

**CYCLONE METALS LIMITED  
(FORMERLY CAPE LAMBERT RESOURCES LIMITED)**

**ABN 71 095 047 920**

**AND ITS CONTROLLED ENTITIES**

Annual Report  
For the Year Ended  
30 June 2021



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**Directors**

Mr Terry Donnelly – Non-Executive Chairman  
(Appointed 4 August 2020)  
Mr Tony Sage - Executive Director  
Mr Tim Turner - Non-Executive Director  
Mr Will Scott – Non-Executive Director (Appointed 1  
September 2021)

**Company Secretary**

Ms Melissa Chapman

**Stock Exchange Listing**

Australian Securities Exchange  
ASX code: CLE  
Frankfurt Stock Exchange  
FRA: HM5

**Website**

[www.cyclonemetals.com](http://www.cyclonemetals.com)

**Country of Incorporation**

Australia

**Registered Address**

32 Harrogate Street  
West Leederville, WA 6007  
Australia  
Tel: +61 8 9380 9555

**Bankers**

National Australia Bank  
  
100 St George's Terrace  
Perth, WA 6000

**Auditors**

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco, WA 6008  
Tel: +61 8 6382,4600  
Fax: +61 8 6382 4601

**Share Registry**

Computershare Investor Services Pty Limited  
Level 11, 172 St Georges Terrace  
Perth WA 6000  
AUSTRALIA  
Tel: 1300 555 159 (Australia)  
+61 3 9415 4000 (Overseas)

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### Wee MacGregor Project

Mining International Pty Ltd (**Mining International**) is a fully owned subsidiary of Cyclone. The Company holds tenure to 4 mining leases at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland (refer **Figure 1**) which were first acquired in November 2015. The total granted land package covers an area of approximately 5.3km<sup>2</sup>.

The tenements are located within the Eastern Fold Belt of the Mt Isa inlier. The tenements are located in the Mary Kathleen Zone/Wonga Subprovince. This area is prospective for a variety of deposit types, most notably structurally controlled epigenetic copper and gold deposits. Cohiba Minerals Limited (Cohiba), through wholly owned subsidiary Cobalt X Pty Ltd, has earned an 80% interest in mining licences ML 2504, ML 2773 and ML 90098 under a Farm-in agreement with Cyclone Metals. The Company retains a 20% interest in the mining licences and a pre-emptive right over the remaining 80%.

The Lady Ethleen tenement (ML 2771) has been 100% retained by Cyclone Metals (**Lady Ethleen**).

The Lady Ethleen tenement is currently being utilised for a trial mining and processing exercise using a newly developed green leach process known as GlyLeach™ (refer ASX announcement 4 October 2020). A successful trial will mean a significant shift in future processing technology and will in turn facilitate possible development of the part owned, nearby Wee Macgregor Project as well as many other potential small assets in the district, that may be economic with access to appropriate processing technology.

The process to be used, known as tilted GlyLeach™, was originally developed and patented by Curtin University and is being commercialised globally by Perth based Mining and Process Solutions (**MPS**).

The GlyLeach™ process involves the use of Glycine as a lixiviant under alkaline conditions. This process has a number of significant benefits over traditional acid leaching including its environmentally friendly state which is non-toxic to humans and wildlife, the ability to selectively leach valuable metals whilst leaving gangue minerals such as iron, manganese, silicates and carbonates in the leach residue, the ability to leach ores of different oxidation states (depending on process type, temperature, residence time, particle size, etc) and all the while being recyclable as the glycine is not chemically consumed in the overall process.

Results are expected to demonstrate the best process to use for material types found in the Mount Isa / Cloncurry district. A positive project outcome could unlock the possibility for development of Lady Ethleen and a centralised processing hub in the district.

Within a 10 km radius of Lady Ethleen, there are numerous stranded projects that may all be suitable candidates to supply feed to a future operation including Lady Jenny (1 km), Wee MacGregor (3 km), Rosebud (10 km) and Inkerman (7.5 km) as well as several more in the wider district.

During the year drilling at the Lady Ethleen project was completed (refer ASX announcement 6 April 2021). Approximately 330kg of material was collected from each of the three test zones to facilitate testing of oxide, transitional and sulphide material across the three leaching environments of static (heap leach simulation), semi static and active (continuous leach simulation) leaching.

Subsequent to the year end on 24 August 2021, the Company announced positive initial results from the metallurgical testwork on samples from Lady Ethleen. The test work involved initial leach tests on all three sample types using acid only to simulate conventional leaching methods and provide reference results to enable comparison of subsequent alkaline leaching technology.

Acid only results for as received sample (P80 ~ 2mm) using ~80 kg per tonne of acid demonstrated copper recoveries of 85% for oxide, 49.6% for transitional and 44.1% for sulphide. After curing the as received (P80 ~ 2mm) samples in dilute acid (10kg per tonne) and leaching with GlyLeach™ using resin (for extraction) followed by a hot wash with water, copper recoveries were found to increase to 92.9% for oxide, 65.2% for transitional and 64.9% for sulphide. These numbers are expected to increase further if the sample is ground prior to processing up to possible recoveries of ~85% for sulphide. This process allows for very minimal acid usage which is entirely consumed followed by use of the

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

recoverable GlyLeach™ lixiviant leading to potentially reduced costs and a significantly more environmentally friendly process.

Based on the success of these results, stage 2 of the testwork has been approved and is now underway.

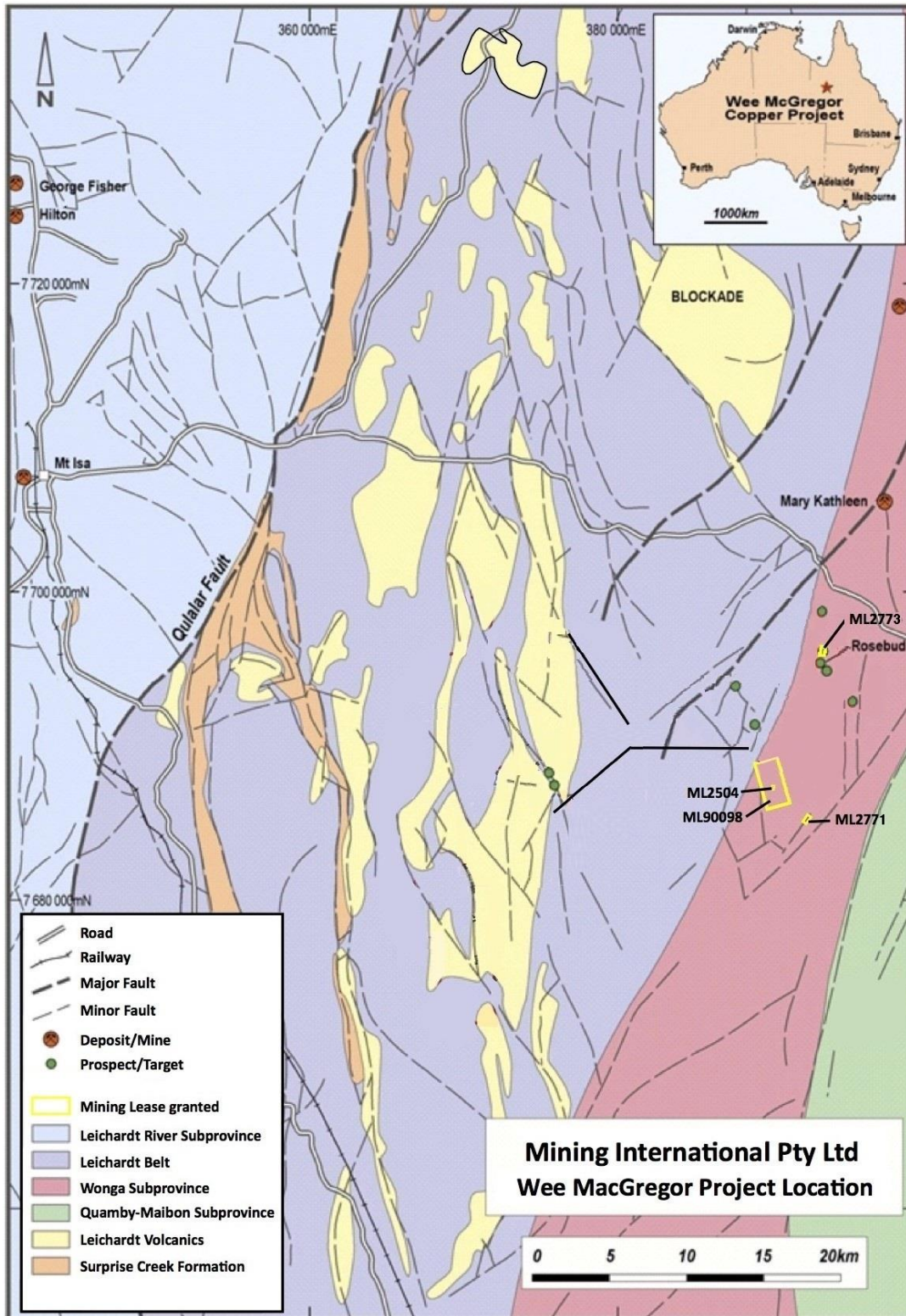


Figure 1: Wee MacGregor Project Location

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## Yalardy

On 11 September 2020, the Company announced that it has lodged applications for two tenements in the Carnarvon basin of WA.

The tenement applications (E 09/2441 and E 09/2442) cover a combined 297 graticular blocks or a total of 914.5 square kilometers starting approximately 33km east of the Overlander roadhouse near the turnoff to Shark Bay (refer figure 2).

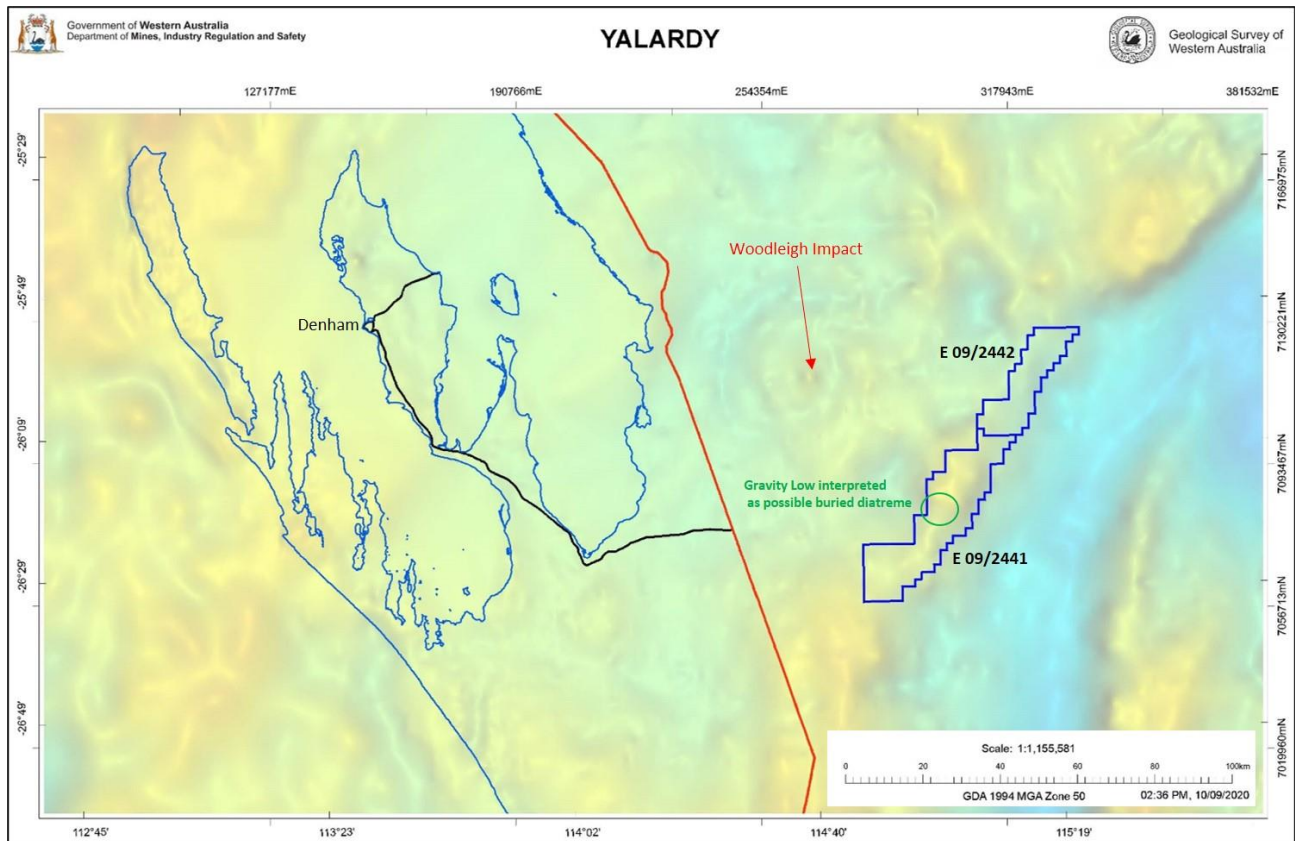


Figure 2 – Yalardy Project Location

Recent geochemical sampling over the areas known as “Dogger” and “Sebastian” have identified two rare earth element (REE) anomalies coincident with identified geophysical anomalies that indicate potential for the existence of a buried diatreme beneath the geologically recent sedimentary cover sequences (refer ASX announcement 11 September 2020).

The southern gravity anomaly, Sebastian, presents as a deep gravity low with a coincident void in the TMI magnetics. The density depression and coincident magnetic low can be interpreted as a possible buried diatreme structure with similar dimensions to the Mt Weld REE deposit in the north-eastern goldfields of WA. This presents an opportunity for a new REE discovery as the structural environment and geophysical indications may suggest a potential carbonatite source similar to that found at Mt Weld.

The presence of a buried diatreme may also be a potential host to several different mineralisation possibilities.

Both applications were granted during the year. The Company is planning for initial fieldwork to progress exploration at the project.

### Marampa Project

In October 2014, Marampa Iron Ore (SL) Limited (**Marampa SL**), a wholly owned subsidiary of the Company, was granted the mining and environmental licences for ML05/2014 (**Mining Licence**). The Company has spent approximately US\$62.7 million on exploration and development to date on the Marampa Project.

In order to protect its interest in the Project, by letter to the Sierra Leone Ministry of Mines (**MoM**) in September 2014, Marampa SL forewarned MoM that the ebola virus outbreak and subsequent reduction in iron ore price might adversely affect Marampa SL's ability to meet its obligations under the Mining Licence. The letter was duly acknowledged and approved by MoM and it was agreed that the letter would constitute an addendum to, and form part of, the final terms of the Mining Licence to be granted.

In September 2018, Marampa SL received a letter from MoM cancelling the Mining Licence due to its failure to pay annual statutory licence fees for the Mining Licence.

The Company contends that the claimed default fell within the scope of the force majeure circumstances foreseen and outlined in its letter from September 2018. The Company understood that no fees would accrue or be payable whilst the force majeure events were subsisting.

In October 2018, Marampa SL commenced legal action in Sierra Leone to challenge MoM's decision to cancel the Mining Licence, however, the Board has since agreed to place legal action on hold while it continues to liaise with representatives of MoM with respect to the reinstatement of the Mining Licence.

The Company does not currently have tenure over ML05/2014. Whilst no formal application has been made to date, the Company has been engaged in ongoing dialogue with the relevant Sierra Leonean authorities in an attempt to have the Mining Licence reinstated or reissued by mutual agreement.

Dialogue has been restricted significantly during the past 12 months by the impacts of COVID-19 on travel and government operations. During the first quarter of 2021, management continued to actively engage with all relevant stakeholders at the Sierra Leone government discussing a fast-track process for reissuance of the Mining Licence.

In January 2021, a meeting was held with the Company and public officials from Sierra Leone at the Minister of Mines office in Freetown (the capital of Sierra Leone) to discuss and propose an investment case for the Marampa Project, supported by the attractive iron ore market price. It was agreed that the Company would lodge a detailed proposal in writing, which the Company submitted on 14 January 2021.

In February 2021, the Company launched an in-country nationwide media campaign to generate public awareness of the commitment by the Company to develop the Marampa Project.

Whilst there can be no guarantee that the MoM will agree to reinstate or reissue the Mining Licence, the Sierra Leone Government have shown a willingness to engage with the Company to resolve the tenure dispute. If Marampa SL were to successfully recover the Mining Licence, the Board is committed to working with the relevant parties to secure access to the necessary plant and equipment and infrastructure to enable the ramp up of the Marampa Project.

