



FIRSTAU

First Au Limited

ABN 65 000 332 918

Annual Report

For the Year Ended 31 December 2022

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Corporate Directory

Directors:

Damon O'Meara – Non-Executive Director

Michael Quinert – Non-Executive Director

Ryan Skeen – Executive Director

Chief Executive Officer:

Ryan Skeen

Company Secretary:

Paul Godfrey

Chief Financial Officer:

David McBain

Auditors:

McLean Delmo Bentley Audit Pty Ltd

Level 3, 302 Burwood Road, Hawthorn, VIC, 3122

Lawyers:

QR Lawyers

Level 6, 400 Colins Street

Melbourne VIC 3000

Share Registry:

Automic Pty Ltd

Suite 501, 477 Collins Street, Melbourne VIC 3000

Free call: 1300 288 664

Email: hello@automic.com.au

Stock Exchange:

Listed on the Australian Securities Exchange Limited ('ASX')

ASX Codes: FAU (shares) FAUOA (listed options)

Listed on: OTCQB Code FRSAF

Registered Office:

At the office of McBain McCartin & Co Business Services Pty Ltd

Level 1, 123 Whitehorse Road, Balwyn, VIC, 3103

Telephone: (03) 9817 0700

Fax: (03) 9817 0799

Email: info@firstau.com

Web: www.firstau.com

Principal Place of Business:

At the office of McBain McCartin & Co Business Services Pty Ltd

Level 1, 123 Whitehorse Road, Balwyn, VIC, 3103

First Au Limited

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CEO'S Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Directors I am pleased to present the 2022 Annual Report for First Au Limited (ASX:FAU).

Over the past 12 months the Company has made solid progress across its projects, particularly at its Victorian Gold Project which remains the Company's primary focus. At Snowstorm the Company announced the results from its second drill program in the first half of the year with solid results highlighting the economic potential of the project. Highlights of the assay results from the program included; 4.8m (true width) @ 5.8 g/t Au, 6.4m @ 4.1 g/t Au and 3.6m @ 5.3 g/t Au.

In addition to the assay results, the company also reported a rock chip sample of 74.54 g/t Au from between the top and bottom zone of the Snowstorm project, demonstrating the potential for economic mineralisation over 500m of strike length.

Following these encouraging results, the Company is now progressing plans for an underground bulk sample program to test the economic potential of the project. This is an exciting step forward and if successful creates a path towards further intensive exploration of Snowstorm and if warranted, a mining operation.

The other priority focus at the Victorian Gold Project is the Haunted Stream Project. During the year the company undertook mapping, geological interpretation, underground rehabilitation and sampling, with results including a sample of up to 135 g/t Au. The works were undertaken in preparation of the Company's maiden drill program at the project, which is expected to commence in April 2023.

FAU believes that Haunted Stream has the potential to deliver a large-scale economic discovery. The significant work on the project to date has enabled preparation of the imminent drilling program.

In addition to exploration works in Victoria, the Company also completed metallurgical studies and optimisation work on Gimlet Gold Project (Kalgoorlie, WA) and completed a new geological interpretation of the Mabel Creek Project (SA).

The Company has also undergone significant corporate change in recent months, with the resignation of two Directors in November 2022 and the appointment of myself to the Board of Directors.

The current Board undertook a review of the Company and has determined to strive to become more disciplined and focused organisation with clearly defined priorities. The Company has significantly cut its corporate overheads, including a reduction in the number of corporate consultants and advisors, and will continue to review and cut costs where possible.

The changes that have been undertaken have largely occurred in the background over the last few months and the Company expects the benefits of this to take full effect on completion of the placement recently announced in conjunction with the acquisition of the Pilbara lithium project.

For 2023, the Company will be focusing on exploration of its Victorian Gold Project, having the tenements associated with the PG Exploration acquisition granted and the continuing divestment of non-core assets. FAU has already moved to implement the sale of the Mabel Creek Project which will subject to settlement deliver the company \$300,000 in cash and shares on completion.

The Company remains open to further projects that it believes complements existing projects and has the potential to add value to the Company.

On behalf of the Board of Directors, thank you for your support during 2022 and I look forward to a successful 2023.



Ryan Skeen
CEO & Director

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Review of Operations

Board and Management Changes

On 18 November 2022 FAU advised that Bryan Frost (at the time Chairman and Managing Director) and Richard Revelins (at the time Non-Executive Director) would resign from the Board of Directors effective immediately.

The Company also advised that Ryan Skeen had been appointed as a Director of the Company in addition to his role as CEO, effective immediately.

Following these changes, the restructured Board undertook a detailed review of the Company, both from a corporate perspective and project perspective. The review of the projects included input from our consulting geologists.

Following this review, the Board determined to become a more disciplined and focused organisation with clearly defined priorities. The Company has significantly cut its corporate overheads, including a reduction in the number of corporate consultants and advisors, and will continue to review and cut costs where possible.

The review of the Company projects has reaffirmed FAU's determination to continue to focus its exploration efforts on its Victorian Gold Project, which the Company believes is highly prospective and has the potential to deliver substantial value. Although FAU has a large landholding in the region, over the next 12 months it will focus its attention on the Haunted Stream and Snowstorm prospects.

