0.0 | 1,153,073 | - | - | 1,153,073 |
| Trade and other receivables | 0.0 | - | - | 170,888 | 170,888 |
| Total assets | | 1,153,073 | - | 170,888 | 1,323,961 |
| Financial liabilities | | | | | |
| Loans | 10.0 | - | 610,922 | - | 610,922 |
| Trade and other payables | 0.0 | - | - | 958,789 | 958,789 |
| Total liabilities | | - | 610,922 | 958,789 | 1,569,711 |

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 26: FINANCIAL INSTRUMENTS (Continued)

| 2021 | Weighted average interest rate | Floating interest rate \$ | Fixed maturing in 1yr to 5 yrs \$ | Non- interest bearing \$ | Total \$ |
|------------------------------|--------------------------------------|------------------------------------|--|-----------------------------------|------------------|
| Financial assets | | | | | |
| Cash | 0.0 | 172,338 | - | - | 172,338 |
| Trade and other receivables | 0.0 | - | - | 312,504 | 312,504 |
| Other assets | - | 175,057 | - | - | 175,057 |
| Total assets | | 347,395 | - | 312,504 | 659,899 |
| Financial liabilities | | | | | |
| Convertible Notes | - | - | 772,438 | - | 772,438 |
| Loans | - | - | 108,001 | - | 108,001 |
| Trade and other payables | - | - | - | 2,080,019 | 2,080,019 |
| Total liabilities | | - | 880,439 | 2,080,019 | 2,960,458 |

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. The analysis assumes all other variables remain constant.

| 2022 | Carrying amount \$ | +0.5% interest rate profit & loss \$ | -0.5% interest rate profit & loss \$ |
|--------------|-----------------------|--|--|
| Cash at bank | 1,153,073 | 5,765 | (5,765) |
| Other assets | 170,888 | 854 | (854) |

| 2021 | Carrying amount \$ | +0.5% interest rate profit & loss \$ | -0.5% interest rate profit & loss \$ |
|----------------------------|-----------------------|--|--|
| Cash at bank | 172,338 | 862 | (862) |
| Other assets | 175,057 | 875 | (875) |
| Cash on short term deposit | | | |

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 26: FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk

Credit risk arises principally from the group's trade receivables. It is the risk that the counterpart fails to disc its obligation in respect of the instrument. Ongoing credit evaluation is performed on the financial condition of and other receivables. The group does not have significant concentration of credit risk with respect to any counter party or company of counter parties.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the group's short medium and long-term funding liquidity management requirements. The group manages liquidity risk by maintaining a reputable credit risk p banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows.

The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet exp requirements for a period of at least 45 days. The Board receives cash flow projections in a monthly basis as well as information regarding cash balances. At the balance sheet date, these projections indicated that the group expected to have sufficient liquid resources to its obligations under all reasonably expected circumstances. The group does not have any financing facilities in place and does not have a bank overdraft.

Maturity analysis of financial assets and liability based on contractual obligations

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows Trade and other payables mainly originate from the financing of assets used in ongoing operations such as, equipment and investments in working capital (e.g. trade receivables). These assets are considered in the group's overall liquidity risk.

| 2022 | Contractual cash flows | | | | |
|------------------------------|------------------------|------------------|-------------------|------------------|-----------------|
| | Carrying amount \$ | <6 months \$ | 6-12 months \$ | >12 Months \$ | On demand \$ |
| Financial assets | | | | | |
| Term Deposits | 912,856 | - | - | 912,856 | - |
| Cash | 1,153,073 | 1,153,073 | | | - |
| Trade and other receivables | 170,888 | 170,888 | | | - |
| Total assets | 2,236,817 | 1,323,961 | | 912,856 | - |
| Financial liabilities | | | | | |
| Trade and other payables | 958,789 | 958,789 | - | - | - |
| Other current liabilities | 8,888 | 8,888 | - | - | - |
| Borrowings | 610,422 | 610,422 | - | - | - |
| Total liabilities | 1,578,099 | 1,578,099 | - | - | - |
| Net maturity | 658,718 | (254,138) | - | 912,856 | - |

R3D RESOURCES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 26: FINANCIAL INSTRUMENTS (Continued)

| 2021 | Carrying amount \$ | Contractual cash flows | | | On demand \$ |
|------------------------------|-----------------------|------------------------|-------------------|------------------|-----------------|
| | | <6 months \$ | 6-12 months \$ | >12 Months \$ | |
| Financial assets | | | | | |
| Term Deposits | 586,400 | - | - | 586,400 | - |
| Cash | 172,338 | 172,338 | - | - | - |
| Trade and other receivables | 312,504 | 312,504 | - | - | - |
| Other assets | 489,945 | 489,945 | - | - | - |
| Total assets | 1,561,187 | 974,787 | - | 586,400 | - |
| Financial liabilities | | | | | |
| Trade and other payables | 2,080,019 | 2,080,019 | - | - | - |
| Other current liabilities | 443,098 | 443,098 | - | - | - |
| Borrowings | 772,438 | 772,438 | - | - | - |
| Loan from Director | 108,001 | 108,001 | - | - | - |
| Total liabilities | 3,403,556 | 3,403,556 | - | - | - |
| Net maturity | (1,842,369) | (2,428,769) | - | 586,400 | - |