Until the Mining Licence is reinstated, the Company will continue to (as it has done since 2017) spend approximately \$72,000 per quarter in-country on the Marampa Project. This is used primarily to secure the core and other samples generated during the life of the project, and progress the steps required to ensure that the Marampa Project can proceed without delay to production once tenure is resolved.

In addition, it is noted that EL46A/2011 (formally part of the Marampa Project) has expired and the Company holds no interest in this licence.

The Company is currently committing minimum expenditure on the Marampa Project and no exploration activities are currently underway at the Marampa Project.

**Kukuna Project**

The Kukuna Project (**Kukuna**) is located 120 km northeast of Freetown in the northwest of Sierra Leone and comprises one exploration licence covering 68km<sup>2</sup> (refer Figure 2). The licence area is located approximately 70km due north of Marampa.

The Kukuna Project remains under care and maintenance.

**Competent Persons Statement**

*The contents of this Report relating to Exploration Results are based on information compiled by Olaf Frederickson, a Member of the Australasian Institute of Mining and Metallurgy. Mr Frederickson is a consultant to Cyclone and has sufficient experience relevant to the style of mineralisation and the deposit under consideration and to the activity he is undertaking 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 Frederickson consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.*

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**DIRECTORS' REPORT**

Your Directors submit the financial report of Cyclone Metals Limited (**Cyclone** or the **Company**) and its controlled entities (collectively referred to as the **Group**) for the year ended 30 June 2021.

**DIRECTORS**

In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

Tony Sage  
 Tim Turner  
 Mark Hancock (resigned 4 August 2020)  
 Terry Donnelly (appointed 4 August 2020)  
 Will Scott (appointed 1 September 2021)

<b>Mr Terry Donnelly</b>	<b>Non-Executive Chairman</b> , Remuneration Committee member	
Qualifications	Diploma of Business Administration and Management	
Experience	Mr Donnelly began his career in the banking industry, subsequently becoming a management consultant, specialising in export marketing in Europe, the Middle East, Africa and Japan. During the mid-1990s he became involved in the field of finance and investment, focusing on the mining of precious metals in Australia, Africa, and Europe. Mr Donnelly continues to work as a successful private equity fundraiser & venture capitalist. Mr Donnelly is currently based in Perth, Western Australia. He obtained a Diploma of Business Administration and Management from the Alexander Hamilton Institute of New York.	
Directorships of listed companies held within the last three years	None	
Interest in Shares & Options at the date of this report	Fully Paid Ordinary Shares	20,000,000
<b>Tony Sage</b>	<b>Executive Director</b>	
Qualifications	B.Com, FCPA, CA, FTIA	
Experience	Mr Sage has more than 35 years' experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining and exploration companies for the last 22 years.	
	Mr Sage is also the sole owner of A League football club Perth Glory that plays in the National competition in Australia.	
Directorships of listed companies held within the last three years	Cauldron Energy Limited Fe Limited International Petroleum Limited <sup>1</sup> European Lithium Limited <sup>1</sup> Company deregistered on 21 June 2020	June 2009 to November 2018 August 2009 to Present January 2006 to June 2020 September 2016 to Present
Interest in Shares & Options at the date of this report	Fully Paid Ordinary Shares	312,514,763

## DIRECTORS' REPORT

<b>Tim Turner</b>	<b>Non-Executive Director, Chairman of Remuneration Committee</b>	
Qualifications	B.Bus, FCPA, FTIA, Registered Company Auditor	
Experience	<p>Timothy Turner is the senior partner of accounting and advisory Firm, HTG Partners. Mr Turner heads the audit and assurance division and is responsible for the issue of audit opinions for self-managed superannuation funds through to full reporting entities. He also has more than 30 years' experience in business development, structuring and general business consultancy.</p> <p>Timothy has a Bachelor of Business (Accounting), is a Registered Company, SMSF and Organisation Auditor, is a Fellow of CPA Australia and a Fellow of the Tax Institute of Australia.</p> <p>With over 15 years' experience on listed company boards and 30 years' experience in the Australian accounting, taxation and business fields, Mr Turner brings a wealth of experience and knowledge in corporate compliance, governance and corporate manoeuvring</p>	
Directorships of listed companies held within the last three years	International Petroleum Limited <sup>1</sup> Petronor E&P <sup>2</sup> <sup>1</sup> Company deregistered on 21 June 2020 <sup>2</sup> Company delisted from the National Stock Exchange of Australia December 2015 to list on the Oslo Stock Exchange, previously named African Petroleum Ltd	January 2006 to June 2020 November 2007 to February 2020
Interest in Shares & Options at the date of this report	Fully Paid Ordinary Shares	25,723,000
<b>Will Scott</b>	<b>Non-Executive Director, Remuneration Committee member</b>	
Qualifications	-	
Experience	<p>Mr William Scott spent 39 years as the owner/manager of pastoral properties in the Murchison Region of Western Australia where he successfully integrated prospecting and earth moving into his business model, as the owner and executive director of Wyn Contracting Pty Ltd.</p> <p>In 2012 Mr Scott relocated and integrated the earth moving component of his business to Karratha assuming the role of Operations Manager at Nickol River Fill Pty Ltd, establishing a successful sand and rock quarry. In 2016 Mr Scott focussed his attention to small scale mining and prospecting, with joint venture partnerships in the Karratha area of the West Pilbara. He has successfully explored and identified primary resource ore bodies as well as recovering substantial quantities of gold in alluvial/eluvial style, in both gold nugget and gold specimen form.</p> <p>Mr Scott has undertaken extensive mapping of gold discovery locations, with the use of technologies such as Sub Audio Magnetics (SAM), which has identified primary gold ore bodies in the West Pilbara.</p>	
Directorships of listed companies held within the last three years	None	

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## DIRECTORS' REPORT

Interest in Shares & Options at the date of this report	Fully Paid Ordinary Shares	3,734,889
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**COMPANY SECRETARY**

Ms Chapman is a certified practising accountant with over 16 years of experience in the mining industry. She has worked extensively in Australia and the United Kingdom. Ms Chapman has a Bachelor of Accounting from Murdoch University and has been a member of CPA Australia since 2000. Melissa has completed a Graduate Diploma of Corporate Governance with the Governance Institute of Australia, and the company directors course with the Australian Institute of Company Directors. Ms Chapman is a director of Bellatrix Corporate Pty Ltd (**Bellatrix**), a company that provides company secretarial and accounting services to several ASX Listed companies.

**DIVIDEND AND RETURN OF CAPITAL**

No dividend was declared or paid during the current or prior year.

**REVIEW OF RESULTS AND OPERATIONS****Principal Activity**

The principal activity of the **Group** during the year was mineral investment, exploration and evaluation.

There were no significant changes in the nature of the principal activity during the year.

**Review of Operations**

A summary of the most significant transactions during the year ended 30 June 2021 is set out below:

*Trading Suspension*

On 16 October 2020, the Company's securities were suspended from official quotation on the basis that ASX had determined CLE's operations are not adequate to warrant the continued quotation of securities and compliance with LR 12.1.

The Company continually engaged with the ASX during this period and on 15 June 2021 announced how it would pave the way to reinstatement of trading on the ASX. One condition specified by the ASX was for Cyclone to release a full form prospectus.

Subsequent to the year end on 3 August 2021, the Company was reinstated to trading on the ASX.

*Board Restructure*

During the year, the Company announced the appointment of Mr Terry Donnelly as Non-Executive Chairman and the resignation of Mr Mark Hancock as Non-Executive Director of the Company with effect from 4 August 2020.

Mr Tony Sage was previously providing the services of Executive Chairman to Cyclone via Okewood Pty Ltd. To enable Mr Sage to focus on his role as Executive Director and growing Cyclone Metals business, Mr Terry Donnelly will act as Independent Non-Executive Chair of the Company. The appointment of Mr Donnelly to this role is also consistent with the recommendations of the ASX Corporate Governance Principles and Recommendations.

*Financing Facilities**Magna*

As previously announced on 17 December 2018, the Company entered into a Convertible Note Agreement with MEF I, L.P. (**Magna**) of which A\$750k (548,310 convertible notes) was drawn down on 19 December 2018.

During the year, Magna converted the remaining 108,612 notes which resulted in the issue of 35,951,450 fully paid ordinary shares in the Company. As at 31 December 2020, Magna had nil convertible notes remaining.

*Winance*

On 31 July 2019, the Company announced that it had secured an A\$15m finance facility with Winance Investment LLC (**Winance**) for mining exploration and general working capital purposes.

The initial tranche of A\$1.2m (1,200 convertible notes) was drawn down on 8 August 2019 with the conversion of initial tranche A notes (\$480k or 480 convertible notes) unconditional and the conversion of initial tranche B notes (\$720k or 720 convertible notes) subject to prior approval by Cyclone shareholders. Further tranches of A\$13.8m is available in tranches of A\$500k each upon full conversion of the notes from the previous drawdown, subject to a cooling off period. Full terms and conditions of the convertible securities are included in the announcement released on 31 July 2019.

During the year ended 30 June 2021, there were no conversion of notes held by Winance. As at 30 June 2021, Winance had 10 convertible notes remaining.

*Winance Loan*

On 24 January 2020 the Company entered into a \$2.2m secured loan facility with Winance (**Winance Loan**). On 17 September 2020, the Company advises that the parties have agreed that the principal amount of \$2.2m plus accrued interest and outstanding fees will be converted into Shares (subject to receipt of shareholder approval) (**Winance Debt Shares**) based on a share price of AUD \$0.004 on 30 November 2020 (**Extended Maturity Date**).

On 16 October 2020, the Company issued 146,518,667 Winance Debt Shares to satisfy interest payable under the Winance Loan following receipt of shareholder approval at the EGM.

On 22 October 2020, the Company issued 450,000,000 Winance Debt Shares at a price of \$0.004 per Share to Winance in part reduction of the Winance Loan.

On 30 November 2020, the Company issued 318,094,100 Winance Debt Shares at a price of \$0.004 per Share to satisfy the balance of the Winance Loan following receipt of shareholder approval at the AGM. The fair value of these shares on issue date was \$0.009 per share which resulted in a loss in the extinguishment of liabilities of \$1,590,471.

At 30 June 2021, the Winance Loan had been settled in full with nil amounts outstanding.

*Placements*

In August 2020, the Company completed a placement to raise proceeds of \$125,500 (before expenses).

In October 2020, the Company completed a placement to raise proceeds of \$2,000,000 (before expenses).

In December 2020, the Company completed a placement to raise proceeds of \$1,040,000 (before expenses).

**DIRECTORS' REPORT***Exercise of Options*

On 17 September 2020, the Company issued 10,000,000 fully paid ordinary shares upon the exercise of options at an exercise price of \$0.006 per share which expire on 30 June 2023.

*Conversion of Debts*

On 15 October 2020, following receipt of shareholder approval at the AGM, the Company issued 125,631,533 fully paid ordinary shares to Bennett and Co to satisfy debts of \$188,447.

On 16 October 2020, following receipt of shareholder approval at the AGM, the Company issued 228,866,754 fully paid ordinary shares to Directors of the Company to satisfy debts of \$343,300 (refer to note 27).

On 18 December 2020, the Company issued 6,000,000 fully paid ordinary shares and 3,000,000 unlisted options with at an exercise price of \$0.005 expiring 18 December 2021 to satisfy broker fees of \$30,000 in relation to the December Placement.

*Other Security Movements*

On 16 October 2020, the Company issued 20,000,000 fully paid ordinary shares to Mr Terry Donnelly, the appointed Non-Executive Chairman of the Company. The shares were issued following receipt of shareholder approval at the EGM.

On 18 December 2020, the Company issued 5,000,000 unlisted options to Kapital Global, the broker that facilitated the Winance Loan, and negotiated on behalf of the Company with Winance on the conversion of the Winance Loan into Winance Debt Shares. The options were issued following receipt of shareholder approval at the AGM.

*Shareholder Meetings*

On 6 October 2020, the Company held an extraordinary general meeting (**EGM**) of shareholders. All resolutions were carried at the EGM.

On 30 November 2020, the Company held its annual general meeting (**AGM**) of shareholders. All resolutions were carried at the AGM.

The Board intends to continue to follow its strategy of acquiring and investing in undervalued and/or distressed mineral assets and companies (**Projects**) and improve the value of these Projects, through a hands on approach to management, exploration, evaluation and development and retaining a long-term exposure to these Projects through a production royalty and/or equity interest. Cyclone aims to deliver shareholder value by adding value to these undeveloped Projects. If Projects are converted into cash, the Company intends to follow a policy of distributing surplus cash to Shareholders.

**RESULTS**

The Group made a loss after income tax for the year ended 30 June 2021 of \$5,412,150 (2020: loss of \$1,534,482).

**CHANGES IN STATE OF AFFAIRS**

During the financial year there was no significant change in the state of affairs of the Group other than those referred to in the Review of Operations.

**EVENTS SUBSEQUENT TO REPORTING DATE**

On 3 August 2021, the Company's shares were reinstated to trading on the ASX.

**DIRECTORS' REPORT**

On 3 August 2021, 120,000,000 performance rights issued to Terry Donnelly as a sign-on bonus lapsed as market hurdles were not met. Refer to the Remuneration Report and note 5 for further details.

On 23 August 2021, the Company announced the acquisition of a package of tenements from D&K Corps Investments Pty Ltd (D&K) that form the central part of the Nickol River Gold Project area, located approximately 13km east of Karratha in the Pilbara region of Western Australia. .

On 27 August 2021, the Company announced the appointment of Mr Will Scott as Non-Executive Director effective 1 September 2021.

On 2 September 2021, the Company issued 245,000,000 fully paid ordinary shares at an issue price of \$0.005 per shares to raise funds of \$1,225,000 (before expenses).

On 17 September 2021, the Company issued 2,000,000 fully paid ordinary shares at an issue price of \$0.005 per share to Winance upon the conversion of 10 notes.

There have been no other events subsequent to 30 June 2021 up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

The impact of Coronavirus (COVID-19) pandemic is ongoing and while it has not had a material impact on the business up to 30 June 2021, 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.

The Board intends to continue to follow its strategy of acquiring and investing in undervalued assets and adding value through a hands-on approach to management, exploration and evaluation.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. There have been no significant known breaches of the Group's environmental regulations to which it is subject.

The Group is also subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007. The National Greenhouse and Energy Reporting Act 2007 require the Group to report its annual greenhouse gas emissions and energy use.

For the year ended 30 June 2021 the Group was below the reported threshold for legislative reporting requirements, therefore, is not required to register or report. The Group will continue to monitor its registration and reporting requirements however it does not expect to have future reporting requirements.

**INDEMNIFICATION OF OFFICERS**

In accordance with the Company's constitution, except as may be prohibited by the *Corporations Act 2001*, every officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the financial year, the Company has paid insurance premiums in respect of directors' and officers' liability insurance. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending legal proceedings, whether civil or criminal and whatever their outcome; and

## DIRECTORS' REPORT

- Other liabilities that may arise from their position, with the exception of conduct involving wilful breach of duty or improper use of information to gain a personal advantage.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to insurers has not been disclosed. This is permitted under *section 300(9)* of the *Corporations Act 2001*.

**INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify BDO during or since the financial year.

**DIRECTORS' MEETINGS**

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Directors	Board of Directors		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended
Tony Sage	4	4	-	-
Tim Turner	4	4	-	-
Terry Donnelly	4	4	-	-
Mark Hancock	-	-	-	-

**REMUNERATION REPORT (AUDITED)**

This remuneration report for the year ended 30 June 2021 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. The information provided in this remuneration report has been audited as required by *section 308(3C)* of the *Corporations Act 2001*.

**Remuneration Policy for Directors and Other Key Management Personnel**

The remuneration report details the remuneration arrangements for key management personnel (**KMP**), defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Details of Directors and Other Key Management Personnel***Directors*

T Donnelly – Non-Executive Chairman (appointed 4 August 2020)

T Sage – Executive Director

T Turner – Non-Executive Director

M Hancock – Non-Executive Director (appointed 11 February 2020, resigned 4 August 2020)

W Scott – Non-Executive Director (appointed 1 September 2021)

**Principles used to determine the nature and amount of remuneration**

The remuneration policy of the Company has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed sporadically in line with market rates. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain appropriately skilled directors to run and manage the Company.

The Board's policy for determining the nature and amount of remuneration for Board members and other key management personnel is as follows:

**DIRECTORS' REPORT**

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed by the Executive Director and approved by the Board after benchmarking against the market.

All executives receive a base salary (which is based on factors such as length of service and experience).

The Group is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented individuals, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. The Board endorses the use of incentive and bonus payments for directors and senior executives.

