

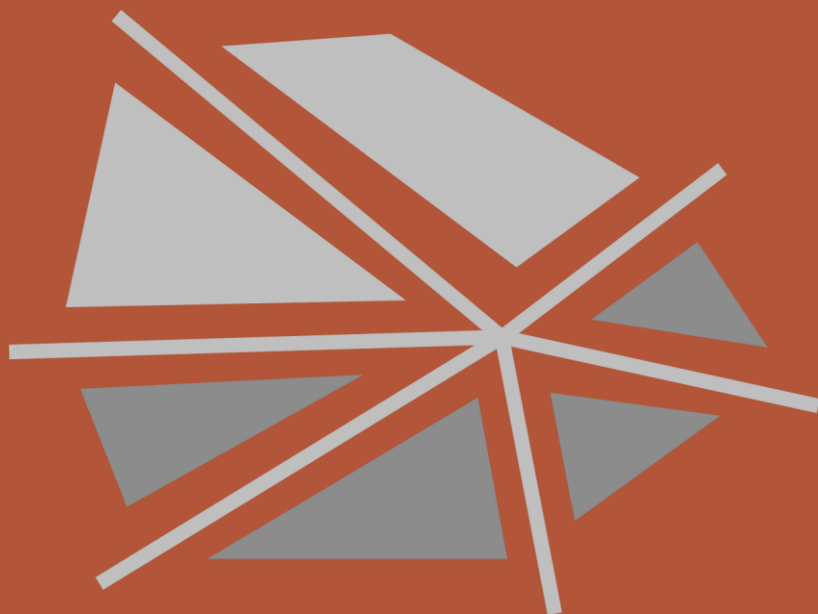
CuFe_{ltd}

CuFe Ltd (formerly Fe Limited)
ABN: 31 112 731 638

HALF-YEAR REPORT

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2021**

The information in this report, given to ASX under Listing Rule 4.2A, should be read in conjunction with CuFe Ltd's most recent annual financial report.



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Corporate Directory

Australian Business Number	31 112 731 638	
Country of Incorporation	Australia	
Board of Directors	Antony Sage Mark Hancock Nicholas Sage	Executive Chairman Executive Director Non-Executive Director
Joint Company Secretary	Catherine Grant-Edwards Melissa Chapman	
Principal Administrative Office and Registered Office	32 Harrogate Street West Leederville WA 6007	
	Telephone:	+61 (0) 8 6181 9793
	Facsimile:	+61 (0) 8 9380 9666
	Contact:	ir@cufe.com.au
	Website:	www.cufe.com.au
Share Registry	Link Market Services QV1 Building, Level 12 250 St Georges Terrace Perth WA 6000	
	Telephone:	1300 554 474 (in Australia) +61 (2) 8280 7761 (outside Australia)
	Website:	www.linkmarketservices.com.au
Auditor	Stantons Level 2, 40 Kings Park Road West Perth, WA 6005	
Australian Stock Exchange Limited (ASX)	CuFe Ltd's fully paid ordinary shares are quoted on the Official List of ASX. The ASX code is CUF (shares) and CUFO (listed options).	

Directors' Report

The directors of CuFe Ltd (**CUF**, the **Company** or the **Group**) (formerly Fe Limited) submit their report for the half-year ended 31 December 2021.

DIRECTORS

The names of CUF's directors in office during the half-year and as at the date of this report are as follows:

Antony Sage (Executive Chairman)
Mark Hancock (Executive Director)
Nicholas Sage (Non-Executive Director)

All directors were in office for the entire period unless otherwise stated.

REVIEW AND RESULTS OF OPERATIONS

CuFe Ltd (ASX: CUF) (**CUF** or the **Company**) is an Australian mining and mineral exploration company which holds, or has rights or interests in, various tenements prospective for iron ore, gold and base metals located in Western Australia and the Northern Territory. The Company's main focus is its iron ore assets in both Western Australia (JWD Iron Ore Project) and the Northern Territory (Yarram Iron Ore Project), and development of the recently acquired Tennant Creek Copper Project. The remaining projects are all subject to various joint venture agreements under which CUF does not have operational control.

CORPORATE

Financial Results

The Group recorded a net loss after tax for the period of \$39,069 (31 December 2020: net loss after tax \$1,348,969).

Extraordinary General Meeting

The Company held an extraordinary general meeting (**EGM**) on 12 July 2021. All resolutions put to shareholders were passed via a poll.

Annual General Meeting

The Company's Annual General Meeting was held on 24 November 2021 (**AGM**). All resolutions put to the meeting were passed via a poll.

Change of Company Name and ASX Code

The Company changed its name from Fe Limited to CuFe Ltd on 25 November 2021. From commencement of trading on 10 December 2021, the Company's ASX Code was changed from 'FEL' to 'CUF'.

Placement

On 24 September 2021, the Company announced that it had received commitments to raise \$5,000,000 through a placement of 100,000,000 ordinary shares (**Placement Shares**) to sophisticated investors at \$0.05 per share (**Placement**). Subject to receipt of shareholder approval, investors were also to be issued one option (exercise price \$0.06, expiring 2 years from issue) for every two shares issued (**Placement Options**). The Placement lead manager was also entitled to receive 20,000,000 options on same terms as the Placement Options (**Lead Manager Options**).

The Placement Shares were issued on 1 October 2021.

The Placement Options and Lead Manager Options were issued on 25 November 2021, following receipt of shareholder approval at the Company's AGM. These options were quoted on 24 December 2021 (ASX: CUFO).

Completion of Tennant Creek Acquisition

On 24 September 2021, the Company announced that it had entered into a binding agreement to acquire a 60% interest in copper / gold assets which have been the subject of historical mining at Tennant Creek in the Northern Territory from Gecko Mining Company Pty Ltd (**GMC**) (**Tennant Creek Acquisition**).

The Tennant Creek Acquisition was completed on 9 December 2021. Consideration included \$5,000,000 cash (payable in three instalments) (**Cash Consideration**), 85,000,000 shares, and 75,000,000 unlisted options

exercisable at \$0.10 expiring 3 years from date of issue. Initial instalment payments totalling \$3,000,000 of the Cash Consideration were paid during the period, with the final instalment of \$2,000,000 due for payment in June 2022. The shares and unlisted options which were approved for issue by shareholders at the Company's AGM were issued on 9 December 2021.

CUF and GMC have formed an unincorporated joint venture in respect of the Tennant Creek Project tenements, with CUF as manager of the joint venture. CUF will pay the first \$10,000,000 of joint venture expenditure incurred.

Refer "Projects" section for summary of exploration activities conducted during the period.

JWD Iron Ore Project

Decision to Mine

As detailed in the FY21 Annual report, in April 2021, the Company made a payment of \$230,000 in cash to GVIO, representing an advance payment of the additional consideration payable (as agreed to be varied from \$250,000) pursuant to the Wiluna Transaction upon a decision to mine.

During the period, the cash advance was refunded to CUF (plus interest of \$20,000), and 4,807,692 shares were issued in settlement of the \$250,000 consideration component payable upon decision to mine in respect of the JWD Iron Ore Project.

Increase of JWD Interest to 60%

As announced on 25 May 2021, CUF paid a A\$1,000,000 refundable deposit to its joint venture partner to secure an option to increase its interest in the JWD Iron Ore Project from 51% to 60% for consideration of A\$2,500,000.

Following receipt of shareholder approval at the Company's EGM to issue equity to complete this transaction, CUF exercised its option and elected to settle payment of the consideration amount via the issue of 43,859,649 shares. During the period, the \$1,000,000 refundable deposit has been repaid to CUF and on 28 July 2021 the shares were issued.

Variation to JWD Mining Rights Agreement

As announced 12 November 2021, the Company entered into a variation with GWR Group Ltd on the JWD Mining Rights Agreement whereby rather than having to pay \$4,250,000 by mid-January 2022 to secure the right to export a further 2.7MT of iron ore from the deposit, the JWD JV pays \$1,800,000 to secure the right to export 1.2MT (100%) and then can elect to make subsequent payments to secure rights to export further tonnes. Executing the variation provided flexibility to both parties in light of the volatile iron ore market experienced during the period.

Offtake Agreement and USD Loan Arrangement

As announced on 27 July 2021, the Company, via its wholly owned subsidiary Wiluna FE Pty Ltd, entered an exclusive offtake agreement with leading international trading house Glencore International AG (**Glencore**), for 100% of the JWD product (iron ore lumps and fines) over the life of CUF's operations at the mine, subject to GWR Group Ltd's existing right to elect to purchase up to 50,000 tonnes of fines product at the mine gate.

Pursuant to the terms of the offtake agreement, Glencore provided a USD\$7,500,000 prepayment, to be repaid by the JV via instalments from shipments plus applicable interest. USD\$5,000,000 of this facility has been repaid by the JV during the period, with the remaining balance to be repaid from shipments 3 and 4 which will occur in the first quarter of 2022.

