Half Year Report
31 December 2021

Minerals 260 Limited
ABN 34 650 766 911

Minerals 260 Limited ABN 34 650 766 911 Level 2, 1292 Hay Street, West Perth WA 6005
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Minerals 260 Limited
Corporate Directory

Directors

Anthony James Cipriano	Chairman
David Ross Richards	Managing Director
Timothy Rupert Barr Goyder	Non-Executive Director
Craig Russell Williams	Non-Executive Director
Emma Josephine Scotney	Non-Executive Director

Company Secretary
Clint McGhie

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Level 2, 1292 Hay Street
West Perth, Western Australia 6005
Tel: (+61 8) 6556 6020
Web: www.minerals260.com.au
Email: info@minerals260.com.au

Auditors
HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
PERTH, WESTERN AUSTRALIA 6000

Share Registry
Automic Pty Limited
Level 5, 191 St Georges Terrace,
PERTH, WESTERN AUSTRALIA 6000
Tel: 1300 288 664

Home Exchange
Australian Securities Exchange Limited
Level 40, Central Park
152- 158 St Georges Terrace
PERTH, WESTERN AUSTRALIA 6000

ASX Code
Share Code: MI6

Contents

For the half-year ended 31 December 2021

Your directors submit the financial report for Minerals 260 Limited ("Minerals 260" or "Company") and the entities it controlled as at and for the half-year ended 31 December 2021 ("the Group"). In compliance with the provisions of the *Corporations Act 2001*, the directors report as follows:

DIRECTORS

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Anthony Cipriano	Chairman
David Richards	Managing Director
Timothy Goyder	Non-Executive Director
Craig Williams	Non-Executive Director (appointed 2 July 2021)
Emma Scotney	Non-Executive Director (appointed 1 November 2021)

REVIEW OF OPERATIONS

1. Overview

Minerals 260 Limited (ASX:MI6) listed on the ASX on 12th October 2021 following an oversubscribed Initial Public Offering (**"IPO")** raising of $30M.

The Company was formed to hold and advance exploration on the non-lithium, Western Australian assets of Liontown Resources Limited (ASX:LTR) including the wholly-owned Moora Project and the adjacent Koojan JV which together comprise a large (~1,000km^2), contiguous land position in the emerging Julimar Mineral Province of SW Western Australia.

In early November 2021, Minerals 260 commenced its inaugural drilling program at Moora which was completed in late January 2022 following a break for the Christmas - New Year period. The program, which comprised diamond core and Reverse Circulation (RC) drilling for a total 37 holes and 6,196m, was designed to follow up intersections from three prospects spatially associated with the Mt Yule magnetic anomaly, i.e., Angepena, Mynt (formerly the Northern Zone) and SEZ.

Assays received for the first 12 holes drilled at the Angepena prospect indicate multiple zones of gold mineralisation with geological logging and pXRF data from the remaining 20 holes, for which assays are pending, indicating potential for further significant intercepts.

At the Mynt Zone, the Company tested a previously defined off-hole conductor with a single RC hole which returned the best copper-gold result to date, further highlighting the prospectivity of the region.

The completed drilling program is part of larger $6.7 million program designed to explore the Moora and Koojan Projects. Other activities planned for the first half of 2022 include:

- An 11,000 line kilometre, detailed aeromagnetic survey;
- A 400m x 400m ground gravity survey comprising ~3,000 survey points;
- 35 line kilometres of Moving Loop Electro-Magnetics (MLEM);
- 40km^2 of gradient array Induced Polarisation (IP);
- Additional geochemical sampling (~6,800 samples); and
- Follow-up air-core (~6,000m), RC (~15,000m) and diamond core (~2,000m) drilling.

The exploration work will be staged with programs modified and updated subject to progress results.

