

Ragusa Minerals Limited

ABN 39 143 194 165

Annual Report For the year ended 30 June 2021

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Corporate Governance Statement

The Board is responsible for the overall corporate governance of the company, and it recognises the need for the highest standards of ethical behaviour and accountability. It is committed to administering its corporate governance structures to promote integrity and responsible decision making.

The Company's corporate governance structures, policies and procedures are described in its Corporate Governance Statement which is available on the Company's website at <https://www.ragusaminerals.com.au/corporate-governance/>

Directors Report

The Directors of Ragusa Minerals Limited (ASX: RAS) present their report on Ragusa Minerals Limited (“RAS” or “the Company”), and the entity it controls (the “Group”) for the year ended 30 June 2021.

Directors

The following persons were directors of the Group during the whole or part of the financial year and up to the date of this report unless otherwise indicated:

Jerko Zuvela (appointed 29 September 2020)
Olaf Frederickson
Melanie Ross (appointed 6 July 2021)
Michael Melamed (resigned 6 July 2021)
Peter Chai (resigned 1 December 2020)

Principal activities

Since completion of the transaction to acquire Balancing Rocks Zim Pty Ltd on 29 September 2020, the principal activities of the Group focused on mineral exploration.

There were no significant changes in the nature of the Group’s principal activities during the year ended 30 June 2021.

Financial results for the year

The loss of the Group amounted to \$548,719 (2020: \$294,711) after providing for income tax.

Review and results of operations

Ragusa Minerals Limited is an Australian based mineral exploration company with a 100% interest in three high value projects – the Burracoppin Halloysite Project in Western Australia, the Lonely Mine Gold Project in Zimbabwe, and the Monte Cristo Gold Project in Alaska, USA.

Burracoppin Halloysite Project

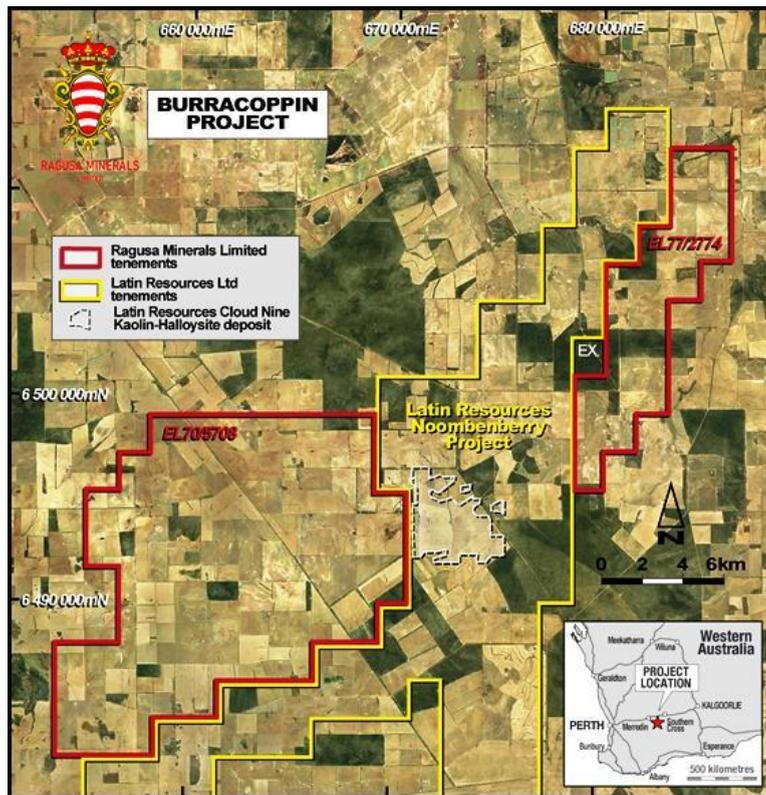
The Burracoppin Halloysite Project comprises two tenements (68 blocks combined), located ~300 kilometres east of Perth in Western Australia, and is prospective for halloysite and kaolinite. The project is located near Merredin, with port access easily accessible via the Great Eastern Highway. All services required for a low-cost operation are in close proximity.

The project area adjoins Latin Resources Ltd (“Latin”) Noombenberry Halloysite Project, and specifically the Cloud Nine deposit (refer to Latin’s Maiden Inferred Mineral Resource announcement on 31 May 2021³), with the potential for the strike extension to extend into the Burracoppin Halloysite Project area.

Latin estimated a global Inferred Mineral Resource of 207 million tonnes of kaolinised granite, comprising 123 million tonnes of bright white kaolin-bearing material and 84 million tonnes of kaolin/halloysite-bearing material.

The local geology in the project area consists predominantly of sandy topsoil and colluvial sediments amongst sporadic granite outcrops in varying degrees of weathering. Noombenberry Rock is a named weathered granite outcrop that protrudes towards the eastern edge of E70/5708, with the majority of the remaining tenement mapped as colluvial/alluvial sediments. Publically available magnetic imagery shows a series of magnetic highs within the project area, potentially being buried greenstones (possibly similar to those that are host to numerous gold and base metal deposits in the Eastern Goldfields of WA).

Ragusa will, subject to the tenements being successfully granted, initiate works to determine the most effective development strategy for the Project. The Company’s initial project review scope proposes the potential for priority drill testing, targeting the open strike extensions of Latin’s Cloud Nine deposit. The Company will secure specialist and experienced consultants to assist with advancing the project.



Burracoppin Halloysite Project Location

Lonely Mine Gold Project

The Lonely Mine Gold Project is located ~88km north of Bulawayo, within the Bubi Greenstone Belt, in Zimbabwe. The Project covers greenstone belt lithology with multiple sub-parallel shear zones that host the historical Lonely and Tiberius gold mines and several other former mines, with similar geology as globally accepted Archean successions from Canada, Australia and South Africa. The Project area has not had any modern-day systematic exploration with the opportunity to benefit from utilising modern exploration techniques.

During the reporting period, the Company conducted works on an exploration targeting program across the Tiberius prospect area, with the aim to outline priority sites for the initial drilling campaign. The exploration targeting program field works comprised geological field mapping and ground geophysical surveying, trenching and sampling, underground reconnaissance, surveying and channel/rock sampling, and diamond drilling works.

Recent exploration works at the Tiberius prospect comprise;

- underground rock/channel sampling that returned significant analysis results, including 221g/t, 68g/t, 49.5g/t and 45.8g/t;
- 1st-phase diamond drilling works completed – 8 diamond drill-holes, 1237m drilled; and
- drill samples currently being prepared and undergoing laboratory analysis.

The Company's technical site personnel are currently conducting core logging and sampling works, with selected samples to undergo laboratory analysis testing.

Monte Cristo Gold Project

The Monte Cristo Gold Project comprises 500 granted claims (tenements), totalling 323.74km², located in Alaska, USA. The Project is located within the vicinity of multi-million ounce gold projects discovered by Nova Minerals Ltd (Korbel deposit 4.7m oz Au¹) and GoldMining Inc (Whistler and Raintree deposits with combined 4.8m oz Au²).

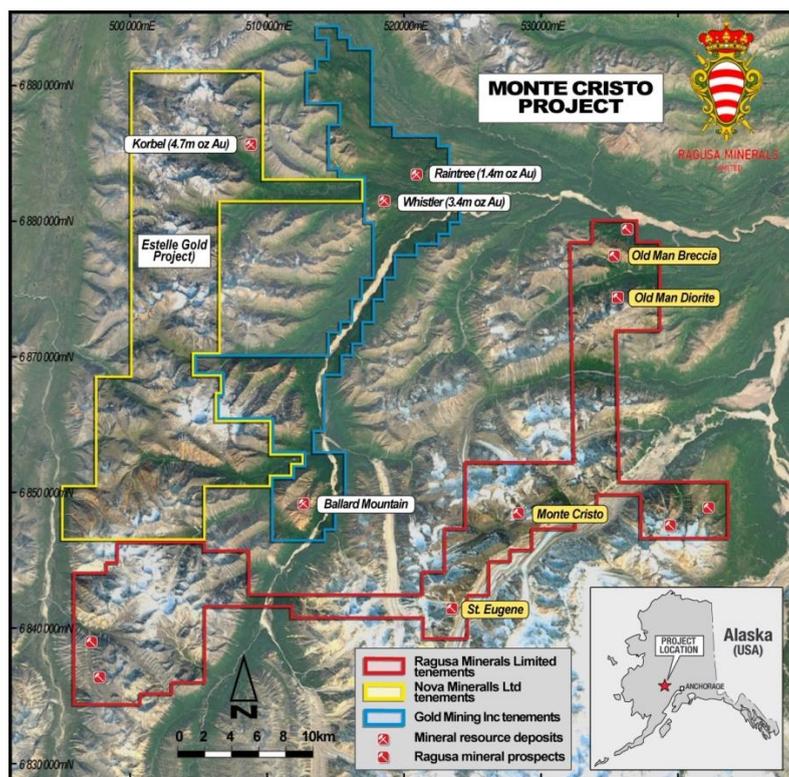
The Project area contains four historical prospects – Monte Cristo, St Eugene, Old Man Breccia and Old Man Diorite – and these will be priority exploration targets to conduct initial exploration works.