FAU has also begun the process of rationalising tenements and divesting projects that are not deemed as a priority (e.g. Mabel Creek, South Australia – refer ASX announcement dated 30 January 2023). This process is designed to bolster the Company's financial position and concentrate its resources on its priorities. The Board will seek to identify those projects that have the potential to deliver upside primarily through exploration, which it believes it is best placed to do with its current expertise and skillset. If a project does not fit with this criteria, it would likely be considered for divestment. The Board will continue to review this approach.

FAU will also continue to consider new projects and opportunities that may be complementary to its existing plans and priorities, aligned with its expertise and skillset and have the potential to deliver value to the Company. On 13 January 2023 the Company announced that it had entered an agreement to acquire 100% of a lithium project in the Pilbara region of WA.

Victorian Gold Project:

Drilling at Snowstorm continued to demonstrate its potential, with the Company announcing that it will move forward to bulk sampling. The Company also completed a maiden 2,000-meter program at the Dogwood project and announced further rock chips and samples from Snowstorm and Haunted Stream. In addition to the exploration works undertaken, FAU also had a number of tenements across the area granted (see Figure 1 for granted tenure).

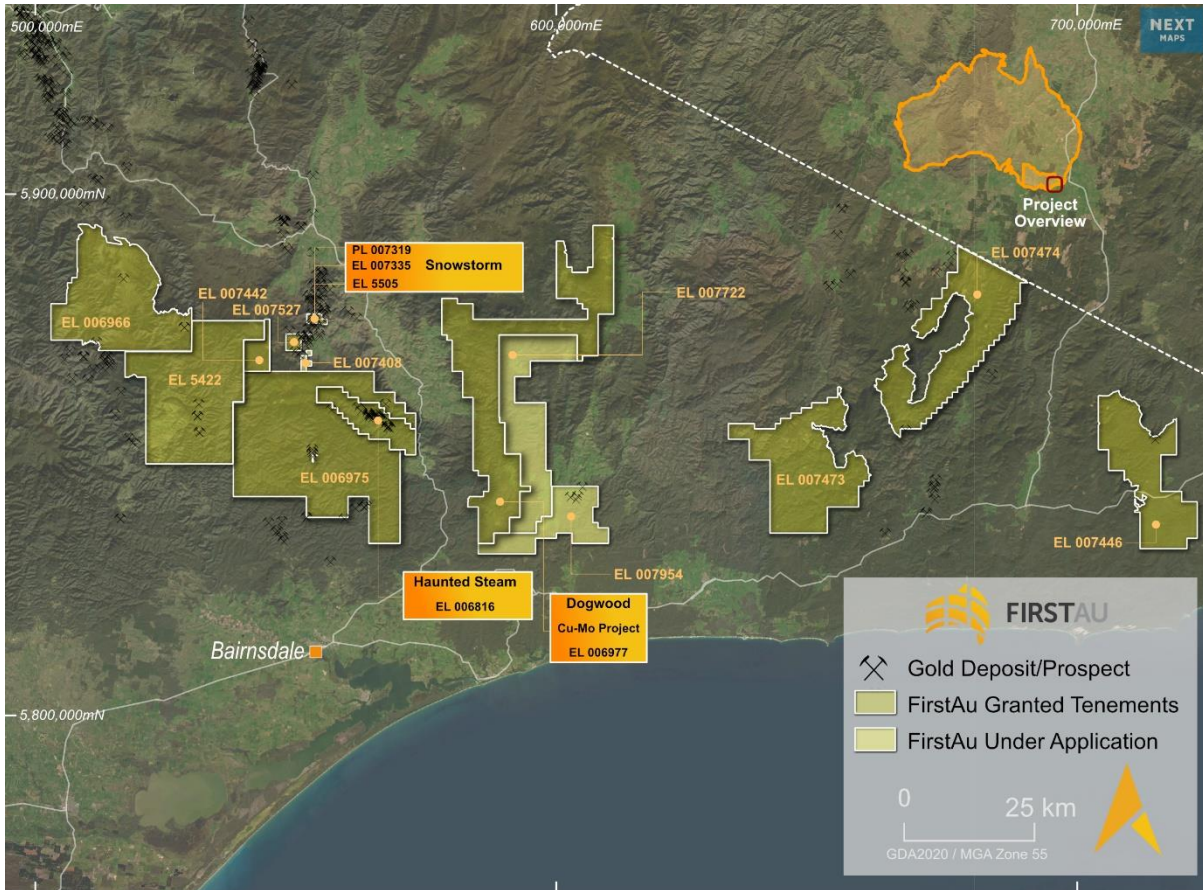


Figure 1: FAU's tenure in East Victoria

Haunted Stream Gold Project:

The Haunted Stream Project is the Company's priority target at the Victorian Gold Project. The project extends over 8.km of strike and has over 150 historical workings and historical production of 15-30 g/t Au*. During the reporting period the Company continued to move the project forward with mapping, geological interpretation, underground rehabilitation and sampling, in preparation of a maiden drill program. The works undertaken are primarily based around the Company's proposed drill targets (Figure 2 & 3).