Options and performance incentives may also be issued as the Group invests in projects which are subsequently successfully monetised, and key performance indicators such as profits and growth can then be used as measurements for assessing Board performance.

Shares awarded to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes option pricing model.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Non-Executive Chairman determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors as approved at the 2009 Annual General Meeting is \$750,000. Any modifications to this amount is subject to approval by shareholders at the Company's Annual General Meeting. To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company. The Company did not engage external remuneration consultants to advise the Board on remuneration matters during the year.

**Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration**

The remuneration policy aims to increase goal congruence between shareholders and directors via the issue of options to directors to encourage the alignment of personal and shareholder interests. During the financial year, the Company's share price traded between a low of \$0.001 and a high of \$0.009. The price volatility is a concern to the Board but is not considered abnormal for medium sized exploration entities and in the context of volatile global equity markets. In order to keep all investors fully informed and minimise market fluctuations, the Board is determined to maintain promotional activity amongst the investment community so as to increase awareness of the Company and to stabilise the Company's share price in line with a consistent and stable financial position and base value of assets.

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Closing Share Price 30 June	\$0.029	\$0.03	\$0.009	\$0.002	\$0.009 <sup>1</sup>
Profit/(Loss) for the year attributable to members of Cyclone Metals Limited	(\$10,781,531)	(\$651,170)	(\$6,459,163)	(\$1,534,482)	(\$5,412,150)
Basic EPS	(\$0.0148)	(\$0.0748)	(\$0.64)	(\$0.13)	(\$0.14)

<sup>1</sup> Based on closing share price prior the suspension of trading of shares on 16 October 2020.



## DIRECTORS' REPORT

## Details of Remuneration

Remuneration packages contain the key elements incorporated in the Company's Remuneration Policy as detailed above. The following table discloses the remuneration of the directors and key management personnel of the Company:

	Short Term Benefits Cash Salary & Fees \$	Post- employ ment benefits \$	Long term benefit Leave \$	Share- based Payments – Equity Options \$	% of Total Remuneration			
					Total \$	Fixed %	At Risk Short Term Incentive %	At Risk Long Term Incentive (Options) %
<b>30 June 2021</b>								
<i>Directors</i>								
T Sage	400,000	-	-	-	400,000	100%	0%	0%
T Turner	60,000	-	-	-	60,000	100%	0%	0%
T Donnelly	65,000	-	-	270,000	335,000	19%	0%	81%
M Hancock	4,387	-	-	-	4,387	100%	0%	0%
<b>Total</b>	<b>529,387</b>	-	-	<b>270,000</b>	<b>799,387</b>	<b>66%</b>	<b>0%</b>	<b>34%</b>
<b>30 June 2020</b>								
<i>Directors</i>								
T Sage	500,000	-	-	-	500,000	100%	0%	0%
T Turner	60,000	-	-	-	60,000	100%	0%	0%
S Müller	14,667	-	-	-	14,667	100%	0%	0%
M Hancock	18,480	-	-	-	18,480	100%	0%	0%
<b>Total</b>	<b>593,147</b>	-	-	-	<b>593,147</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>

For executives who were appointed or resigned during the year, the remuneration reflected above is that from date of appointment or to date of resignation.

## Additional disclosures relating to options and shares

*Options awarded, vested and lapsed*

There were no share options granted to executives as remuneration during the year ended 30 June 2021. In addition, no share options lapsed during the current year ended 30 June 2021.

## Additional disclosures relating to performance rights

*Performance rights awarded, vested and lapsed*

The following table discloses performance rights granted to executives as remuneration during the year ended 30 June 2021. In addition, no performance rights lapsed during the current year ended 30 June 2021.

*Performance rights holdings of directors and key management personnel*

	Balance 1-Jul-20 No.	Granted as remuneratio n No.	Lapsed during the year No.	Exercised during the year No.	Other No.	Balance 30-Jun-21 No.	Vested and exercisable 30-Jun-21 No.	Unvested 30-Jun-21 No.
<i>Directors</i>								
T Sage	-	-	-	-	-	-	-	-
T Turner	-	-	-	-	-	-	-	-
T Donnelly	-	120,000,000 <sup>1</sup>	-	-	-	120,000,000	-	120,000,000
M Hancock	-	-	-	-	-	-	-	-
	-	<b>120,000,000</b>	-	-	-	<b>120,000,000</b>	-	<b>120,000,000</b>

## DIRECTORS' REPORT

<sup>1</sup> On 16 October 2020, the Company issued 120,000,000 sign-on performance rights to Mr Terry Donnelly upon his appointment as Non-Executive Chairman of the Company. The performance rights were issued following receipt of shareholder approval at the EGM held on 6 October 2020. The total fair value of all performance rights granted during the financial year was \$270,000 (30 June 2020: \$nil).

There were no shares issued on the vesting of performance rights during the year.

#### *Terms and Conditions of the share-based payment arrangements*

##### *Performance Rights*

The terms and conditions of each grant of performance rights affecting remuneration in the current or a future report period are as follows:

Tranche	Grant date	Expiry date	Value per performance right at grant date	Performance achieved % Vested
Tranche 1	6 October 2020	6 October 2021	\$0.0056	0%
Tranche 2	6 October 2020	6 October 2021	\$0.0039	0%
Tranche 3	6 October 2020	6 October 2021	\$0.0020	0%
Tranche 4	6 October 2020	6 October 2021	\$0.0010	0%
Tranche 5	6 October 2020	6 October 2021	\$0.0006	0%
Tranche 6	6 October 2020	6 October 2021	\$0.0004	0%

The performance rights had the following market-based vesting conditions:

Tranche 1	Volume-weighted average price ('VWAP') of the Company's share price exceeding \$0.01 continuously for more than 20 consecutive trading days within 1 year of grant.
Tranche 2	VWAP of the Company's share price exceeding \$0.02 continuously for more than 20 consecutive trading days within 1 year of grant.
Tranche 3	VWAP of the Company's share price exceeding \$0.05 continuously for more than 20 consecutive trading days within 1 year of grant.
Tranche 4	VWAP of the Company's share price exceeding \$0.10 continuously for more than 20 consecutive trading days within 1 year of grant.
Tranche 5	VWAP of the Company's share price exceeding \$0.15 continuously for more than 20 consecutive trading days within 1 year of grant.
Tranche 6	VWAP of the Company's share price exceeding \$0.20 continuously for more than 20 consecutive trading days within 1 year of grant.

Subsequent to 30 June 2021, all performance rights lapsed as a result of the market conditions not being achieved within the required timeframe.

#### *Share holdings of directors and key management personnel*

Details of fully paid ordinary shares of Cyclone Metals Limited held by directors and key management personnel are set out below:

	Balance 1-Jul-20 No.	Conversion of debt No.	Granted as remuneration No.	Balance 30-Jun-21 No.
<i>Directors</i>				
T Sage	116,266,676	196,248,087 <sup>3</sup>	-	312,514,763
T Turner	3,723,000	22,000,000 <sup>2</sup>	-	25,723,000
M Hancock	-	-	-	-
T Donnelly	-	-	20,000,000 <sup>1</sup>	20,000,000
	<u>119,989,676</u>	<u>218,248,087</u>	<u>20,000,000</u>	<u>358,237,763</u>

## DIRECTORS' REPORT

<sup>1</sup> On 16 October 2020, Mr Donnelly was issued with 20,000,000 shares as a sign on bonus for his appointment as Chairman.

<sup>2</sup> On 16 October 2020, Mr Turner was issued with 22,000,000 shares as approved by shareholders at the general meeting held on 6 October 2020. These shares were issued to satisfy debts owing of \$33,000.

<sup>3</sup> On 16 October 2020, Mr Sage was issued with 196,248,087 shares as approved by shareholders at the general meeting held on 6 October 2020. These shares were issued to satisfy debts owing of \$294,372.

**Other transactions with director related entities**

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
<i>Director related entities:</i>					
European Lithium Limited	2021	750	6,360	-	805
European Lithium Limited	2020	27,814	22,451	-	-
DGWA GmbH	2021	-	-	-	-
DGWA GmbH	2020	-	19,610	-	-
Perth Glory Football Club	2021	-	43,925	-	-
Perth Glory Football Club	2020	-	-	-	-
Okewood Pty Ltd	2021	-	12,500	-	-
Okewood Pty Ltd	2020	-	426,015	-	200,944
Universal Trust	2021	-	24,819	-	-
Universal Trust	2020	-	-	-	-

Sales to and purchases from director related entities are for the reimbursement of occupancy, investor relation, travel, capital raising and other costs:

- Tony Sage is a director of European Lithium Limited
- DGWA GmbH is an entity controlled by Stefan Müller. Stefan Muller retired as a Director of the Company on 11 February 2020, the above transactions reflect transaction with DGWA up until the date of resignation
- Okewood Pty Ltd and Okewood Pty Ltd trading as Perth Glory Football Club are entities controlled by Tony Sage
- Universal Trust is an entity controlled by Terry Donnelly.

*Office lease agreement with Okewood Pty Ltd*

Effective 1 February 2021, the Company entered into a lease agreement with Okewood Pty Ltd, a company owned by Tony Sage, for the part-lease of 32 Harrogate Street, West Leederville WA 6007 (**Lease Agreement**). The term of the Lease Agreement is ongoing commencing 1 February 2021 for a rent of \$2,500 per month. The lease covers the rental, outgoing and parking charges under agreements made on commercial terms and conditions at market rates. Refer to the table below which summarises the recharges.

*Conversion of debt*

On 16 October 2020 the Company issued 196,248,087 shares to Okewood Pty Ltd, an entity controlled by Director Tony Sage, to settle liabilities of \$294,372 at a deemed issue price of \$0.0015 per share as approved by shareholders at the Company's GM held on 6 October 2020 (resolution 4). The fair value of these shares on issue date was \$0.009 per share which resulted in a loss in the extinguishment of liabilities of \$1,471,861 (Refer to note 18).

On 16 October 2020 the Company issued 10,618,667 shares to Haven Resources Pty Ltd, an entity controlled by Director Mark Hancock, to settle liabilities of \$15,928 at a deemed issue price of \$0.0015 per share as approved by shareholders at the Company's GM held on 6 October 2020 (resolution 5). The fair value of these shares on issue date was \$0.009 per share which resulted in a loss in the extinguishment of liabilities of \$79,640 (Refer to note 18).

**DIRECTORS' REPORT**

On 16 October 2020 the Company issued 22,000,000 shares to Marnichar Nominees Pty Ltd ATF the Hallemar Trust trading as CRMS, an entity controlled by Director Timothy Turner, to settle liabilities of \$33,000 at a deemed issue price of \$0.0015 per share as approved by shareholders at the Company's GM held on 6 October 2020 (resolution 6). The fair value of these shares on issue date was \$0.09 per share which resulted in a loss in the extinguishment of liabilities of \$165,000 (refer to note 18).

*Issue of Shares*

On 16 October 2020, the Company issued 20,000,000 fully paid ordinary sign-on bonus shares to Mr Terry Donnelly, the appointed Non-Executive Chairman of the Company. The shares were issued following receipt of shareholder approval at the EGM held on 6 October 2020.

*Issue of Performance Rights*

On 16 October 2020, the Company issued 120,000,000 sign-on bonus performance rights to Mr Terry Donnelly upon his appointment as Non-Executive Chairman of the Company. The performance rights were issued following receipt of shareholder approval at the EGM held on 6 October 2020. The performance rights have lapsed since 30 June 2021 as market hurdles were not met.

**Service Agreements**
Executive Director

The Company has entered into a three-year term (effective from 1 January 2020) consultancy agreement with Okewood Pty Ltd (**Okewood**) to provide Director services to Cyclone including specific responsibilities for all negotiations and strategic networking to facilitate the acquisition and disposal of assets of the Company based on a set fee of \$400,000 (plus GST) per annum. The consultancy contract has a 3-month termination notice (or payment in lieu of notice, subject to the *Corporations Act 2001* and Listing Rules), without cause, for either party.

## Director Loans

There were no Director loans at 30 June 2021.

**2020 Annual General Meeting**

The **Company** received 92.34% of 'yes' votes and 6.23% 'no' votes on its remuneration report for the year ended 30 June 2020.

*This is the end of the audited remuneration report*

**Proceedings on Behalf of the Company**

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

**Non-Audit Services**

The Board of Directors is satisfied that the provision of any non-audit services by the Company's auditors is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* because:

- All non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided is reviewed to ensure that they do not compromise the general principles relating to auditor independence in accordance with *APES 110: Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

## DIRECTORS' REPORT

During the year \$Nil was paid or payable (2020: \$Nil) to the auditor or its related practices for non-audit services.

### Performance Rights

#### Performance Rights Granted to Directors and Employees and Consultants

There were 120,000,000 performance rights granted to Directors during the period.

### Share Options

#### Share Options Granted to Directors and Employees and Consultants

There were no options granted to Directors, employees and consultants during the period.

#### Share Options Granted to Corporate Advisors

On 18 December 2020, the Company issued 5,000,000 unlisted options to Kapital Global, the broker that facilitated the Winance Loan, and negotiated on behalf of the Company with Winance on the conversion of the Winance Loan into Winance Debt Shares. The options were issued following receipt of shareholder approval at the AGM.

#### Share Options on Issue at Year End

Unissued ordinary shares of Cyclone Metals under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of shares	Number under option
18 December 2020	18 December 2021	\$0.005	107,000,000
30 November 2020	18 December 2022	\$0.005	5,000,000
19 February 2020	30 June 2023	\$0.006	11,200,000

No option holder has any right under the options to participate in any other share issue of the **Company** or any other entity.

During the year, there were 10,000,000 shares issued upon the exercise of options. No amounts are unpaid on any of the shares.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under *section 307C of the Corporations Act 2001* is set out on page 20 for the year ended 30 June 2021.

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



Tony Sage

Executive Director

Dated this 30 day of September 2021

**DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF CYCLONE METALS LIMITED**

As lead auditor of Cyclone Metals Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Cyclone Metals Limited and the entities it controlled during the period.



**Phillip Murdoch**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth, 30 September 2021

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**CORPORATE GOVERNANCE STATEMENT**

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The Company's Corporate Governance Statement for the year ended 30 June 2021 (which reports against these ASX Principles) may be accessed from the Company's website at [www.cyclonemetals.com](http://www.cyclonemetals.com).