The Monte Cristo Gold Project has several similarities to the Korbel deposit, including several valleys in a similar topographic setting, similar local geology and geophysical features (from resistivity and magnetic survey information).

The Company will target exploring for intrusion zones, with the potential to discover large intrusion deposits, similar to the neighbouring multi-million ounce deposits.

Ragusa will initiate works to determine the most effective development strategy for the Project. The Company will secure specialist and experienced consultants to assist with advancing the Project.

The project vendor was involved in the staking and identification of the adjacent Estelle Gold Project and the subsequent Korbel deposit (for Nova Minerals Ltd).



Monte Cristo Gold Project Location

New Project Opportunities

The Company will continue reviewing additional mineral project opportunities, to enhance its project portfolio and increase the overall value proposition of RAS. The Company may then consider conducting due diligence on any selected projects. The Company will consider any such opportunities and advance as required (and subject to regulatory approval) to progress with such project(s). The Company is working to ensure it is best placed to deliver value and upside potential for all its shareholders.

Directors Report

Reference to Previous ASX/TSX Releases:

This document refers to the following previous ASX/TSX releases:

- 1st September 2021 - Lonely Mine Gold Project – 1st Stage Drilling Completed at Tiberius Prospect
- 14th July 2021 - Lonely Mine Gold Project - Underground Sampling Results up to 221g/t
- 15th June 2021 - Lonely Mine Gold Project Update (Trenching Works - Sample Data & Results)
- ¹ 7th April 2021 – Nova Minerals Ltd (ASX: NVA), Global Resource at Korbelt Main Grows to 4.7Moz Gold
- ² 21st June 2021 – Gold Mining Inc (TSX: GOLD), GoldMining Announces an Updated Mineral Resource Estimate for the Whistler Project, Alaska (release includes Raintree Project mineral resource estimate)
- ³ 1st May 2021 – Latin Resources Ltd (ASX: LRS), 207Mt Maiden Inferred (JORC 2012) Mineral Resource Estimate Noomberry Kaolin-Halloysite Project, WA

Ragusa confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Ragusa confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Forward Looking Statements: Statements regarding plans with respect to the Company’s mineral properties are forward looking statements. There can be no assurance that the Company’s plans for development of its mineral properties will proceed as expected. There can be no assurance that the Company will be able to confirm the presence of mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of the Company’s mineral properties.

Competent Person’s Statement

The information contained in this ASX release relating to Exploration Results has been prepared by Mr Jerko Zuvela. Mr Zuvela is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Zuvela is the Chairperson of Ragusa Minerals Ltd and consents to the inclusion in this announcement of this information in the form and context in which it appears. The information in this announcement is an accurate representation of the available data from exploration at the Projects noted above.

Ragusa Minerals Limited - Interest in Mining Tenements

Below is a listing of tenements held by the Company as at 20 September 2021:

| Tenement | Location | Beneficial Percentage held |
|---|-------------------|----------------------------|
| Lonely Mine A (10632BM) # | Zimbabwe | 100% |
| Tiberius 14 (33599) # | Zimbabwe | 100% |
| Tiberius 32 (35732) # | Zimbabwe | 100% |
| Tiberius 33 (35733) # | Zimbabwe | 100% |
| E77/2774 | Western Australia | 100% |
| E70/5708 | Western Australia | 100% |
| ADL734900 (Cristo 1) - ADL735191 (Cristo 292) | Alaska, USA | 100% |
| ADL735363 (Cristo 293) - ADL735418 (Cristo 348) | Alaska, USA | 100% |
| ADL736052 (Cristo 349) | Alaska, USA | 100% |
| ADL735420 (Cristo 350) - ADL735570 (Cristo 500) | Alaska, USA | 100% |

Interest in mining tenement held 100% by Westwood Industrial Pvt Ltd

COVID-19

The Company continues to take appropriate safety measures and actions to protect our staff and business operations, including precautions advised and regulated by the relevant authorities. First and foremost, our priority is the health, safety and wellbeing of our staff, partners and community, and business operations, and as such, the Company is actively monitoring the COVID-19 situation.

Authorities in Zimbabwe are maintaining several COVID-19 restrictions, however essential businesses are able to operate. As such, the Company is able to conduct project works and exploration activities.

Legal update

As noted in the Company's prospectus dated 3 August 2020 ("Re-Compliance Prospectus"), the Company has historically received a demand from a third-party claiming entitlements to alleged profits from past business operations (refer ASX releases 17 May 2017, 1 June 2017 and 19 December 2017). As disclosed in the Re-Compliance Prospectus, the approximate quantum of the demand (excluding costs and any interest) was \$400,000. This Company has recently received a writ issued in the Supreme Court of Victoria issued by Aurora Funds Management Limited relating to the subject matter disclosed in the Re-Compliance Prospectus ("Claim"). The Claim also identifies a past director as a co-defendant. The Company is seeking advice in relation to the Claim however its position, as stated in its Re-Compliance Prospectus, is unchanged. The Company denies any liability in respect of the Claim and intends to lodge a fulsome defence, updates will be provided in due course.

The Company also understands that claims have been alleged and/or pursued against former directors of the Company in relation to the alleged misappropriation of funds of approximately \$700,000. No demands have been made against the Company in respect of this matter.

Significant changes in state of affairs

There are no other significant changes in the state of affairs of the Company occurring during the financial year, other than as disclosed in this report.

Matters subsequent to the end of the financial year

Subsequent to the end of the financial year:

- On 5 July 2021 the Company announced that it had entered into a binding Heads of Agreement (HOA) with Iridium Resources Pty Ltd to acquire 100% of Stradun Australia Pty Ltd, which owns the Monte Cristo Gold Project in Alaska. On that same date, the Company also announced that it had entered into a binding HOA with Carlo Puca to acquire the Burracoppin Halloysite Project in Western Australia. These binding HOA's were subject to standard conditions, including as requested by the ASX, obtaining shareholder approval for each project acquisition, and conduct a capital raising of \$400,000 (before costs) to fund initial exploration activities at both projects.
- On 6 July 2021 the Company announced the appointment of Melanie Ross as a non-executive director and the resignation of Michael Melamed as a non-executive director.
- On 25 August 2021 the Company raised \$400,000 via the issue of 6,523,078 ordinary shares as requested by the ASX as part of the acquisition of Stradun Australia Pty Ltd and the Burracoppin Halloysite Project as announced on 5 July 2021. The Company also issued 369,231 ordinary shares to the lead manager of the above placement for their services.
- On 25 August 2021 the Company issued 2,000,000 unlisted options with an exercise price of \$0.12 and expiring three years from issue.
- On 8 September 2021 the Company announced it had issued 6,884,615 shares as part consideration of the acquisition of Stradun Australia Pty Ltd and the Burracoppin Halloysite Project as announced on 5 July 2021.
- On 8 September 2021 the Company announced it had issued the following:
 - 2,000,000 unlisted options with an exercise price of \$0.12 and expiring two years from issue
 - 2,000,000 unlisted options with an exercise price of \$0.16 and expiring three years from issue
 - 1,000,000 unlisted options with an exercise price of \$0.16 and expiring five years from issue.

Directors Report

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

Besides the details provided above, there are no matters or circumstance that have arisen since 30 June 2021 that have significantly affected, or may significantly affect:

- (i) the operations of the Group in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Group in future financial years.

Likely developments and expected results

As the Company is listed on the Australian Stock Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of the Company's securities.

In the opinion of the Directors, it would prejudice the interests of the Company to provide additional information, beyond that which is reported in this Annual Report, relating to likely developments in the operations of the Company and the expected results of those operations in financial years subsequent to 30 June 2021.

Environmental regulation

The Group's operations are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

The Directors have considered the enacted *National Greenhouse and Energy Reporting Act 2007* (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Company for the current or subsequent financial year. The directors will reassess this position as and when the need arises.

Dividends

No dividend was declared and payable to shareholders for the year to 30 June 2021 (2020: nil).

Indemnity and insurance of officers

The Group has indemnified the Directors and executives of the Group for the costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Group paid a premium in respect of a contract to insure the Directors and executives of the Group against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to 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 part of those proceedings.

Information on directors

The qualifications, experience and responsibilities of each person who has been a director of Ragusa Minerals Ltd at any time during or since the end of the financial year are provided below:

Directors Report

Jerko Peter Zuvela (Appointed 29 September 2020)

Non-Executive Chairperson

Expertise

Jerko is a Chartered Professional Geologist having spent over 25 years in the mining and resources industry. Jerko has held executive management roles for private and public resources companies, with operational and corporate experience in various commodities covering exploration, project development, business development, finance, commercial and corporate activities involved with projects in Australia, Asia, Africa and South America.

Jerko has considerable experience in building junior resources companies and understands the requirements working within this sector, including fundamental parameters, strategic drivers and market requirements within the junior resources industry.

He is a Chartered Professional (Geology) Member of the Australasian Institute of Mining and Metallurgy and holds a Bachelor of Science in Applied Geology from Curtin University in Western Australia.