Face samples from the Ernestine and Lone Hand underground drives and open pits have yielded gold assays up to 135g/t Au from Screen Fire Assaying¹. These high-grade face samples are highly encouraging in supporting the pursuit of testing the depth potential of the system down plunge and beyond the historic shallow mining depths (~100m depth).

The face sampling of Lone Hand Stope and adjacent walls containing quartz-sulphide mineralisation have yielded assay results up to 19 g/t Au¹. Low-grade gold mineralisation (1-3 g/t Au¹) occurs across an ~2.5m wide zone of sulphidic quartz zones which contains lenses of elevated gold grades (3-5 g/t Au¹) as well as a significantly elevated gold grade of 19 g/t Au¹.

The Haunted Stream project continues to demonstrate potential for significant high-grade gold mineralisation, indicated from sampling of historical workings and rock chip sampling.

* Historic production information extracted from Willman, C.E., Morang V.J., Hendrickx, M.A., VandenBerg, A.H.M., Haydon, S.J., Carney, C., Omeo 1:100 000 map area geological report. Geological Survey of Victoria 118.

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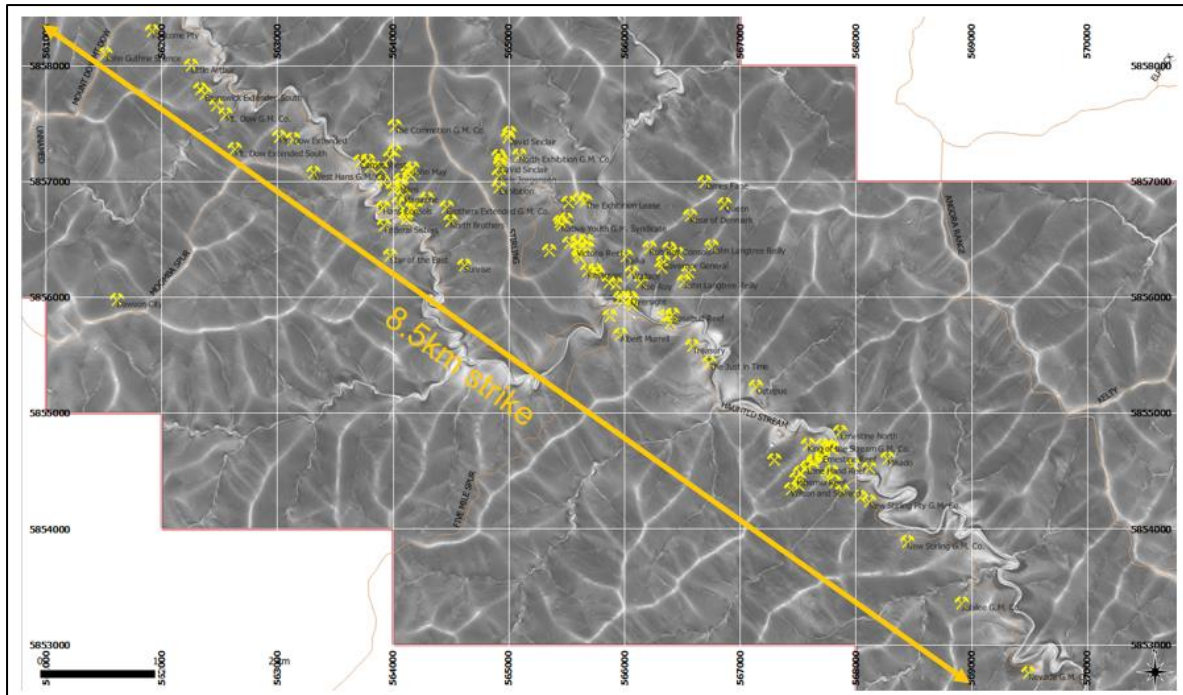


Figure 2: LIDAR image of Haunted Stream tenement with historical working locations, showing strike extent and area of focus for initial drilling