As announced 12 January 2022, the agreement has been restructured to allow drawdowns of up to USD\$3,000,000 against stock held at port, to assist the Company in management of working capital as required as Operator of the JWD JV.

Refer "Projects" section for summary of mining activities conducted during the period.

Sale of Pilbara Exploration Tenements

On 17 June 2021, the Company announced that it had entered two separate binding agreements with Global Lithium Ltd (ASX:GL1) (**Global Lithium**) and Mercury Resources Group Pty Ltd (**Mercury Resources**) to dispose of its Pilbara exploration tenure for a total cash consideration of \$550,000, with a trailing royalty on certain of the tenements (refer to ASX Announcement dated 17 June 2021 for a summary of key terms).

The transactions with Global Lithium and Mercury Resources were completed and funds received during the period.

Shares issued

During the period the Company issued the following shares:

- 4,807,692 shares issued in settlement of the \$250,000 consideration component payable upon decision to mine in respect of the JWD Project
- 43,859,649 shares issued upon CUF's exercise of its option to acquire an additional 9% interest in the JWD Project
- 100,000,000 shares were issued pursuant to the Placement raising a total of \$5,000,000 (before costs)
- 85,000,000 shares were issued as part consideration for the Tennant Creek Acquisition
- 6,000,000 shares issued upon exercise of unlisted options exercisable at \$0.03 expiring 31 August 2022, raising \$180,000
- 7,000,000 shares issued upon exercise of unlisted options exercisable at \$0.025 expiring 31 March 2022, raising \$175,000

Options issued

During the period the Company issued the following options:

- 15,000,000 unlisted options exercisable at \$0.06 expiring 30 June 2023 with vesting conditions issued to directors (or their nominees) following receipt of shareholder approval at the July 2021 EGM
- 1,000,000 unlisted options exercisable at \$0.074 expiring 31 December 2022 issued pursuant to the Company's Employee Securities Incentive Plan (**ESIP**) (ESIP approved by shareholders at the July 2021 EGM)
- 3,000,000 unlisted options exercisable at \$0.04 expiring 31 August 2023 with vesting conditions issued pursuant to the Company's ESIP
- 14,500,000 unlisted options exercisable at \$0.06 expiring 30 June 2023 with vesting conditions issued pursuant to the Company's ESIP
- 50,000,000 options at \$0.06 expiring 24 November 2023 were issued (being the Placement Options) (quoted on 24 December 2021 ASX:CUFO);
- 20,000,000 options at \$0.06 expiring 24 November 2023 were issued (being the Lead Manager Options) (quoted on 24 December 2021 ASX:CUFO);
- 75,000,000 unlisted options at \$0.10 expiring 9 December 2024 were issued as part consideration for the Tennant Creek Acquisition

Options exercised

The following options were exercised during the period:

- 6,000,000 unlisted options exercisable at \$0.03 expiring 31 August 2022
- 7,000,000 unlisted options exercisable at \$0.025 expiring 31 March 2022

Options lapsed

During the period, 1,000,000 unlisted options at \$0.06 expiring 30 June 2023 lapsed in accordance with the terms and conditions of their issue.

PROJECTS

JWD Iron Ore Project - Wiluna Iron JV (60%) (Western Australia)¹

The Company achieved numerous key milestones during the period for the JWD Iron Ore Project (**JWD, JWD Project**), including:

- Mine development work completed with all key infrastructure in place including workshop, magazine, production water bores, site access road upgrade, run-of-mine (ROM) skyway, plant and the product yard;
- Key haulage and port access agreements were executed, allowing for crushing and screening operations to commence in early July, with haulage to port also commencing shortly afterward on 12 July
- First shipment of high-grade lump product departing Geraldton Port on 2 October 2021, with a second shipment of high-grade lump product departing 22 November 2021;
- Trial of higher payload 'ultra-quad road-train' successfully completed into Geraldton port as part of longer term initiative to reduce the transport cost to Geraldton Port; and
- Realised hedge gains for the period of USD5.8m (100%).

In response to extreme iron ore price volatility experienced from late September, the Company worked with its service providers and contractors to implement certain cost savings and a change to its operating strategy to

¹ Amounts referred to in this section of the Directors' Report are stated at 100% of the amounts recorded in by the JWD JV. In accordance with its accounting policy in respect of the joint operation, CUF takes up its 60% share of assets, liabilities and results of the JWD JV in the Group's consolidated financial statements presented in this half-year report.

assist cashflow management. In conjunction with managing costs, the Company benefited from hedges taken out which settled over the December quarter.

Iron Ore prices have continued to firm in recent months, with 62% index prices rising from a low of USD87 to current levels circa USD155. JWD, being a producer of high-grade lump, has further benefited from an increase in lump premiums from an average of 5.8c per dry metric tonne unit (**dm tu**) for September to 20.3c per dmtu for December. The February lump price has also increased averaging 34.16c per dmtu. Sea freight rates have also decreased in recent months, with the vessel class used for JWD product from the Geraldton Port reducing by approximately 30% from their highs. Whilst the current rates remain elevated relative to historical averages, this recent reduction in the cost of sea freight has the effect of further increasing the realised price to the Company, in addition to the improvement in headline price discussed above.

Operations Summary

Production metrics (100%)	Measure	H1 FY22
Total material moved	BCM	223,075
Ore mined	wmt	313,455
Ore processed	wmt	216,745
Ore hauled to port	wmt	141,815
Ore shipped	wmt	119,804
Inventory		
ROM	wmt	58,316
Site Finished Product	wmt	4,688
Port	wmt	21,633
Revenue (FOB)	US\$/wmt	\$100.56
Revenue (FOB)	A\$/wmt	\$138.78
Hedging Gains	A\$/wmt	\$65.53
Total Revenue	A\$/wmt	\$204.31
C1 Costs (\$/wmt Shipped)	A\$/wmt	\$130.92

Yarram Project – Yarram Iron JV (50%) (Northern Territory)

The Company holds a 50% interest in Gold Valley Iron and Manganese Pty Ltd, the owner of the iron ore rights over the Yarram project, located some 110km from Darwin Port.

During the period, the Company received the Aboriginal Areas Protection Authority (**AAPA**) sacred site clearance certificate for the drilling area.

Approval of the Mining Management Plan (MMP) was received from the Dept of Industry, Tourism and Trade (**DITT**) and a preferred drilling company has been engaged. All approvals were received late in the calendar year which pushed back the start of drilling well into the Northern Territory wet season. The rig was available locally so a decision was made to begin drilling with a watch and act approach subject to weather conditions. The planned program consists of 61 holes in total and is designed as extensional drilling to known mineralization identified from historic data. During field investigations, lateritic outcrop was mapped along strike and to the southwest of the known mineralization which was seen to extend beyond to lease and is the basis for the drill hole targeting.

Due to the late start and unknown length of window for drilling, a subset of holes stepped out along strike were chosen for the initial phase of drilling before weather conditions prevented access. The Company was able to drill 5 holes for a total of 314m out of 61 planned holes of the total drilling program before wet season rains created conditions too unfavourable to continue. The samples from the drilling have been sent to North Australian Laboratories in Pine Creek NT for analysis with results expected shortly.

Prior to drilling a pre-clearance survey was conducted with the local Traditional Owners and the survey report was lodged with DITT.

Vegetation studies have been completed to further understand the area and identify any matters that will need to be addressed when progressing mining approvals. Groundwater monitoring has been undertaken as a baseline for further approvals.

Tennant Creek Mining Rights (Northern Territory)

As detailed above, on 9 December 2021 the Company acquired a 60% interest in copper / gold assets which have been the subject of historical mining at Tennant Creek in the Northern Territory.

Consultants who have extensive experience with the Northern Territory Approvals process and prior experience with the Tennant Creek Mining Rights have been engaged.

During the period, a Geological review of the existing drillhole information and existing core located at Tennant Creek was completed and an Exploration Program for both RC and Diamond Drill Holes has been developed.

The Company has submitted an AAPA for the exploration program for the total site including proposed exploration and potential processing plant sites.

The Company has also engaged various consultants and surveys required for approvals have been commissioned. Lidar aerial surveys have been completed, wet season surface water sampling has commenced with Flora and Fauna surveys underway.

Bryah Basin Joint Venture Projects - CUF 20% rights

CUF, via its wholly owned subsidiary Jackson Minerals Pty Limited (**Jackson Minerals**), has a 20% interest in tenements covering an area of 804 km² in the highly prospective Bryah Basin proximal to Sandfire Resources NL (ASX: **SFR**) Doolgunna Project and DeGrussa copper gold mine.

The Bryah Basin Project tenements are subject to joint ventures and farm-ins with Billabong Gold Pty Ltd (**Billabong**), Alchemy Resources (Three Rivers) Ltd (ASX: **ALY**), Auris Minerals Ltd (ASX: **AUR**) and SFR.

The Bryah Basin is a highly prospective and largely under-explored mineral field with potential for further discovery of gold and base metals.

