

Tawel Exploration Pty Ltd
(ABN 73 632 645 302)



Financial Report

For the period ended
30 June 2020

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Directors' Report

The Directors of Tawel Exploration Pty Ltd present their Report together with the financial statements of the entity, being Tawel Exploration Pty Ltd ("Tawel" or "the Company") for the period ended 30 June 2020 and the Independent Audit Report thereon.

Directors

The following Directors were in office at any time during or since the end of the financial period as indicated:

Bryn Jones (appointed 1 April 2019)

Rickie Pobjoy (appointed 28 February 2020)

Dudley Kingsnorth (appointed 11 December 2020)

Principal activities

Tawel is a mineral exploration and development company focused on ionic clay hosted rare earths resource opportunities in South Australia and Victoria.

Tawel Exploration Pty Ltd was incorporated on 1 April 2019 and this report covers the period from incorporation to 30 June 2020.

There was no significant change in the nature of this activity since incorporation.

Dividends

There were no dividends paid, recommended or declared during the financial period.

Results of Operations

During the period ended 30 June 2020 the Tawel incurred a loss of \$5,657.

Review of Operations

During the period ended 30 June 2020, mineral exploration and development activities included:

- Desk top based assessment of the prospectivity of the Naracoorte area for ionic clay hosted rare earths resource opportunities.
- The application for a mineral exploration license, ELA 2020/00031 in the Naracoorte area.
- Obtaining historic drill core samples from the South Australia Drill Core Reference Library, and having those samples assayed for their rare earth element content.
- Creation of a database hosting detail of historic exploration activities and recent assay results.
- Development of marketing material outlining the prospectivity of the Naracoorte (Koppamurra) area for ionic clay hosted rare earths resource opportunities.

Significant changes to the state of affairs

There have been no significant changes to the state of affairs of the Company during the period ended 30 June 2020.

Events subsequent to the end of reporting date

- On 15 September 2020, the Company was granted exploration licence EL6509 in South Australia, EL6509 is prospective for ionic clay hosted rare earths and forms part of the Company's flagship "Koppamurra Project" comprising one granted exploration licence in South Australia (EL6509) and three exploration licence applications in South Australia (ELA 2020/00129, ELA 2020/00240, ELA 2020/00239) and an exploration licence application in Victoria (EL007254).
- On 28 October 2020 the company issued a further 8,999,996 new shares, in equal portions, to the Company's two founding shareholders as part of a capital restructure.
- The Company is progressing activities toward becoming admitted to the Official List of the Australian Securities Exchange (ASX) prior to 30 June 2021 ("IPO").
- In November 2020, the Company raised pre-IPO seed funding of \$1,300,000 by issuing 13,000,000 fully paid ordinary shares at \$0.10 cents per share.
- In November 2020, 780,000 fully paid ordinary shares, with a fair value of \$78,000, were issued in lieu of cash fees payable relating to the raising of \$1,300,000 in seed funding.
- Damien Connor was appointed Company Secretary and CFO on 12 November 2020.
- Dudley Kingsnorth was appointed as a Director of the Company on 11 December 2020.
- The Company is currently in the process of converting from a proprietary company to a public company and upon conversion, to change the company name to Australian Rare Earths Limited
- On 10 February 2021, the Company issued 630,000 fully paid ordinary shares, in aggregate, to Directors following shareholder approval on 25 January 2020.
- On 10 February 2021, the Company issued 3,750,000 unlisted options (Options), in aggregate, to Directors following shareholder approval on 25 January 2020. Options were issued at no cost to the recipient and entitle the holder to receive one fully paid ordinary share in the Company for each Option exercised, and comprise as follows:
 - 2,000,000 Options, each exercisable at price equal to the issue price of shares in the Company to be offered pursuant to the Prospectus for an Initial Public Offering of the Company, and expire on 25 January 2025.; and
 - 3,750,000 Options, each exercisable at price being a 50% premium to the issue price of shares in the Company to be offered pursuant to the Prospectus for an Initial Public Offering of the Company, and expiring on the third anniversary of the date of the Company's admission to the official list of ASX.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Tawel's operations, the results of those operations, or the Tawel's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have been detailed elsewhere within the Directors' Report. The directors will pursue an initial public offering during 2021.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

The following unissued ordinary shares of the Company under option outstanding at the date of this report were as follows:

- 2,000,000 Options issued on 10 February 2021, each exercisable at price equal to the issue price of shares in the Company to be offered pursuant to the Prospectus for an Initial Public Offering of the Company, and expire on 25 January 2025; and
- 3,750,000 Options issued on 10 February 2021, each exercisable at price being a 50% premium to the issue price of shares in the Company to be offered pursuant to the Prospectus for an Initial Public Offering of the Company, and expiring on the third anniversary of the date of the Company's admission to the official list of ASX

Shares issued on the exercise of options

There were no ordinary shares of the Company issued on the exercise of options during the period ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

As at the date of this report, the company has indemnified the directors and officers of the company for costs incurred, in their capacity as a director or officers, for which they may be held personally liable, except where there is a lack of good faith.