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

NOTE 27: COMMITMENTS AND CONTINGENT LIABILITIES

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

| | 30 June 2022 | 30 June 2021 |
|--|----------------|------------------|
| | \$ | \$ |
| Payable not later than one year | 641,800 | 1,078,900 |
| Payable later than one year but not later than two years | <u>341,800</u> | <u>742,900</u> |
| | <u>983,600</u> | <u>1,821,800</u> |

Under the Financial Provisioning Scheme(FPS) which is part of the Mineral and Energy Resource (Financial Provisional) Act 2018 the Department of Environment and Science (DES) has estimated Tartana Resources Pty Ltd Estimated Rehabilitation Cost (ERC) at \$1,750,148.98 after it rejected an earlier third party rehabilitation quote provided by the Company. The Company is considering whether to lodge an application for an ERC Revision by providing a new third party quote. However the Company may accept the current estimate as part of the strategy to restart the copper sulphate plant by the end of calendar year 2022 and is in discussions regarding a staged payment arrangement with the FPS manager.

Other than the matter noted above, the Group has no other contingent liabilities as at 30 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (Continued)

NOTE 28: EVENTS AFTER BALANCE DATE

Since the balance date the following events have occurred:

- On 15 July 2022, R3D successfully placed the shortfall from its May entitlement issue, raising \$1,234,250 (before costs) through the issue of 12,342,500 fully paid ordinary shares at \$0.10 per share. This amount raised included \$330,000 raised from the directors of the Company (being \$100,000 from each of Stephen Bartrop and Jihad Malaeb, \$70,000 from Richard Ash, \$40,000 from Michael Thimbeck, and \$20,000 from Bruce Hills. The issue of these related party shares remaining subject to shareholder approval at the Company's Annual General Meeting in November 2022.
- On 28 July 2022, the Company announced the resignation of Mr Robert Waring as a non-executive director of R3D. the resignation being effective, 31 July 2022.
- On 19 August 2022, the Group announced that they had received permits to enable access to the Northern Stockpile and to crush the remaining oversize slag from the Southern Stockpile. The first shipment under these new permits departed on 23 September 2022.
- On 26 September 2022, The Group confirmed the first Zeehan shipment had left Burnie Port holding 11,004 tonnes destined for South Korea, with a further 120,000 tonnes remaining in the Northern Stockpile.

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

R3D RESOURCES LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of R3D Resources Limited, I state that:

- (1) In the opinion of the Directors:
 - (a) The financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2022 and its performance for the year ended on that date; and
 - ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a) and
 - (c) Subject to the matters set out in Note 1(b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - (d) This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2022.



Richard Ash
Chairman

Sydney, New South Wales

Date: 30 September 2022

INDEPENDENT AUDITOR'S AUDIT REPORT

Independent Auditor's Report

To the members of R3D Resources Limited,

Report on the Financial Report

Opinion

We have audited the accompanying financial report of R3D Resources Limited (the company and its subsidiaries) ("the Group"), which comprises the consolidated statements of financial position as at 30 June 2022, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) Going Concern to the financial statements which states that the directors are investigating options to raise additional funds. Should these measures be unsuccessful, it would indicate a material uncertainty which may cast doubt about the Group's ability to continue as a going concern and the Group's ability to pay its debts as and when they fall due. Our opinion is not qualified in respect of this matter.

Our opinion is not modified in respect of the above matters for the financial year ended 30 June 2022.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Deferred Exploration and Evaluation Expenditure \$5.2 million Refer to Note 10</p> | |
| <p>The consolidated entity owns the rights to several exploration and mining licenses in Queensland. Expenditure relating to these areas is capitalised and carried forward to the extent they are expected to be recovered through the successful development of the respective area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.</p> <p>This area is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the balance; • The inherent uncertainty of the recoverability of the amount involved; and • The substantial amount of audit work performed. | <p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> • Assessing whether any facts or circumstances exist that may indicate impairment of the capitalised assets; • Performing detailed testing of source documents to ensure capitalised expenditure was allocated to the correct area of interest; • Performing detailed testing of source documents to ensure expenditure was capitalised in accordance with Australian Accounting Standards; and • Obtaining external confirmations to ensure the exploration licences are current and accurate. • Assessing the reasonableness of the capitalisation of employee's salaries. |

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

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

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

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

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Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of R3D Resources Limited for the year ended 30 June 2022 complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDJ Partners

.....
Gregory Cliffe
Partner

30 September 2022

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Additional Information

Additional information required by the Australian Securities Exchange and not provided elsewhere in this report is as follows. The information is current as at 28 September 2022.