Morck Well Project - AUR/SFR/CUF- E51/1033, E52/1613, E52/1672

The Morck Well project is located in the eastern part of the Bryah Basin and contains approximately 40km strike length of the highly prospective Narracoota Volcanic Formation. The northern boundary of Morck Well is adjacent to SFR's DeGrussa-Doolgunna exploration tenements. CUF holds a 20% interest in all minerals in three exploration licences (E51/1033, E52/1613 and E52/1672) within AUR's Morck Well JV project. SFR has a farm-in and joint venture with CUF and AUR where SFR can earn an interest in the Morck Well Project tenements by completing a minimum spend of \$2,000,000 on exploration over 2 years which has been met. SFR can earn a 70% interest in the Morck Well Project tenements by continuing to sole fund exploration to a discovery of not less than 50,000 tonnes contained Cu (or metal equivalent) and completion of a feasibility study on such a discovery. If SFR makes a discovery and completes a feasibility study then the interests in the tenements will be 70% SFR, 24% AUR and 6% CUF. Refer to ASX: AUR announcement dated 27 February 2018.

SFR completed a total of 15 aircore holes (MWAC4242 – MWAC4256) for 1,420 metres during the December 2021 half on the Morck Well Project. Auris has announced that "the completed drilling is designed as a 400x100m infill pattern to provide high quality litho-geochemical data and key geological information to delineate the upper Narracoota stratigraphy, known to be host to VMS-style mineralisation." Results from the drilling are pending. Refer to ASX: AUR announcements 24 January 2022 for full details

Peak Hill Project Base Metals Rights - ALY/IGO/CUF - E52/1668, E52/1678, E52/1722 and E52/1730

The Peak Hill project covers approximately 45km strike of the prospective Narracoota Volcanic Formation sequence in the Bryah Basin and is proximal to SFR's Doolgunna Project and the Monty mine.

ALY has entered into a formal joint venture with SFR (refer to ASX: ALY 23 September 2019 for relevant information and diagrams). SFR has earned a 70% interest in base metals rights, excluding iron ore rights, in relation to whole area of E52/1722 and parts of E52/1668, E52/1678 and E52/1730. CUF holds its 20% free carried interests in all minerals to decision to mine, via wholly owned subsidiary Jackson Minerals.

Peak Hill Project All Mineral Rights - ALY/Billabong/CUF - E52/1668, E52/1678, E52/1730, P52/1538, P52/1539

Billabong, through an assignment of interests from NST, entered into a Farm-In and Joint Venture agreement with ALY (refer to ASX:ALY 24 February 2015), in regard to parts of E52/1668, E52/1678, E52/1730 (excluding those parts being farmed into by SFR) and also to earn an 80% interest in the whole of E52/1852. CUF retains its 20% free carried interests in all minerals to decision to mine, via wholly owned subsidiary Jackson Minerals.

Mt Ida Iron Ore Project - Mt Ida Gold

Mt Ida Iron Ore Project is approximately 80km northwest of the operational railway at Menzies, which offers access to existing port facilities at Esperance. The Project area covers part of the Mt Ida - Mt Bevan banded iron formation, which is currently being explored and evaluated by Jupiter Mines Limited and Legacy Iron Ore Limited.

The Mt Ida Iron Ore Project (**Mt Ida Iron Project**) provides CUF the rights to explore and mine for iron ore on exploration license E29/640 and mining leases M29/2, M29/165 and M29/422 held by Mt Ida Gold Pty Ltd, covering approximately 120km² in the emerging Yilgarn Iron Province. The rights give provision for CUF to retain revenue from any iron ore product it mines from the tenure. CUF has no registered interest in these tenements.

Competent Person Statement

The information in this report is compiled and collected by Mr Olaf Frederickson, who is a Member of the Australasian Institute of Geoscientists. Mr Frederickson has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves (JORC Code 2012). Mr Frederickson consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Events after the balance date

There are no events subsequent to 31 December 2021 and 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.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires CuFe Ltd's auditors, Stantons, to provide the directors with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration follows and forms part of the Directors report.

Signed in accordance with a resolution of the Directors



Antony Sage
Executive Chairman
Perth

14 March 2022



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14 March 2022

Board of Directors
CuFe Limited
32 Harrogate Street
West Leederville WA 6007

Dear Sirs

RE: CuFe LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of CuFe Limited.

As Audit Director for the review of the financial statements of CuFe 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:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

A handwritten signature in black ink, appearing to read "Samir Tirodkar".

Samir Tirodkar
Director



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Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 \$	31 December 2020 \$
Revenue from continuing operations			
Revenue	3(a)	17,731,978	-
Cost of sales	3(d)	(14,528,380)	-
Gross profit		3,203,598	-
Interest income	3(b)	24,241	53,026
Other income	3(c)	642,265	(3,440)
Exploration and evaluation expenditure		(187,769)	(522,315)
Employee benefits expense and director remuneration	3(e)	(466,644)	(147,500)
Finance costs		(266,867)	-
Legal costs		(69,087)	(32,593)
Share-based payments expense	19	(613,000)	(421,382)
Amortisation and depreciation expense		(1,301,696)	(707)
Accounting and audit fees		(104,333)	(87,386)
Consultancy fees		(119,058)	(65,902)
Compliance costs		(157,656)	(51,042)
Other expenses	3(f)	(414,299)	(58,580)
Share of net losses of joint venture accounted for using the equity method	12	(208,764)	(11,148)
(Loss) before income tax		(39,069)	(1,348,969)
Income tax expense		-	-
(Loss) after income tax		(39,069)	(1,348,969)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
Net fair value gain / (loss) on available-for-sale financial assets		-	-
Transfer loss on available-for-sale financial assets to profit and loss		-	-
Other comprehensive income / (loss) for the period		-	-
Total comprehensive (loss) for the period		(39,069)	(1,348,969)
(Loss) / earnings per share from attributable to the ordinary equity holders of the parent			
-basic (loss) / earnings for the period (cents per share)		(0.005)	(0.27)
-diluted (loss) / earnings for the period (cents per share)		(0.005)	(0.27)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2021

	Note	31 December 2021 \$	30 June 2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents	4	8,000,461	5,830,848
Restricted cash	5	469,242	109,242
Inventory	6	2,201,537	-
Trade and other receivables	7	3,767,728	1,664,064
Other assets		325,911	1,412,479
Financial assets	8	372,197	77,562
Held for sale assets		-	250,000
Total Current Assets		15,137,076	9,344,195
Non-current Assets			
Mine properties and development costs	9	6,238,785	2,892,656
Exploration assets	10	8,866,852	-
Plant and equipment		25,017	26,242
Right of use assets	11	506,689	-
Investments accounted for using the equity method	12	3,057,466	3,266,230
Total Non-current Assets		18,694,809	6,185,128
TOTAL ASSETS		33,831,885	15,529,323
LIABILITIES			
Current Liabilities			
Trade and other payables	13	6,368,149	2,340,293
Interest-bearing borrowings	14	2,087,750	-
Lease liability	15	294,479	-
Income tax payable		-	78,896
Total Current Liabilities		8,750,378	2,419,189
Non-current Liabilities			
Provisions	16	453,449	160,140
Lease liability	15	257,502	-
Total Non-current liabilities		710,951	160,140
TOTAL LIABILITIES		9,461,329	2,579,329
NET ASSETS		24,370,556	12,949,994
EQUITY			
Contributed equity	17	58,197,052	48,172,188
Accumulated losses		(38,122,965)	(38,083,896)
Reserves	18	4,296,469	2,861,702
TOTAL EQUITY		24,370,556	12,949,994

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 \$	31 December 2020 \$
Cash flows from operating activities			
Receipts from customers		9,517,238	-
Receipts from commodity collar/swaps transactions closed		4,143,425	-
Payments to suppliers and employees		(13,887,756)	(562,478)
Interest received		24,241	53,026
Payments for exploration and evaluation costs		(156,335)	(490,986)
Payment of interest and other finance costs		(224,097)	-
Income taxes paid		(78,896)	-
Reimbursement of funds from JV partner		500,000	-
Net cash flows (used in) operating activities		(162,180)	(1,000,438)
Cash flows from investing activities			
Purchase of exploration assets	10	(3,491,619)	(850,000)
Purchase of plant and equipment		(3,606)	(2,295)
Payment for right to mine (allocated to capitalised mine development)		(1,080,000)	-
Payments for capitalised mine development		(736,294)	-
Refund of advance payment upon DTM of JWD Project		250,000	-
Refund of consideration paid to acquire additional 9% interest in JWD Project		1,000,000	-
Investment in joint venture		(378,239)	(1,292,764)
Proceeds from sale of exploration assets		575,000	-
Proceeds from sale of royalty asset		-	2,650,000
Transfer of funds to security deposit		(180,000)	-
Transfer of funds to restricted cash		(360,000)	-
Net cash flows (used in) / from investing activities		(4,404,758)	504,941
Cash flows from financing activities			
Proceeds from shares issued (net of costs)	17	4,592,562	216,500
Proceeds from exercise of options		355,000	-
Proceeds from borrowings		6,117,156	-
Repayment of borrowings		(4,141,407)	-
Principal payments on lease liabilities		(186,760)	-
Loan advanced to unrelated party		-	(500,000)
Repayment of loan from unrelated party		-	500,000
Net cash flows from financing activities		6,736,551	216,500
Net (decrease) in cash and cash equivalents		2,169,613	(278,997)
Cash and cash equivalents at beginning of period		5,830,848	5,144,592
Cash and cash equivalents at end of period	4	8,000,461	4,865,595