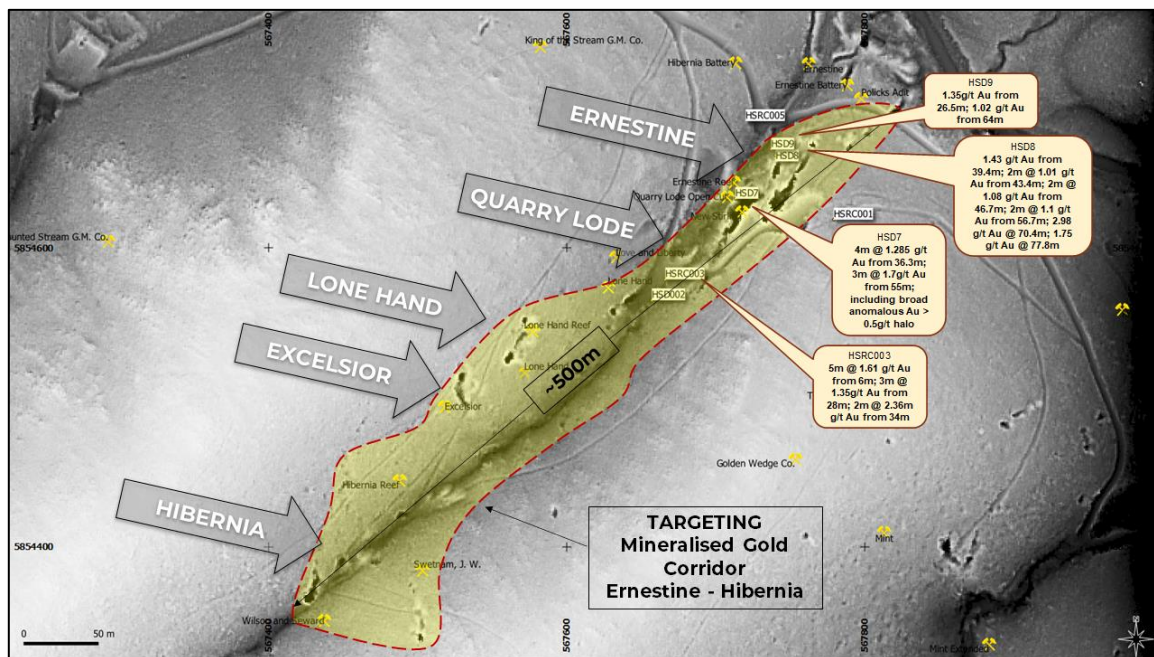


Figure 3: Ernestine to Hibernia Target Corridor with previous locations and results from Mantle Mining drilling from 2007-2010³

The Company recently announced (refer ASX announcement dated 22 March 2023) that it has secured a drill rig for its maiden drill program at Haunted Stream and is expecting to commence in April 2023. The program is intended to be 1,000m-1,200m and is designed to test economic potential beneath historic workings as well as explore and test highly prospective structural target locations.

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Snowstorm Gold Project:

The Snowstorm Prospect is located within the historic Swifts Creek Goldfields in the East Gippsland region and is the Company's most advanced Victorian Gold Project. During the reporting period, the Company announced assay results from approximately 1,400m of diamond drilling that commenced in late 2021 and completed in February 2022.

The drill program has provided evidence of persistent gold mineralisation adjacent and underneath existing underground workings on Snowstorm prospecting licence PL007319 (refer Figure 1 for location), as well as along strike to the north-west on adjoining exploration licence EL5505 (refer Figure 1 for location). The completion of drilling to date indicates mineralisation over widths of up to 2.6m of quartz veining and mineralised quartz breccia at a depth approximately 20m below the existing workings.

Highlights of assays results include^{3,4}:

- 4.8m (true width) @ 5.8 g/t Au from 54.7m
- 6.4m @ 4.1 g/t Au from 28.5m, including 0.2m @ 59.2 g/t Au from 29.3m
- 3.6m @ 5.3 g/t Au from 60.9m including 0.4m @ 23.8 g/t Au from 63.15m
- 1.2m @ 5.82 g/t Au from 62.3m
- 0.2m @ 23.2 g/t Au from 8.8m
- 0.3m @ 23.9 g/t Au from 14.8m

These results follow previous drilling completed by the Company on the project which included intersections of^{5,6}:

- 3.1m @ 11.6 g/t Au, including 0.8m @ 33.3 g/t Au,
- 1.5m @ 10.7 g/t Au from 65m and
- 1.2m @ 8.5 g/t Au from 63m

Drilling to date at Snowstorm has primarily focused on the lower zone of the project, however hole SNDDHP2012, which produced 4.8m (true width) @ 5.8 g/t Au from 54.7m (Figure 4) shows the potential of the strike of the project, with these results coming from the upper zone. The strike potential is further highlighted by a rock chips sample result released shortly after the assay results were announced. The sample from a sub-cropping quartz-sulphide reef taken during the previous drill program has returned gold assay results up to 74.54 g/t Au⁷. The sample was taken from a site that has not been drill tested and occurs between the currently identified lower and upper zones of the Snowstorm Project. The location of the high-grade sample, occurring between currently identified auriferous reefs, presents a new and critical high-priority target for subsequent exploration (Figure 5).

The consistent assay results across a mineralised zone led to the next step of exploration being a bulk sampling program. Preliminary polygonal mineralised 3D blocks were defined using drill intercepts along the targeted shear zone worked previously within the adit (Figure 6). The planned development is designed around the target mineralised 3D blocks (Figure 6) that will access the SNDDH002 intersection (3.1m @ 11.6 g/t Au, including 0.8m @ 33.3 g/t Au), SNDDHP2003 intersection (3.6m @ 5.3 g/t Au from 60.9m including 0.4m @ 23.8 g/t Au from 63.15m and 1.7m @ 1.1 g/t Au from 76m) and SNDDH2004 intersection (1.2m @ 5.82 g/t Au including 0.4m @ 12.35g/t Au).

FAU has submitted the workplan in early 2023 and is now waiting for approval from the regulator.