Spread of Shareholders

| Spread of Holdings | Number of Holders | Number of Shares | % Issued Capital |
|--------------------|-------------------|--------------------|------------------|
| 1 – 1000 | 469 | 47,126 | 0.03 |
| 1,001 – 5,000 | 537 | 1,557,065 | 1.12 |
| 5,001 - 10,000 | 183 | 1,528,022 | 1.10 |
| 10,001 - 100,000 | 387 | 13,562,793 | 9.77 |
| 100,001 and over | 153 | 122,126,078 | 87.97 |
| | 1,729 | 138,821,084 | 100.00 |

An unmarketable parcel is a shareholding with a value of less than \$500.00. As at 28 September 2022, there were 1,047 shareholders holding less than a marketable parcel of 6,173 shares (at \$0.081 per share) for a total of 1,834,923 Shares.

Top 20 Shareholders

| Rank | Name | Shares | % |
|------|--|------------|-------|
| 1 | SCIDEV LTD | 13,589,935 | 9.79 |
| 2 | HARDIE HOLDINGS PTY LIMITED | 6,562,500 | 4.73 |
| 3 | MR STEPHEN BRUCE BARTROP + MS KERRY WENDY CHISHOLM <FUND ON THE BEACH S/F A/C> | 5,535,392 | 3.99 |
| 4 | BNP PARIBAS NOMS PTY LTD <DRP> | 5,001,575 | 3.60 |
| 5 | MR JIHAD MALAEB <AYOUB MALAEB A/C> | 4,500,000 | 3.24 |
| 6 | MR EDGAR BARTROP | 4,250,000 | 3.06 |
| 7 | TCZ INVESTMENTS PTY LIMITED <TCZ SUPERANNUATION FUND A/C> | 4,050,000 | 2.92 |
| 8 | MR DUNCAN JOHN HARDIE | 3,200,000 | 2.31 |
| 9 | PAUL BROAD | 2,464,979 | 1.78 |
| 10 | BRUCE HILLS PTY LTD <BRUCE HILLS SUPER FUND A/C> | 2,383,272 | 1.72 |
| 11 | TROPPO RESOURCES PTY LTD | 2,263,748 | 1.63 |
| 12 | BRMP PTY LIMITED | 2,000,000 | 1.44 |
| 12 | GOLDEN RATIO DESIGNS PTY LTD <GEO PROPERTY A/C> | 2,000,000 | 1.44 |
| 14 | GEORGE DJUHARI | 1,875,000 | 1.35 |
| 15 | THREE RIVERS PROSPECTING PTY LTD | 1,732,500 | 1.25 |
| 16 | WARINCO SERVICES PTY LIMITED | 1,483,515 | 1.07 |
| 17 | MR DUNCAN JOHN HARDIE | 1,456,397 | 1.05 |
| 18 | MANDEL PTY LTD <MANDEL SUPER FUND A/C> | 1,400,000 | 1.01 |
| 19 | GUILFORD ENTERPRISES LIMITED | 1,360,939 | 0.98 |
| 20 | PATHOLD NO 107 PTY LIMITED <EMD GROUP S/F A/C> | 1,300,000 | 0.94 |
| | Total Top 20 | 68,409,752 | 49.28 |
| | Remaining Holders Balance | 70,411,332 | 50.72 |

Substantial Shareholders

The following holders are Substantial Holders of the Company who given substantial holder notices to the Company, with their holdings updated as at 28 September 2022.

| Name | Associates | Shares Held | % |
|--------------------|---|-------------|------|
| Scidev Ltd | | 13,589,935 | 9.79 |
| Duncan John Hardie | Hardie Holdings Pty Ltd | 11,218,897 | 8.08 |
| Stephen Bartrop | Tropo Resources Pty Ltd Seaside Property Investments Pty Ltd Stephen Bruce Bartrop & Kerryn Wendy Chisholm <Fund on the Beach S/F A/C> | 9,622,650 | 6.93 |

Voting Rights

The Company's main class of securities is fully paid ordinary shares. Each fully paid ordinary share carries one vote per share. Options and other equity securities on issue do not carry voting rights.

Statement of Restricted Securities

The Company advises that the following securities are currently Restricted Securities – being securities to which an ASX imposed escrow applies.

| Class | Number of Securities | Restriction Period |
|----------------------------|----------------------|---|
| Fully Paid Ordinary Shares | 27,621,237 | 24 months from the date of reinstatement being until 22 July 2023 |
| Unlisted Options | 15,024,252 | 24 months from the date of issue being until 22 July 2023 |

Utilisation of Cash

As this is the first annual report after the reinstatement of the Company's securities to quotation following compliance with Listing Rule 11.1.3, the Company confirms that it used the cash and assets in a form readily convertible into cash that it had at the time of admission in a way consistent with its business objectives in the period between the date of admission and the end of this reporting period (30 June 2022).