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Contributed equity	Accumulated losses	Share-based payments reserve	Other reserve	Total
	\$	\$	\$	\$	\$
At 1 July 2021	48,172,188	(38,083,896)	2,861,702	-	12,949,994
Loss for the period	-	(39,069)	-	-	(39,069)
Other comprehensive income	-	-	-	-	-
	-	(39,069)	-	-	(39,069)
Transactions with owners in their capacity as owners					
Shares issued net of costs (Placement)	4,592,562	-	-	-	4,592,562
Shares issued (Exercise of Options)	355,000	-	-	-	355,000
Shares issued (JWD Project - DTM)	250,000	-	-	-	250,000
Shares issued (JWD Project - Additional 9% interest)	2,500,000	-	-	-	2,500,000
Shares issued (Tennant Creek acquisition)	2,550,000	-	-	-	2,550,000
Options issued (Tennant Creek acquisition)	-	-	715,500	-	715,500
Options issued (Lead Manager to Placement)	(222,698)	-	222,698	-	-
Share-based payments	-	-	613,000	-	613,000
Change in interest in Joint Operation (JWD Project)	-	-	-	(116,431)	(116,431)
At 31 December 2021	58,197,052	(38,122,965)	4,412,900	(116,431)	24,370,556
At 1 July 2020	41,236,293	(35,573,356)	2,107,148	-	7,770,085
Loss for the period	-	(1,348,969)	-	-	(1,348,969)
Other comprehensive income	-	-	-	-	-
	-	(1,348,969)	-	-	(1,348,969)
Transactions with owners in their capacity as owners					
Shares issued during the period (net of share issue costs)	966,500	-	-	-	966,500
Share-based payments	-	-	421,382	-	421,382
At 31 December 2020	42,202,793	(36,922,325)	2,528,530	-	7,808,998

The accompanying notes form part of these financial statements

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) General information

The half-year financial report for the period ended 31 December 2021 was authorised for issue in accordance with a resolution of the directors on 14 March 2022.

CuFe Ltd is a limited company incorporated and domiciled in Australia whose shares are publicly traded.

(b) Statement of Compliance

These 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**). Compliance with *AASB 134* ensures compliance with *IAS 34 Interim Financial Reporting*.

The half-year financial report does 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 this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by CuFe Ltd during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

(c) Basis of preparation

The half-year financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(d) Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2021

In the half-year 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 half-year reporting periods beginning on or after 1 July 2021. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2021 with no material impact on the amounts or disclosures included in the financial report.

(e) Significant accounting judgments and key estimates

The preparation of the half-year financial report 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 half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2021.

(f) Going concern

The financial statements 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.

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

At balance date, the Group had cash and cash equivalents of \$8,000,461 (30 June 2021: \$5,830,848) and a net working capital surplus of \$5,917,456 (excluding restricted cash) (30 June 2021: \$6,815,764 surplus).

Additional funding may be necessary for the Group to continue its planned exploration activities associated with its projects in the next 12 months, including expenditure and commitments associated with the Company's existing projects (Yarram Project, Tennant Creek Project, and JWD Project), along with payment of remaining Tennant Creek Project Acquisition cash consideration.

The ability of the Group to continue as a going concern is dependent on it being able to either generate sufficient cashflow from operations or successfully raise additional funding in the next 12 months, to pursue its current strategy. At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue its planned operations and the Group will be able to meet its obligations as and when they fall due because the Directors are confident that the Group will be able to obtain the additional funding required either through a further capital raising, continued support from its existing shareholders, funding from the exercise of unlisted options, funding pursuant to the offtake arrangement with Glencore, and through realisation of value upon sale of product from the JWD Project.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

(g) Inventory

Work in progress and finished goods are stated at the lower of cost and net realisable value. For partly processed and saleable iron ore, cost is based on the weighted average cost method and includes:

- Material and production costs directly attributable to the extraction, processing and transportation of iron ore;
- Production and transportation overheads; and
- Depreciation of property, plant and equipment used in the extraction, processing and transportation of iron ore.

Iron ore stockpiles represent iron ore that has been extracted and is available for further processing or sale. Quantities are assessed primarily through internal and third party surveys. Where there is an indication that inventory is impaired, inventory is written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Revenue from contracts with customers

AASB 15 Revenue from Contracts with Customers requires an entity to recognise revenue in a manner that represents the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled. This means that revenue will be recognised when control of goods and/or are transferred, rather than on transfer of risks and rewards.

The Company produces and sells product free on board. Revenue from the sale of goods is recognised at a point in time when control of the product is transferred to the customer, which occurs when the product is physically transferred onto a vessel.

Revenue is measured at the fair value of the consideration received or receivable. That amount of revenue arising on a transaction is determined by an agreement between the Company and the customer.

Revenue is initially recognised based on the most recently determined estimate of product using the expected value approach based on initial assay and weight results (provisional pricing). The Company has determined that it is highly unlikely that a significant reversal of the amount of revenue recognised will occur due to variations in assay and weight results. Subsequent changes in the fair value based on the customer's final sampling and analysis results are recognised in revenue (adjustment).

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

(i) Leases

The Group enters into contractual arrangements for mining contractor services, mining plant and equipment, haulage, vehicles, port access, port storage facilities, camp rental, and other assets.

The nature of these arrangements can be lease contracts or service contracts with embedded assets. Typically, the duration of these contracts is for period of between one to three years, some of which include extension options.

Leases are recognised on the balance sheet as a right of use asset, representing the lessee's entitlement to the benefits of the identified asset over the lease term, and a lease liability representing the lessee's obligation to make the lease payments. Each lease payment is allocated between its liability and finance cost component. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is amortised on a straight-line basis over the shorter of the useful life of the asset and lease term.

Liabilities arising from contractual arrangements which contain leases are initially measured at the present value of the future lease payments. These payments include the present value of fixed payments prescribed in the contract; variable lease payments based on an index or prescribed rate; amounts expected to be payable by the lessor under residual value guarantees; and exercise price of a purchase option if it is reasonably certain that the option will be exercised.

Right of use assets are initially measured at the amount of the initial lease liability plus any lease payments at or before commencement date less incentives received, plus any initial direct costs, and any costs required for dismantling and rehabilitation. Right of use assets are subsequently measured at cost less any accumulated depreciation and accumulated impairment losses; and any adjustment for remeasurement of the lease liability. Lease liabilities are subsequently measured at present value, adjusted for any variations to the underlying contract terms.

Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the Group's incremental borrowing rate is used, which is the rate which the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment over a similar term and security.

Payments for short term leases and low value assets are recognised on a straight-line basis as an expense in the income statement. Short term leases are for a period of 12 months or less and contracts involving low value assets typically comprise small items of IT hardware and minor sundry assets.

(j) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transaction costs, except for those carried at 'fair value through profit or loss', in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and measurement

Financial assets

Except for those trade receivable that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured a fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effectiveness as hedging instruments are classified into the following categories upon initial recognition:

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

Classifications are determined by both:

- The contractual cash flow characteristics of the financial assets; and
- The Group's business model for managing the financial asset.

Financial assets at amortised cost

Financial assets are measured at amortised costs if the assets meet with the following conditions (and are not designated as FVPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income

The Group does not hold any financial assets at fair value through other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

The Group has designated its commodity collar contracts and commodity swap contracts as financial assets at FVPL at inception (when it becomes a party to the contract).

Shares held for trading have been classified as financial assets at FVPL.

After initial recognition, financial assets designated at FVPL, are subsequently remeasured at fair value with gains or losses recognised in profit or loss.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, or payables, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1 – Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Measurements based on unobservable inputs for the asset or liability.

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Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

(k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity purposes and amortised over the period of the facility to which it relates.

Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(l) Foreign currency

The functional currency of the Company and its controlled entities is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the function currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange rate prevailing at the balance sheet date. All such exchange differences are recorded through profit or loss.