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
Revenue	3(a)	4,684	324,910
(Loss)/gain on extinguishment of liability	18	(6,437,734)	787,568
Other income	3(b)	56,917	2,522,638
Share-based payments	5(d)	(439,664)	(5,178)
Directors remuneration and employee benefits expenses		(587,998)	(640,016)
Consulting and professional services		(611,135)	(494,938)
Occupancy expenses	3(d)	(51,674)	(507,032)
Compliance and regulatory expenses		(113,269)	(139,342)
Travel and accommodation		(69,186)	(30,319)
Depreciation and amortisation expense	3(c)	(7,317)	(16,242)
Gain/(Loss) on fair value of financial assets through profit & loss	3(f)	1,267,538	(112,376)
Finance expenses	3(g)	(670,096)	(1,673,840)
Other expenses	3(e)	(253,279)	(199,053)
(Impairment)/reversal of impairment of receivable		-	3,190
Reversal/(Impairment) of investment in associate	11(b)	3,159,650	(2,991,912)
Exploration and evaluation expenditure (expenditure)/reversal	12	(354,638)	(334,648)
(Impairment)/reversal of impairment in joint venture		-	57,489
Share of net (losses)/profits of associates accounted for using the equity method	11(b)	(604,855)	1,430,813
Gain on dilution of interest in associate	11(b)	235,480	483,806
Gain on transfer from associate accounting to fair value through P&L		64,426	-
<b>Loss before income tax</b>		<b>(5,412,150)</b>	<b>(1,534,482)</b>
Income tax (expense)/benefit	4	-	-
<b>Net loss for the year</b>		<b>(5,412,150)</b>	<b>(1,534,482)</b>
<b>Other comprehensive income/(expenditure) net of tax</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign exchange differences arising on translation of foreign operations		18,029	(11,351)
Share of reserves of associates accounted for using the equity method		182,741	95,513
<b>Other comprehensive income/(loss) for the year</b>		<b>200,770</b>	<b>84,162</b>
<b>Total comprehensive loss for the year</b>		<b>(5,211,150)</b>	<b>(1,450,320)</b>
Loss per share for the year:			
Basic loss per share (cents per share)	21	(0.15)	(0.13)
Diluted loss per share (cents per share)	21	(0.15)	(0.13)

*The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

	Note	2021 \$	2020 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	28	280,749	238,222
Restricted cash and cash equivalents	9	17,500	12,500
Trade and other receivables	7	341,985	293,305
Financial assets at fair value through profit or loss	8	4,863,742	-
<b>TOTAL CURRENT ASSETS</b>		<b>5,503,976</b>	<b>544,027</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	8	17,435	884,679
Plant and equipment	10	71,125	81,923
Investments accounted for using equity method	11	4,884,975	5,052,941
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,973,535</b>	<b>6,019,543</b>
<b>TOTAL ASSETS</b>		<b>10,477,511</b>	<b>6,563,570</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	492,153	2,506,410
Provisions	14	85,265	81,137
Current tax liabilities	17	1,487,372	1,773,171
Convertible note	15	136,219	206,773
Short term loan payable	16	-	2,200,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,201,009</b>	<b>6,767,491</b>
<b>NON-CURRENT LIABILITIES</b>			
Convertible note	15	-	69,643
Non-current tax liabilities	17	780,516	1,300,861
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>780,516</b>	<b>1,370,504</b>
<b>TOTAL LIABILITIES</b>		<b>2,981,525</b>	<b>8,137,995</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>7,495,986</b>	<b>(1,574,425)</b>
<b>EQUITY</b>			
Issued capital	18	220,115,531	206,133,405
Reserves	19	24,386,113	23,885,680
Accumulated losses	20	(237,005,658)	(231,593,510)
<b>TOTAL EQUITY/(DEFICIENCY) IN EQUITY</b>		<b>7,495,986</b>	<b>(1,574,425)</b>

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AS AT 30 JUNE 2021**

Note	Issued Capital \$	Accumulated Losses \$	Share- based Payment Reserve \$	Foreign Currency Translation Reserve \$	Business Combination Reserve \$	Total Equity \$
<b>At 1 July 2020</b>	<b>206,133,405</b>	<b>(231,593,510)</b>	<b>2,757,033</b>	<b>22,219,148</b>	<b>(1,090,501)</b>	<b>(1,574,425)</b>
Loss for the year	-	(5,412,150)	-	-	-	(5,412,150)
Share of reserves of associates	-	-	182,741	-	-	182,741
Forex (gain) / loss on translation of foreign operations	-	-	-	18,029	-	18,029
Total comprehensive loss for the year	-	(5,412,150)	182,741	18,029	-	(5,211,379)
Shares issued during the period:						
- Winance conversion	219,778	-	-	-	-	219,778
- Magna conversion	179,757	-	-	-	-	179,757
- Placement	3,165,500	-	-	-	-	3,165,500
- Debt to Equity	3,495,748	-	-	-	-	3,495,748
- Exercise of options	60,000	-	-	-	-	60,000
- Chairman shares	140,000	-	-	-	-	140,000
- Winance loan	6,912,847	-	-	-	-	6,912,847
Share-based payments expense	-	-	299,664	-	-	299,664
Capital raising costs	(191,504)	-	-	-	-	(191,504)
<b>At 30 June 2021</b>	<b>220,115,531</b>	<b>(237,005,658)</b>	<b>3,239,438</b>	<b>22,237,177</b>	<b>(1,090,501)</b>	<b>7,495,985</b>
<b>At 1 July 2019</b>	<b>203,295,135</b>	<b>(230,059,028)</b>	<b>2,677,884</b>	<b>22,208,957</b>	<b>(1,090,501)</b>	<b>(2,967,553)</b>
Loss for the year	-	(1,534,482)	-	-	-	(1,534,482)
Share of reserves of associates	-	-	73,971	21,542	-	95,513
Forex (gain) / loss on translation of foreign operations	-	-	-	(11,351)	-	(11,351)
Total comprehensive loss for the year	-	(1,534,482)	73,971	10,191	-	(1,450,321)
Placement of shares (net of costs)	2,844,270	-	-	-	-	2,844,270
Share-based payments expense	-	-	5,178	-	-	5,178
Capital raising costs	(6,000)	-	-	-	-	(6,000)
<b>At 30 June 2020</b>	<b>206,133,405</b>	<b>(231,593,510)</b>	<b>2,757,033</b>	<b>22,219,148</b>	<b>(1,090,501)</b>	<b>(1,574,425)</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees (inclusive of GST)		(1,609,749)	(1,310,844)
Receipts from customers		22,000	-
Interest received		4,684	763
Income tax paid	17	(1,106,143)	(829,541)
Settlement of debt		(100,000)	-
Release funds from restricted to non-restricted		(5,000)	81,833
<b>Net cash (used in) operating activities</b>	28(b)	<b>(2,794,208)</b>	<b>(2,057,789)</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
Payment for acquiring interests in investments accounted for using equity method	11(b)	(15,925)	(3,982)
Payment for acquisition equity investments	8(a)	(30,000)	-
Payment for exploration tenements		(125,037)	-
Payments for exploration and evaluation		(576,008)	(606,046)
Purchase or property, plant and equipment	10	(2,664)	(1,850)
Proceeds from sale of financial assets at fair value through profit or loss		522,373	-
<b>Net cash (used in) investing activities</b>		<b>(227,261)</b>	<b>(611,878)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares, net of costs	18	3,225,500	100,000
Transaction costs related to issue of shares, convertible notes or options		(161,504)	(506,570)
Proceeds from issue of convertible note	15	-	1,200,000
Proceeds from issuing loan note	16	-	2,200,000
Transaction costs related to loans and borrowings		-	(223,435)
Repayment of loan note		-	(72,212)
<b>Net cash provided by financing activities</b>		<b>3,063,996</b>	<b>2,697,783</b>
<b>Net decrease in cash and cash equivalents</b>		<b>42,527</b>	<b>28,116</b>
Cash and cash equivalents at beginning of period		238,222	210,106
<b>Cash and cash equivalents at end of period</b>	28(a)	<b>280,749</b>	<b>238,222</b>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**1. CORPORATE INFORMATION**

The consolidated financial statements of Cyclone Metals Limited and its subsidiaries (collectively, the **Group**) for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 30 September 2021.

Cyclone Metals Limited (the **Company** or the **Parent**) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature and operations and principal activities of the Group are described in the directors' report.

Information of the Group's structure is provided in Note 25. Information on other related party relationships is provided in Note 27.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Group is a for-profit public listed company, incorporated and domiciled in Australia.

**(b) Going concern**

The consolidated financial statements of Cyclone have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2021 the Group incurred a loss after income tax of \$5,142,149 (30 June 2020: \$1,534,482), net cash outflows from operating activities of \$2,794,209 (30 June 2020: \$2,057,789), a working capital surplus of \$3,302,966 (30 June 2020: \$6,223,464 deficit) and at that date had cash on hand of \$280,749 (30 June 2020: \$238,222).

The Group's ability to continue as a going concern and to continue to fund its planned expanded activities is dependent on raising further capital, continued support from creditors and related parties, successful extension or renegotiation of borrowing facilities and reducing operational costs.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

- The Group requires additional capital for its next phase. The Company continues to seek funding options;
- The Group is engaging with the ATO regarding the outstanding debt; and
- Ability to realise certain of the Group's financial assets through the sale of its listed shares.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

**(c) Compliance with IFRS**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

**(d) Changes in accounting policy, disclosures, standards and interpretations**
*New accounting standards adopted in the current period*

The Company has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Adoption of these standards and interpretations did not have any effect on the statements of financial position or performance of the Company. The Company has not elected to early adopt any new standards or amendments.

The following relevant standards and interpretations have been applied for the first time for the year ended 30 June 2021:

***Conceptual Framework for Financial Reporting and relevant amending standards***

The Group has adopted the conceptual framework for financial reporting and relevant amending standards with the date of initial application being 1 July 2020.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

Amendments to References to the Conceptual Framework in IFRS Standards has also been issued, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying IFRS 3 and developing accounting policies for regulatory account balances using IAS 8, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the 2010 Conceptual Framework, and not the definitions in the revised Conceptual Framework.

At 1 July 2020 it was determined that the adoption of the conceptual framework for financial reporting and relevant amending standards had no impact on the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**AASB 2018-7 Definition of Material (Amendments to AASB 101 and AASB 108)**

The Group has adopted AASB 2018-7 with the date of initial application being 1 July 2020.

This Standard amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

At 1 July 2020 it was determined that the adoption of AASB 2018-7 had no impact on the Group.

*New accounting standards and interpretations issued but not yet effective*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2021. The Company's assessment of the impact of these new standards and interpretations has not identified any impact.

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

**(e) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Cyclone Metals Limited (**Cyclone**) and its subsidiaries as at 30 June 2021 (the **Group**).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the **Group** has less than a majority of the voting or similar rights of an investee, the **Group** considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The **Group's** voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in **OCI** to profit or loss or retained earnings, as appropriate, as would be required if the **Group** had directly disposed of the related assets or liabilities

Business combinations are accounted for using the acquisition method.

**(f) Associates**

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in statement of comprehensive income and reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. Restricted cash relates to term deposits held with various financial institutions as security for bank guarantees.

**(h) Trade and other receivables**

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises the lifetime expected credit loss for trade receivables carried at amortised cost. The expected credit losses on these financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other receivables measured at amortised cost, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

The considers an event of default has occurred when a financial asset is more than 120 days past due or external sources indicate that Group the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

### (i) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Office equipment	3 years
Plant and equipment	3 years
Motor vehicles	3 years
Furniture and fittings	5 years
Leasehold improvements	over the period of the lease

### (j) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The **Group** has the following financial assets:

#### **Financial Assets at Fair Value through Profit or Loss**

Certain shares and options held for trading have been classified as financial assets at fair value through profit or loss. Financial assets held for trading purposes are stated at fair value, with any resultant gain or loss recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. Assets in this category are classified as current assets if they are expected to be realised within 12 months otherwise they are classified as non-current assets.

#### **Loans and Receivables**

Trade receivables, loans, and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recorded at amortised cost less impairment. Impairment is determined by review of the nature and recoverability of the loan or receivable with reference to its terms of repayments and capacity of the debtor entity to repay the debt. If the recoverable amount of a receivable is estimated to be less than its carrying amount, the carrying amount of receivable is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. They are included in current assets, other than those with maturities greater than 12 months from reporting date which are classified as non-current assets.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
***Impairment of financial assets***

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

**(k) Debt and Equity Instruments Issued by the Group**
***Debt and equity instruments***

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

***Interest and dividends***

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

**(l) Foreign Currency**
***Foreign currency transactions and balances***

All foreign currency transactions occurring during the financial year are recognised at the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in the profit or loss in the period in which they arise except those exchange differences which relate to assets under construction for future productive use which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

***Functional and presentation currency***

Items included in the financial statements of each of the companies within the Group are measured using the currency of the primary economic environment in which they operate (the functional currency). The consolidated financial statements are presented in Australian dollars, which is Cyclone Metal's functional and presentation currency.

***Group companies***

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a. assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- b. income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

c. all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

**(m) 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. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**Trade and other payables extinguished through issue of equity**

When equity instruments are issued to a creditor to extinguish all or part of a financial liability are recognised, the Group measures them at the fair value on the date the equity instruments are issued, unless that fair value can't be reliably measured. Any difference between the carrying amount of the liability extinguished and the fair value of the equity issued on the date of issuance is recognised in the profit or loss as a gain or loss on extinguishment of liability.

**(n) Employee Benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be wholly settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be wholly settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Refer also to note 2(t) for accounting policy regarding share-based payments.

**(o) Provisions**

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

costs have been determined using estimates of future costs, current legal requirements and technology.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

**(p) Convertible notes**

Convertible notes (with embedded derivatives), that do not contain an equity component are accounted for as a financial liability through profit or loss with a value equating to the total proceed/face value with no day one gain or loss and subsequently value will change depending on the changes in the share price/ redemption event and or accretion of the value of the discount on the note. If the convertible note is converted, the carrying amounts of the derivative and liability components are transferred to share capital as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of liability is recognised in the statement of profit or loss.

**(q) Impairment of non-current assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**(r) Income Tax**
**Current Tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

**Deferred Tax**

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the **Group** is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis. The Group has implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

**Current and deferred tax for the period**

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

**(s) Revenue recognition**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration to which the Group expect to be entitled to in exchange for transferring goods or services to a customer.

**Rent**

Rent revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rental are recognised as income in the period when earned.

**Interest Revenue**

Interest revenue is recognised using the effective interest rate method.

**(t) Share-based Payments**

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option or right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employee or consultant to receive payment. No account is taken of any other vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

**(u) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest where right of tenure is current and active and significant operations are continuing in the area of interest. Costs associated with these identifiable areas of interests are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full in the statement of profit or loss and other comprehensive income in the year in which the decision to abandon the area is made.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

### (v) Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the **Group**, excluding any costs of servicing equity other than ordinary shares, 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 per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interests 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.

### (w) Business Combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs directly attributable to the acquisition are expensed. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling shareholders' interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets acquired, the difference is recognised directly in the statement of profit or loss and other comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Any contingent consideration to be transferred by the acquiree is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with *AASB 139* either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

### (x) Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

### (y) 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.

### (z) Parent entity financial information

The financial information for the parent entity, Cyclone Metals Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below:

#### **Investments in subsidiaries and associates**

Investments in subsidiaries and associates are accounted for at cost in the financial statements of Cyclone Metals Limited. Dividends received from associates are recognised in the parent entity's statement of profit or loss and other comprehensive income, rather than being deducted from the carrying amount of these investments.

#### **Tax consolidation legislation**

Cyclone Metals Limited and the controlled entities 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, Cyclone Metals Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate Cyclone Metals Limited for any current tax payables assumed and are compensated by Cyclone Metals Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Cyclone Metals Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' 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 obligation to pay tax instalments.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 

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**(z) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed as reporting date.

**(ab) Critical Judgements in Applying the Group's Accounting Policies**

The **Group** makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Exploration and Evaluation**

The **Group's** accounting policy for exploration and evaluation is set out at note 2(u). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves may be determined. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure, it is determined that recovery of the expenditure by future exploitation or sale is unlikely, then the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income.

**Income taxes**

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax laws in the relevant jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group recognises deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

**Impairment**

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amounts of the assets are determined.

As at 30 June 2021, management have recognised impairment losses in respect of those assets which had a carrying value which exceeded their recoverable amounts.

**Accounting for Investments**

The Group makes judgements as to its level of influence over its investments, which impacts how it accounts for these investments. The Group may determine that control of an investment exists, despite its interest in it being less than 50%. The criteria for this assessment includes: power over the investee; the right to variable returns from its involvement with the investee; and the ability to use power over investee to affect investment returns. If, on the balance of these criteria, control is deemed to exist, the Group accounts for its investment using the consolidation method. The Group may also determine that significant influence of an investment exists, despite its interest in it being less than 20%. The criteria for this assessment includes: representation on the investee's board of directors, participation in policy making processes; material transactions between investor and investee; interchange of managerial personnel; and the provision of essential technical information. If, on the balance of these criteria, significant influence is deemed to exist, the **Group** accounts for its investment using the equity method.

**Fair Value of Convertible Notes**

Convertible notes (with embedded derivatives), that do not contain an equity component are accounted for as a financial liability through profit or loss with a value equating to the total proceed/face value with no day one gain or

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

loss and subsequently value will change depending on the changes in the share price/ redemption event and or accretion of the value of the discount on the note. If the convertible note is converted, the carrying amounts of the derivative and liability components are transferred to share capital as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of liability is recognised in the statement of profit or loss.