Other current directorships in publicly listed companies

Argosy Minerals Limited and Discovery Africa Limited

Former directorships in last three years in publicly listed companies

N/A

Special responsibilities

Chairperson

Interests in shares and options

2,083,332 ordinary shares, 3,333,334 performance rights (milestone shares) and 975,000 unlisted options

Olaf Fredrickson (Appointed 8 August 2019)

Independent Non-Executive Director

Expertise

Olaf Frederickson has in excess of 20 years' experience in the mining sector ranging from grass roots exploration and project generation through to operational mine site requirements, resource estimation, project assessment, business development and corporate responsibilities with companies such as Cape Lambert Resources, Fortescue Metals Group, Rio Tinto, Iluka Resources, Newcrest Mining. More recently, Olaf has been working as an independent consultant in areas of minerals investment advice, brokerage, negotiation and technical services including business development, project due diligence and financial evaluation.

Olaf has spent time reviewing and being involved in projects both locally throughout Western Australia and Queensland, and internationally in locations including North America, Central and West Africa, Timor and Turkey.

Olaf acts as a Competent Person under the JORC 2012 code in several commodities including iron ore, mineral sands, base, precious and energy metals and is a Director of Blackfynn Pty Ltd.

Other current directorships in publicly listed companies

N/A

Former directorships in last three years in publicly listed companies

Nova Minerals Limited - 10 April 2017 - 5 September 2018

Special responsibilities

N/A

Interests in shares and options

1,000,000 ordinary shares and 1,275,000 unlisted options

Directors Report

Melanie Ross (Appointed Non- Executive Director on 6 July 2021 and Company Secretary on 1 October 2020)

Independent Non-Executive Director and Company Secretary

Expertise

Melanie is an accounting and corporate governance professional with over 18 years' experience in financial accounting and analysis, audit, business and corporate advisory services in public practice, commerce and state government. She has a Bachelor of Commerce and is a member of the Institute of Chartered Accountants in Australia and New Zealand and an associate member of the Governance Institute of Australia.

Other current directorships in publicly listed companies

Tempus Resources Limited (ASX: TMR)

Former directorships in last three years in publicly listed companies

N/A

Special responsibilities

Company Secretary

Interests in shares and options:

166,668 ordinary shares and 250,000 unlisted options

Michael Melamed (Appointed 26 June 2017 and resigned 6 July 2021)

Independent Non-Executive Director

Expertise

Michael is a Chartered Accountant and brings to the Company over 20 years' of extensive experience in accounting, corporate advisory and acts as the Chief Financial Officer for Nova Minerals Limited and Torian Resources Limited. Michael brings to the Company his extensive network and business opportunities.

Other current directorships in publicly listed companies

N/A

Former directorships in last three years in publicly listed companies

N/A

Special responsibilities

N/A

Interests in shares and options (at the date of resignation)

963,333 ordinary shares

Directors Report

Peter Chai (Appointed 15th May 2020 and resigned 1 December 2020)

Independent Non-Executive Director

Expertise

Peter has vast corporate experience across Asia-Pacific. He was the personal adviser to the late Datuk Jaafar Ahmad (former Central Bank Governor of Malaysia & Namibia). Corporate adviser to the Board of The Merino Company. And Senior management roles at AIMS Financial Group, Coats Viyella Garments Asia-Pacific, Shakey's International Limited and Byford International Limited. Recently, Peter was instrumental in the \$6.0 billion development project by Guangzhou R&F Properties Co., Ltd. in Springfield, Queensland, Australia. And recapitalisation of Diatre Resources Limited (ASX : DRX).

Other current directorships in publicly listed companies

Quattro Plus Real Estate (ASX : QPR)

Ephraim Resources Limited

Quattro RE Limited

Former directorships in last three years in publicly listed companies

Pan Asia Corporation Limited (ASX : PZC)

Bisan Limited (ASX : BSN)

Special responsibilities

N/A

Interests in shares and options (at the date of resignation)

500,000 unlisted options

Directors' Meetings

The following table sets out the number of directors' meetings and the number of meetings attended by each director during the time the director held office in the year:

| Director | Number of Board Meetings Held | | Number of Board Meetings Attended | |
|--|-------------------------------|------|-----------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Michael Melamed | 2 | 2 | 2 | 2 |
| Ranko Matic (resigned 15 May 2020) | - | 2 | - | 2 |
| Peter Chai (resigned 1 December 2020) | - | - | - | - |
| Olaf Fredrickson | 2 | 2 | 2 | 2 |
| Jerko Zuvela (appointed 29 September 2020) | 2 | - | 2 | - |

Directors Report

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

This remuneration report outlines the remuneration arrangements of the Group for the year ended 30 June 2021. It details the remuneration arrangements for Key Management Personnel (KMP) of the Group who are identified as those persons and corporate entities having authority and responsibility for planning, directing and controlling activities of the Group, directly or indirectly.

1. Remuneration Policy

The Group aims to provide remuneration that is competitive in the market and linked to the Group's long term growth and value. The Board of directors seeks to ensure that the Group attracts and retains talented and motivated employees who can enhance business performance through their contributions and leadership.

The nature and extent of remuneration is reviewed and agreed upon annually by the Board. Remuneration of employees is made up of the following components:

Fixed remuneration: includes base salary and employer superannuation contributions. All employees, including directors, have salary reviews on an annual basis. When making changes to an individual's base remuneration the Board as a whole considers the employee's responsibilities, historic performance and length of employment with the Group, as well as the applicable industry rate.

Performance bonuses: the Board is currently reviewing the remuneration policy. The structure of performance bonuses is still to be determined.

Short-term incentives: refers to performance based bonuses. All employees will in the future have the opportunity to earn an annual short-term incentive (STI) if predefined targets are achieved. These targets will be set by the Board and align to the Group's strategic and business objectives in the future. Bonus allocations will be subject to Board approval, and must include the approval of the independent chairman. In the event the independent director votes against or abstains, the Board must obtain independent advice on the fairness and reasonableness for shareholders before distributing bonuses.

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward.

The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation

2. Group Performance

The following table shows profit/(loss) and basic earnings/(loss) per share of the Company at the end of the respective financial period:

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|
| Profit/(loss) after tax | (548,719) | (294,711) | (260,202) | (282,012) | (254,776) |
| Basic earnings/(loss) per share | (0.62) | (2.29) | (2.03) | (2.20) | (2.28) |

Directors Report

Remuneration report (audited) (continued)

3. Remuneration Summary of KMP

A summary of the remuneration for the directors for the financial year ended 30 June 2021 is as follows:

| 30 June 2021 | Short-term benefits | Post-employment benefits | Share based payments | | Total | Performance Related % | Remuneration Consisting of Options % |
|---------------------------|----------------------|--------------------------|----------------------|---------------|----------------|-----------------------|--------------------------------------|
| | Cash salary and fees | Superannuation | Performance Rights | Options | | | |
| <i>Directors:</i> | | | | | | | |
| Jerko Zuvela ¹ | 27,000 | - | - | - | 27,000 | - | - |
| Michael Melamed | 36,000 | - | - | - | 36,000 | - | - |
| Olaf Fredrickson | 36,000 | - | - | 11,350 | 47,350 | - | 24% |
| Peter Chai ² | 15,000 | - | - | 11,350 | 26,350 | - | 43% |
| Total | 114,000 | - | - | 22,700 | 136,700 | | |

¹ Appointed 29 September 2020

² Resigned 1 December 2020

A summary of the remuneration for the directors for the financial year ended 30 June 2020 is as follows:

| 30 June 2020 | Short-term benefits | Post-employment benefits | Share based payments | | Total | Performance Related % | Remuneration Consisting of Options % |
|--------------------------|----------------------|--------------------------|----------------------|---------|---------------|-----------------------|--------------------------------------|
| | Cash salary and fees | Superannuation | Performance Rights | Options | | | |
| <i>Directors:</i> | | | | | | | |
| David Koth ¹ | - | - | - | - | - | - | - |
| Ranko Matic ² | - | - | - | - | - | - | - |
| Michael Melamed | 36,000 | - | - | - | 36,000 | - | - |
| Olaf Fredrickson | - | - | - | - | - | - | - |
| Peter Chai | - | - | - | - | - | - | - |
| Total | 36,000 | - | - | - | 36,000 | | |

¹ Resigned 8 August 2019

² Resigned 15 May 2020

Directors Report

Remuneration report (audited) (continued)

4. Share based compensation

Options

The terms and conditions of the unlisted options affecting the remuneration of key management personnel in this financial year or future reporting years are as follows:

| Series | Grant date | Grant date fair value per right | Expiry date | Vesting date note |
|------------------|-------------------|---------------------------------|------------------|--------------------|
| Director Options | 29 September 2020 | \$0.023 | 31 December 2022 | Immediately vested |

Details of options granted as compensation to key management personnel during the financial year:

| Name | Number granted | Number vested |
|------------------|------------------|------------------|
| Olaf Fredrickson | 500,000 | 500,000 |
| Peter Chai | 500,000 | 500,000 |
| | <u>1,000,000</u> | <u>1,000,000</u> |

Shares

There were no shares issued to key management personnel as part of their compensation during the year ended 30 June 2021 (2020: nil).