(m) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess their performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

2 SEGMENT INFORMATION

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

3 REVENUE, INCOME AND EXPENSES

	31 December 2021	31 December 2020
	\$	\$
(a) Revenue from continuing operations		
Iron ore sales	13,021,492	-
Realised gain on commodity collar/swap contracts	4,710,486	-
	<u>17,731,978</u>	<u>-</u>
(b) Interest income		
Bank interest	4,103	3,026
Other interest earned	20,138	-
Interest earned on loan to unrelated entity	-	50,000
	<u>24,241</u>	<u>53,026</u>

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	31 December 2021 \$	31 December 2020 \$
(c) Other income		
Management fee income (JV)	24,900	-
Tenement management fee	6,755	-
Rental recharges income/(reversal)	(9,025)	-
Gain on sale of tenements	325,000	-
Unrealised gain on financial asset - commodity collar/swap contracts (FVPL)	178,292	-
Unrealised gain/loss of financial asset – investment (FVPL)	116,343	(3,440)
	<u>642,265</u>	<u>(3,440)</u>
(d) Cost of sales		
Royalty expense	(1,014,890)	-
Mining and processing	(3,685,099)	-
Haulage	(6,506,484)	-
Shipping	(3,039,804)	-
Port	(1,514,809)	-
Salaries, wages and other employee benefits	(241,915)	-
Inventory movement	2,050,952	-
Other operating costs	(576,331)	-
	<u>14,528,380</u>	<u>-</u>
(e) Employment benefits and director remuneration		
Directors' fees	(225,000)	(147,500)
Salaries, wages and other employee benefits	(241,644)	-
	<u>(466,644)</u>	<u>(147,500)</u>
(f) Other expenses		
Promotional and investor relations	(5,000)	(250)
Occupancy costs	(24,874)	(19,036)
Insurance costs	(105,471)	(23,026)
Stamp duty	(138,104)	(3,129)
Other	(140,850)	(13,139)
	<u>(414,299)</u>	<u>(58,580)</u>

4 CASH AND CASH EQUIVALENTS

	31 December 2021 \$	30 June 2021 \$
<i>Cash and cash equivalents</i>		
Cash at bank	8,000,461	5,830,848

5 RESTRICTED CASH

	31 December 2021 \$	30 June 2021 \$
Restricted cash	469,242	109,242

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

6 INVENTORY

	31 December 2021	30 June 2021
	\$	\$
Work In Progress Run of Mine	627,784	-
Finished Goods Site	78,661	-
Finished Goods Port	1,495,092	-
	<u>2,201,537</u>	<u>-</u>

7 TRADE AND OTHER RECEIVABLES

	31 December 2021	30 June 2021
	\$	\$
Trade receivables	1,359,554	1,888
Net GST receivable	575,397	252,580
Accrued interest receivable	165	27
Deposits	180,000	-
Other receivable (a)	1,652,612	1,409,569
	<u>3,767,728</u>	<u>1,664,064</u>

(a) Relates to an amount receivable in respect of the Wiluna Iron Joint Operation (being an advance of \$1,652,612).

(b) None of the receivables are past due and/or impaired.

8 FINANCIAL ASSETS

	31 December 2021	30 June 2021
	\$	\$
Fair value through profit or loss – equity investment	193,905	77,562
Fair value through profit or loss – commodity collars/swaps	178,292	-
	<u>372,197</u>	<u>77,562</u>

9 MINE PROPERTIES AND DEVELOPMENT COSTS

	31 December 2021	30 June 2021
	\$	\$
Wiluna Iron JV - Cost	7,333,628	2,892,655
Wiluna Iron JV – Accumulated Amortisation	(1,094,843)	-
	<u>6,238,785</u>	<u>2,892,656</u>
<i>Movements</i>		
Carrying value at beginning of period	2,892,656	-
Transferred from Exploration Assets (Wiluna Iron JV) (a)	-	1,100,000
Milestone consideration paid / (refunded) in cash (decision to mine) (b)	(230,000)	230,000
Milestone consideration paid in shares (decision to mine) (b)	250,000	-
Consideration paid in shares (additional 9% interest) (c)	2,500,000	-
Transfer prepaid royalty to Wiluna Iron Joint Venture	(225,000)	-
Expenditure incurred (d)	2,145,972	1,562,656
Amortisation (e)	(1,094,843)	-
Closing value at end of year	<u>6,238,785</u>	<u>2,892,656</u>

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

- (a) As announced 17 September 2020, CUF entered a binding agreement to acquire a 51% interest in the Mining Rights Agreement held by the Gold Valley Iron Ore Pty Ltd (**GVIO**) over the Wiluna West JWD deposit (**JWD Mining Rights** or **JWD Iron Ore Project**) (**Wiluna Transaction**). Consideration included \$500,000 in cash and 12,500,000 shares (deemed value of \$250,000) upon settlement with a further commitment to fund a \$125,000 instalment due to GWR Group on 30 September 2020, and to prepay an amount of \$225,000 representing the first 50% instalment of a royalty.

The initial \$1,100,000 cost of acquisition of the Wiluna Transaction was transferred from exploration assets to mine properties and development costs on 1 January 2021.

- (b) In April 2021, the Company made a payment of \$230,000 in cash to GVIO, representing an advance payment of the additional consideration payable (as agreed to be varied from \$250,000) pursuant to the Wiluna Transaction upon a decision to mine.

Subsequent to 30 June 2021, the cash advance was refunded to CUF (plus interest of \$20,000), and 4,807,692 shares were issued in settlement of the \$250,000 consideration component payable upon decision to mine in respect of the JWD Project.

- (c) As announced on 25 May 2021, CUF paid a \$1,000,000 refundable deposit to its joint venture partner to secure an option to increase its interest in the JWD Iron Ore Project from 51% to 60% for consideration of \$2,500,000.

Following receipt of shareholder approval at the Company's EGM to issue equity to complete this transaction, CUF exercised its option and elected to settle payment of the consideration amount via the issue of 43,859,649 shares. During the period, the \$1,000,000 refundable deposit has been repaid to CUF and on 28 July 2021 the shares were issued.

CUF's holds a 60% interest in the JWD Project at 31 December 2021.

- (d) Costs incurred in respect of the development of the JWD Iron Ore Project have been capitalised.
- (e) Production of the JWD Iron Ore Project commenced during the current period. Accordingly, amortisation of mine property and development costs has commenced from 1 July 2021.

10 EXPLORATION ASSETS

	31 December 2021	30 June 2021
	\$	\$
Acquisition cost – Tenements pursuant to Tennant Creek Transaction	8,866,852	-
<i>Movements in exploration assets</i>		
Carrying value at beginning of period	-	250,000
Consideration in cash (Tennant Creek Transaction) – paid (a)	3,000,000	-
Consideration in cash (Tennant Creek Transaction) - payable (a)	2,000,000	-
Consideration in shares (Tennant Creek Transaction)	2,550,000	-
Consideration in options (Tennant Creek Transaction)	715,500	-
Stamp duty (Tennant Creek Transaction) (a)	601,352	-
Consideration in shares (Wiluna Iron Joint Operation) (b)	-	250,000
Cash consideration and payments pursuant to transaction agreement (Wiluna Iron Joint Operation) (b)	-	850,000
Transferred to Mine Properties and Development Costs (Wiluna Iron Joint Venture) (b)	-	(1,100,000)
Transferred to assets classified as held for sale	-	(250,000)
Balance at end of period	8,866,852	-

- (a) On 24 September 2021, the Company announced that it had entered into a binding agreement to acquire a 60% interest in copper / gold assets which have been the subject of historical mining at

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Tennant Creek in the Northern Territory from Gecko Mining Company Pty Ltd (**GMC**) (**Tennant Creek Acquisition**).

The Tennant Creek Acquisition was completed on 9 December 2021. Consideration consists of:

- \$5,000,000 cash (payable in three instalments) (**Cash Consideration**);
- 85,000,000 shares (**Tennant Creek Consideration Shares**); and
- 75,000,000 unlisted options exercisable at \$0.10 expiring 3 years from date of issue (**Tennant Creek Consideration Options**).

Initial instalment payments totalling \$3,000,000 of the Cash Consideration were paid during the period, with the final instalment of \$2,000,000 due for payment in June 2022 (included within trade and other payables at 31 December 2021 (refer note 13)).

The Tennant Creek Consideration Shares and Tennant Creek Consideration options were approved for issue by shareholders at the Company's AGM and were issued on 9 December 2021.

The fair value of the Tennant Creek Consideration Shares paid of \$2,550,000 (refer note 17(e)), based on the Company's share price on 9 December 2021 of \$0.03 per share, has been used to record the value of exploration and evaluation assets on initial recognition in accordance with the Group's accounting policies.

The fair value of the Tennant Creek Consideration Options of \$715,500 has been determined in reference based on a Black and Scholes valuation on 9 December 2021. Refer note 19(a)(ii) for further details regarding this share based payment.

Stamp duty in respect of the Tennant Creek Acquisition was assessed at \$601,352 (of which \$491,619 of which was paid in December 2021 and \$109,733 was paid in January 2022).

CUF and GMC have formed an unincorporated joint venture in respect of the Tennant Creek Project tenements, with CUF as manager of the joint venture. CUF will pay the first \$10,000,000 of joint venture expenditure incurred.