**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 Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, 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 Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

**Share-based payment transactions**

The Company measures the cost of equity-settled transactions with Directors by reference to the fair value of the equity instruments at the date at which they are granted. For options, the fair value is determined using the Black Scholes model. For performance rights with market conditions, the fair value is measured using a binomial pricing model.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. PROFIT/(LOSS) FROM OPERATIONS**

	2021	2020
	\$	\$
<b>(a) Revenue</b>		
Interest income	4,684	763
Rental revenue	-	324,147
	<u>4,684</u>	<u>324,910</u>
<b>(b) Other income</b>		
Unrealised foreign currency exchange loss	(57)	(69,734)
Foreign currency exchange gain/(loss)	1,974	(5,572)
Finance income withholding tax	-	2,527,175
Sale of tenements	35,000	-
Other income	20,000	70,769
	<u>56,917</u>	<u>2,522,638</u>
<b>(c) Depreciation and amortisation expense</b>		
Depreciation of plant and equipment	(7,317)	(16,242)
	<u>(7,317)</u>	<u>(16,242)</u>
<b>(d) Occupancy expenses</b>		
Rental expense relating to operating leases - minimum lease payments	(26,238)	(344,400)
Other occupancy expenses	(25,436)	(162,632)
	<u>(51,674)</u>	<u>(507,032)</u>
<b>(e) Other expenses</b>		
Administration expenses	(149,237)	(182,402)
Exploration expenditure expensed/(reversed)	(104,040)	(27,324)
Other expenses	-	10,672
	<u>(253,277)</u>	<u>(199,054)</u>
<b>(f) Gain / (loss) on fair value of financial assets through profit and loss</b>		
Gain / (loss) on fair value of financial assets (shares in listed entities) through profit and loss (note 8(a))	3,368,951	(112,376)
Loss on fair value of listed financial assets through profit and loss	(2,101,413)	-
	<u>1,267,538</u>	<u>(112,376)</u>
<b>(g) Finance expenses</b>		
Interest on First Investment loan	-	(44,553)
Interest on Winance loan (note 16)	(326,821)	(391,333)
Default payments on Magna convertible note facility	-	(295,770)
Recognise the fair value of shares through settlement of liabilities	(66,575)	405,687
Cash shortfall payments on the Winance convertible note facility	-	(658,000)
Winance Loan financing fees	(723)	(354,712)
Winance convertible note financing fees	-	(142,800)
Accrued interest on ATO debt (note 17)	(300,000)	-
Other	(2,993)	-
Convertible note at fair value through profit or loss (note 15)	27,016	(192,359)
	<u>(670,096)</u>	<u>(1,673,840)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. INCOME TAXES

	2021 \$	2020 \$
Major components of income tax expense for the year are:		
<b>Income statement</b>		
<i>Current income</i>		
Current income tax charge / (benefit)	-	-
Income tax (benefit) / expense reported in income statement	-	-
<b>Statement of changes in equity</b>		
Income tax expense reported in equity	-	-

**Reconciliation**

A reconciliation of income tax expense / (benefit) applicable to accounting profit / (loss) before income tax at the statutory income tax rate to income tax expense / (benefit) at the Company's effective income tax rate for the year is as follows:

	2021 \$	2020 \$
Accounting (loss) before income tax	(5,412,150)	(1,534,482)
Income tax benefit at the statutory income tax rate of 30% (2020: 30%)	(1,623,645)	(460,345)
Adjusted for:		
Non-deductible expenses	14,921	21,251
Share-based payments	131,899	1,554
Deferred tax assets and tax losses not recognised	(354,119)	1,056,634
Share of losses of associates	91,485	(574,385)
Impairment loss on loans and receivables	-	(758,153)
Impairment/de-recognition of exploration assets	51,208	52,142
Extinguishment of liability	1,931,320	(236,272)
Impairment loss on associates	(947,896)	897,574
Transfer of investment in associate to investment in listed entity	704,827	-
Income tax expense / (benefit) reported in income statement	-	-

**Recognised deferred tax assets and liabilities**

The deferred tax liability balance comprises temporary differences attributable to:

	2021 \$	2020 \$
The deferred tax liability balance comprises temporary differences attributable to:		
Accrued income	467,832	667,800
Capitalised expenditure	(285,841)	(314,108)
Unrealised foreign exchange losses	(683,645)	(683,645)
Financial assets	2,026,583	3,298,304
Bad debts	(20,687)	(20,687)
Costs deductible over five years	6,070	32,029
Deferred tax liability	1,510,312	2,979,693

The deferred tax asset balance comprises temporary differences attributable to:

Accrued expenses and provisions	(1,510,312)	(2,979,693)
Deferred tax asset	(1,510,312)	(2,979,693)
Net deferred tax asset /(liability)	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Movement in temporary differences during the current year**

	Balance 1 July 2020	Recognised in Income	Balance 30 June 2021
	\$	\$	\$
<b>Consolidated</b>			
Accrued income	667,800	(199,968)	467,832
Financial assets	3,298,304	(1,271,721)	2,026,583
Capitalised exploration expenditure	(314,108)	28,267	(285,841)
Unrealised foreign exchange losses	(683,645)	-	(683,645)
Other	11,342	(25,959)	(14,617)
<b>Net deferred tax asset</b>	<b>2,979,693</b>	<b>(1,469,381)</b>	<b>1,510,312</b>

**Movement in temporary differences during the prior year**

	Balance 1 July 2019	Recognised in Income	Balance 30 June 2020
	\$	\$	\$
<b>Consolidated</b>			
Accrued expenses and provisions	516,101	151,699	667,800
Financial assets	3,264,591	33,713	3,298,304
Capitalised exploration expenditure	(314,109)	-	(314,109)
Unrealised foreign exchange gains / losses	(676,406)	(7,239)	(683,645)
Other	81,959	(70,617)	11,342
<b>Net deferred tax asset / (liability)</b>	<b>2,872,137</b>	<b>107,556</b>	<b>2,979,693</b>

	2021	2020
	\$	\$
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	224,582,977	220,797,787
@ 30%	67,374,893	66,239,336

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

**5. SHARE-BASED PAYMENT ARRANGEMENTS****(a) Shares****Share-based payments granted during the current year**

On 16 October 2020, the Company issued 20,000,000 fully paid ordinary sign-on bonus shares to Mr Terry Donnelly, the appointed Non-Executive Chairman of the Company. The shares were issued following receipt of shareholder approval at the EGM held on 6 October 2020.

**Share-based payments granted during the prior year**

There were no shares issued as share-based payments made during the year.

**(b) Options****Options granted as share-based payments during the current year**

The following options were granted as share-based payment arrangements during the year ended 30 June 2021:

On 18 December 2020, the Company issued 5,000,000 unlisted options to Kapital Global, the broker that facilitated the Winance Loan, and negotiated on behalf of the Company with Winance on the conversion of the Winance Loan into Winance Debt Shares. The options were issued following receipt of shareholder approval at the AGM.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black Scholes model taking into account the terms and conditions upon which the options were granted, as the fair value of services rendered could not be reliably estimated.

	<u>Assumption</u>
Number options issued	5,000,000
Dividend yield	0.00%
Expected volatility	100%
Risk-free interest rate	0.09%
Expected life of options	2.05 years
Exercise price	\$0.005
Grant date share price	\$0.009
Fair value per option	\$0.0059

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

**Options outstanding at reporting date for share-based payments**

The following options were outstanding at 30 June 2021:

<u>Grant Date</u>	<u>Exercise Price</u>	<u>Number of Options</u>	<u>Expiry Date</u>	<u>Listed/Unlisted</u>
30 November 2020	\$0.005	5,000,000	18/12/2022	Unlisted
19 February 2020	\$0.006	1,200,000	30/06/2023	Unlisted
		<u>6,200,000</u>		

**Reconciliation of options on issue**

The following reconciles the outstanding share options granted, exercised and lapsed during the financial year:

	<u>2021</u>		<u>2020</u>	
	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
		<u>\$</u>		<u>\$</u>
Balance at beginning of the financial year	41,200,000	0.02	30,250,000	0.04
Granted during the financial year	112,000,000	0.005	21,200,000	0.006
Exercised during the financial year	(10,000,000)	0.006	-	-
Lapsed during the financial year	(20,000,000)	0.035	(10,250,000)	0.055
Forfeited during the financial year	-	-	-	-
Balance at end of the financial year	<u>123,200,000</u>	<u>0.005</u>	<u>41,200,000</u>	<u>0.02</u>
Exercisable at end of the financial year	<u>123,200,000</u>	<u>0.005</u>	<u>41,200,000</u>	<u>0.02</u>

**(c) Performance rights****Performance rights granted as share-based payments during the current year**

The following performance rights were granted as share-based payment arrangements during the year ended 30 June 2021:

On 16 October 2020, the Company issued 120,000,000 sign-on performance rights to Mr Terry Donnelly upon his appointment as Non-Executive Chairman of the Company. The performance rights were issued following receipt of shareholder approval at the EGM held on 6 October 2020. The total fair value of all performance rights granted during the financial year was \$270,000 (30 June 2020: \$nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The details are as follows:

Number granted during 2021	Grant date	Expiry date	Fair value at grant date \$ per right	Vesting conditions
20,000,000	6 October 2020	6 October 2021	0.0056	Tranche 1
20,000,000	6 October 2020	6 October 2021	0.0039	Tranche 2
20,000,000	6 October 2020	6 October 2021	0.0020	Tranche 3
20,000,000	6 October 2020	6 October 2021	0.0010	Tranche 4
20,000,000	6 October 2020	6 October 2021	0.0006	Tranche 5
20,000,000	6 October 2020	6 October 2021	0.0004	Tranche 6

The performance rights had the following market-based vesting conditions:

Tranche 1	Volume-weighted average price ('VWAP') of the Company's share price exceeding \$0.01 continuously for more than 20 consecutive trading days within 1 year of grant.
Tranche 2	VWAP of the Company's share price exceeding \$0.02 continuously for more than 20 consecutive trading days within 1 year of grant.
Tranche 3	VWAP of the Company's share price exceeding \$0.05 continuously for more than 20 consecutive trading days within 1 year of grant.
Tranche 4	VWAP of the Company's share price exceeding \$0.10 continuously for more than 20 consecutive trading days within 1 year of grant.
Tranche 5	VWAP of the Company's share price exceeding \$0.15 continuously for more than 20 consecutive trading days within 1 year of grant.
Tranche 6	VWAP of the Company's share price exceeding \$0.20 continuously for more than 20 consecutive trading days within 1 year of grant.

Subsequent to 30 June 2021, all performance rights lapsed as a result of the market conditions not being achieved within the required timeframe.

#### (d) Expenses arising from share-based payments

Total costs arising from share-based payment transactions recognised as expenses during the year are as follows:

	2021 \$	2020 \$
Director shares	140,000	-
Performance rights issued to directors	270,000	-
Options issued to employees and consultants	29,664	5,178
Total share-based payments expense recognised in profit or loss	439,664	5,178

#### 6. REMUNERATION OF AUDITORS

The auditor of Cyclone Metals Limited is BDO (WA) Pty Ltd.

	2021 \$	2020 \$
<b>Amounts received or due and receivable by BDO (WA) Pty Ltd for:</b>		
An audit or review of the financial report of the entity and any other entity in the <b>Group</b>	52,190	53,801
	52,190	53,801

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. TRADE AND OTHER RECEIVABLES

	Note	2021 \$	2020 \$
<b>Trade and other receivables – current</b>			
Trade debtors		3,892,850	3,850,527
GST recoverable and other debtors		42,914	26,321
Prepayments		-	10,236
Deferred consideration receivable	(a)	2,500,000	2,500,000
Loan receivable	(b)	-	-
Allowance for expected credit loss	(c)	(6,093,779)	(6,093,779)
		<u>341,985</u>	<u>293,305</u>

(a) Deferred consideration receivable payable on the achievement of a production milestone. This receivable has been previously provided for in full.

(b) Current loans receivable at reporting date are made up as follows:

		Carrying value of loans	
	Interest rate	2021 \$	2020 \$
Convertible loan note of \$250,250 (i)	15.0%	159,250	159,250
Loan of USD\$8,000,000 (ii)	Libor + 6%	10,447,200	10,447,200
Carrying value of loans		10,606,450	10,606,450
Impairment of receivables		(10,606,450)	(10,606,450)
Current carrying value at amortised cost at reporting date		<u>-</u>	<u>-</u>

(i) In August 2014, the Company entered into a converting loan agreement with Kiwanda Mines (NA) LLC for \$250,250. The loans were due for repayment or conversion on 12 August 2015. During the year ended 30 June 2016, the Company received cash of \$91,000 for the partial redemption of the convertible note. The balance of the loan receivable has been provided for in full.

(ii) On 22 October 2014, the Company announced that it had entered into a US\$20 million funding agreement with Timis Mining (**Agreement**) to assist it with the acquisition of London Mining's Marampa Iron Ore Mine (**Mine**) from the administrator of London Mining PLC. The Agreement was divided into two parts, being (a) US\$8 million Bridging Finance loan and US\$12 million for the purchase of a royalty. The bridging finance loan of US\$8 million was repayable in October 2015 and incurs interest of 3 month US LIBOR (London interbank offered rate) + 6%. This loan has previously been provided for in full.

**Risk Exposure**

The Group's exposure to risk is discussed in more detail in note 29. An impairment allowance of \$10,606,450 in the current year (30 June 2020: \$10,606,450) was raised in the prior year in relation to loans past due and objective evidence of impairment.

*Movements in the impairment allowance:*

	2021 \$	2020 \$
Opening balance at beginning of the year	(10,606,450)	(10,606,450)
Reversal of provision for impairment (receivables converted into loans)	-	-
	<u>(10,606,450)</u>	<u>(10,606,450)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) The movement in allowance for doubtful debts is made up as follows:

	2021	2020
	\$	\$
Opening balance at beginning of the year	(6,093,779)	(6,096,969)
Reversal of impairment (repayment of debt)	-	3,190
	<u>(6,093,779)</u>	<u>(6,093,779)</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	\$	\$
<b>Financial Assets at Fair value through Profit or Loss</b>		
Shares in listed entities	(a) 4,863,742	867,244
Shares in unlisted entities – at cost	(b) 17,435	17,435
<b>Total Financial Assets</b>	<u>4,881,177</u>	<u>884,679</u>

### (a) Movements in the carrying amount of the shares in listed entities

	2021	2020
	\$	\$
Carrying value at beginning of the year	867,244	979,620
Purchase of equity investments	30,000	-
Realised loss on sale of equity	(2,101,413)	-
Reclassification to Investments accounted for using the equity method	3,221,333	-
Disposal of equity investments	(522,373)	-
Gain/(Loss) on fair value of financial assets through profit or loss	3(f) 3,368,951	(112,376)
	<u>4,863,742</u>	<u>867,244</u>

### (b) Movements in the carrying amount of the shares in unlisted entities

	2021	2020
	\$	\$
<i>Movements:</i>		
Carrying value at beginning of year (cost less impairment)	17,435	17,435
	<u>17,435</u>	<u>17,435</u>

## 9. RESTRICTED CASH

	2021	2020
	\$	\$
Term deposits (a)	12,500	12,500
Credit card guarantee	5,000	-
	<u>17,500</u>	<u>12,500</u>

### (a) Movements:

Opening balance at beginning of the year	12,500	12,500
Credit card guarantee	5,000	-
Closing balance at 30 June 2021	<u>17,500</u>	<u>12,500</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment \$	Buildings \$	Motor Vehicles \$	Furniture & Fittings \$	Leasehold Improvements \$	Total \$
<b>Gross carrying amount – at cost</b>						
<b>At 30 June 2019</b>	<b>140,428</b>	<b>71,511</b>	<b>10,728</b>	<b>65,007</b>	<b>1,464,351</b>	<b>1,755,025</b>
Additions	1,850	-	-	-	-	1,850
Exchange differences	(213)	1,570	236	1,668	-	3,261
<b>At 30 June 2020</b>	<b>142,065</b>	<b>73,081</b>	<b>10,964</b>	<b>66,675</b>	<b>1,464,351</b>	<b>1,757,045</b>
Additions	2,664	-	-	-	-	2,664
Exchange differences	(339)	(6,131)	(919)	(5,342)	-	(12,731)
<b>At 30 June 2021</b>	<b>144,390</b>	<b>66,950</b>	<b>10,045</b>	<b>61,333</b>	<b>1,464,351</b>	<b>1,747,069</b>
<b>Accumulated depreciation</b>						
<b>At 30 June 2019</b>	<b>(117,832)</b>	-	<b>(10,397)</b>	<b>(64,720)</b>	<b>(1,464,351)</b>	<b>(1,657,300)</b>
Depreciation expense	(15,712)	-	(346)	(184)	-	(16,242)
Exchange differences	(84)	-	(221)	(1,366)	-	(1,671)
<b>At 30 June 2020</b>	<b>(133,628)</b>	-	<b>(10,964)</b>	<b>(66,270)</b>	<b>(1,464,351)</b>	<b>(1,675,213)</b>
Depreciation expense	(7,165)	-	-	(152)	-	(7,317)
Exchange differences	327	-	919	5,340	-	6,586
<b>At 30 June 2021</b>	<b>(140,466)</b>	-	<b>(10,045)</b>	<b>(61,082)</b>	<b>(1,464,351)</b>	<b>(1,675,944)</b>
<b>Net Book Value</b>						
<b>At 1 July 2019</b>	<b>22,596</b>	<b>71,511</b>	<b>331</b>	<b>287</b>	-	<b>94,725</b>
Additions	1,850	-	-	-	-	1,850
Depreciation expense	(15,712)	-	(346)	(184)	-	(16,242)
Exchange differences	(297)	1,570	15	302	-	1,590
<b>At 30 June 2020</b>	<b>8,437</b>	<b>73,081</b>	-	<b>405</b>	-	<b>81,923</b>
Additions	2,664	-	-	-	-	2,664
Depreciation expense	(7,165)	-	-	(152)	-	(7,317)
Exchange differences	(12)	(6,131)	-	(2)	-	(6,145)
<b>At 30 June 2021</b>	<b>3,924</b>	<b>66,950</b>	-	<b>251</b>	-	<b>71,125</b>

(a) The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(b) The impairment loss represents the write down of certain plant and equipment to the recoverable amount. An item of property, plant and equipment initially recognised is derecognised when no future economic benefits are expected from use or its disposal.