A summary of the Company's Project Portfolio is provided below:

2. Moora Gold-Copper-Nickel-PGE Project, Western Australia (100%)

The Moora Project, which is in south-west Western Australia approximately 150km north-east of Perth, comprises wholly owned tenure applied for in 2018 and 2019 and is considered prospective for precious and battery-related metals. Geochemical exploration has defined strong Au-PGE-Ni-Cu anomalism coincident with geophysical features interpreted to be indicative of mafic-ultramafic intrusions similar to the unit that hosts the world-class Julimar discovery ***~95km*** *to the south.*

Exploration drilling by Liontown Resources prior to Minerals 260 listing on the ASX identified three significant zones of mineralisation coincident with the Mt Yule magnetic anomaly:

- **Angepena Zone (Au):** a 900m long bedrock gold zone open along strike and at depth. Up to 43m at 1.8g/t Au was intersected in drilling by Liontown;
- **Mynt Zone (Formerly the Northern Zone) (Cu-Au):** a plus 2,000m long copper-gold zone with multiple ore grade intersections. Up to 9m at 2.1% Cu and 7m at 1.03g/t Au were intersected in Liontown's drilling; and
- **South Eastern Zone (SEZ) (Au/Cu):** defined by a single drill hole which intersected up to 17m at 0.4g/t Au and 12m at 0.2% Cu.

Minerals 260 maiden drilling program completed in January 2022 largely targeted the Angepena prospect with only a single RC hole drilled at the Mynt Zone and two RC holes drilled at SEZ.

Assays have been received for the first 12 holes from Angepena with better results including:

- MRDD0001 9m @ 1.1g/t Au from 100m, including 3m @ 2.7g/t Au from 102m;
- MRDD0003 4m @ 1.3g/t Au from 29m, including 1m @ 4.6g/t Au from 32m;
  2.45m @ 5.6g/t Au from 64m, including 1.45m @ 9.4g/t Au from 65m;
  6m @ 1.1g/t Au from 124m, including 1.1m @ 5.3g/t Au from 128m;
  4.32m @ 2.7g/t Au from 133m, including 1.61m @ 6.5g/t Au from 135.04m; and
- MRDD0004 15m @ 0.5g/t Au from 104m, including 1m @ 2.2g/t Au from 104m.

Significant primary cobalt (Co) and Copper (Cu) is associated with gold mineralisation with better intersections including:

- MRDD0003 2.28m @ 4.9g/t Au and 1.4% Co from 135.04m;
- MRDD0004 1m @ 2.4g/t Au and 1.5% Cu from 140m;
  2m @ 0.4g/t Au and 1.6% Cu from 162m; and
  1m @ 0.1g/t Au and 0.8% Co from 182m.

All mineralised trends remain open along strike and at depth and further drilling will be planned once pending assays are received and processed.

Assays received from the only hole drilled during this campaign at the Mynt Zone returned the best copper-gold results recorded to date:

- MRRC0040 24m @ 1.9% Cu and 0.7g/t Au from 99m; including
  14m @ 2.9% Cu and 1.1g/t Au from 100m.

Immediate follow-up drill targets at Mynt include strike and dip extensions of the mineralised zone in MRRC0040 and a newly defined Moving Loop Electromagnetic anomaly defined 600m to the south-east.

Elsewhere within the Moora Project, geophysical and geochemical programs are ongoing with the primary objective being to have a number of new targets drill ready by March/April 2022.

3. Koojan JV Project, Western Australia (right to earn 51%)

The Koojan Project adjoins the western boundary of the Moora Project and is considered prospective for mafic/ultramafic intrusion-hosted Au-PGE-Ni-Cu mineralisation similar to that being targeted at Moora. Minerals 260 is in joint venture with Lachlan Star Limited (ASX: LSA) and has the right to earn up to 51% equity in the Project.

The Koojan JV is interpreted to contain the extension of several prospective trends including the adjacent Mt Yule prospects and the stratigraphy which hosts the Julimar and Yarawindah PGE-nickel-copper discoveries to the south.

Prior to the demerger of Minerals 260, Liontown completed two phases of geochemical sampling including:

- An initial phase of first-pass sampling totalling 2,214 samples; and
- A second phase of in-fill and extensional sampling totalling 1,649 samples.

Several significant geochemical anomalies have been defined with the highest priority targets being the Mallory and Bourbana prospects.

The **Mallory PGE-gold anomaly** has been defined over a strike length of 2km with PGE values >100ppb (0.1g/t) recorded coincident with a strongly anomalous, NNW/SSE trending, coherent gold trend. Government geological mapping indicates that the underlying bedrock geology comprises poorly exposed mafic, metasedimentary and gneissic rock units.