5. Shareholdings

Number of shares held by key management personnel and their associates:

| Directors | Balance 1 July 2020 | Acquired/ (Disposed) | Held at date of Appointment | Balance 30 June 2021 |
|--|------------------------|-------------------------|--------------------------------|-------------------------|
| Olaf Fredrickson | - | 1,000,000 | - | 1,000,000 |
| Michael Melamed | - | 963,333 | - | 963,333 |
| Jerko Zuvela (Appointed 29 th September 2020) | - | - | 2,083,332 | 2,083,332 |
| Peter Chai (Resigned 1 st December 2020) | - | - | - | - |

6. Other transactions with key management personnel

During the year, the Company entered into an agreement with Consilium Corporate Pty Ltd, of which Melanie Ross is a director, for the provision of CFO and Corporate Secretarial services. During the year Consilium Corporate Pty Ltd invoiced the Company \$27,192 for CFO and Corporate Secretarial Fees (2020: nil). As at 30 June 2021, there were no amounts owing to Consilium Corporate Pty Ltd.

7. Loans with key management personnel

During the financial year, there were no loans to or from key management personnel, including their related parties.

End of Remuneration Report (audited)

Directors Report

Options and Rights over shares

Ordinary shares under option of Ragusa Limited at the date of this report are as follows:

| Issue date | Expiry date | Exercise price | Number under option |
|-------------------|------------------|----------------|---------------------|
| 29 September 2020 | 31 December 2022 | \$0.12 | 46,000,000 |
| 29 September 2020 | 31 December 2022 | \$0.09 | 9,589,075 |

Performance rights on issue at the date of this report are as follows:

| Issue date | Expiry date | Exercise price | Number of performance rights | Vesting condition |
|-------------------|-------------------|----------------|------------------------------|-------------------|
| 29 September 2020 | 29 March 2022 | Nil | 6,666,666 | 1 |
| 29 September 2020 | 29 September 2023 | Nil | 6,666,666 | 2 |

Vesting conditions:

- 1 Announcement by the Company of the delineation of an Inferred Mineral Resource of at least 20,000 ounces of gold at a cutoff grade of not less than 0.5 grams per tonne by not later than 18 months after completion of the purchase of Balancing Rocks Zim Pty Ltd; and
- 2 Announcement by the Company of an Inferred Mineral Resource of at least 100,000 ounces of gold at a cutoff grade of not less than 0.5 grams per tonne by not later than 36 months after completion of the purchase of Balancing Rocks Zim Pty Ltd.

Shares issued on the exercise of options

No shares were issued during or since the end of the financial year as a result of the exercise of options.

Auditor

Criterion Audit Pty Ltd were appointed on 8 December 2020 as per section 327A of the *Corporations Act 2001*.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 16 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 16 for the year ended 30 June 2021.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors.



Jerko Zuvela
Non-Executive Chairperson
28 September 2021

Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 233 LEEDERVILLE WA 6902

Suite 2, 642 Newcastle Street
LEEDERVILLE WA 6007

Phone: 9466 9009

To The Board of Directors

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

As lead audit director for the audit of the financial statements of Ragusa Minerals Ltd and its controlled entities for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



CHRIS WATTS CA
Director

CRITERION AUDIT PTY LTD

DATED at PERTH this 28th day of September 2021

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

| | Notes | 2021 \$ | 2020 \$ |
|---|-------|------------------|------------------|
| Revenue from continuing operations | | | |
| Interest income | | 6,722 | 44 |
| Total income | | 6,722 | 44 |
| Expenses | | | |
| Audit and taxation | | (16,349) | (29,224) |
| Contractors and consultants | | (46,704) | (44,659) |
| Legal expenses | | (62,379) | (91,876) |
| Finance expenses | | (14,113) | (35,176) |
| Personnel expenses | | (126,000) | (19,000) |
| Administrative expenses | | (187,746) | (74,820) |
| Share based payments | 15 | (102,150) | - |
| Total operating expenses | | (555,441) | (294,755) |
| Loss before income tax | | (548,719) | (294,711) |
| Income tax | 6 | - | - |
| Loss for the year | | (548,719) | (294,711) |
| Other comprehensive income for the year, net of income tax | | 1,893 | - |
| Total comprehensive income | | (546,826) | (294,711) |
| Loss for the year is attributable to | | | |
| Owners of Ragusa Minerals Ltd | | (546,826) | (294,711) |
| Total comprehensive income for the year is attributable to | | | |
| Owners of Ragusa Minerals Ltd | | (546,826) | (294,711) |
| Earnings per share: | | | |
| Basic earnings per share (cents) | 21 | (0.62) | (2.29) |
| Diluted earnings per share (cents) | 21 | (0.62) | (2.29) |

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

Financial Statements

Consolidated Statement of Financial Position

As at 30 June 2021

| | Notes | 2021 \$ | 2020 \$ |
|--|-------|------------------|-------------|
| Current assets | | | |
| Cash and cash equivalents | 7 | 4,199,139 | 9,164 |
| Other current assets | 8 | 25,270 | 15,780 |
| Total current assets | | 4,224,409 | 24,944 |
| Non current assets | | | |
| Exploration and evaluation expenditure | 9 | 631,942 | - |
| Total non current assets | | 631,942 | - |
| Total Assets | | 4,856,351 | 24,944 |
| Current liabilities | | | |
| Trade and other payables | 11 | 69,992 | 183,695 |
| Convertible Notes | 12 | - | 419,135 |
| Total current liabilities | | 69,992 | 602,830 |
| Total liabilities | | 69,992 | 602,830 |
| Net assets/(liabilities) | | 4,786,359 | (577,886) |
| Equity | | | |
| Share capital | 13 | 12,655,624 | 7,790,192 |
| Reserves | 15 | 1,050,693 | 3,161 |
| Accumulated losses | 14 | (8,919,958) | (8,371,239) |
| Total equity/(deficiency) | | 4,786,359 | (577,886) |

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

Financial Statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

| | Share Capital \$ | Convertible Note Reserve \$ | Accumulated Losses \$ | Total \$ |
|--|------------------------|-----------------------------------|-----------------------------|------------------|
| Balance at 1 July 2019 | 7,790,192 | 1,934 | (8,076,528) | (284,402) |
| Loss for the year | - | - | (294,711) | (294,711) |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive income for the year | - | - | (294,711) | (294,711) |
| Transaction with owners in their capacity as owners | | | | |
| Issue of convertible note reserves | - | 1,227 | - | 1,227 |
| Balance at 30 June 2020 | 7,790,192 | 3,161 | (8,371,239) | (577,886) |

| | Share Capital \$ | Convertible Note Reserve \$ | Share Based Payments Reserve \$ | Foreign Currency Reserve \$ | Accumulated Losses \$ | Total \$ |
|--|------------------------|-----------------------------------|--|--------------------------------------|-----------------------------|------------------|
| Balance at 1 July 2020 | 7,790,192 | 3,161 | - | - | (8,371,239) | (577,886) |
| Loss for the year | - | - | - | - | (548,719) | (548,719) |
| Other comprehensive income for the year | - | - | - | 1,893 | - | 1,893 |
| Total comprehensive income for the year | - | - | - | 1,893 | (548,719) | (546,826) |
| Transaction with owners in their capacity as owners | | | | | | |
| Shares issued for cash | 5,000,000 | - | - | - | - | 5,000,000 |
| Share issue on conversion of convertible notes | 575,344 | - | - | - | - | 575,344 |
| Shares issued to vendors | 500,000 | - | - | - | - | 500,000 |
| Share options granted | - | - | 1,048,800 | - | - | 1,048,800 |
| Share issue expense | (1,209,912) | - | - | - | - | (1,209,912) |
| Issue of convertible note reserves | - | (3,161) | - | - | - | (3,161) |
| Balance at 30 June 2021 | 12,655,624 | - | 1,048,800 | 1,893 | (8,919,958) | 4,786,359 |

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

Financial Statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

| | Notes | 2021 \$ | 2020 \$ |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (644,224) | (205,456) |
| Interest received | | 6,722 | 13 |
| GST Received | | 68,000 | 13,825 |
| Interest and other finance costs | | - | (33) |
| Net cash used in operating activities | 20 | (569,502) | (191,651) |
| Cash flows from investing activities | | | |
| Payments for exploration expenditure | | (92,000) | - |
| Net cash used in investing activities | | (92,000) | - |
| Cash flows from financing activities | | | |
| Proceeds from issue of convertible notes | | 139,000 | 143,000 |
| Proceeds from issue of shares | | 5,000,000 | - |
| Capital raising costs | | (287,523) | - |
| Net cash generated by financing activities | | 4,851,477 | 143,000 |
| Net increase/(decrease) in cash and cash equivalents | | 4,189,975 | (48,651) |
| Cash and cash equivalents at the beginning of the year | | 9,164 | 57,815 |
| Cash and cash equivalents at the end of the financial year | 7 | 4,199,139 | 9,164 |

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

Notes to the Financial Statements

1. General information

Ragusa Minerals Ltd (the “Company” or “RAS”) and the entity it controlled (the “Group”) is a listed public company incorporated in Australia (ASX Code: RAS). The address of its registered office and principal place of business are as follows:

Level 2, 22 Mount Street,
Perth WA 6000
Australia

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the financial statements of the Group. For the purposes of preparing the financial statements, the Group is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (“IFRS”).

The financial statements were authorised for issue by the directors as at the date of the directors’ report. The directors have the power to amend and reissue the financial statements.

(b) Basis of preparation

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates and judgements in applying the Group’s accounting policies. Those estimates and judgements significant to the financial statements, are disclosed in Note 3.