## 11. INVESTMENTS IN ASSOCIATED ENTITIES

	2021 \$	2020 \$
Investments in associates accounted for using the equity method	4,884,975	5,052,941

## (a) Investment details

	Percentage held at reporting date		Year ended	Year ended
	2021 %	2020 %	2021 \$	2020 \$
European Lithium Limited	-	9.73	-	3,156,907
Fe Limited	20.89	29.84	4,884,975	1,896,034
			4,884,975	5,052,941



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(b) Movements in the carrying amount of the investment in associates**

	2021	2020
	\$	\$
Balance at beginning of period	5,052,941	6,030,739
Purchase of shares	15,925	3,982
Share of (losses)/profit of associates recognised during the year	(604,855)	1,430,813
Reclassification to financial assets at fair value through Profit and Loss	(3,156,907)	-
Share of reserves of associates recognised during the year	182,741	95,513
Gain on dilution of interest in associate	235,480	483,806
(Reversal)/Impairment of investment in associate (e)	3,159,650	(2,991,912)
	<u>4,884,975</u>	<u>5,052,941</u>

**(c) Fair value of investments in listed associates**

The fair value of listed associates has been determined by reference to published price quotations in an active market (level 1 in the fair value hierarchy).

	2021	2020
	\$	\$
European Lithium Limited	-	3,156,907
Fe Limited	4,884,975	1,896,034

**(d) Summarised financial information***European Lithium Ltd*

Given the Company holds less than 20% interest in European Lithium Ltd (EUR), and that Mr Turner resigned as a Director of EUR on 2 September 2020, and as such Tony Sage is the only similar Director on EUR and Cyclone Metals Ltd, the Company is considered to no longer have significant influence over the investment and accordingly is no longer equity accounted for. Instead, the Company's shareholding in EUR is accounted for a fair value through profit and loss.

*Fe Limited*

The Group has a 20.89% interest in Fe Limited (**FEL**), which is an ASX-listed mineral exploration company. The Group's interest in FEL is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial investment of the Group's investment in FEL:

	2021	2020
	\$	\$
Current assets	9,344,195	7,874,776
Non-current assets	6,185,128	252,635
Current liabilities	(2,419,189)	(357,326)
Non-current liabilities	(160,140)	-
<b>Equity</b>	<b>12,949,994</b>	<b>7,770,085</b>
<b>Group's carrying amount of the investment</b>	<b>4,884,975</b>	<b>1,896,034</b>

	2021	2020
	\$	\$
Balance at beginning of the year	1,896,034	2,479,428
Shares acquired during the year	15,925	-
Share of losses	(604,855)	1,763,243
Dilution of investment	(1,271,289)	(66,132)
Share of movement in reserves	182,741	21,279
Share of issue of equity	1,506,767	139,145
Impairment (based on market value of shares)	3,159,652	(2,440,929)
Balance at the end of the year	<u>4,884,975</u>	<u>1,896,034</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2021	2020
	\$	\$
Revenue and other income	58,551	1,662
Depreciation	2,856	1,311
<b>Profit/(Loss) before tax</b>	<b>(2,510,540)</b>	<b>5,987,075</b>
Income tax expense	-	(78,896)
<b>Loss for the year</b>	<b>(2,510,540)</b>	<b>5,908,179</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>(2,510,540)</b>	<b>5,908,179</b>
<b>Group's share of profit/(loss) for the year</b>	<b>(604,855)</b>	<b>1,763,243</b>

The associate has the following contingent liabilities as at 30 June 2021.

Contingent Liabilities of FEL in respect to the Wiluna Transaction

FEL has agreed to provide a working capital facility of \$3m to the Wiluna Iron JV following decision to mine (\$3m Facility) (repayable against sale proceeds).

The Company previously disclosed a contingent liability being the further consideration of \$250,000 payable to GVI0 in cash or shares (at FEL's election) upon a decision to mine. This has been satisfied in the year ended 30 June 2021.

The Company previously disclosed a contingent liability being payment of \$225,000 upon decision to mine, being the final prepaid 50% instalment royalty obligation associated with the project. This has been satisfied in the year ended 30 June 2021.

As announced on 25 May 2021, FEL paid a A\$1m refundable deposit to its joint venture partner to secure an option to increase its interest in JWD from 51% to 60% for consideration of A\$2.5m. This option constitutes a contingent asset at 30 June 2021. The option was exercised subsequent to year end (refer Significant Events Subsequent to Reporting Date).

Contingent Liabilities of Wiluna Iron JV (in which FEL has a 51% interest at 30 June 2021)

Additional payments will be required by the JV to satisfy the underlying Mining Rights Agreement, as follows:

- Should the Wiluna Iron JV elect to exercise its option to extract a further 2.7Mt from the JWD deposit, an amount of \$4,250,000 will be payable;
- Royalties are payable to GWR Group on the basis of iron ore price and to a third party; and
- \$3.50 per tonne for each tonne sold in excess of 3Mt.

On 30 June 2021, FEL entered into an agreement with a third party to relocate its operations from Shed 4 at Geraldton to secondary facility (to be built) (Relocation Agreement), which would in turn facilitate FEL entering into a subsequent arrangement with Mt Gibson Iron (MGI) to utilise Shed 4 for its JWD project operations. Pursuant to the Relocation Agreement, FEL agreed to provide a \$300,000 as security to cover the capital required to prepare and make available the secondary facility to the third party. Obligation to make the security payment remained subject to certain conditions precedent at 30 June 2021 and therefore represents a contingent liability at balance date. The security amount was paid in July 2021.

Contingent Liabilities of FEL in respect to the Yarram Transaction

A milestone payment will be payable by FEL to Gold Valley Brown Stone Pty Ltd if the Company discovers a JORC indicated resource of greater than 3MT with greater than 60% Fe, as follows:

- \$1,500,000 cash; or at FEL's election; and
- \$500,000 in cash and \$1,000,000 in FEL shares (calculated as 10-day VWAP upon announcement of Milestone Resource).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(e) Impairment assessment**

The carrying amounts of the investments in associates were assessed for impairment at 30 June 2021. The market value prices of some investments were below their carrying value. As a result, the recoverable amount has been measured at fair value less cost to sell. Reversal of impairment losses of \$3,159,652 (2020: \$2,991,912 expense) have been recognised.

**12. EXPLORATION AND EVALUATION EXPENDITURE**

	2021	2020
	\$	\$
<b>Exploration and evaluation phases</b>	-	-
<i>Movements:</i>		
Carrying value at beginning of the year	-	-
Exploration and evaluation expenditure capitalised during the year	354,638	334,648
Exploration expenditure (recognised)/de-recognised during the year	(354,638)	(334,648)
<b>Total exploration and evaluation phases</b>	-	-

The value of the exploration expenditure is dependent upon:

- the continuance of the rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Certain of Cyclone's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Indigenous people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

**13. TRADE AND OTHER PAYABLES**

	2021	2020
	\$	\$
<b>Current</b>		
Trade payables	377,192	1,600,028
Other creditors and accruals	110,526	905,175
Withholding tax	4,436	1,207
	492,153	2,506,410

**Risk Exposure**

The Group's exposure to risk is discussed in note 29.

**Terms and Conditions**

Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Sundry creditors and accruals are non-interest bearing and have an average term of 30 days.

**14. PROVISIONS**

	2021	2020
	\$	\$
<b>Current</b>		
Employee entitlements	85,265	81,137
	85,265	81,137

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. CONVERTIBLE NOTE AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 \$	2020 \$
Current	136,219	206,773
Non-current	-	69,643
	<b>136,219</b>	<b>276,416</b>

	2021 \$	2020 \$
Balance at beginning of period	276,416	459,737
Funds borrowed under convertible loan agreement	-	1,200,000
Finance charges	39,560	192,359
Amount repaid through cash	-	(90,212)
Amounts repaid through issue of shares (refer note 18)	(179,757)	(1,043,468)
Amounts transferred to trade and other payables	-	(442,000)
Balance at end of period	136,219	276,416

**(a) Magna**

During the year, Magna elected to convert 108,612 notes borrowed under the convertible loan agreement into 35,951,448 fully paid ordinary shares of the Company. During the year, an amount of (\$27,015) was recorded as a finance cost in the statement of comprehensive income.

As at 30 June 2021, Magna had nil convertible notes.

**(b) Winance**

On 31 July 2019, the Company announced that it had entered into a Convertible Note Agreement with Winance Investments LLC (**Winance**) through the issue of 1,200 convertible notes. The Company previously drew down A\$1,200,000 (**Tranche A**) from the A\$15 million facility and a further A\$13.8 million is available in tranches upon the successful conversion of the Winance notes from the previous drawdown subject to a cooling off period. Winance will receive a commitment fee of 5% of the investment amount at the funding of each tranche payable in shares.

The face value of each convertible note is AU\$1,000 and are non-interest bearing. The notes are convertible to a variable number of ordinary shares at the option of the holder of the notes any time after issue. If not converted the notes mature and are repayable twenty-four months after the issue date. The conversion price for each convertible note is the lower of a 10% discount from the lowest VWAP over twelve (12) days prior to the conversion date, provided that the conversion price shall not in any case be lower than \$0.005 (floor price).

During the year, there were no conversions of notes borrowed under the convertible loan agreement into shares of the Company.

At 30 June 2021, the pro-rated difference between the fair value of the convertible notes of \$1,266,575 and the proceeds received of A\$1,200,000, being \$66,575 was recorded as a finance cost in the statement of comprehensive income.

As at 30 June 2021, Winance had 10 convertible notes remaining at a fair value of \$136,220.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**16. LOAN PAYABLE AT AMORTISED COST**

	2021 \$	2020 \$
Current	-	2,200,000
Movements in the carrying amount of loan payable		
	2021 \$	2020 \$
Balance at beginning of period	2,200,000	1,422,736
Proceeds from borrowings (a)	-	2,200,000
Repayment of borrowings (a)	(2,200,000)	(1,422,736)
	-	2,200,000

**(a) Winance**

On 24 January 2020 the Company entered into a \$2.2m loan facility with Winance (**Winance Loan**).

On 16 October 2020, the Company issued 146,518,667 Winance Debt Shares to satisfy interest payable under the Winance Loan following receipt of shareholder approval at the EGM.

On 22 October 2020, the Company issued 450,000,000 Winance Debt Shares at a price of \$0.004 per Share to Winance in part reduction (\$1,800,000) of the Winance Loan. The fair value of these shares on issue date was \$0.009 per share which resulted in a loss in the extinguishment of liabilities of \$2,250,000.

On 30 November 2020, the Company issued 318,094,100 Winance Debt Shares at a price of \$0.004 per Share to satisfy the balance of the Winance Loan. The fair value of these shares on issue date was \$0.009 per share which resulted in a loss in the extinguishment of liabilities of \$1,590,471.

At 30 June 2021, the Winance Loan had been repaid in full.

**17. TAX LIABILITY**

	2021 \$	2020 \$
Current	1,487,373	1,773,171
Non-current	780,516	1,300,861
	<b>2,267,889</b>	<b>3,074,032</b>
Movements in the carrying amount of tax payable		
	2021 \$	2020 \$
Balance at beginning of period	3,074,032	3,903,572
Accrued interest	300,000	-
Repayments of income tax	(1,106,143)	(829,540)
Balance at end of period	2,267,889	3,074,032

The Company has been the subject of an audit by the Australian Taxation Office (**ATO**) regarding various taxation matters, covering the 2011 - 2015 income years. The key issue in dispute is the tax treatment of the disposal of certain assets.

On 31 July 2018, the Company reached an out of court settlement with the ATO. Under the terms of the settlement, the Company has, on a without admission of liability basis, agreed to make final settlement payments to the ATO totalling \$5,203,442 following the issue of amended assessments for each of the respective income tax years in dispute.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Included in the settlement is a shortfall interest component of \$790,000. The settlement is payable over 5 years until March 2023. Under the terms of the settlement, the Company retains all carry forward losses.

The Company's wholly owned subsidiary, Dempsey Resources Pty Ltd (**Dempsey**), has agreed to provide the ATO with security over its shareholdings in Fe Limited and Cauldron Energy Ltd as collateral.

The agreed settlement figure of \$5,203,442 represents full and final settlement and removes the potential for any further payments to the ATO under the amended assessments.

During the year, the Company made payments to the ATO of \$1,106,143 in cash of \$1,040,688 and through the offset of GST refunds of \$65,455.

**18. ISSUED CAPITAL**

	2021	2020
	\$	\$
4,532,236,982 fully paid ordinary shares (2020: 1,736,981,667)	<u>220,115,530</u>	<u>206,133,405</u>

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

***Movement in ordinary shares on issue***

	<b>Ordinary fully paid shares</b>	
	<b>Number</b>	<b>\$</b>
<b>2021</b>		
Shares on issue at 1 July 2020	1,736,981,667	206,133,405
Placements (i)	1,454,192,811	3,165,500
Magna loan conversion	768,094,100	6,912,847
Magna conversions (note 15)	35,951,450	179,757
Winance conversions (note 15)	146,518,667	219,778
Shares issued in settlement of liabilities (ii)	360,498,287	3,495,748
Shares issued upon exercise of options	10,000,000	60,000
Shares issued to Chairman	20,000,000	140,000
Costs associated with capital issues	-	(191,504)
<b>Shares on issue at 30 June 2021</b>	<b><u>4,532,236,982</u></b>	<b><u>220,115,531</u></b>
<b>2020</b>		
Shares on issue at 1 July 2019	1,019,927,757	203,295,135
Placements	20,000,000	100,000
Magna conversions (note 15)	51,586,909	295,468
Winance conversions (note 15)	238,000,000	748,000
Shares issued in settlement of liabilities	407,467,001	1,700,802
Costs associated with capital issues	-	(6,000)
<b>Shares on issue at 30 June 2020</b>	<b><u>1,736,981,667</u></b>	<b><u>206,133,405</u></b>

- (i) The following shares were issued via share placements during the year ended 30 June 2021:
- On 25 August 2020, the Company issued 69,722,223 shares at an issue price of \$0.0018 per share to raise proceeds of approximately \$125,500 (before expenses).
  - At various dates in October 2020, the Company issued 1,176,470,588 shares at an issue price of \$0.0017 per share to raise proceeds of \$2,000,000 (before expenses).
  - On 18 December 2020, the Company issued 208,000,000 shares at an issue price of \$0.005 per shares to raise proceeds of \$1,040,000 (before expenses).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (ii) The following shares were issued in settlement of liabilities during the year ended 30 June 2021:
- On 15 October 2020 the Company issued 125,631,533 shares to settle liabilities of \$188,447 at a deemed issue price of \$0.0015 per share as approved by shareholders at the Company's GM held on 6 October 2020 (resolution 9). The fair value of these shares on issue date was \$0.011 per share which resulted in a loss in the extinguishment of liabilities of \$1,193,500.
  - On 16 October 2020 the Company issued 196,248,087 shares to settle liabilities of \$294,72 at a deemed issue price of \$0.0015 per share as approved by shareholders at the Company's GM held on 6 October 2020 (resolution 4). The fair value of these shares on issue date was \$0.09 per share which resulted in a loss in the extinguishment of liabilities of \$1,471,861 (Refer to note 14).
  - On 16 October 2020 the Company issued 10,618,667 shares to settle liabilities of \$15,928 at a deemed issue price of \$0.0015 per share as approved by shareholders at the Company's GM held on 6 October 2020 (resolution 5). The fair value of these shares on issue date was \$0.09 per share which resulted in a loss in the extinguishment of liabilities of \$79,640 (Refer to note 14).
  - On 16 October 2020 the Company issued 22,000,000 shares to settle liabilities of \$33,000 at a deemed issue price of \$0.0015 per share as approved by shareholders at the Company's GM held on 6 October 2020 (resolution 6). The fair value of these shares on issue date was \$0.09 per share which resulted in a loss in the extinguishment of liabilities of \$165,000 (Refer to note 14).
  - On 18 December 2020, the Company issued 6,000,000 shares to settle liabilities of \$30,000 at a deemed issue price of \$0.009 per share. The fair value of these shares on issue date was \$0.09 per share which resulted in a loss in the extinguishment of liabilities of \$24,000.