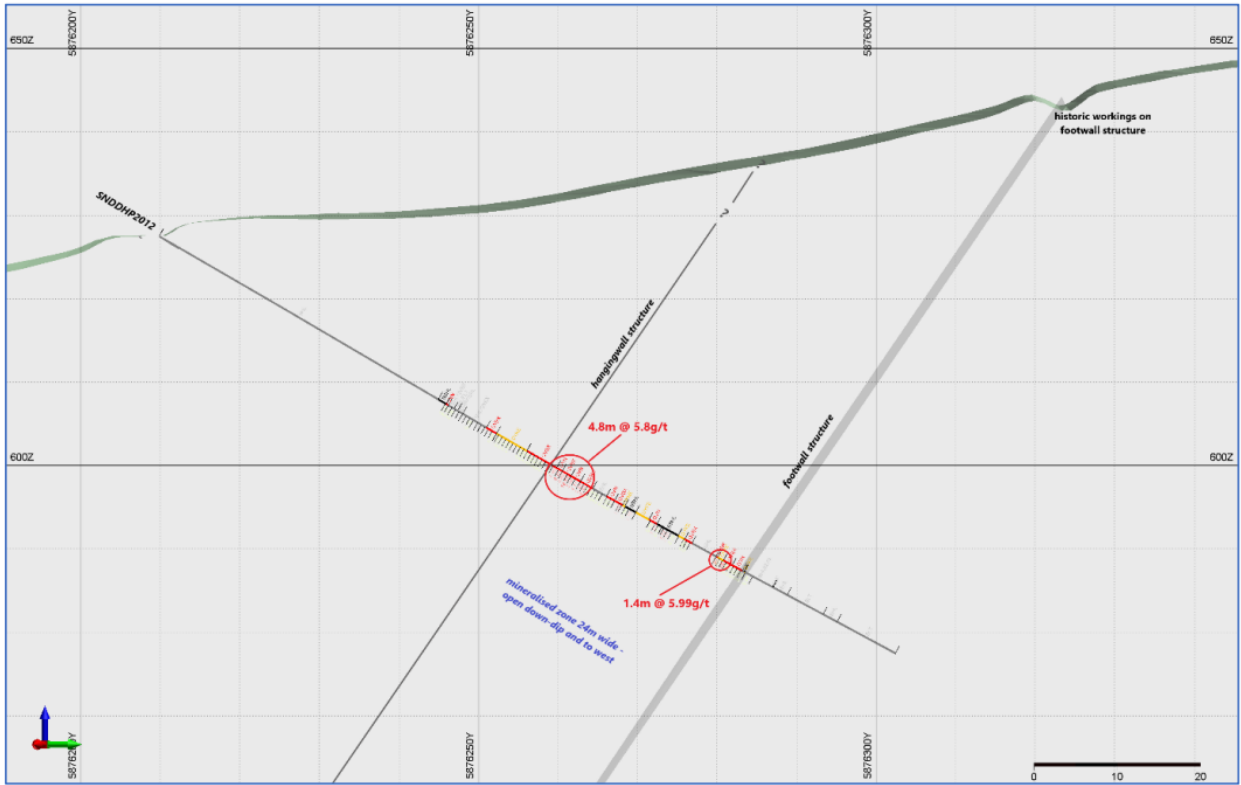


Figure 4: Section view west of intersection in SNDDHP2012. Coordinates in MGA94 Zone 55 projection