The **Bourbana gold anomaly** is an irregular shaped feature with multiple plus 50ppb Au peaks. The bedrock geology is obscured by shallow lateritic cover; however, the anomaly is coincident with linear magnetic highs, suggestive of iron-rich mafic units.

The Koojan JV Project will be advanced simultaneously with the Moora Project with the next phase of work to include follow-up geophysical programs and infill geochemical sampling designed to define bedrock targets for drill testing.

4. Dingo Rocks, Western Australia (100%)

The Dingo Rocks Project is in SE Western Australia, approximately 600km south-east of Perth and 100km south of Norseman, proximal to the southern margin of Eastern Goldfields Superterrane of the Archaean Yilgarn Block. Regional aeromagnetic data indicate the potential for mafic-ultramafic intrusions prospective for Ni-Cu-PGE mineralisation which have not be assessed by previous exploration.

A 400 x 400m, ground gravity survey comprising ~1,600 stations, was completed across the Dingo Rocks Project in November 2021 with a number of anomalies defined coincident with magnetic features that could represent prospective intrusions.

Follow up geophysical programs including ground electro magnetics and detailed magnetics are being planned to define targets for drill testing later in 2022.

5. Yalwest, Western Australia (100%)

The Yalwest Project comprises two adjoining Exploration Licence applications located ~400km north of Perth in the Murchison Gold Province of the Archaean Yilgarn Block. The applications were acquired to secure unexplained magnetic gravity features that have not been assessed by modern exploration.

Regional geophysical datasets have been compiled and field reconnaissance will be completed once the tenure are granted which is expected to occur later in 2022.

RESULTS OF OPERATIONS

At 31 December 2021 the Group had net assets/(deficiency) of $26,673,482 (30 June 2021: $(124)) and an excess/(deficiency) of current assets over current liabilities of $26,670,108 (30 June 2021: $(124)). At 31 December 2021, cash at bank totalled $27,337,673 (30 June 2021: $ nil).

The Group has reported a net loss for the period of $84,879,055 (31 December 2020 net loss: $ nil) which includes $79,999,500 in expensed exploration and evaluation acquisition costs in accordance with the Group's accounting policy, regarding the Company's acquisition of ERL (Aust) Pty Ltd which holds the Moora, Koojan JV, Dingo Rocks and Yalwest Projects.

CORPORATE

In October 2021, the Company successfully listed on the Australian Securities Exchange after completing an oversubscribed Initial Public Offering raising $30,000,000 (before costs) from issuing 60,000,000 shares at $0.50 per share. This accompanied the in-specie distribution of 160,000,000 shares to eligible Liontown Resources Ltd ("Liontown") shareholders who approved to proceed with the demerger of Minerals 260 Ltd from the Liontown Group.

EVENTS SUBSEQUENT TO THE REPORTING DATE

On 4 March 2022, the Company granted 1,650,000 options to employees under the Company's Employee Securities Incentive Plan with an exercise price of $0.75 expiring 3 March 2025 subject to various service conditions.

There are no other significant events after balance date that required disclosure in this report.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 8 and forms part of this directors' report for the half-year ended 31 December 2021.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to Section 306(3) of the *Corporations Act 2001*.

Managing Director

Dated at Perth this 11th day of March 2022

COMPETENT PERSON'S STATEMENT

The Information in this Report that relates to Exploration Results is extracted from:

- Minerals 260 Limited ASX announcement titled "Wide Copper-Gold Zone Confirmed at Moora" released on 4 March 2022;
- Minerals 260 Limited ASX announcement titled "Minerals 260 commences inaugural drilling program at its 100%-owned Moora Gold-PGE*-Nickel-Copper Project, WA" released on 4 November 2021;
- Minerals 260 Limited ASX announcement titled "Minerals 260 accelerates initial $6.7m exploration program at the Moora and Koojan Gold-PGE*-Nickel-Copper Projects, WA" released on 7 December 2021; and
- the Minerals 260 Limited Prospectus dated 19 August 2021

which are available on www.minerals260.com.au

and

- Liontown Resources Limited ASX announcement titled "Strong PGE and gold anomalism confirmed at the Koojan JV Project, WA" released on 14 July 2021

which is available on www.ltresources.com.au.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates or production targets or forecast financial information derived from a production target (as applicable) in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