(c) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity it controlled for the year and at balance date. Details of companies controlled by the Group at year-end are included in Note 23. Controlled entities are entities over which the Group has power over, and has exposure, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Application of new and revised Accounting Standard

The Group has adopted all relevant new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

2. Summary of significant accounting policies (Continued)

(e) Accounting standards and interpretations issued but not yet effective at 30 June 2021

New standards, amendments to standards and interpretations have been issued at the reporting date but are not yet effective. The Group is assessing the impact of these standards. The Group does not intend to early adopt any of the standards prior to the effective date.

(f) Revenue recognition

Interest income is recognised using the effective interest method.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects, neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and loss. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The Company and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation. Fortitude has no income for the current year.

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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.

(i) Assets carried at amortised cost

Loans and receivables are measured at amortised cost using the effective interest method to discount to present value. The effective interest rate is the rate that exactly discounts estimated future cash through the expected life of the loans and receivables, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Gains and losses on inception is recognised in the consolidated statement of profit or loss and other comprehensive income. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2. Summary of significant accounting policies (Continued)

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year 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.

(k) Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method to discount to present value. Gains and losses on inception is recognised in the consolidated statement of profit or loss and other comprehensive income.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the notional value through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of 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 taxation authority is included with other receivables or 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 taxation authority, are presented as operating cash flows.

(m) Comparatives

Where required, comparative information has been reclassified for consistency with current year disclosures.

(n) Segment reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(o) Contributed equity

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.

(p) Fair value

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis.

2. Summary of significant accounting policies (continued)

(q) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings pershare

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) Parent entity financial information

The financial information for the parent entity, Ragusa Minerals Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity. Refer to Note 23 for details of the subsidiaries of the Group.

There were no dividends paid to the parent entity from its subsidiary during the period ending 30 June 2021 (2020: nil).

(ii) Tax consolidation legislation

Ragusa Minerals Limited and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation.

The head entity, Ragusa Minerals Limited, and the controlled entity in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the controlled entity in the tax consolidated group.

The Group has also entered into a tax funding agreement under which the wholly-owned entity fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entity's' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. There were no amounts receivable/payable to the Group under the tax funding agreement at 30 June 2021 (2020: nil).

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities

2. Summary of significant accounting policies (continued)

(s) Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(t) Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

(u) Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

(v) Share-Based Payments

During the year the Company issued shares and share options to advisors as compensation for their services. The shares and share options constitute equity-settled transactions in accordance with AASB 2 Share Based Payments. The fair value of the equity-settled transactions (shares and share options) is determined by their fair value at the date when the grant was approved using an appropriate valuation model for the options issued respectively in accordance with AASB 2. The cost is recognised together with a corresponding increase in equity over the period in which the services were received.

3. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumption that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the activities undertaken, supply chain and staffing. Other than as addressed in specific notes to the financial statements, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

(b) Exploration and evaluation expenditure

Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

3. Critical accounting estimates and judgements (continued)

(c) Share-based payment transactions

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. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 15 for further information.

4. Financial risk management

The Group's principal financial assets comprise cash and receivables. The Group's principal financial liabilities comprise trade and other payables. The Group's activities expose it to a variety of direct and indirect financial risks comprising market risk, interest rate risk, credit risk, liquidity risk and fair values.

(a) Market risk

There were no significant market risks that impacted the Group during the current and previous financial year.

(b) Interest rate risk

The Group's interest rate risk arises from cash held at call. There were no significant market risks that impacted the Group during the current and previous financial year.

(c) Credit risk

Credit risk for financial instruments arises from the potential failure by counterparties to the contract in meeting their obligations.

(i) Cash deposits

Credit risk for cash deposits is managed by holding all cash with major Australian banks.

(ii) Loans and receivables

The Group manages credit risk by regularly monitoring loans and receivable balances throughout the year. At 30 June 2021, the Group had no credit exposure as the loan balances had been reduced to \$nil (2020: nil).

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held cash on hand of \$4,199,139 (2020: \$9,164) that are expected to readily generate cash inflows for managing liquidity risk.

Management monitors rolling forecasts of the Group's liquidity reserve of cash and cash equivalents (Note 7) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Financial Statements

4. Financial risk management (continued)

(d) Liquidity risk (continued)

| Contractual maturities of financial liabilities | Less than 6 months | 6-12 months | Over 1 year to 5 years | Total contractual cash flows | Carrying Amount |
|---|--------------------|-------------|------------------------|------------------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ |
| As at 30 June 2021 | | | | | |
| Trade and other payables | 69,992 | - | - | 69,992 | 69,992 |
| Total non-derivatives | 69,992 | - | - | 69,992 | 69,992 |

| Contractual maturities of financial liabilities | Less than 6 months | 6-12 months | Over 1 year to 5 years | Total contractual cash flows | Carrying Amount |
|---|--------------------|---------------|------------------------|------------------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ |
| As at 30 June 2020 | | | | | |
| Convertible Notes | 339,360 | 78,400 | - | 417,760 | 419,135 |
| Trade and other payables | 183,695 | - | - | 183,695 | 183,695 |
| Total non-derivatives | 523,055 | 78,400 | - | 601,455 | 602,830 |

(e) Fair value measurement

No other financial assets and liabilities are measured at fair value, therefore no further disclosures have been made.

The carrying amounts of trade and other receivables and trade and other payables and borrowings are reasonable approximations of their respective fair values.

5. Segment information

| | Lonely Mine Gold Project (Zimbabwe) | Australian Head Office | Intersegment Eliminations | Consolidated |
|----------------------------------|-------------------------------------|------------------------|---------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Full-year to 30 June 2021 | | | | |
| Other income | - | 6,722 | - | 6,722 |
| Other expenses | - | (555,441) | - | (555,441) |
| Segment loss | - | (548,719) | - | (548,719) |
| Segment assets | 631,941 | 4,323,896 | (99,486) | 4,856,351 |
| Segment liabilities | 130,176 | 69,992 | (130,176) | 69,992 |

In the prior year, the Directors were of the opinion that there were no reportable segments that met the requirements of AASB 8 Segment Reporting and the financial position and performance of the Group for that period was equivalent to the operating segments identified in the statement of financial position and statement of profit or loss.

Notes to the Financial Statements

5. Segment information (continued)

Description of segments

Lonely Mine Gold Project

A gold mine project based in Zimbabwe and made up of four granted tenements.

Head Office in Perth

These are the overhead and administrative costs for the parent entity.

6. Income tax

(a) Reconciliation of income tax expense/(benefit)

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Loss before income tax | (548,719) | (294,711) |
| Prima facie income tax at 27.5% (2020: 27.5%) | (150,898) | (81,046) |
| Effect of amounts which are non-deductible/(assessable) in calculating taxable income: | | |
| Non-deductible expenses | 28,091 | 2,124 |
| Tax effect of movement in unrecognised temporary differences | (69,332) | - |
| Current year income tax benefit not recognised | 192,139 | 78,922 |
| Income tax expense/(benefit) | - | - |

(b) Tax Losses

The Group had unused revenue tax losses at 30 June 2021 of \$3,300,357 (2020: \$2,719,867) and capital tax losses \$4,729,959 (2020: \$4,729,959).

7. Cash and cash equivalents

| | 2021 \$ | 2020 \$ |
|--|------------------|--------------|
| Cash at bank and on hand | 4,199,139 | 9,164 |
| Total cash and cash equivalents | 4,199,139 | 9,164 |

8. Other current assets

| | 2021 \$ | 2020 \$ |
|-----------------------------------|---------------|---------------|
| Prepayments | 16,442 | - |
| Goods and service tax paid | 8,828 | 15,780 |
| Total other current assets | 25,270 | 15,780 |

Notes to the Financial Statements

9. Exploration and evaluation expenditure

| | 2021 \$ | 2020 \$ |
|---|----------------|------------|
| Balance at beginning of the year | - | - |
| Acquisition of Balancing Rocks Zim Pty Ltd (refer to note 10) | 530,562 | - |
| Expenditure incurred during the period | 101,380 | - |
| Total current liabilities | 631,942 | - |

10. Asset acquisition

On 29 September 2020, Ragusa Minerals Limited acquired 100% of the issued shares of Balancing Rocks Zim Pty Ltd through the issue of 8,333,333 shares at \$0.06 totalling \$500,000. Balancing Rocks Zim Pty Ltd is an unlisted private company that was incorporated in Australia. Balancing Rocks Zim Pty Ltd owns 100% of Westwood Industrial (Private) Limited T/A Lonely Mine which owns the Lonely Mine Project in Zimbabwe. As the transaction was not deemed a business acquisition, the transaction must be accounted for as an asset acquisition. When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative 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 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

The fair value of the assets acquired at the date of acquisition and share based payments are outlined as follows:

| | \$AUD |
|--|----------------|
| Purchase consideration: | |
| 8,333,333 shares issued in lieu of cash (refer to note 13 (b)) | 500,000 |
| Total purchase consideration | 500,000 |

| | Fair Value |
|--|----------------|
| Deferred exploration expenditure (refer to note 9) | 530,562 |
| Accounts payable | (30,562) |
| Net assets acquired | 500,000 |

Performance rights (Milestone Shares)

As part of the acquisition of Balancing Rocks Zim Pty Ltd, the Company granted 13,333,332 performance rights. After taking into account the probabilities of vesting criteria being met and the expected vesting date, the fair value calculated at grant date in relation to these performance rights was \$nil. At 30 June 2021, management assessed the probability of meeting the vesting conditions. No amount was taken up at 30 June 2021, as the likelihood of the Group satisfying the vesting conditions (see below) was assessed as nil.