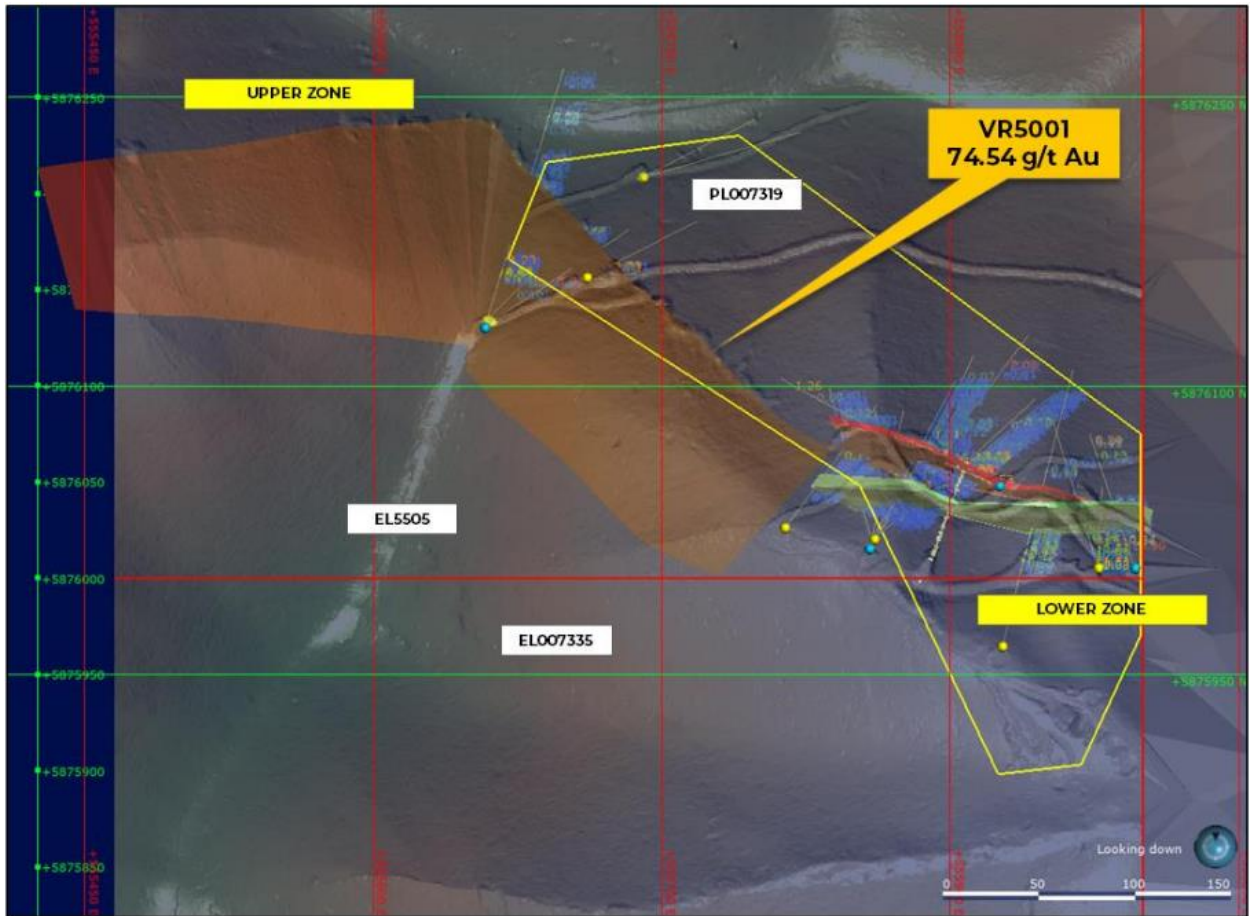


Figure 5: High-grade gold sample location VR5001 plotted against track, drilling, and historic rock-chip sampling overlain on the LIDAR 50cm contours. Note the historic workings identified. (Coordinate in MGA94 Zone 55)

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Dogwood Copper Porphyry Project:

Following the granting of EL006977, which contains the Dogwood Porphyry Copper Project, in March 2022, the Company commenced its maiden drill program at the project comprising 14 holes over 2,000m of diamond drilling.

Historic drilling undertaken in the early 1980's by Anglo Australian American Prospecting followed by further drilling conducted by CRA in 1993 and 1994 indicated that a significant Cu anomaly was present across a large ~4 x 2 km area. Intercepts from previous drilling by CRA include⁶:

- 13.2m @ 1.33% Cu
- 30m @ 0.5% Cu including 8m @ 1.2% Cu
- 2m @ 8 g/t Au

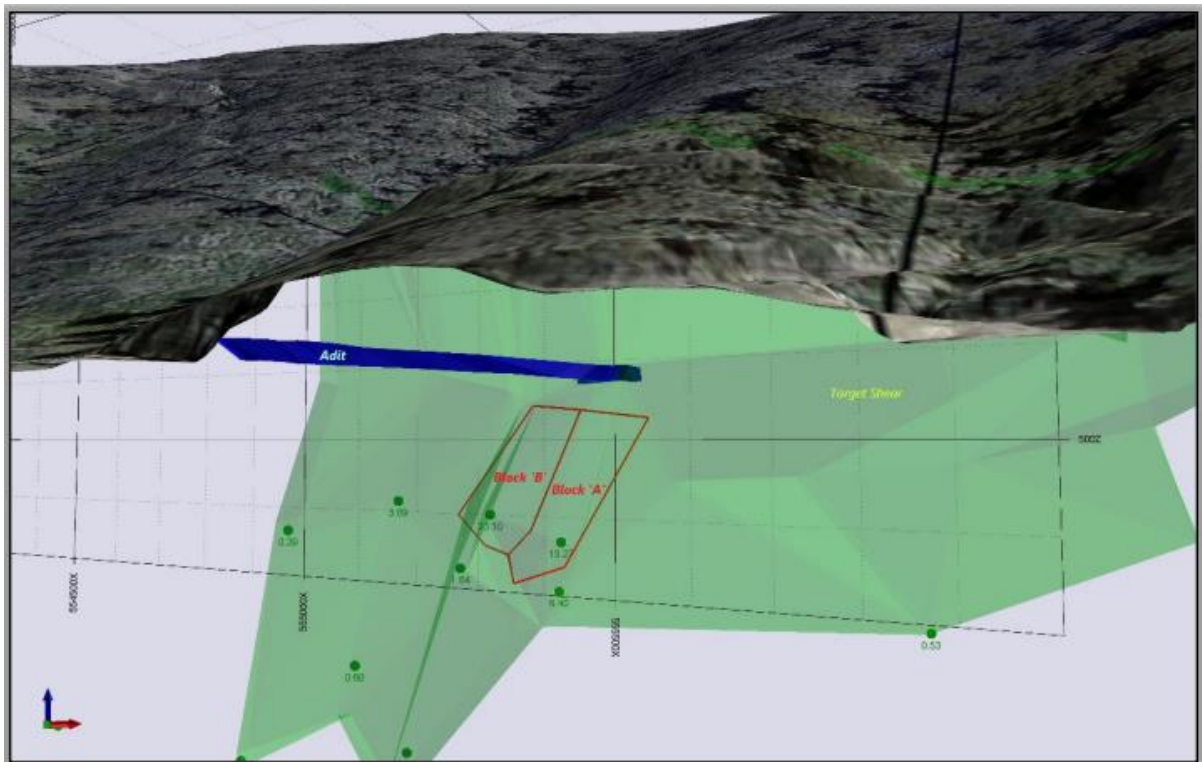


Figure 6: Preliminary polygonal 3D mineralised zones (red outlines) at Snowstorm underneath existing adit (blue)