During financial period ended 30 June 2020, the company had not paid a premium in respect of a contract to insure the directors and officers of the company against a liability to the extent permitted by the Corporations Act 2001, however has paid a premium subsequent to the financial period ended 30 June 2020. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial period, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Auditor's Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the director's report for the financial period ended 30 June 2020.

This report is signed in accordance with a resolution of the Board of Directors.



Bryn Jones
Director

Adelaide

Dated this 18th day of February 2021

Auditor's Independence Declaration



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Auditor's Independence Declaration

To the Directors of Tawel Exploration Pty Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Tawel Exploration Pty Ltd for the period ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink that reads "J L Humphrey".

J L Humphrey
Partner – Audit & Assurance

Adelaide, 18 February 2021

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Statement of Profit or Loss and Other Comprehensive Income

(For the period ended 30 June 2020)

	NOTES	15 month period from incorporation to 30 JUNE 2020
		\$
REVENUE		-
Other income - Loans from related parties forgiven	6	20,000
EXPENSES		
Corporate Consulting/Accounting expense		(1,390)
Exploration expenditure expensed		(23,187)
Other expenses		(1,080)
LOSS BEFORE INCOME TAX EXPENSE		(5,657)
Income tax benefit		-
LOSS FOR THE PERIOD		(5,657)
LOSS ATTRIBUTED TO MEMBERS OF THE PARENT ENTITY		(5,657)
Other comprehensive income		-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(5,657)
EARNINGS PER SHARE		Cents
Basic and diluted loss per share		(1,413.25)

The accompanying notes form part of the financial statements.

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Statement of Financial Position

(As at 30 June 2020)

	NOTES	As at 30 JUNE 2020
		\$
ASSETS		
CURRENT ASSETS		
Cash		5,373
Trade and other receivables		851
Total current assets		6,224
NON-CURRENT ASSETS		
Property, plant and equipment		-
Exploration and evaluation expenditure		-
Total non-current assets		-
TOTAL ASSETS		6,224
CURRENT LIABILITIES		
Trade and other payables		11,877
Total current liabilities		11,877
TOTAL LIABILITIES		11,877
NET LIABILITY		(5,653)
EQUITY		
Issued capital	2	4
Retained losses		(5,657)
TOTAL EQUITY		(5,653)

The accompanying notes form part of the financial statements.

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Statement of Changes in Equity

(For the period ended 30 June 2020)

	Issued Capital \$	Retained Losses \$	Total \$
BALANCE AT INCORPORATION	-	-	-
Shares issued during the period	4	-	4
Total comprehensive loss for the period	-	(5,657)	(5,657)
BALANCE AT 30 JUNE 2020	4	(5,657)	(5,653)

The accompanying notes form part of the financial statements.

Statement of Cash Flows

(For the period ended 30 June 2020)

For the 15 month
period from
incorporation to
30 JUNE 2020

CASH FLOW FROM OPERATING ACTIVITIES	\$
Payments to suppliers	(3,321)
NET CASH USED IN OPERATING ACTIVITIES	(3,321)
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for exploration expenditure	(11,310)
NET CASH USED IN INVESTING ACTIVITIES	(11,310)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares	4
Proceeds from loans from related parties	20,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	20,004
Net increase / (decrease) in cash held	5,373
Cash at beginning of period	-
CASH AT THE END OF THE PERIOD	5,373

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

(For the period ended 30 June 2020)

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New or amended Accounting Standards and Interpretations adopted

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Incorporation

The Company was incorporated on 1 April 2019. These financial statements reflect the financial period from 1 April to 30 June 2020 ('Financial period').

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year/period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of

an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Leases

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straightline basis over the lease term.

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

The Group did not have any leases during the period ended 30 June 2020

Income Tax

The income tax expense/(revenue) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset recognised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of

the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates

(i) Impairment

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost of disposal calculations which incorporate various key assumptions. No impairment expense was recognised for the period ended 30 June 2020.

(ii) Exploration and evaluation expenditure

The Company capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded.

NOTE 2 – ISSUED CAPITAL

30 JUNE 2020	NUMBER OF SHARES	30 JUNE 2020 \$
(a) issued and paid up capital		
Fully paid ordinary shares	4	4
(a) Movements in fully paid shares		
Balance as at Incorporation	-	-
Shares issued – new shareholder (28 February 2020)	4	4
Balance as at 30 June 2020	4	4

NOTE 3 – OPERATING SEGMENTS

The Directors have considered the requirements of AASB 8 - Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources have concluded at this time there are no separately identifiable segments.

NOTE 4 – CONTINGENT ASSETS, LIABILITIES & COMMITMENTS

The Company has no contingent assets, liabilities or commitments as at 30 June 2020.