The details of the performance rights issued during the year were:

| Series | Grant date | Expiry date | Share price at grant date \$ | Number of performance rights | Vesting date note |
|------------------|------------|-------------|------------------------------------|------------------------------------|----------------------|
| First Milestone | 29/09/2020 | 29/03/2022 | 0.056 | 6,666,666 | 1 |
| Second Milestone | 29/09/2020 | 29/09/2023 | 0.056 | 6,666,666 | 2 |

Notes to the Financial Statements

10. Asset acquisition (continued)

Vesting conditions:

- 3 Announcement by the Company of the delineation of an Inferred Mineral Resource of at least 20,000 ounces of gold at a cutoff grade of not less than 0.5 grams per tonne by not later than 18 months after completion of the purchase of Balancing Rocks Zim Pty Ltd; and
- 4 Announcement by the Company of an Inferred Mineral Resource of at least 100,000 ounces of gold at a cutoff grade of not less than 0.5 grams per tonne by not later than 36 months after completion of the purchase of Balancing Rocks Zim Pty Ltd.

11. Trade and other payables

| | 2021 \$ | 2020 \$ |
|----------------------------------|---------------|----------------|
| Current liabilities | | |
| Trade payables | 22,287 | 118,098 |
| Accruals and other payables | 47,705 | 41,397 |
| Directors Fees payable | - | 24,200 |
| Total current liabilities | 69,992 | 183,695 |

12. Convertible notes

| | 2021 \$ |
|---|------------------|
| Opening Balance 30 June 2020 | 419,135 |
| Issue of convertible notes | 139,000 |
| Interest accrued up to 30 September 2020 | 17,209 |
| | 575,344 |
| Converted to Equity (refer to note 13 (b)) | |
| Convertible notes converted to equity | (511,999) |
| Interest portion of convertible notes converted to equity | (63,345) |
| | (575,344) |
| Total | - |

Key terms of the convertible notes

The Convertible Notes issued under the Capital Raising will be convertible at \$0.06 (6 cents), expire 12 months from issue, accrue interest at 12% per annum and are only convertible if the Company:

- (a) obtaining shareholder approval for the issue of shares on conversion of the Notes and issue of Note Options (defined below); and
- (b) issuing a prospectus enabling shares upon conversion of the Notes and Note Options to be issued without restrictions on secondary trading under the Corporations Act 2001 (Cth), being the Conversion Conditions.

Each share issued upon conversion of Notes will be accompanied by one free-attaching option (Note Option) with an exercise price of \$0.09 (9 cents) and expiring 31 December 2022.

After obtaining shareholder approval at the Annual General Meeting held on 24 August 2020, the Convertible notes were converted to equity on the 29 September 2020 (refer to note 13 (b)).

Notes to the Financial Statements

12. Convertible notes (continued)

Accounting treatment

Convertible notes are accounted for as the aggregate of a liability component and an equity component.

At initial recognition, the fair value of the liability component of the convertible notes is determined using a market interest rate for an equivalent non-convertible note. The remainder of the proceeds is allocated to the conversion option as an equity component, recognised in the Statement of Changes in Equity.

Transaction costs associated with the convertible notes are allocated to the liability and equity components in proportion to the allocation of proceeds. The liability component is subsequently carried at amortised cost, calculated using effective interest rate method, until extinguished in conversion or maturity.

13. Contributed equity

(a) Issued capital

| | 2021 \$ | 2020 \$ |
|---------------------------------|-------------------|------------------|
| Ordinary shares | 12,655,624 | 7,790,192 |
| Total contributed equity | 12,655,624 | 7,790,192 |

(b) Movement in ordinary share capital

| | Note | 2021 Shares | 2021 \$ | 2020 Shares | 2020 \$ |
|--|---------|--------------------|-------------------|-------------------|------------------|
| Ordinary shares | | | | | |
| Opening balance | | 12,842,316 | 7,790,192 | 12,842,316 | 7,709,192 |
| Contributions of equity | | 83,333,333 | 5,000,000 | - | - |
| Shares issued to vendors | 10 | 8,333,333 | 500,000 | - | - |
| Shares issued on conversion of convertible | 12 | 9,589,075 | 575,344 | - | - |
| Share issue costs | 15 (ii) | - | (1,209,912) | - | - |
| Total ordinary shares | | 114,098,057 | 12,655,624 | 12,842,316 | 7,790,192 |

Terms and conditions

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital. At shareholder meetings each ordinary share is entitled to one vote in proportion to the paid up amount of share when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital risk management

The Group's capital structure consists of equity, reserves and retained earnings. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects.

There were no changes in the Group's approach to capital management during the year.

Notes to the Financial Statements

14. Accumulated losses

| | 2021 \$ | 2020 \$ |
|--|--------------------|--------------------|
| Balance at beginning of year | (8,371,239) | (8,076,528) |
| Loss attributable to owners of the Group | (548,719) | (294,711) |
| Balance at end of year | (8,919,958) | (8,371,239) |

15. Reserves

| | 2021 \$ | 2020 \$ |
|----------------------------------|------------------|--------------|
| Share based payments reserve (a) | 1,048,800 | - |
| Foreign currency reserve | 1,893 | - |
| Convertible note reserve | - | 3,161 |
| Total reserves | 1,050,693 | 3,161 |

(a) Share based payments reserve

| | 2021 \$ | 2020 \$ |
|----------------------------------|------------------|------------|
| Opening balance | - | - |
| - Broker options (ii) | 942,050 | - |
| - Employee stock options (ii) | 22,700 | - |
| - Advisor options (ii) | 79,450 | - |
| - Options subscription funds (i) | 4,600 | - |
| - Performance rights (iii) | - | - |
| Balance at end of year | 1,048,800 | - |

(i) This amount relates to the funds paid to subscribe for 46,000,000 options issued on the 29 Sept 2020.

(ii) During the year the Company granted the following options:

- On 29 September 2020, the Company issued 41,500,000 options to Brokers as part of capital raising costs. As these options relate to the equity placement, they are included in the \$1,209,912 of share issue costs – refer to note 13 (b). The fair value of the Options has been assessed as \$942,050.
- On 29 September 2020, the Company issued 1,000,000 options to directors in connection with the offer, the fair value arising from the issue of options have been recorded as share based payments. The fair value of the options has been assessed as \$22,700.
- On 29 September 2020, the Company issued 3,500,000 options to third-party advisors in connection with the offer, the fair value arising from the issue of options has been recorded as share based payments. The fair value of the options has been assessed as \$79,450.
- On 29 September 2020, the Company issued 9,589,075 options to note holders upon conversion of the convertible note. The value of these options were deemed to be included in the value of the convertible notes and thus have not been given their own values.

Notes to the Financial Statements

15. Reserves (continued)

(iii) As part of the acquisition of Balancing Rocks Zim Pty Ltd, the Company granted 13,333,332 performance rights. After taking into account the probabilities of vesting criteria being met and the expected vesting date, the fair value calculated at grant date in relation to these performance rights was \$nil. At 30 June 2021, the value was reassessed, with no amendment to the fair value required. At 30 June 2021, the value of these performance rights is \$nil. Refer to Note 10 for further details.

Set out below is a summary of the movements in options on issue during the year:

| Series | Grant date | Expiry date | Exercise price \$ | Balance at the start of the year | Granted | Exercised | Expired/forfeited | Balance at the end of the year |
|------------|------------|-------------|-------------------|----------------------------------|------------|-----------|-------------------|--------------------------------|
| Broker | 29/09/2020 | 31/12/2022 | 0.12 | - | 41,500,000 | - | - | 41,500,000 |
| Director | 29/09/2020 | 31/12/2022 | 0.12 | - | 1,000,000 | - | - | 1,000,000 |
| Advisor | 29/09/2020 | 31/12/2022 | 0.12 | - | 3,500,000 | - | - | 3,500,000 |
| Noteholder | 29/09/2020 | 31/12/2022 | 0.09 | - | 9,589,075 | - | - | 9,589,079 |
| | | | | - | 55,589,075 | - | - | 55,589,075 |

For the options issued during the financial year a standard binomial pricing model was used with the valuation model inputs used to determining the fair value at the grant date as follows:

| Grant date | Expiry date | Share price at grant date \$ | Exercise price \$ | Expected Volatility | Risk free rate | Dividend Yield | Number of options | Value per option \$ | Total Value \$ |
|------------|-------------|------------------------------|-------------------|---------------------|----------------|----------------|-------------------|---------------------|----------------|
| 29/09/2020 | 31/12/2022 | 0.056 | 0.12 | 100% | 0.28% | - | 41,500,000 | 0.023 | 942,050 |
| 29/09/2020 | 31/12/2022 | 0.056 | 0.12 | 100% | 0.28% | - | 1,000,000 | 0.023 | 22,700 |
| 29/09/2020 | 31/12/2022 | 0.056 | 0.12 | 100% | 0.28% | - | 3,500,000 | 0.023 | 79,450 |

16. Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its network firm and non-related audit firms:

| | 2021 \$ | 2020 \$ |
|---|---------------|---------------|
| Auditors Remuneration | | |
| <i>Audit and other assurance services</i> | | |
| Audit and review of financial statements | 21,500 | 25,724 |
| <i>Taxation Services</i> | | |
| Taxation compliance services | - | 3,500 |
| Total remuneration of audit firms | 21,500 | 29,224 |

Notes to the Financial Statements

17. Related party disclosure

Key management personnel compensation

Information regarding individual directors' remuneration and shares held in the Group as required under the *Corporations Act 2001* is provided in the Remuneration report of this annual report.