The initial results from the drilling completed by FAU highlighted broad zones of copper and gold mineralisation with a maximum Cu grade of > 0.8% and Au of 5.62 g/t⁷. Hole 1 and hole 3 delivered highly encouraging results and demonstrated the prospectivity of the Dogwood project. Hole 1 intercepted a 72.7m zone of broadly disseminated Cu mineralisation of from 41m to 113.7m, and Hole 3 intercepted a 32m zone of broadly disseminated Cu mineralisation from 180.1m to 212.1m.

Drilling intersections includes^{7,8}:

- 0.5m @ 0.807% Cu from 100.7m
- 0.3m @ 0.262% Cu, 5.62 g/t Au and 9.3 g/t Ag from 210.8m
- 0.2m @ 0.32% Cu and 1.7% Zn from 241.7m, and 0.1m @ 0.14% Cu from 322.3m, and 0.6m @ 0.24% Cu from 322.4m (ending in mineralisation, Figure 7 & 8)

Given Hole 4 ended in Cu mineralisation, demonstrated a downhole increasing magnetic susceptibility, increasing presence of potassic alteration and veining downhole while also intersecting Cu and Zn mineralisation and was the only hole drilled to ~320m depth, there remains considerable depth potential beyond the bottom of hole in Hole 4 as well as under the previous Holes 1, 2 and 3 which were drilled to considerably shallower depths by comparison.

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FAU's exploration drilling program aimed to test for the presence of a mineralised porphyry copper system and successfully intersected the supergene and hypogene components as well as demonstrated a significant polymetallic footprint >2km extends across the project area.



Figure 7: Chalcopyrite + Pyrite + Quartz veins from Hole 4 @ 322.5m

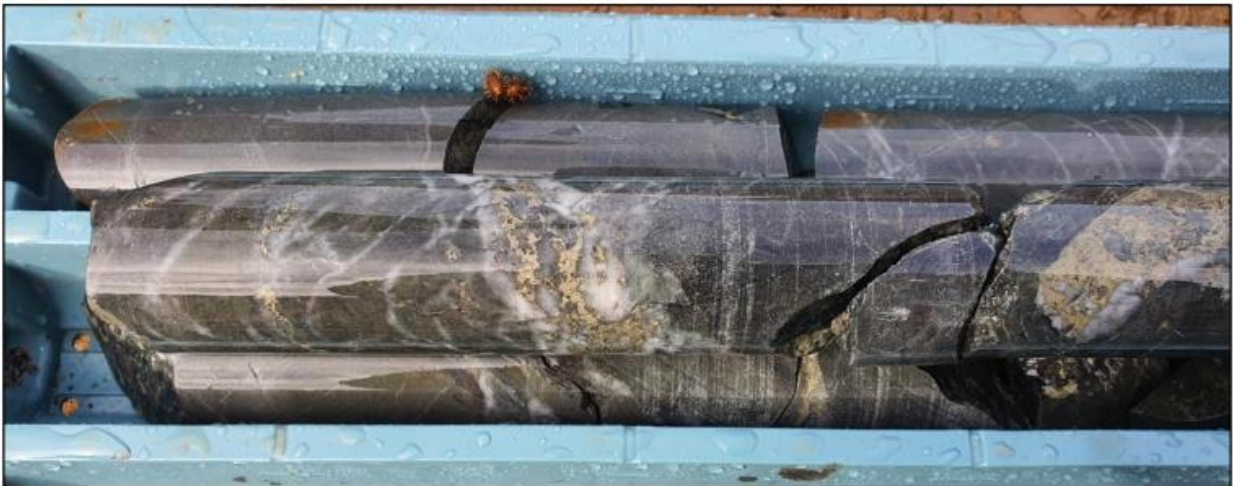


Figure 8: A chlorite-epidote altered chalcopyrite sulphide quartz vein overprinting potassic biotite-magnetite veins from 322m in Hole 4

Shortly after the end of the reporting period, the Company announced that it had undertaken a review of its operations and projects. The review determined that the results received to date from the drill program at Dogwood provide encouragement and show potential. Although the project warrants further work, FAU has determined it will for the time being preference other more prospective targets where exploration can also be conducted at a lower cost. Further exploration of Dogwood will likely require a number of holes drilled at greater depth than the work FAU has already conducted. As such, FAU will not be assaying the remaining 8 holes as it does not expect the results to be significantly different from those received to date.