**Capital Risk Management**

The **Group's** objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "borrowings" and "trade and other payables" as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

	2021	2020
	\$	\$
Total trade and other payables	492,153	2,506,410
Convertible note	136,219	276,416
Loan payable	-	2,200,000
less: cash and cash equivalents	(280,749)	(238,222)
Net (cash)/debt	347,623	4,744,604
Total equity/(deficiency)	7,495,986	(1,574,425)
Total capital	7,843,609	3,170,179
Gearing ratio	4%	150%

**19. RESERVES**

	2021	2020
	\$	\$
Foreign currency translation reserve	22,237,177	22,219,148
Share-based payments reserve	3,239,438	2,757,033
Business combination reserve	(1,090,501)	(1,090,501)
	24,386,114	23,885,680

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2021 \$	2020 \$
<b>Foreign currency translation reserve</b>		
Balance at beginning of financial year	22,219,148	22,208,957
Share of movement of associate's foreign currency translation reserve	18,029	21,542
Foreign currency exchange differences arising on translation of foreign operation	-	(11,351)
Balance at end of financial year	<u>22,237,177</u>	<u>22,219,148</u>
<b>Share-based payments reserve</b>		
Balance at beginning of financial year	2,757,033	2,677,884
Share of movement of associate's share-based payments reserve	182,741	73,971
Share-based payments	299,664	5,178
Balance at end of financial year	<u>3,239,438</u>	<u>2,757,033</u>
<b>Business combination reserve</b>		
Balance at beginning of financial year	(1,090,501)	(1,090,501)
Increase in non-controlling interest	-	-
Balance at end of financial year	<u>(1,090,501)</u>	<u>(1,090,501)</u>

**Nature and Purpose of Reserves****Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

**Share-based payments reserve**

The share-based payments reserve records items recognised as expenses on valuation of employee share options, as well as options and performance rights issued to directors and consultants.

**Business combination reserve**

The equity reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

**20. ACCUMULATED LOSSES**

	2021 \$	2020 \$
Balance at beginning of financial year	(231,593,510)	(230,059,028)
Loss for the year	(5,412,150)	(1,534,482)
Balance at end of financial year	<u>(237,005,658)</u>	<u>(231,593,510)</u>

**21. LOSS PER SHARE**

	2021 Cents per Share	2020 Cents per Share
Basic and diluted loss per share (a)	(0.15)	(0.13)

(a) Basic and Diluted Loss per Share

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2021 \$	2020 \$
Loss for the year	<u>(5,412,150)</u>	<u>(1,534,482)</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2021 Number	2020 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,644,099,637	1,192,520,706

There are 123,200,000 share options (30 June 2020: 41,200,000) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period presented.

Since 30 June 2021 and prior to the date of release of these financial statements, nil (30 June 2020: nil) share options have been forfeited and nil (30 June 2020: 10,000,000) share options have been exercised.

Since 30 June 2021 and prior to the date of release of these financial statements, 120,000,000 (30 June 2020: nil) performance rights have lapsed and nil (30 June 2020: nil) performance rights have vested.

## 22. OTHER UNLISTED OPTIONS

The following refers to unlisted options issued by the Company which do not constitute a share-based payment.

### (a) Options granted during the current year

On 18 December 2020, a total of 107,000,000 unlisted options with an exercise price of \$0.005, expiring on 18 December 2021 were issued to investors pursuant to the placement which completed on the same day.

### (b) Options granted during the prior year

On 19 February 2020 20,000,000 unlisted options with an exercise price of \$0.006, expiring on 30 June 2023 were issued to investors pursuant to the placement which completed on the same day.

### (c) Options on issue at 30 June 2021

The outstanding balance of options at 30 June 2021 (other than those granted as share-based payments) is as follows:

Grant Date	Exercise Price	Number of Options	Expiry Date	Listed/Unlisted
18 December 2020	\$0.005	107,000,000	18/12/2021	Unlisted
19 February 2020	\$0.006	10,000,000	30/06/2023	Unlisted
		117,000,000		

## 23. COMMITMENTS

The Group has \$297,000 minimum expenditure requirements in relation to its exploration tenements.

## 24. CONTINGENT ASSETS AND LIABILITIES

### Contingent asset for future royalties payable from the Mayoko Iron Ore Project

In March 2012, Johannesburg Stock Exchange listed Exxaro Resources Limited (**Exxaro**) completed a takeover offer for all of the shares and listed options in African Iron Limited, a company in which the Company held 126,700,000 shares, delivering \$72.2 million in cash to the Company. African Iron Limited owns the Mayoko Iron Ore Project which is located in the Republic of Congo (**Mayoko Project**). As part of the takeover transaction, the Company retains a production royalty of AUD\$1.00 (indexed annually to the CPI) per tonne of iron ore shipped from the Mayoko Project (**Mayoko Royalty**). On 6 February 2014, the Company released an announcement advising shareholders that Exxaro has been granted a Mining Convention for the Mayoko Project. In September 2016 Exxaro announcement the completion of the sale of the Mayoko Project to Sapro SA. On 13 February 2017, the Company released an announcement that it had sold the Mayoko Royalty for A\$1,000,000 subject to the formality of the new owners signing off on the transaction. As at

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018, the Company had received A\$500,000 in cash with the remaining A\$500,000 to be received as deferred consideration.

**Contingent issue of shares on Winance Facility**

On 31 July 2019, the Company announced that it had executed a finance facility with Winance Investment LLC (**Winance** or **Investor**). The facility was for up to A\$15m by way of the issue of convertible securities in the Company. As at 31 December 2019, the Company has drawn down \$1.2 million from the \$15m facility and Further drawdowns of \$500,000 each are available upon full conversion of the notes from the previous drawdown, subject to a cooling off period. The Company is under no obligation to drawdown subsequent tranches of the facility. Under the facility, Winance will also receive a commitment fee of 5% of the investment amount at the funding of each tranche payable in shares. Refer to Note 15(b) for further details on the Winance facility.

**Contingent license fees for Sierra Leone projects**

During the year ended 30 June 2019, the Company received a letter from the Sierra Leone Ministry of Mines (**MoM**) informing Marampa Iron Ore (SL) Limited (**Marampa SL**) of the cancellation of the Marampa mining license MLO5/2014 due to non-payment of fees. In September 2014, Marampa SL submitted to the MoM an application letter entitled "Force Majeure to all Cape Lambert Operations in Sierra Leone" which was acknowledged by the MoM. The Company understood that the agreement with the MoM was that force majeure events were acknowledged and authorised and as such no fees would accrue or be payable until a processing facility was operating and Marampa SL is producing iron ore from Marampa. The Company understands that the notice of cancellation of license letter has incorrectly been issued by the new Sierra Leone government who are not aware of the agreement. The Company is of the view that there is no present obligation with respect to accrued exploration license fees since 2015 for its Sierra Leone projects due to the Company declaring force majeure and therefore the liability has been reversed in the financial statements.

**25. SUBSIDIARIES**

Name of Entity	Country of Incorporation	Ownership Interest	
		2021 %	2020 %
<b>Parent entity</b>			
Cyclone Metals Limited	Australia	-	-
<b>Subsidiaries</b>			
African Minerals Exploration Pty Ltd	Australia	100%	100%
Cape Lambert Minsec Pty Ltd	Australia	100%	100%
Danae Resources Pty Ltd	Australia	100%	100%
Dempsey Resources Bermuda Limited <sup>2</sup>	Bermuda	100%	100%
Dempsey Resources Pty Ltd	Australia	100%	100%
Marampa Iron Ore (Bermuda) Limited	Bermuda	100%	100%
Marampa Iron Ore (SL) Limited	Sierra Leone	100%	100%
Metals Exploration (Australia) Pty Ltd	Australia	100%	100%
Metal Exploration (SL) Limited	Sierra Leone	100%	100%
Mineral Resources (Bermuda) Limited <sup>2</sup>	Bermuda	100%	100%
Mineral Securities Investments (Australia) Pty Ltd	Australia	100%	100%
Mineral Securities Operations Pty Ltd	Australia	100%	100%
Mining International Pty Ltd	Australia	100%	100%
Pinnacle Group Assets (SL) Limited	Sierra Leone	100%	100%

<sup>2</sup> In the process of being liquidated.

**26. SEGMENT INFORMATION**

AASB 8 *Operating Segments* requires operating segments to be identified based on internal reports that are regularly reviewed by the Chief Operating Decision Maker (**CODM**) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment, as the Group's activities relate to mineral exploration.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

**Information by geographical region**

The analysis of the location of non-current assets other than financial instruments and deferred tax assets is as follows:

	2021	2020
	\$	\$
Australia	4,889,150	5,061,755
West Africa	66,950	73,108
	<u>4,956,100</u>	<u>5,134,864</u>

**Revenue by geographical region**

	2021	2020
	\$	\$
Australia	4,684	324,910
West Africa	-	-
	<u>4,684</u>	<u>324,910</u>

**27. RELATED PARTY DISCLOSURES****Transactions with related parties**

Transactions between related parties are on commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

*Agreements entered into with related parties*Office lease agreement with Okewood Pty Ltd

Effective 1 February 2021, the Company entered into a lease agreement with Okewood Pty Ltd, a company owned by Tony Sage, for the part-lease of 32 Harrogate Street, West Leederville WA 6007 (**Lease Agreement**). The term of the Lease Agreement is ongoing commencing 1 February 2021 for a rent of \$2,500 per month. The lease covers the rental, outgoings and parking charges under agreements made on commercial terms and conditions at market rates. Refer to the table below which summarises the recharges.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
<i>Associate entities:</i>					
Fe Limited	2021	750	754	-	716
Fe Limited	2020	-	19,610	-	-
<i>Director related entities:</i>					
European Lithium Limited	2021	750	6,360	-	805
European Lithium Limited	2020	27,814	22,451	-	-
DGWA GmbH	2021	-	-	-	-
DGWA GmbH	2020	-	19,610	-	-
Perth Glory Football Club	2021	-	43,925	-	-
Perth Glory Football Club	2020	-	-	-	-
Okewood Pty Ltd	2021	-	12,500	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Okewood Pty Ltd	2020	-	426,015	-	200,944
Universal Trust	2021	-	24,819	-	-
Universal Trust	2020	-	-	-	-

Sales to and purchases from director related entities are for the reimbursement of occupancy, investor relation, travel, capital raising and other costs:

- Tony Sage is a director of European Lithium Limited and Fe Limited
- DGWA GmbH is an entity controlled by Stefan Müller. Stefan Muller retired as a Director of the Company on 11 February 2020, the above transactions reflect transaction with DGWA up until the date of resignation
- Okewood Pty Ltd and Okewood Pty Ltd trading as Perth Glory Football Club are entities controlled by Tony Sage
- Universal Trust is an entity controlled by Terry Donnelly.

**Key management personnel**

The following table discloses the remuneration of the directors and key management personnel of the **Company**:

	2021	2020
	\$	\$
Short-term employee benefits	529,387	593,147
Post-employment benefits	-	-
Share-based payments	270,000	-
Long-term employee benefits	-	-
	799,387	593,147

Detailed remuneration disclosures are provided in the remuneration report.

Equity instrument disclosures relating to key management personnel

On 16 October 2020 the Company issued 196,248,087 shares to Okewood Pty Ltd, an entity controlled by Director Tony Sage, to settle liabilities of \$294,372 at a deemed issue price of \$0.0015 per share as approved by shareholders at the Company's GM held on 6 October 2020 (resolution 4). The fair value of these shares on issue date was \$0.09 per share which resulted in a loss in the extinguishment of liabilities of \$1,471,861 (Refer to note 18).

On 16 October 2020 the Company issued 10,618,667 shares to Haven Resources Pty Ltd, an entity controlled by Director Mark Hancock, to settle liabilities of \$15,928 at a deemed issue price of \$0.0015 per share as approved by shareholders at the Company's GM held on 6 October 2020 (resolution 5). The fair value of these shares on issue date was \$0.09 per share which resulted in a loss in the extinguishment of liabilities of \$79,640 (Refer to note 18).

On 16 October 2020 the Company issued 22,000,000 shares to Marnichar Nominees Pty Ltd ATF the Hallemar Trust trading as CRMS, an entity controlled by Director Timothy Turner, to settle liabilities of \$33,000 at a deemed issue price of \$0.0015 per share as approved by shareholders at the Company's GM held on 6 October 2020 (resolution 6). The fair value of these shares on issue date was \$0.09 per share which resulted in a loss in the extinguishment of liabilities of \$165,000 (refer to note 18).

On 16 October 2020, the Company issued 20,000,000 fully paid ordinary sign-on bonus shares to Mr Terry Donnelly, the appointed Non-Executive Chairman of the Company. The shares were issued following receipt of shareholder approval at the EGM held on 6 October 2020.

On 16 October 2020, the Company issued 120,000,000 sign-on performance rights to Mr Terry Donnelly upon his appointment as Non-Executive Chairman of the Company. The performance rights were issued following receipt of shareholder approval at the EGM held on 6 October 2020. The performance rights have lapsed since 30 June 2021 as market hurdles were not met.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28. NOTES TO THE CASH FLOW STATEMENT

## (a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

	2021 \$	2020 \$
<i>Cash and cash equivalents</i>		
Cash in banks and on hand	280,749	238,222
Cash and cash equivalents per consolidated statement of cash flows	280,749	238,222
Cash and cash equivalents per consolidated statement of financial position	280,749	238,222

## (b) Reconciliation of Net Profit/ (Loss) to Net Cash Flows from Operating Activities

	2021 \$	2020 \$
Loss from ordinary activities after tax	(5,412,150)	(1,534,482)
<i>Adjusted for non-cash items:</i>		
Loss/(gain) on disposal of tenement interests	2,101,413	-
(Gain)/loss on fair value of financial assets through profit & loss	(3,368,951)	112,376
Depreciation and amortisation of non-current assets	7,317	16,242
Share of losses of associates	604,855	(1,430,813)
Gain on dilution of interest in associate	(235,480)	(483,806)
Gain on transfer from associate accounting to fair value through profit & loss	(64,426)	-
Finance expense	40,282	513,950
Impairment of investment in associate	(3,159,652)	2,991,912
Reversal withholding tax provision	-	(2,527,175)
Convertible note fee	-	724,004
Gain on extinguishment of liabilities	6,437,734	(787,568)
Interest on loan (investing activity)	326,821	435,886
Share-based payments	439,664	5,178
Exploration expenditure de-recognised during the year	354,638	334,648
Exploration expenditure reclassified to operating activity	-	307,324
Provision for impairment of joint venture	-	(57,489)
Unrealised foreign currency exchange gains	57	69,734
(Reversal of impairment)/Impairment of receivable	-	(3,190)
<i>Changes in net assets and liabilities</i>		
(Increase) in trade and other receivables	(53,679)	(65,504)
Decrease/(increase) in provisions	4,127	(125,119)
(Increase) in tax provisions	(806,143)	(829,540)
(Decrease)/increase in trade and other payables	(10,639)	275,643
<b>Net cash (used in) operating activities</b>	<b>(2,794,209)</b>	<b>(2,057,790)</b>

**Non-cash investing and financing activities**

Non-cash investing and financing activities disclosed in other notes are:

Shares issued as settlement of liabilities in accordance with *IFRIC 19* (refer Note 18)

Shares issued on conversion of convertible notes (refer Note 15)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Net debt reconciliation**

This section sets out an analysis of net debt and the movements in net debt for the year.

	Loan Payables at Amortised Cost	Convertible Notes at Fair Value Through Profit or Loss
	\$	\$
Net debt as at 1 July 2019	1,422,735	459,737
Cash flows	1,976,565	621,218
Other changes	(1,199,300)	124,929
Shares issued upon conversion	-	(929,468)
Net Debt at 30 June 2020	2,200,000	276,416
Cash flows	-	-
Other changes	-	39,560
Shares issued upon conversion	(2,200,000)	(179,757)
Net Debt at 30 June 2021	-	136,219

**29. FINANCIAL RISK MANAGEMENT**

The Group is exposed to a variety of financial risks including market risk (currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to meet its financial targets whilst minimising potential adverse effects on financial performance. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. Risk management is carried out by the Board.