NOTE 5 – CASH FLOW INFORMATION

a) Reconciliation of cash flows from operations with Loss after Income Tax	30 JUNE 2020 \$
Loss after income tax	(5,657)
Exploration expenditure expensed	23,187
Loan from related parties forgiven	(20,000)
Changes in assets and liabilities:	
- Increase in trade and other receivables	(851)
Net cash used in operating activities	(3,321)

NOTE 6 – RELATED PARTY TRANSACTIONS

a) Subsidiaries

At 30 June 2020 the company had no subsidiaries.

RDBD Developments Pty Ltd was incorporated on 17 December 2020 as a wholly owned subsidiary of Tawel Exploration Pty Ltd, and remains a wholly owned subsidiary of Tawel Exploration Pty Ltd as at the date of this report.

b) Key Management Personnel

No remuneration was paid or payable to Directors or other Key Management Personnel during the period ended 30 June 2020.

c) Other transactions with related parties

During the period ended 30 June 2020, Directors of the Company, Mr Jones and Mr Pobjoy, each loaned \$10,000 to the Company (Debt) to fund its operations (\$20,000 in aggregate). Mr Jones and Mr Pobjoy (Lenders) each determined to release the Company from their respective Debt owing the them by the

Company as at 30 June 2020, in accordance with the terms of a Deed of Release between each of the Directors and the Company.

NOTE 7 – EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any matter or circumstance that has arisen since 30 June 2020 that has significantly affected, or may significantly affect Tawel's operations, the results of those operations, or the Tawel's state of affairs in future financial years other than those noted below:

- On 15 September 2020, the Company was granted exploration licence EL6509 in South Australia, EL6509 is prospective for ionic clay hosted rare earths and forms part of the Company's flagship "Koppamurra Project" comprising one granted exploration licence in South Australia (EL6509) and three exploration licence applications in South Australia (ELA 2020/00129, ELA 2020/00240, ELA 2020/00229) and an exploration licence application in Victoria (EL007254).
- On 28 October 2020 the company issued a further 8,999,996 new shares, in equal portions, to the Company's two founding shareholders as part of a capital restructure.
- The Company is progressing activities toward becoming admitted to the Official List of the Australian Securities Exchange (ASX) prior to 30 June 2021 ("IPO").
- In November 2020, the Company raised pre-IPO seed funding of \$1,300,000 by issuing 13,000,000 fully paid ordinary shares at \$0.10 cents per share.
- In November 2020, 780,000 fully paid ordinary shares were issued in lieu of cash fees payable relating to the raising of \$1,300,000 in seed funding.
- Damien Connor was appointed Company Secretary and CFO on 12 November 2020.
- Dudley Kingsnorth was appointed as a Director of the Company on 11 December 2020.
- The Company is currently in the process of converting from a proprietary company to a public company and upon conversion, to change the company name to Australian Rare Earths Limited
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 - 3,750,000 Options, each exercisable at price being a 50% premium to the issue price of shares in the Company to be offered pursuant to the Prospectus for an Initial Public Offering of the Company, and expiring on the third anniversary of the date of the Company's admission to the official list of ASX.

Directors' Declaration

The Directors of the Company declare that:

1. the Financial Statements and Notes as set out on pages 7 to 16 are in accordance with the Corporations Act 2001 and:
 - a) comply with Australian Accounting Standards and International Financial Reporting Standards as disclosed in Note 1; and
 - b) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the period ended on that date of the Company;
2. in the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.



Bryn Jones
Director

Adelaide

Dated this 18th day of February 2021

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Independent Auditor's Review Report



Level 3, 170 Frome Street
Adelaide SA 5000

Correspondence to:
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T +61 8 8372 6666

Independent Auditor's Report

To the Members of Tawel Exploration Pty Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Tawel Exploration Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the period ended on that date; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's financial report for the period ended 30 June 2020, 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.

Responsibilities of the Directors 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 – Reduced Disclosure Requirements and the *Corporations Act 2001*. The Directors' responsibility also includes 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 Group's ability 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 have no realistic alternative but to do so.

Auditor's responsibilities 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink that reads "J.L. Humphrey".

J.L. Humphrey
Partner – Audit & Assurance

Adelaide, 18 February 2021

Corporate directory

as at the date of this report.

DIRECTORS

Dudley Kingsnorth – Non-Executive Chairman

Bryn Jones – Non-Executive Director

Rickie Pobjoy – Non-Executive Director

COMPANY SECRETARY AND CFO

Damien Connor

REGISTERED OFFICE

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ADELAIDE SA 5000

Telephone: 1300 646 100

Email: hello@tawelexp.com.au

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Level 5, 115 Grenfell Street

ADELAIDE SA 5000

AUDITORS

Grant Thornton Audit Pty Ltd

Grant Thornton House,

Level 3, 170 Frome Street

ADELAIDE SA 5000

SOLICITOR

O'Loughlins Lawyers

Level 2, 99 Frome Street,

ADELAIDE SA 5000

BANKERS

Commonwealth Bank of Australia

96 King William Street

ADELAIDE SA 5000

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