- (b) Refer to note 9(a).

11 RIGHT OF USE ASSETS

	31 December 2021 \$	30 June 2021 \$
Cost	716,827	
Accumulated amortisation	(210,138)	-
	506,689	-
<i>Movements in Right of Use Assets</i>		
Balance as at beginning of period	-	-
Recognition of right of use asset at inception of lease (a)	716,827	-
Amortisation of right of use assets	(210,138)	-
Balance at end of period	506,689	-

- (a) The Group has entered into a lease agreement for camp room hire and facilities located near to the JWD Project site. The period of the lease expires 31 May 2023.

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Reconciliation of carrying amount of investments accounted for using the equity method

	31 December 2021	30 June 2021
	\$	\$
Investments accounted for using the equity method - Yarram Iron JV	3,057,466	3,266,230
<i>Movement in Investment</i>		
Balance at beginning of period	3,266,230	-
Initial cost of investment (b)	-	3,345,000
Share of profit/(loss) of joint venture	(208,764)	(78,770)
Balance at end of period	<u>3,057,466</u>	<u>3,266,230</u>

(b) On 22 December 2020, the Company advised it had completed the transaction (initially announced to ASX on 21 August 2020) to acquire a 50% interest in the Yarram iron ore project (**Yarram Iron JV**) in the Northern Territory (**Yarram Transaction**). Completion of the transaction was effected on 22 December 2020, via CUF purchasing a 50% share in Gold Valley Iron and Manganese Pty Ltd (**GVIM**), being the entity which owns the Yarram Iron Ore Rights.

The initial cost of investment is summarised as follows:

	Cost of investment
	\$
Cash ¹	945,000
Shares ²	500,000
Subscription amount payable to GVIM ³	1,900,000
	<u>3,345,000</u>

¹Cash consideration pursuant to agreement of \$1,000,000 less \$55,000 liabilities assumed.

²Being 31,250,000 shares valued at \$500,000 based on deemed issue price of \$0.016 per share (refer to note 17).

³Refers to subscription funds payable in relation to 500,000 shares in GVIM acquired by CUF's wholly owned subsidiary Yarram FE Pty Ltd, being:

- (i) a minimum payment of \$1,500,000; and
- (ii) up to an additional \$400,000 as directed by the Board of GVIM;

at a date to be determined by the Board of GVIM.

Note, if the minimum payment amount is unpaid at payment date, shares to be cancelled proportionally to the unpaid amount.

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13 TRADE AND OTHER PAYABLES

	31 December 2021	30 June 2021
	\$	\$
Trade payables (a)	2,732,562	404,292
Employee related liabilities	111,675	104,865
Subscription funds payable (b)	793,580	1,210,900
Other payables and accruals (c)	730,332	620,236
Deferred cash consideration (Tennant Creek Transaction) (refer note 10(a))	2,000,000	-
	<u>6,368,149</u>	<u>2,340,293</u>

- (a) Trade payables are non-interest bearing and are normally settled on 30-day terms.
- (b) Relates to the initial subscription funds payable for shares in GVIM of \$1,900,000 (refer to note 12(b)), adjusted for payments made by CUF for and on behalf of the Yarram Iron JV.
- (c) Other payables are non-interest bearing and have varying terms.

14 INTEREST-BEARING BORROWINGS

	31 December 2021	30 June 2021
	\$	\$
USD Loan – Principal (a)	2,065,794	-
USD Loan – Interest (a)	21,956	-
	<u>2,087,750</u>	<u>-</u>
<i>Movements in borrowings</i>		
Balance at beginning of period	-	-
Receipt of loan funds	6,117,156	-
Interest accrued	244,954	-
Repayment of principal loan	(4,141,408)	-
Payment of interest	(224,097)	-
FX revaluation	91,145	-
	<u>2,087,750</u>	<u>-</u>

- (a) As announced on 27 July 2021, the Company, via its wholly owned subsidiary Wiluna FE Pty Ltd, entered an exclusive offtake agreement with leading international trading house Glencore International AG (**Glencore**), for 100% of the JWD product (iron ore lumps and fines) over the life of CUF's operations at the mine, subject to GWR Group Ltd's existing right to elect to purchase up to 50,000 tonnes of fines product at the mine gate.

Pursuant to the terms of the offtake agreement, Glencore provided a USD\$7,500,000 prepayment (CUF's 60% share: USD\$4,500,000), to be repaid by the JV via instalments from shipments plus applicable interest (12% p.a.). USD\$5,000,000 (CUF's 60% share: USD\$3,000,000) of this facility has been repaid by the JV during the period, with the remaining balance to repaid from the shipments 3 and 4.

As announced 12 January 2022, the agreement has been restructured to allow further drawdowns of up to USD\$3,000,000 against stock held at port, to assist the Company in management of working capital as required as Operator of the JWD JV.

15 LEASE LIABILITY

	31 December 2021	30 June 2021
	\$	\$
<i>Current</i>		
Right of use lease liability	<u>294,479</u>	<u>-</u>
<i>Non-current</i>		
Right of use lease liability	<u>257,502</u>	<u>-</u>
Total	<u>551,981</u>	<u>-</u>

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

16 PROVISIONS

	31 December 2021 \$	30 June 2021 \$
Provision for rehabilitation – JWD Project (a)	128,400	160,140
Provision for demobilisation – JWD Project	325,049	-
	453,449	160,140

- (a) The provision for rehabilitation of \$128,400 recorded in the statement of financial position at 31 December 2021 reflects the Group's 60% share of the total \$214,000 provision for rehabilitation of Wiluna Iron JV (accounted for as a joint operation in accordance with the Group's accounting policy). The provision for rehabilitation of \$214,000 of Wiluna Iron JV has been calculated using the Rehabilitation Estimate Calculation pursuant to the *Mining Rehabilitation Fund Regulations 2013* based on an estimate of area of disturbance (calculated at \$414,000), less \$200,000 which has been prepaid pursuant to an agreement.

17 CONTRIBUTED EQUITY

	31 December 2021 \$	30 June 2021 \$
Ordinary shares		
Issued and fully paid	58,197,052	48,172,188

	31 December 2021	31 December 2021	30 June 2021	30 June 2021
	Number of Shares	\$	Number of Shares	\$
<i>Movements in ordinary shares on issue</i>				
Balance at beginning of period	699,445,024	48,172,188	488,701,620	41,236,293
Shares issued – completion shares (Wiluna JWD acquisition) (a)	-	-	12,500,000	250,000
Shares issued - milestone shares (Wiluna JWD DTM) (b)	4,807,692	250,000	-	-
Shares issued - consideration (Wiluna JWD additional 9% interest) (c)	43,859,649	2,500,000	-	-
Shares issued – completion shares (Yarram JV acquisition) (d)	-	-	31,250,000	500,000
Shares issued - completion shares (Tennant Creek Transaction) (e)	85,000,000	2,550,000	-	-
Shares issued – placement at \$0.045 per share (f)	-	-	123,381,655	5,552,174
Shares issued - Placement at \$0.050 per share (g)	100,000,000	5,000,000	-	-
Shares issued – exercise of options (h)	13,000,000	355,000	43,601,749	918,285
Shares issue costs – shares issued to option underwriter	-	-	10,000	460
Share issue costs - options issued to Lead Manager to Placement (g)	-	(222,698)	-	-
Share issue costs - cash	-	(407,438)	-	(285,024)
Balance at end of period	946,112,365	58,197,052	699,445,024	48,172,188

(a) Refer to note 9(a).

(b) Refer to note 9(b).

(c) Refer to note 9(c).

(d) Refer to note 12(b).

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

- (e) Refer to note 10(a).
- (f) On 18 February 2021, the Company announced it had successfully completed a placement to sophisticated and professional investors at an issue price of \$0.045 raising \$5,552,174 (before capital raising costs). On 24 February 2021, the Company issued 123,381,655 Placement shares.

- (g) On 24 September 2021, the Company announced that it had received commitments to raise \$5,000,000 through a placement of 100,000,000 ordinary shares (**Placement Shares**) to sophisticated investors at \$0.05 per share (**Placement**). The Placement Shares were issued on 1 October 2021.

Following receipt of shareholder approval, investors were also to be issued one option (exercise price \$0.06, expiring 2 years from issue) for every two shares issued (**Placement Options**). The Placement lead manager was also entitled to receive 20,000,000 options on same terms as the Placement Options (**Lead Manager Options**).