The Group holds the following financial instruments at 30 June 2021:

	At amortised cost	Fair value	
	\$	Through profit and loss	Through other comprehensive income
	\$	\$	\$
<b>Financial assets</b>			
Trade and other receivables	341,985	-	-
Financial assets at fair value through profit or loss		4,863,742	-
Total current	341,985	4,863,742	-
Other financial assets	-	17,435	-
Total non-current	-	17,435	-
Total assets	341,985	4,881,177	-
<b>Financial liabilities</b>			
Trade and other payables	492,153	-	-
Convertible note	-	136,219	-
Total current	492,153	136,219	-
Total liabilities	492,153	136,218	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group holds the following financial instruments at 30 June 2020:

	At amortised cost	Fair value	
		Through profit and loss	Through other comprehensive income
	\$	\$	\$
<b>Financial assets</b>			
Trade and other receivables	293,305	-	-
Total current	293,305	-	-
Other financial assets	-	884,679	-
Total non-current	-	884,679	-
Total assets	293,305	884,679	-
<b>Financial liabilities</b>			
Trade and other payables	2,506,410	-	-
Convertible note	-	206,773	-
Short-term loan payable	2,200,000	-	-
Total current	4,706,410	206,773	-
Convertible note	-	69,643	-
Total non-current	-	69,643	-
Total liabilities	4,706,410	276,416	-

**(a) Market Risk****(i) Foreign Currency Risk**

The Group operates internationally and is exposed to foreign exchange risk arising from commercial transactions. The Group converted assets and liabilities into the functional currency where balances were denominated in a currency other than the Australian dollars.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

At the reporting date, the Group did not have any material balances of cash held in a foreign currency and therefore a movement of 10% in the foreign currency exchange rates as at 30 June 2021 would not have a material impact on the consolidated loss or equity.

Managements have set up a policy to monitor and measure this risk using sensitivity analysis and cash flow forecasting.

**(ii) Cash Flow Interest Rate Risk**

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents. The Group is exposed to movements in market interest rates on short term deposits.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At the reporting date, the Group had the following variable rate cash and cash equivalents and restricted cash:

	2021 \$	2020 \$
<b>Financial assets:</b>		
Cash and cash equivalents	280,749	238,222
Restricted cash	17,500	12,500
	<u>298,249</u>	<u>250,722</u>
Weighted average interest rate	0.06%	0.05%

Movement of 50 basis points on the interest rate (considered a reasonably possible change) would not have a material impact on the consolidated loss or equity.

## (iii) Price Risk

The Group is exposed to equity securities price risk. This arises from investments held and classified on the statement of financial position as at fair value through profit or loss. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio which is done in accordance with the limits set by the Board of Directors.

The majority of the Group's equity investments are publicly traded on the Australian Securities Exchange (ASX) and are recognised as financial assets carried at fair value through profit or loss.

## (b) Credit Risk

Credit risk is managed on a consolidated basis. Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The maximum credit risk on financial assets, excluding investments, of the Group, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The Group is exposed to credit risk as a result of subscribing to loan notes and convertible loan notes issued by listed and unlisted entities. This credit risk is managed by obtaining adequate security over the loans, generally in the form of a fixed and floating charge over the assets of the borrower. Details of the loan notes and convertible loan notes to which the Group had subscribed during the year are listed in notes 15 and 16. Credit risk arises from trade receivables. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings.

The Company holds 92% (2020: 90%) of its cash and cash equivalents with banks with a Moody's credit rating on Aa3.

	2021 \$	2020 \$
<b>Financial assets:</b>		
Cash and cash equivalents and restricted cash	298,249	250,722
Loans and receivables	341,985	293,305
Financial assets at fair value through profit or loss	4,863,742	-
Other financial assets	17,435	884,679
	<u>5,521,411</u>	<u>1,428,706</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(c) Liquidity Risk**

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows in relation to its operational, investing and financing activities. At the reporting date, the Group has financing arrangements in place as disclosed under notes 15 and 16.

**(d) Fair Value Estimation**

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The carrying values of trade and other receivables net of impairment and the carrying value of payables approximate fair values due to their short-term nature.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Set out below is a comparison of the carrying amount and fair values of financial instruments as at 30 June 2021:

	Carrying amount	Fair value
	\$	\$
<b>Financial assets</b>		
Trade and other receivables	341,985	341,985
Financial assets at fair value through profit or loss	4,863,742	4,863,742
Total current	5,205,727	5,205,727
Other financial assets	17,435	17,435
Total non-current	17,435	17,435
Total assets	5,223,162	5,223,162
<b>Financial liabilities</b>		
Trade and other payables	492,153	492,153
Convertible note	136,219	136,219
Short term loan payable	-	-
Total current	628,372	628,372
Convertible note	(1)	(1)
Total non-current	(1)	(1)
Total liabilities	628,371	628,371

**Valuation techniques to derive level 3 fair values****Convertible notes at fair value through profit or loss**

The fair value of the convertible notes is determined based on probability being applied to the each of the fair value of the conversion option (i.e. Number of Convertible Notes x Share Price) and the fair value of the redemption option (being amount payable on redemption). The adjusting event represents a ratchet feature and has nil value until one of the adjusting event takes place. The ratchet feature adjusts the conversion ratio of the convertible notes to ordinary shares of the Company. The observable input in the valuation of the convertible notes is the share price and the unobservable inputs are the probability rate, the redeeming, the adjusting events and credit risk of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Valuation techniques to derive level 1 fair values

## Investments

The fair value of listed investments is based on quoted market prices at the end of the reporting period.

Set out below is a comparison of the carrying amount and fair values of financial instruments as at 30 June 2021:

	Carrying amount \$	Fair value \$
<b>Financial assets</b>		
Trade and other receivables	293,305	293,305
Total current	293,305	293,305
Other financial assets	884,679	884,679
Total non-current	884,679	884,679
Total assets	1,177,984	1,177,984
<b>Financial liabilities</b>		
Trade and other payables	2,506,410	2,506,410
Convertible note	206,773	206,773
Short term loan payable	2,200,000	2,200,000
Total current	4,913,183	4,913,183
Convertible note	69,643	69,643
Total non-current	69,643	69,643
Total liabilities	4,982,826	4,982,826

## 30. PARENT ENTITY FINANCIAL INFORMATION

## (a) Summary financial information

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

	2021 \$	2020 \$
<b>Statement of financial position</b>		
Current assets	541,035	431,267
Total assets	1,726,722	1,621,582
Current liabilities	(19,856,048)	(15,796,259)
Total liabilities	(21,069,238)	(19,194,121)
Shareholders' equity		
Issued capital	220,115,530	206,133,403
Reserves	1,987,129	1,687,465
Retained earnings	(241,445,176)	(225,393,407)
Total deficit	(19,342,517)	(17,572,539)
Net loss for the year	(16,051,769)	(7,519,414)
Total comprehensive loss	(16,051,769)	(7,519,414)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(b) Guarantees entered into by the parent entity**

The parent entity has provided financial guarantees in respect of environmental performance bonds for subsidiaries during the current year amounting to nil (2020: nil).

**(c) Tax Consolidation**

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At reporting date, the possibility of default is remote. The head entity of the tax consolidated group is Cyclone Metals Limited.

**Tax Effect Accounting by Members of the Tax Consolidated Group**

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of *AASB 112 Income Taxes*. The allocation of tax under the tax funding agreement is recognised as an increase/decrease in the controlled entities' intercompany accounts with the tax consolidated group head Company, Cyclone Metals Limited. In this regard, the Company has assumed the benefit of tax losses from controlled entities of \$242,679 (2020: \$49,257) as of the reporting date. The Company has received a payment from the controlled entities of nil (2020: nil) as of the reporting date in respect of the current year tax liability for the tax consolidated group. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

**31. EVENTS SUBSEQUENT TO REPORTING DATE**

On 3 August 2021, the Company's shares were reinstated to trading on the ASX.

On 3 August 2021, 120,000,000 performance rights issued to Terry Donnelly as a sign-on bonus lapsed as market hurdles were not met. Refer to the Remuneration Report and note 5 for further details.

On 23 August 2021, the Company announced the acquisition of a package of tenements from D&K Corps Investments Pty Ltd (D&K) that form the central part of the Nickol River Gold Project area, located approximately 13km east of Karratha in the Pilbara region of Western Australia.

On 27 August 2021, the Company announced the appointment of Mr Will Scott as Non-Executive Director effective 1 September 2021.

On 2 September 2021, the Company issued 245,000,000 fully paid ordinary shares at an issue price of \$0.005 per share to raise funds of \$1,225,000 (before expenses).

On 17 September 2021, the Company issued 2,000,000 fully paid ordinary shares at an issue price of \$0.005 per share to Winance upon the conversion of 10 notes.

There have been no other events subsequent to 30 June 2021 up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

**DIRECTORS' DECLARATION**

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In accordance with a resolution of the directors of Cyclone Metals Limited, I state that:

1. In the opinion of the directors:
  - (a) the financial statements and notes of Cyclone Metals Limited for the financial year ended 30 June 2021 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of the **Group** as at 30 June 2021 and of its performance, for the period ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; and
    - (iii) complying with International Financial Reporting Standards as disclosed in note 2(c).
  - (b) Subject to the matters set out in note 2(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with *section 295A* of the *Corporations Act 2001* for the year ended 30 June 2021.

Signed in accordance with a resolution of the Directors:



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Tony Sage  
Executive Director

**Perth, 30 September 2021**

## INDEPENDENT AUDITOR'S REPORT

To the members of Cyclone Metals Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Cyclone Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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.

#### Emphasis of Matter

We draw attention to Note 2(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Accounting for share-based payments

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the financial year ended 30 June 2021, the Group issued performance rights, options and shares to key management personnel and consultants, which have been accounted for as share-based payments, as disclosed in Note 5 of the financial report.</p> <p>Refer to Note 2 (t) and Note 2 (ab) of the financial report for a description of the accounting policy and significant estimates and judgements applied to these arrangements.</p> <p>Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of the share-based payments, we consider the Group's accounting for share-based payments to be a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements;</li> <li>• Holding discussions with management to understand the share-based payment transactions in place;</li> <li>• Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation inputs;</li> <li>• Involving our valuation specialists to assess the reasonableness of management's valuation inputs in respect to the market-based conditions attached to certain share-based payments;</li> <li>• Assessing the allocation of the share-based payment expense over the relevant vesting period; and</li> <li>• Assessing the adequacy of the related disclosures in Note 2(t), Note 2(ab) and Note 5 of the financial report.</li> </ul>

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## Investments accounted for under the equity method

<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group's investments in associates are accounted for using the equity method as disclosed in Note 11 to the financial report.</p> <p>The classification of the asset as an investment in associate and measurement thereof is a key audit matter due to the significance of the asset to the Group, and the judgement exercised by management in assessing the classification of the investment and determining whether there are any indicators to suggest that the investment in associates may be impaired.</p> <p>Refer to Note 2(f) and Note 2(ab) of the financial report for a description of the accounting policy and significant estimates and judgements applied to these investments.</p>	<p>Our procedures included, but were not limited to the following;</p> <ul style="list-style-type: none"> <li>• Evaluating management's determination of whether the Group maintained significant influence over its investments;</li> <li>• Considering management's assessment of indicators that the investment in associates may be impaired;</li> <li>• Agreeing the Group's share of associate losses, changes as a result of share issues, dilution and reserve movements to the audited financial reports of the associates;</li> <li>• Reviewing the financial information of the associates including assessing if the accounting policies of the associate were consistent with the Group; and</li> <li>• Reviewing the adequacy of the disclosures in Note 2(f), Note 2(ab) and Note 11 of the financial report.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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.

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

#### **Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

#### **Report on the Remuneration Report**

##### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Cyclone Metals Limited, 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 section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit (WA) Pty Ltd**

BDO  


**Phillip Murdoch**

Director

Perth, 30 September 2021



## ADDITIONAL STOCK EXCHANGE INFORMATION

Cyclone Metals Limited is a listed public company, incorporated in Australia.

The Company's registered and principal place of business is 32 Harrogate Street, West Leederville, Western Australia 6007 Australia.

This information is current as at 17 September 2021.

**(a) Distribution of equity securities**

The distribution of members and their holdings of equity securities in the Company as at 17 September 2021 are as follows:

Category (size of holding)	Total Holders	Number of Units	%
1- 1,000	204	81,883	0.00
1,001- 5,000	919	2,836,451	0.06
5,001- 10,000	686	5,792,126	0.12
10,001- 100,000	1,482	60,871,246	1.27
100,001 – 999,999,999	1,233	4,709,655,276	98.54
<b>Total</b>	<b>4,524</b>	<b>4,779,236,982</b>	<b>100.00</b>

**Equity Securities**

As at 17 September 2021, there were 4,524 shareholders, holding 4,779,236,982 fully paid ordinary shares.

All issued ordinary shares carry one vote per share and are entitled to dividends.

The number of shareholders holding less than a marketable parcel of shares is 3,105.

**(b) Twenty Largest Shareholders**

The names of the twenty largest fully paid ordinary shareholders as at 17 September 2021 are as follows:

	Name	Number of Fully Paid Ordinary Shares Held	% held of Issued Capital
1	WINANCE	798,279,517	16.70
2	OKEWOOD PTY LTD	312,264,763	6.53
3	GULF ENERGY INTERNATIONAL LIMITED	278,178,538	5.82
4	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	257,492,566	5.39
5	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	175,647,059	3.68
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	116,824,750	2.44
7	WESTCAP PTY LTD	100,748,802	2.11
8	GHAN RESOURCES PTY LTD	91,804,278	1.92
9	CITICORP NOMINEES PTY LIMITED	83,541,118	1.75
10	CELTIC CAPITAL PTE LTD <INVESTMENT 1 A/C>	60,000,000	1.26
11	CHALEYER HOLDINGS PTY LTD <RUBBEN FAMILY A/C>	60,000,000	1.26
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	57,262,108	1.20
13	HUNTER CAPITAL ADVISORS P/L	50,000,000	1.05
14	STONEFIELD DEVELOPMENTS PTY LTD <STONEFIELD DISCRETIONARY A/C>	49,337,223	1.03
15	HARLIN PTY LTD <DOUGLAS SUPERANNUATION A/C>	42,000,000	0.88
16	SUBURBAN HOLDINGS PTY LTD <THE SUBURBAN SUPER FUND A/C>	41,666,667	0.87
17	COVE STREET PTY LTD <THE COVE STREET A/C>	38,200,000	0.80
18	RIMOYNE PTY LTD	37,732,010	0.79
19	QX RESOURCES LTD	30,117,647	0.63
20	MR RONALD BOWEN + MRS AGNES BOWEN <CANDY SUPER FUND A/C>	30,000,000	0.63
		<b>2,711,097,046</b>	<b>56.74</b>

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## ADDITIONAL STOCK EXCHANGE INFORMATION

**(c) Substantial shareholders**

The names of the substantial shareholders in accordance with *section 671B* of the *Corporations Act 2001* at 17 September 2021 are as follows:

		Number as per the Notice	% held of Issued Capital at the time of Notice
<b>Fully paid ordinary shareholders</b>			
1	WINANCE	798,279,517	16.70
2	OKEWOOD PTY LTD	312,264,763	6.53
3	GULF ENERGY INTERNATIONAL LIMITED	278,178,538	5.82
4	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	257,492,566	5.39

**(d) Voting Rights**

In accordance with the **Company's** constitution, on show of hands every member present in person or by proxy or attorney or duly authorised representative had one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held. Options do not carry a right to vote.

**(e) Unquoted securities**

At 17 September 2021 the **Company** has 123,200,000 unlisted options and nil performance rights of issue.

The names of security holders holding more than 20% of an unlisted class of security are listed below:

Name	Unlisted Options Exercisable at \$0.005 Expiring 18 December	Unlisted Options Exercisable at \$0.005 Expiring 18 December 2021	Unlisted Options Exercisable at \$0.006 Expiring 30 June 2023
	2022		
Kapil Singh	5,000,000	-	-
Rotherwood Enterprises Pty Ltd	-	-	10,000,000
Westcap Pty Ltd	-	55,000,000	-
Holders < 20%	-	52,000,000	1,200,000
	<b>5,000,000</b>	<b>107,000,000</b>	<b>11,200,000</b>

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ADDITIONAL STOCK EXCHANGE INFORMATION
 

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**Schedule of Mineral Tenements Held at 30 June 2021**

Tenement	Project & Location	Interest
Kukuna Project - EL 22/2012	Kukuna – Sierra Leone	100%
ML 90098 <sup>1</sup>	Wee MacGregor - Queensland	20%
ML 2504 <sup>1</sup>	Wee MacGregor - Queensland	20%
ML 2771	Wee MacGregor - Queensland	100%
ML 2773 <sup>1</sup>	Wee MacGregor - Queensland	20%
E09/2441	Yalardy – Western Australia	100%
E09/2442	Yalardy – Western Australia	100%

<sup>1</sup> Subject to the Cohiba (Cobalt X) Farm-in agreement, refer to ASX March 2017 Quarterly Report for details. On 31 March 2021 Cohiba announced that wholly owned subsidiary Cobalt X Pty Ltd had earned an 80% interest in the tenements.

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