Other than as disclosed in this note, no Director has entered a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

| | 2021 \$ | 2020 \$ |
|------------------------------|----------------|------------|
| Short-term employee benefits | 114,000 | 36,000 |
| Share based benefits | 22,700 | - |
| | 136,700 | 36,000 |

Other transactions with key management personnel and their related parties

During the year, the Company entered into an agreement with Consilium Corporate Pty Ltd, of which Melanie Ross is a director, for the provision of CFO and Corporate Secretarial services. During the year Consilium Corporate Pty Ltd invoiced the Company \$27,192 for CFO and Corporate Secretarial Fees (2020: nil). As at 30 June 2021, there were no amounts owing to Consilium Corporate Pty Ltd.

18. Contingent assets and liabilities

Other than the matter disclosed in Note 25 Legal update, there were no contingent assets or contingent liabilities at 30 June 2021 (30 June 2020: nil).

19. Commitments

There were no commitments at 30 June 2021 (2020: nil).

20. Reconciliation of loss after income tax to net cash flow from operating activities

| | 2021 \$ | 2020 \$ |
|---|------------------|------------|
| Loss from ordinary activities after income tax | (548,719) | (294,711) |
| <i>Add:</i> | | |
| Non-cash interest expense on convertible notes | 14,049 | 35,175 |
| Share based payments | 102,150 | - |
| <i>Changes in assets and liabilities:</i> | | |
| Increase in trade and other receivables | (18,868) | (2,108) |
| Increase/(decrease) in trade and other payables | (118,114) | 69,993 |
| Net cash flows used in operating activities | (569,502) | (191,651) |

Notes to the Financial Statements

21. Earnings per share

| | 2021 Cents per share | 2021 \$ | 2020 Cents per Share | 2020 \$ |
|--|----------------------------|------------|----------------------------|------------|
| Basic earnings per share attributable to the ordinary equity holders of the Group: | (0.62) | (548,719) | (2.29) | (294,711) |
| Total diluted earnings per share attributable to the ordinary equity holders of the Group: | (0.62) | (548,719) | (2.29) | (294,711) |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | | 88,853,475 | | 12,842,316 |

22. Parent entity financial information

(a) Summary financial information

The individual financial information statements for the parent entity show the following aggregate amounts:

| | 2021 \$ | 2020 \$ |
|--|------------------|------------------|
| Financial Position | | |
| Current assets | 4,224,409 | 24,944 |
| Non current assets | 630,049 | - |
| Total assets | 4,854,458 | 24,944 |
| Current liabilities | 69,992 | 602,830 |
| Total liabilities | 69,992 | 602,830 |
| Shareholders' equity | | |
| Share capital | 12,655,624 | 7,790,192 |
| Reserves | 1,048,800 | 3,161 |
| Accumulated losses | (8,919,958) | (8,371,239) |
| Total equity | 4,784,466 | (577,886) |
| Profit or loss and other comprehensive income | | |
| Loss for the year | (548,719) | (294,711) |
| Total comprehensive income for the year | (548,719) | (294,711) |

Notes to the Financial Statements

23. Group entities

The ultimate controlling party of the Group is Ragusa Minerals Ltd, incorporated in Australia.

| Subsidiary | Country of incorporation | Ownership interest | |
|--|--------------------------|--------------------|-----------|
| | | 2021 % | 2020 % |
| Fortitude Capital Pty Ltd ¹ | Australia | - | 100 |
| Balancing Rocks Zim Pty Ltd | Australia | 100 | - |
| Westwood Industrial (Private) Limited ² | Zimbabwe | 100 | - |

¹ Fortitude became dormant during the 2016 financial year and was deregistered on 7 September 2020.

² Westwood Industrial (Private) Limited is owned 100% by Balancing Rocks Zim Pty Ltd.

24. Matters subsequent to the end of the financial year

Subsequent to the end of the financial year:

- On 5 July 2021 the Company announced that it had entered into a binding Heads of Agreement (HOA) with Iridium Resources Pty Ltd to acquire 100% of Stradun Australia Pty Ltd, which owns the Monte Cristo Gold Project in Alaska. On that same date, the Company also announced that it had entered into a binding HOA with Carlo Puca to acquire the Burracoppin Halloysite Project in Western Australia. These binding HOA's were subject to standard conditions, including as requested by the ASX, obtaining shareholder approval for each project acquisition, and conduct a capital raising of \$400,000 (before costs) to fund initial exploration activities at both projects.
- On 6 July 2021 the Company announced the appointment of Melanie Ross as a non-executive director and the resignation of Michael Melamed as a non-executive director.
- On 25 August 2021 the Company raised \$400,000 via the issue of 6,523,078 ordinary shares as requested by the ASX as part of the acquisition of Stradun Australia Pty Ltd and the Burracoppin Halloysite Project as announced on 5 July 2021. The Company also issued 369,231 ordinary shares to the lead manager of the above placement for their services.
- On 25 August 2021 the Company issued 2,000,000 unlisted options with an exercise price of \$0.12 and expiring three years from issue.
- On 8 September 2021 the Company announced it had issued 6,884,615 shares as part consideration of the acquisition of Stradun Australia Pty Ltd and the Burracoppin Halloysite Project as announced on 5 July 2021.
- On 8 September 2021 the Company announced it had issued the following:
 - 2,000,000 unlisted options with an exercise price of \$0.12 and expiring two years from issue
 - 2,000,000 unlisted options with an exercise price of \$0.16 and expiring three years from issue
 - 1,000,000 unlisted options with an exercise price of \$0.16 and expiring five years from issue.
- The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Besides the details provided above, there are no matters or circumstance that have arisen since 30 June 2021 that have significantly affected, or may significantly affect:

- (i) the operations of the Group in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Group in future financial years.

25. Legal update

As noted in the Company's prospectus dated 3 August 2020 ("Re-Compliance Prospectus"), the Company has historically received a demand from a third-party claiming entitlements to alleged profits from past business operations (refer ASX releases 17 May 2017, 1 June 2017 and 19 December 2017). As disclosed in the Re-Compliance Prospectus, the approximate quantum of the demand (excluding costs and any interest) was \$400,000. This Company has recently received a writ issued in the Supreme Court of Victoria issued by Aurora Funds Management Limited relating to the subject matter disclosed in the Re-Compliance Prospectus ("Claim"). The Claim also identifies a past director as a co-defendant. The Company is seeking advice in relation to the Claim however its position, as stated in its Re-Compliance Prospectus, is unchanged. The Company denies any liability in respect of the Claim and intends to lodge a fulsome defence, updates will be provided in due course.

The Company also understands that claims have been alleged and/or pursued against former directors of the Company in relation to the alleged misappropriation of funds of approximately \$700,000. No demands have been made against the Company in respect of this matter.

Directors' Declaration

The directors of the Group declare that:

- (a) 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;
- (b) In the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 2(a) to the financial statements; and
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

This declaration is made in accordance with a resolution of the directors of Ragusa Mineral Limited.



Jerko Zuvela
Non-Executive Chairperson
28 September 2021

Criterion Audit Pty Ltd

ABN 85 165 181 822

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Suite 2, 642 Newcastle Street
LEEDERVILLE WA 6007

Phone: 9466 9009

Independent Auditor's Report

To the Members of Ragusa Minerals Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Ragusa Minerals Ltd ("the Company") and its controlled entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of Ragusa Minerals Ltd is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its financial performance for the year then ended; 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

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>Accounting for an Asset Acquisition (Refer to Note 10)</p> <p>As disclosed in the financial report, during the year the Company acquired Balancing Rocks Zim Pty Ltd (unlisted entity incorporated in Australia). The accounting for the acquisition is a key audit matter due to the effect of the arrangement which is accounted for as an Asset Acquisition. Furthermore, there is significant judgment involved in the determination of the value of the purchase consideration settled by the issue of shares and performance rights (milestone shares).</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Reading the terms and conditions of the sale and purchase agreement and checking whether the transaction constituted a business combination or an asset acquisition. • Assessing management’s accounting treatment in accordance with applicable accounting standards. • Assessing the fair value of consideration by checking the underlying assumptions used in the valuation against comparable transactions and market information. • Considering whether any fair values or adjustments to fair values have been dealt with in accordance with generally accepted accounting principles. • Assessing the appropriateness of the acquisition journals at acquisition date. • Assessing the completeness and adequacy of the related disclosures in the financial report. |
| <p>Exploration and Evaluation Expenditure – \$631,942 (Refer to Note 9)</p> <p>Exploration and evaluation is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the balance to the Company’s financial position. • The level of judgement required in evaluating management’s application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. AASB 6 is an industry specific accounting | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Assessing management’s determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Company holds an interest and the exploration programmes planned for those tenements. • For each area of interest, we assessed the Company’s rights to tenure by corroborating to government registries and |

standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset.