- (h) During the half-year ended 31 December 2021, the Company raised a total of \$355,000 from the exercise of the following unlisted options:
- 6,000,000 shares issued upon exercise of unlisted options exercisable at \$0.03 expiring 31 August 2022, raising \$180,000
 - 7,000,000 shares issued upon exercise of unlisted options exercisable at \$0.025 expiring 31 March 2022, raising \$175,000

During the year ended 30 June 2021, the Company raised a total of \$918,285 from the exercise of the following unlisted options:

- 5,000,000 unlisted options at \$0.025 expiring 31 March 2022
- 36,476,749 unlisted options at \$0.02 expiring 31 May 2021
- 2,125,000 unlisted options at \$0.03 expiring 13 March 2021

18 RESERVES

	31 December 2021	30 June 2021
	\$	\$
Share-based payments reserve	4,412,900	2,861,702
Other equity reserve	(116,431)	-
	<u>4,296,469</u>	<u>2,861,702</u>
<i>Movements in reserve</i>		
Balance at the beginning of the period	2,861,702	2,107,148
Share-based payments made during the year (refer note 19)	1,551,198	754,554
Balance at the end of the period	<u>4,412,900</u>	<u>2,861,702</u>

19 SHARE-BASED PAYMENTS

- (a) Total costs arising from share-based payment transactions recognised during the period were as follows:

	31 December 2021	31 December 2020
	\$	\$
<i>Share-based payments expensed through profit and loss:</i>		
Options (i)	613,000	421,382
	<u>613,000</u>	<u>421,382</u>
<i>Share-based payments – included in statement of financial position:</i>		
Share based payments - shares (capitalised mine development)	2,750,000	-
Share-based payments - shares (exploration assets)	2,550,000	-
Share-based payments - options (exploration assets) (ii)	715,500	-
	<u>6,015,500</u>	<u>-</u>

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	31 December 2021	31 December 2020
	\$	\$
<i>Share-based payments recognised through equity:</i>		
Options (iii)	222,698	-
	<u>222,698</u>	<u>-</u>
Sub-total share-based payments – Options	1,551,198	421,382
Sub-total share-based payments – Shares	5,300,000	-
Total share-based payments	<u>6,851,198</u>	<u>421,382</u>

- (i) During the period, the Company issued or granted the following options:
- 15,000,000 unlisted options exercisable at \$0.06 expiring 30 June 2023 with vesting conditions issued to Directors Mr Tony Sage (7,500,000 options), Mr Mark Hancock (7,500,000 options) (or their nominees) (**Director Options**);
 - 1,000,000 unlisted options exercisable at \$0.074 expiring 31 December 2022 issued pursuant to the Company's Employee Securities Incentive Plan (**ESIP**) (ESIP approved by shareholders at the July 2021 EGM) (**ESIP Options A**);
 - 3,000,000 unlisted options exercisable at \$0.04 expiring 31 August 2023 with vesting conditions issued pursuant to the Company's ESIP (**ESIP Options B**); and
 - 14,500,000 unlisted options exercisable at \$0.06 expiring 30 June 2023 with vesting conditions issued pursuant to the Company's ESIP (**ESIP Options C**).
- (ii) During the period, the Company issued or granted the following options:
- 75,000,000 unlisted options at \$0.10 expiring 9 December 2024 were issued as part consideration for the Tennant Creek Acquisition (**Tennant Creek Options**).
- (iii) During the period, the Company issued or granted the following options:
- 20,000,000 options at \$0.06 expiring 24 November 2023 were issued (being the Lead Manager Options) (quoted on 24 December 2021 ASX:CUFO) (**Lead Manager Options**).

(b) Fair value of options issued or granted

The fair value of unlisted options issued or granted during the period has been determined using a Black-Scholes option pricing model. The following table lists the inputs to the model:

	Director Options*	ESIP Options A	ESIP Options B	ESIP Options C
Expiry date	30 Jun 2023	31 Dec 2022	31 Aug 2023	30 Jun 2023
Valuation date	12 Jul 2021	3 May 2021	22 Mar 2021	9 Aug 2021
Dividend yield (%)	Nil	Nil	Nil	Nil
Expected volatility (%)	100%	100%	100%	100%
Risk free interest rate (%)	0.04%	0.07%	0.09%	0.02%
Exercise price (\$)	\$0.060	\$0.074	\$0.040	\$0.060
Discount (%)	Nil	Nil	Nil	Nil
Expected life of options (years)	1.97	1.66	2.44	1.89
Share price at grant date (\$)	\$0.073	\$0.057	\$0.045	\$0.076
Value per option (\$)	\$0.0412	\$0.0236	\$0.0266	\$0.0430

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Tenant Creek Options	Lead Manager Options
Expiry date	9 Dec 2024	24 Nov 2023
Valuation date	9 Dec 2021	24 Nov 2021
Dividend yield (%)	Nil	Nil
Expected volatility (%)	91.5%	92.3%
Risk free interest rate (%)	0.95%	0.56%
Exercise price (\$)	\$0.10	\$0.060
Discount (%)	Nil	Nil
Expected life of options (years)	3.00	2.00
Share price at grant date (\$)	\$0.03	\$0.033
Value per option (\$)	\$0.0095	\$0.0111

* Proposed issue of Director Options (subject to receipt of shareholder approval) was initially announced 26 April 2021. Shareholder approval was received at the Company's general meeting held 12 July 2021 (grant date).

20 RELATED PARTY INFORMATION

Transactions with directors, director related entities and other related parties

During the period, an aggregate amount of \$300 (31 December 2020: \$450) was paid to Cyclone Metals Limited (**Cyclone Metals**) for reimbursement of corporate costs. At 31 December 2021, nil was receivable from Cyclone Metals (30 June 2021: \$754). Mr Antony Sage is a director of Cyclone Metals.

During the period, an aggregate amount of \$2,600 (31 December 2020: \$4,554) was paid or payable to European Lithium Ltd (**European Lithium**) for reimbursement of travel and other corporate costs. At 31 December 2021, \$403 was payable to European Lithium (30 June 2021: \$538). Mr Antony Sage is non-executive chairman of European Lithium.

During the period, an aggregate amount of \$61,500 (31 December 2020: \$27,884) was paid or payable to Okewood Pty Ltd (**Okewood**) for rent, corporate box sponsorship and other corporate costs. At 31 December 2021, nil was payable to Okewood (30 June 2021: nil). Mr Antony Sage is a director of Okewood.

Options issued to directors or director related entities

Following receipt of shareholder approval at the Company's July 2021 EGM, a total of 15,000,000 unlisted options were issued to directors (or their nominees) (being the Director Options).

Refer note 19(a)(i) for further details.

Significant shareholders

At 31 December 2021, Cyclone Metals held a significant interest of 15.45% of CUF (30 June 2021: 20.89%). Mr Antony Sage is a director of Cyclone Metals.

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's objective regarding financial risk management is to ensure the effective management of business risks crucial to the financial integrity of the business without affecting the ability of the Group to operate efficiently or execute its business plans and strategies.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective management of all significant financial risks to the business. The Board may delegate specific responsibilities as appropriate.

Capital risk management

The Group's capital base comprises its ordinary shareholders equity, which was \$24,370,556 at 31 December 2021 (30 June 2021: \$12,949,994). The Group manages its capital to ensure that the entities in the Group will be able to continue to meet its working capital requirements and operate as a going concern while seeking to maximise the return to stakeholders.

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

In making its decisions to adjust its capital structure, either through new share issues or consideration of debt, the Group considers not only its short-term working capital needs but also its long-term operational and strategic objectives. The Board continually monitors the capital requirements of the Group.

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

Financial instrument risk exposure and management

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, financial assets held for trading, trade and other payables, and lease liabilities.

The main purpose of these financial instruments is to manage short term cash flows for the Group's operations.

The Group also enters into derivative transactions, including commodity collar options and iron ore swaps. The purpose of these financial instruments is to manage the commodity price risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, commodity price risk, interest rate risk, credit risk, and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risks

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. At 31 December 2021, the Group was exposed to market risks in the form of foreign currency, commodity price, and interest rate risk.

Foreign currency risk

The Group is exposed to the risk of adverse movement in the AUD compared to the USD as its iron ore sales receipts and borrowings are denominated in USD.

At balance date, the Group's exposure to foreign currency risks on financial assets and financial liabilities, are as follows:

	31 December 2021	30 June 2021
	\$	\$
<i>Financial assets</i>		
Cash and cash equivalents	807,170	-
Trade and other receivables	1,029,009	-
<i>Financial liabilities</i>		
Interest-bearing loans and borrowings	(2,087,750)	-
	<u>(251,571)</u>	<u>-</u>

The net exposure in USD at balance date is USD182,669 (30 June 2021: nil).

Commodity price risk

The Group's operations are exposed to commodity price risk as the Group sells iron ore to its customers. The majority of the Group's sales revenue is derived under an exclusive offtake agreement with leading international trading house Glencore International AG (**Glencore**) (refer 'Credit Risk' below for further details). The pricing mechanism in these contracts reflect market-based index pricing terms.

During the period, the Group entered into commodity collar option and swap contracts in relation to dry metric tonnes ("dmt") of iron ore, with maturity dates spread over the period October 2021 to December 2021. The contracts provided floor price protection in relation to sales from the JWD Project. This hedging strategy resulted in realised gains of \$7,850,810 (CUF's 60% share: \$4,710,486) being recognised in the half-year ended 31 December 2021 (closed positions).