FORWARD LOOKING STATEMENT

This report contains forward-looking statements which involve a number of risks and uncertainties. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Minerals 260 Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia **11 March 2022**	**D I Buckley** **Partner**

Minerals 260 Limited

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

	Note	31 Dec 21 $
Continuing Operations		
Exploration and evaluation expenditure expensed	3(a)	(81,260,605)
Listing & IPO expenses		(510,349)
Corporate administrative expenses	3(b)	(279,408)
Share-based payments	5	(2,829,000)
Net finance income		307
Loss before income tax		**(84,879,055)**
Income tax expense		-
Net loss after tax		**(84,879,055)**
Other comprehensive income/(loss), net of tax		-
Total comprehensive loss		**(84,879,055)**
Earnings per share from operations		
Basic loss per share (cents per share)		(79.20)
Diluted loss per share (cents per share)		(79.20)

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

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Minerals 260 Limited
Condensed Consolidated Statement of Financial Position
As at 31 December 2021

	Note	31 Dec 21 $	30 Jun 21 $
Current assets			
Cash and cash equivalents		27,337,673	-
Trade and other receivables		225,265	1,000
Prepayments		26,791	-
Security deposits		50,000	-
Total current assets		**27,639,729**	**1,000**
Non-current assets			
Property, plant and equipment		57,790	-
Total non-current assets		**57,790**	**-**
Total assets		**27,697,519**	**1,000**
Current liabilities			
Trade and other payables		904,996	1,124
Employee benefits		64,625	-
Total current liabilities		**969,621**	**1,124**
Non-Current liabilities			
Employee benefits		54,416	-
Total non-current liabilities		**54,416**	**-**
Total liabilities		**1,024,037**	**1,124**
Net assets		**26,673,482**	**(124)**
Equity			
Share capital	4	108,724,661	1,000
Accumulated losses		(84,880,179)	(1,124)
Reserves	5	2,829,000	-
Total equity		**26,673,482**	**(124)**

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Minerals 260 Limited
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2021

	Issued capital $	Accumulated losses $	Share based payments reserve $	Total equity $
Balance at 1 July 2021	**1,000**	**(1,124)**	**-**	**(124)**
Loss for the period	-	(84,879,055)	-	(84,879,055)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the period	**-**	**(84,879,055)**	**-**	**(84,879,055)**
Transactions with Owners in their capacity as Owners:				
Issue of shares (net of costs)	108,723,661	-	-	108,723,661
Share-based payments	-	-	2,829,000	2,829,000
Balance at 31 December 2021	**108,724,661**	**(84,880,179)**	**2,829,000**	**26,673,482**

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Minerals 260 Limited
Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2021

	31 Dec 21 $
Cash flows from operating activities	
Cash paid to suppliers and employees	(124,378)
Payments for exploration and evaluation	(665,072)
Payments for IPO & ASX listing	(446,663)
Interest received	308
Interest paid	(172)
Security deposit paid	(50,000)
Net cash (used in) operating activities	**(1,285,977)**
Cash flows from investing activities	
Payments for plant and equipment	(51,901)
Net cash (used in) investing activities	**(51,901)**
Cash flows from financing activities	
Proceeds from issue of shares	30,000,000
Payments for share issue costs	(1,324,449)
Net cash from financing activities	**28,675,551**
Net increase in cash and cash equivalents	27,337,673
Effects of exchange rate fluctuations on cash held	-
Cash and cash equivalents at 1 July	-
Cash and cash equivalents at 31 December	**27,337,673**

The condensed consolidated statement of cash flows to be read in conjunction with the accompanying notes.

1. Significant accounting policies

(a) Statement of compliance

The financial report was authorised for issue on 11th March 2021.