- The assessment of impairment of exploration and evaluation expenditure being inherently difficult.

Share-based payments (Refer to Note 15)

Share-based payments is a key audit matter due to:

evaluating agreements in place with other parties as applicable;

- We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Company's accounting policy and the requirements of AASB 6;
- We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest.
- We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure:
 - the licenses for the right to explore expiring in the near future or are not expected to be renewed;
 - substantive expenditure for further exploration in the specific area is neither budgeted or planned
 - decision or intent by the Company to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and
 - data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.
- We assessed the completeness and adequacy of the related disclosures in the financial report.

Our procedures included, amongst others:

- Verifying the key terms and conditions of the equity settled share based payments

- | | |
|---|--|
| <ul style="list-style-type: none"> • The significance of the balance to the Company's financial performance and position. • The level of judgement required in evaluating management's application of the requirements of AASB 2 <i>Share-based Payment</i> which requires the application of significant judgements and estimates. | <p>including number of equity instruments granted, exercise price and vesting conditions to the relevant agreements and award letters.</p> <ul style="list-style-type: none"> • Assessing the fair value calculation of options granted by checking the accuracy of the inputs to the option pricing model adopted for that purpose. • Testing the accuracy of the amortisation of share-based payments over the vesting period and the recording of an expense in the statement of profit or loss and an increment to the share based payment reserve. • We assessed the appropriateness of the related disclosures in the financial statements. |
|---|--|

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, 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 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 Company 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 Company or to cease operations, or has 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.

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 Company'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 Company'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 Company 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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Ragusa Minerals Ltd, for the year ended 30 June 2021, 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 s 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.

A handwritten signature in blue ink that reads "Criterion Audit".

CRITERION AUDIT PTY LTD

A handwritten signature in blue ink that reads "Chris Watts".

CHRIS WATTS CA
Director

DATED at PERTH this 28th day of September 2021

Shareholder Information

The shareholder information set out below was applicable as at 22nd September 2021.

Distribution of Holdings

| Range | Shares | % of issued shares | Total holders |
|-------------------|--------------------|--------------------|---------------|
| 100,001 and Over | 101,934,902 | 86.30% | 195 |
| 10,001 to 100,000 | 15,110,755 | 12.79% | 354 |
| 5,001 to 10,000 | 749,464 | 0.63% | 98 |
| 1,001 to 5,000 | 295,033 | 0.25% | 160 |
| 1 to 1,000 | 26,508 | 0.02% | 45 |
| Total | 118,116,662 | 100.00 | 852 |

A marketable parcel is defined by the Market Rule Procedures of the ASX as a parcel of securities with a value of not less than \$500.

217 holders hold an unmarketable parcel, holding a total of 388,628 shares, amounting to 0.33% of Issued Capital.

Largest Shareholders

The names of the 20 largest holders of ordinary units as at 22nd September 2021 are listed below:

| Unitholder | Number held | % of Issued shares |
|--|-------------------|--------------------|
| MR WILLI RUDIN | 5,100,000 | 4.32% |
| JHB SUPER INVESTMENTS PTY LTD <THE JHB SUPER FUND A/C> | 3,417,500 | 2.89% |
| DC & PC HOLDINGS PTY LTD <DC & PC NEESHAM SUPER A/C> | 3,400,000 | 2.88% |
| MS CHUNYAN NIU | 3,347,034 | 2.83% |
| MRS JESSICA LEE PUCA | 3,310,256 | 2.80% |
| WESTERN OAK NOMINEES PTY LTD | 3,307,692 | 2.80% |
| S3 CONSORTIUM PTY LTD | 3,000,000 | 2.54% |
| EMANDEL SUPER PTY LTD <BUSFY SUPER FUND A/C> | 2,697,494 | 2.28% |
| MR ARYE LEON SHAPIRO | 2,650,000 | 2.24% |
| BT PORTFOLIO SERVICES LIMITED <WARRELL HOLDINGS S/F A/C> | 2,568,334 | 2.17% |
| MR PAVLE TOMASEVIC | 2,550,000 | 2.16% |
| SJ CAPITAL PTY LTD | 2,173,698 | 1.84% |
| ROMFAL SIFAT PTY LTD <THE FIZMAIL FAMILY A/C> | 1,500,000 | 1.27% |
| BENEFICO PTY LTD | 1,350,000 | 1.14% |
| RIMOYNE PTY LTD | 1,113,677 | 0.94% |
| AYERS PTY LTD <HITA INVESTMENT A/C> | 1,100,000 | 0.93% |
| KOBALA INVESTMENTS PTY LTD <FERNANDO EDWARD FAMILY A/C> | 1,000,000 | 0.85% |
| DR BORIS ERKES | 1,000,000 | 0.85% |
| MR LAURIE TRETTEL <L TRETTEL FAMILY A/C> | 1,000,000 | 0.85% |
| OCEAN MIST PTY LTD <WATERFORD SUPER FUND A/C> | 1,000,000 | 0.85% |
| OSF NOMINEES PTY LTD <FREDERICKSON SUPER FUND A/C> | 1,000,000 | 0.85% |
| Total | 47,585,685 | 40.29% |

Shareholder Information

Unquoted Securities and Restricted Securities

Escrowed Vendor & Note Holder Shares

Holders with More Than 20%

| | Number held | % of Issued shares |
|--------------------|-------------|--------------------|
| JERKO PETER ZUVELA | 2,083,332 | 22.19 |

Escrowed - Milestone Shares

Holders with More Than 20%

| | Number held | % of Issued shares |
|--------------------|-------------|--------------------|
| JERKO PETER ZUVELA | 3,333,334 | 25.00 |
| KIKCETO PTY LTD | 2,666,666 | 20.00 |

Escrowed Unlisted Note Holder Options \$0.09c – 31 Dec 2022

Holders with More Than 20%

| | Number held | % of Issued shares |
|----------------------|-------------|--------------------|
| AZMAN AARON BIN OMAR | 2,170,264 | 22.63 |

Escrowed Unlisted Options \$0.12c - 31 Dec 2022

Holders with More Than 20%

| | Number held | % of Issued shares |
|------------------------------|-------------|--------------------|
| BLUE OLIVE FUND | 10,000,000 | 22.22 |
| THE 5TH ELEMENT MCTN PTY LTD | 9,000,000 | 20.00 |

Escrowed Unlisted Incentive Options \$0.12c -31 Dec 2022

Holders with More Than 20%

| | Number held | % of Issued shares |
|--------------------------------------|-------------|--------------------|
| OLAF SVEN FREDERICKSON | 500,000 | 50.00 |
| INVESTMENT ADVISERS ALLIANCE PTY LTD | 500,000 | 50.00 |

Escrowed Unlisted Options \$0.12c – 8 Sept 2023

Holders with More Than 20%

| | Number held | % of Issued shares |
|------------------------|-------------|--------------------|
| JERKO PETER ZUVELA | 975,000 | 48.75 |
| OLAF SVEN FREDERICKSON | 775,000 | 38.75 |

Shareholder Information

Escrowed Unlisted Options \$0.12c – 25 Aug 2024

Holdings with More Than 20%

| | Number held | % of Issued shares |
|--|-------------|--------------------|
| VERT CAPITAL PTY LTD | 450,000 | 22.50 |
| MR PAVLE TOMASEVIC | 450,000 | 22.50 |
| MR LAURIE TRETTEL <L TRETTEL FAMILY A/C> | 450,000 | 22.50 |
| THE 5TH ELEMENT MCTN PTY LTD | 450,000 | 22.50 |

Escrowed Unlisted Options \$0.16c – 8 Sept 2024

Holdings with More Than 20%

| | Number held | % of Issued shares |
|------------------------------|-------------|--------------------|
| JESSICA LEE PUCA | 1,000,000 | 50.00 |
| WESTERN OAK NOMINEES PTY LTD | 1,000,000 | 50.00 |

Escrowed Unlisted Options \$0.16c – 8 Sept 2026

Holdings with More Than 20%

| | Number held | % of Issued shares |
|------------------------------|-------------|--------------------|
| WESTERN OAK NOMINEES PTY LTD | 1,000,000 | 100.00 |

Corporate Directory

| | |
|------------------------------------|---|
| Directors of Company | Jerko Zuvela Olaf Frederickson Melanie Ross |
| Company Secretary | Melanie Ross |
| Registered Office | Level 2 22 Mount Street Perth, WA 6000 |
| Share Registry | Automic Registry Services Level 2 267 St Georges Terrace Perth, WA 6000 |
| Auditor | Criterion Audit Pty Ltd Suite 2, 642 Newcastle Street Leederville, WA 6902 |
| Taxation Advisor | BDO East Coast Partnership Collins Square, Tower Four Level 18, 727 Collins Street Melbourne, VIC 3008 |
| Solicitors | QR Lawyers Level 6 400 Collins Street Melbourne, VIC 3000 |
| Securities Exchange Listing | Australian Securities Exchange (ASX) ASX Code: RAS |