At balance date, a series of contracts remained open (settlement dates February/March 2022) with a fair value of \$297,153 (CUF's 60% share: \$178,292). The fair value of these contracts has been recognised in the balance

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

sheet as a financial asset and the marked-to-market unrealised gain has been recognised in the profit or loss during the half-year ended 31 December 2021.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents, term deposits and borrowings.

At balance date, the Group's maximum exposure to interest rate risks on financial assets and financial liabilities was as follows:

31 December 2021	Range of effective interest rates %	Carrying amount \$	Variable interest rate \$	Fixed interest rate \$	Total \$
<i>Financial assets</i>					
Cash and cash equivalents	0 – 0.16%	8,000,461	8,000,461	-	8,000,461
Restricted cash (term deposits)	0.25%	469,242	-	469,424	469,242
<i>Financial liabilities</i>					
Loans and borrowings	12%	(2,065,794)	-	(2,065,794)	(2,065,794)
		<u>6,403,909</u>	<u>8,000,461</u>	<u>(1,596,552)</u>	<u>6,403,909</u>

30 June 2021

<i>Financial assets</i>					
Cash and cash equivalents	0 – 0.16%	5,830,848	5,830,848	-	5,830,848
Restricted cash (term deposits)	0.25%	109,242	-	109,242	109,242
<i>Financial liabilities</i>					
Loans and borrowings	-	-	-	-	-
		<u>5,940,090</u>	<u>5,830,848</u>	<u>109,242</u>	<u>5,940,090</u>

The following table details the effect on profit and other comprehensive income after tax of a 0.25% change in interest rates, in absolute terms in respect of those financial instruments exposed to variable interest rates:

	Profit/(loss) (Higher)/Lower		Equity Higher/(Lower)	
	31 December 2021	30 June 2021	31 December 2021	30 June 2021
	\$	\$	\$	\$
+0.25% (25 basis points)	20,001	14,577	-	-
-0.25% (25 basis points)	(20,001)	(14,577)	-	-

The sensitivity analysis of the Group's exposure to Australian variable interest rates at balance date has been determined based on exposures at balance sheet date. A positive number indicates an increase in profit and equity.

Credit risk

Credit risk arises from the financial assets of the Group, including comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Company, via its wholly owned subsidiary Wiluna Fe Pty Ltd, entered an exclusive offtake agreement with Glencore, for 100% of the JWD product (iron ore lumps and fines) over the life of CUF's operations at the mine, subject to GWR Group Ltd's existing right to elect to purchase up to 50,000 tonnes of fines product at the mine gate. The Group minimises concentrations of credit risk in relation to trade receivables by use of advance payments and letters of credit which effectively protect at least 90% of the estimated receivable amount at the time of sale. The Board are of the opinion that the credit risk arising as a result of the concentration of the Group's receivables is more than offset by the benefits gained under the offtake arrangement.

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

For cash balances held with bank or financial institutions, only independently rated parties with a minimum rate of 'AA' are accepted.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's objective is to ensure that it will always have sufficient liquidity to meet its liabilities through ensuring it has sufficient cash reserves to meet its ongoing working capital and long-term operational and strategic objectives. The Group manages liquidity risk by maintaining adequate borrowing facilities and monitoring forecast and actual cash flows on an ongoing basis.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 6 months	6-12 months	1-5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
	\$	\$	\$	\$	\$	\$
31 December 2021						
Trade and other payables	6,368,149	-	-	-	6,368,149	6,368,149
Lease liabilities	157,961	160,579	262,988	-	581,528	551,981
Loans and borrowings	2,087,750	-	-	-	2,087,750	2,087,750
	<u>8,613,860</u>	<u>160,579</u>	<u>262,988</u>	<u>-</u>	<u>9,037,427</u>	<u>9,007,880</u>
30 June 2021						
Trade and other payables	2,340,294	-	-	-	2,340,294	2,340,294
Lease liabilities	-	-	-	-	-	-
Loans and borrowings	-	-	-	-	-	-
	<u>2,340,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,340,294</u>	<u>2,340,294</u>

Fair value

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs).

	Carrying Amount	Level 1	Fair Value Level 2	Level 3
	\$	\$	\$	\$
31 December 2021				
Equity investment	193,905	193,905	-	-
Commodity collars/swaps	178,292	-	178,292	-
	<u>372,197</u>	<u>193,905</u>	<u>178,292</u>	<u>-</u>
30 June 2021				
Equity investment	77,562	77,562	-	-
Commodity collars/swaps	-	-	-	-
	<u>77,562</u>	<u>77,562</u>	<u>-</u>	<u>-</u>

Condensed Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

22 COMMITMENTS AND CONTINGENCIES

Commitments

Office Rental Commitments

As disclosed in the 2021 Annual Report, the Group has entered into a 12-month lease with Okewood for office premises for a lease term expiring 31 March 2022.

Commitments of CUF in relation to the Tennant Creek Project (in which CUF has a 60% interest)

Pursuant to the terms of the Tennant Creek Acquisition, CUF is to sole fund the Tennant Creek joint venture activities for the first \$10,000,000 expended by the joint venture following settlement which is not time bound. GMC is not required to contribute to the joint venture expenditure until after that \$10,000,000 expenditure has been met, regardless of when a decision to mine is made.

Commitments in relation to Wiluna Iron JV (in which CUF has a 60% interest)

Various operating agreements have been entered into in relation to the Wiluna Iron JV. Certain operating agreements include terms which constitute commitments, summarised as follows:

- Port Access and Services Agreement for Geraldton Port has been entered into with Mid West Ports Authority. The current term of the agreement expires 30 June 2022 and has two one year options to extend at the Company's election.
- Licence Agreement Geraldton Port has been entered into with Geraldton Bulk Handling Pty Ltd. The current term of the agreement expires 30 June 2022. The licence fee is only payable for each day product is stored at the shed facility.
- Haulage contract has been entered into with David Campbell Transport Pty Ltd. The current term of the contract expires 4 July 2024, unless terminated. The contract includes a 14 day termination clause for financial hardship.
- Mining Services Agreement has been entered into with Big Yellow Mining Pty Ltd. The current term of the agreement expires 31 January 2024, unless terminated. The contract includes a 14 day termination clause for financial hardship.

Contractual commitments at 31 December 2021 are as follows:

	31 December 2021	30 June 2021
	\$	\$
Up to 1 year	2,800,133	-
Between 1 and 5 years	-	-
Later than 5 years	-	-
	<u>2,800,133</u>	<u>-</u>

Contingencies

Contingent Liabilities of Wiluna Iron JV (in which CUF has a 60% interest)

Mining Rights Agreement

The 2021 Annual Report disclosed additional payments that were 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.

During the half-year ended 31 December 2021, the Company (via its subsidiary Wiluna FE Pty Ltd as Operator and 60% equity interest holder in the JV) entered into a variation with GWR Group Ltd on the JWD Mining Rights Agreement whereby rather than having to pay the above-mentioned \$4,250,000 by mid-January 2022 to secure the right to export a further 2.7MT of iron ore from the deposit, the JV pays \$1,800,000 to secure the right to export 1.2MT; the material to be transported from the JWD tenements by than 30 June 2024

Condensed Notes to the Consolidated Financial Statements

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(MRA Variation). Executing the variation provided flexibility to both parties in light of the volatile iron ore market experienced during the period.

Further, pursuant to the MRA Variation, the JV can then export additional tonnes of iron ore on the following terms:

- 900,000T upon payment of \$2,250,000 by not later than 30 June 2024, with tonnes to be exported by 30 June 2026; and
- 900,000T upon payment of \$2,700,000 by not later than 30 June 2026, with the tonnes to be exported by the 10th anniversary of the original MRA.

Contingent Liabilities of CUF in respect to the Yarram Transaction

A milestone payment will be payable by CUF 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 CUF's election, \$500,000 in cash and \$1,000,000 in CUF shares (calculated as 10-day VWAP upon announcement of Milestone Resource).

At 31 December 2021 there were no other contingent liabilities or contingent assets.

23 EVENTS AFTER THE BALANCE DATE

There are no events subsequent to 31 December 2021 and 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

In accordance with a resolution of the directors of CuFe Ltd, I state that in the opinion of the directors:

- (a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view the financial position as at 31 December 2021 and the performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards *AASB 134 Interim Financial Reporting* and *Corporations Regulations 2001*; and
- (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.

On behalf of the Board



Antony Sage
Executive Chairman
Perth

14 March 2022

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
CuFe LIMITED****Report on the Half-Year Financial Report****Conclusion**

We have reviewed the half-year financial report of CuFe Limited ('the Company'), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of CuFe Limited'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.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 14 March 2022.

Responsibility of the Directors for the Financial Report

The directors of CuFe Limited 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 Company'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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd
Samir

Samir Tirodkar
Director

West Perth, Western Australia
14 March 2022

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