These interim condensed consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The interim financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the interim financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

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

The interim financial statements do not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that these interim statements be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Minerals 260 Limited during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year, except for the impact of the new Standards and Interpretations effective disclosed in note 1(d). They also include the following:

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Minerals 260 Limited at 31 December 2021 and the results of all subsidiaries for the half-year then ended. The Company and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

1. Significant accounting policies (continued)

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

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

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

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

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

Employee benefits
Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. 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, 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 Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

1. Significant accounting policies (continued)

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(b) Basis of preparation
The interim report has been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for assets, goods and services. The Group is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

(c) Significant accounting judgments and key estimates
The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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.

1. Significant accounting policies (continued)

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 5 for further information.

(d) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable for the half year ended 31 December 2021
In the period ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period. Their adoption has not had a material impact on the disclosures and/or amounts reported in these financial statements.

Standards and Interpretations in issue not yet adopted
The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

e) Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

2. Segment reporting

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the allocation of costs; whether they are corporate related costs or exploration and evaluation costs. Results of both segments are reported to the Board of Directors at each board meeting.

	Exploration and Evaluation	Corporate	Total
	31 Dec 21	31 Dec 21	31 Dec 21
	$	$	$
Exploration and evaluation expenditure expensed	(81,260,605)	-	(81,260,605)
Listing & IPO expenses	-	(510,349)	(510,349)
Corporate and administrative expenses	-	(279,408)	(279,408)
Share based payments	-	(2,829,000)	(2,829,000)
Net financing income	-	307	307
Loss before income tax	**(81,260,605)**	**(3,618,450)**	**(84,879,055)**

	31 Dec 21	30 Jun 21	31 Dec 21	30 Jun 21	31 Dec 21	30 Jun 21
	$	$	$	$	$	$
Segment assets	162,530	-	147,316	1,000	309,846	1,000
Unallocated assets					27,387,673	-
Total assets					**27,697,519**	**1,000**
Segment liabilities	727,352	-	296,685	1,124	1,024,037	1,124
Total Liabilities					**1,024,037**	**1,124**

3. Expenses

The following expense items are relevant in explaining the financial performance for the half-year:

(a) Exploration and evaluation expenditure	31 Dec 21 $
Australia	
- Acquisition costs of project portfolio below*	(79,999,500)
- Moora	(1,013,831)
- Koojan	(87,972)
- Dingo Rocks	(139,581)
- Other	(19,721)
	(81,260,605)

*Minerals 260 Ltd acquired ERL (Aust) Pty Ltd for consideration of 159,990,000 shares at a fair value of $0.50 per share at the date control was obtained. This asset acquisition has been accounted for under AASB 2 Share Based Payments.

(b) Corporate administrative expenses	31 Dec 21 $
Depreciation and amortisation	(36)
Insurance	(12,722)
Legal fees	(347)
Office costs	(58,542)
Personnel expenses (3(c))	(161,903)
Promotions and investor relations	(16,815)
Conferences and travel	(10,616)
Regulatory and compliance	(18,356)
Business development	(195)
Other	124
	(279,408)

(c) Personnel expenses	31 Dec 21 $
Directors' fees, wages and salaries to staff	(154,900)
Annual leave and long service leave	(7,003)
	(161,903)

4. Issued capital

	6 months to 31 Dec 21		Year to 30 Jun 21	
	No.	$	No.	$
On issue at the beginning of the year	1,000	1,000	-	-
Issued on Incorporation[1]	-	-	1,000	1,000
Issue of shares to acquire ERL (Aust) Pty Ltd	159,999,000	79,999,500	-	-
Issue of shares in IPO	60,000,000	30,000,000	-	-
Less share issue costs	-	(1,275,839)	-	-
Movement during the period	**219,999,000**	**108,723,661**	**1,000**	**1,000**
Balance at end of period	**220,000,000**	**108,724,661**	**1,000**	**1,000**

[1] Minerals 260 Limited was incorporated on 4 June 2021.

5. Share options

The share-based payment expense relating to options issued and vested during the period was $2,829,000.

Share options issued

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options
	6 months to 31 Dec 2021	6 months to 31 Dec 2021	Year to 30 June 2021	Year to 30 June 2021
At 1 July	-	-	-	-
Options granted	0.72	10,500,000	-	-
Options exercised	-	-	-	-
Options lapsed/expired	-	-	-	-
Total share options on issue at the end of the period	0.72	10,500,000	-	-
Exercisable at the end of the period	**0.72**	10,500,000	-	-

On 1 October 2021, the Company issued 9,000,000 share options (MI6OPT) to the Minerals 260 and Liontown Directors as part of their remuneration and consideration of the work undertaken on development of the Projects prior to the demerger. These options have an exercise price of $0.72, expire 30 September 2024 and are subject to 24 months escrow from 12 October 2021. The Company Secretary was issued 750,000 (MI6OPT01) on the same terms which are subject to 12 months escrow from 12 October 2021.

On 1 November 2021 the Company issued 750,000 share options (MI6OPT02) to Ms Emma Scotney upon her appointment. These options have an exercise price of $0.69, expire 31 October 2024 and are subject to 24 months voluntary escrow from 12 October 2021.

The fair value of options granted was determined using a Black Scholes pricing model. The following table provides the assumptions made in determining the fair value of the options granted during the half year:

Series	MI6DOPT	MI6OPT01	MI6OPT02
Grant Date	1/10/21	1/10/21	1/11/21
Dividend yield (%)	-	-	-
Expected volatility	100%	100%	100%
Risk-free interest rate	0.195%	0.195%	0.58%
Expected life of option (years)	3	3	3
Exercise price ($)	0.72	0.72	0.69
Grant date share price ($)	0.50	0.50	0.465

The weighted average contractual life remaining as at 31 December 2021 is 2.76 years (30 June 2021: Nil years).

The weighted average fair value of options granted during the period was $0.269 (30 June 2021: $Nil).

Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

Other Share Based Payments - Performance Rights

No performance rights have been issued or cancelled during the period, nor were any outstanding as at 31 December 2021.

6. Related Parties

Key management personnel compensation is as follows:

	6 months to 31 Dec 21 $
Short-term employee benefits	118,690
Post-employment benefits	13,253
Equity-settled transactions	2,151,500
	2,283,443

Other related parties transactions

The Group receives database management and field services from related parties of the Managing Director, Mr Richards. Amounts paid are on normal commercial terms. The total amount incurred during the period was $17,214 (six months ended 31 December 2020: $ nil).

Liontown Resources Ltd, a Company of which Messrs Cipriano, Goyder and Williams are Directors and beneficial shareholders, was paid or is payable $1,199,087 (net of GST) (2020: $Nil) toward the Initial Public Offer and ASX Listing of the Company and for the provision of serviced office facilities, corporate and administration services as per a Shared Service Agreement ("SSA") for the six months period ended 31 December 2021. The amounts owed are payable in arrears, with no fixed term. The SSA can be terminated by either party with one month's notice.

Amounts payable to key management personnel at reporting date arising from related party transactions was $ nil (31 December 2020: $ nil).

7. Events Subsequent to Reporting Date

On 4 March 2022, the Company granted 1,650,000 options to employees under the Company's Employee Securities Incentive Plan with an exercise price of $0.75 expiring 3 March 2025 subject to various service conditions.

There are no other significant events after balance date that required disclosure in this report.

8. Exploration commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various governments. These obligations are subject to renegotiation when application for a mining/exploration or other lease is made and at other times. The amounts stated are based on the maximum commitments. The Group may in certain situations apply for exemptions under relevant mining legislation. These obligations are not provided for in the financial report and are payable:

	31 Dec 21 $
Within 1 year	481,000
Within 2 – 5 years	2,049,808
	2,530,808

9. Contingent assets and liabilities

There has been no change in contingent assets and liabilities since the last annual reporting date.

10. Financial Instruments

The Company has financial instruments which are not measured at fair value in the statement of Financial Position. The carrying amount of financial assets and liabilities at balance date approximate their fair value.

In the opinion of the directors of Minerals 260 Limited ('the Company'):

1. The accompanying interim financial statements and notes are in accordance with the *Corporations Act 2001* including:
   a. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year then ended; and
   b. complying with Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The interim financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance section 303(5) of the *Corporations Act 2001* for the half-year ended 31 December 2021.

This declaration is signed in accordance with a resolution of the board of Directors.

Dated this 11th day of March 2021.

David Richards
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Minerals 260 Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Minerals 260 Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Minerals 260 Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE *2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year 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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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

D I Buckley
Partner

Perth, Western Australia
11 March 2022