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Gimlet Gold Project

The Gimlet Gold Project is strategically positioned 15km NW of Kalgoorlie, in an area rich in infrastructure and potential toll treatment options. The project has a Mineral Resource Estimate (MRE) of an Inferred Resource of 1,166,000 tonnes at 3.2 g/t Au for 120,000 ounces at a 1 g/t cut-off¹¹. A detailed breakdown of the resource is as follows:

Table 1: June 2021 MRE is 1 g/t Au cut-off

<i>June-21 Inferred MRE</i>	<i>Tonnes</i>	<i>Grade (g/t Au)</i>	<i>Ounces</i>
<i>Oxide</i>	70,800	2.53	5,800
<i>Transitional</i>	93,400	3.21	9,600
<i>Fresh</i>	1,001,700	3.24	104,200
Total	1,165,900	3.19	119,600

During the reporting period the primary work undertaken on the Gimlet Gold Project was metallurgical test work. The test work demonstrated high recovery rates from the treatment and processing of gold bearing materials from Gimlet. The testing completed to date has demonstrated gold recovery rates of 87.99%¹².

The metallurgical program was initiated to determine various metallurgical parameters relevant to gold extraction and was a follow-up to previous test work carried out by IMO Metallurgy in July 2019. The recovery test work program was designed to explore the potential recovery that could be achieved using a flotation and oxidative leach process route. The testing involved initially using flotation to produce a flotation concentrate, which was then subject to oxidative leach and subsequent cyanide leaching. The flotation tail was subject to gravity concentration and subsequent cyanide leaching to determine if leaching the flotation tail would increase recovery rates.

The principal findings were¹²:

- Comminution test work showed that Gimlet is a relatively soft ore (13.3kWh/t) and has a very low Bond abrasion index (0.0129).
- The gold feed grade of the composite sample subjected to recovery testwork was 4.85g/t.
- Flotation of the ore produced a concentrate gold grade of 33.16g/t, with a stage recovery of 91.93%. Mass pull to the concentrate stream was 13.44%.
- The flotation tail stream, which was subject to gravity concentration and subsequent gravity tails leaching, contributed to 2.4% of overall recovery.
- The oxidative and subsequent cyanide leach stage recovery was 93.0%.
- The combined flotation, oxidative and cyanide leach recovery was 85.50%.
- The combined overall recovery (Flotation + Oxidative Leach + Flotation tailings cyanide leach) was 87.99%.
- The final tail grade achieved was 0.58g/t.

In addition to the metallurgical works undertaken, FAU has also assessed other areas of the project. The Company has engaged consultants to undertake preliminary modelling of open-pit design and underground mining options. These works are early stage and based on a limited amount of geotechnical and hydrogeological information, however, it has proven useful in identifying future options to move the project forward.

The Company is continuing to review options for the project, including a path forward for the unresolved competing Native Title claims, which if resolved would allow the mining licence application to be granted.

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Talga Joint Venture and Farm-In Agreement:

FAU previously entered into a Joint Venture and Farm-In Agreement (JVFI) with Octava Minerals Limited (ASX:OCT) that allows OCT to earn up to an 80% interest in the project by way of expenditure.

In September 2022 FAU announced that the JVFI had commenced by OCT meeting all conditions precedent. FAU received an initial cash payment of \$180,000 as a reimbursement for prior expenditure and OCT received an unencumbered 10% interest in the Talga project. Following this, Octava will be able to earn up to an 80% interest in the Talga project by spending up to \$900,000 over a three-year period (see Notice of General Meeting dated 29 April 2022 for full details).

In the December 2022 Quarterly Report FAU advised that OCT has now met the stage 1 expenditure requirements of the earn-in agreement where it was required to spend at least \$300,000 within one-year from the effective date of earning the initial 10% interest. The stage-1 interest is 40.1%, taking OCT's current interest in the Talga project to 50.1%.

The next stage of the earn-in agreement requires OCT to spend a minimum of \$600,000 in total (including the previous stages), at which point it will earn an additional 19.9% and hold a 70% interest in the project. OCT has indicated to FAU that it intends to continue advancing the project and that it anticipates meeting the next stage of the earn-in requirements.

The information in this ASX Release that relates to Exploration Results is extracted from the following reports which are all available at www2.asx.com.au:

1. 18 July 2022, "Drilling Complete at Dogwood, Face Samples at Haunted Stream up to 135 g/t Au", Ian E Neilson, competent person.
2. 3 February 2021, "More High-Grade Rock Chips Results at VicGold Project, Drilling to Commence this month at Snowstorm", Dr Gavin England, competent person.
3. 14 January 2022, "Further High-Grade Drilling Results at Snowstorm Project, Victoria", Dr Gavin England, competent person.
4. 1 April 2022, "Successful Drilling Completed at Snowstorm Project, Victoria", Ian E Neilson, competent person.
5. 7 April 2021, "Early Drill Results Positive at Snowstorm", Dr Gavin England, competent person.
6. 10 June 2021, "Snowstorm Drilling Intersects Mineralised Dyke Swarm", Dr Gavin England, competent person.
7. 18 July 2022, "Drilling Complete at Dogwood, Face Samples at Haunted Stream up to 135 g/t Au", Ian E Neilson, competent person.
8. 22 September 2021, "Copper Porphyry Potential at Dogwood Prospect, Victoria", Dr Gavin England, competent person.
9. 24 August 2022, "Dogwood Drilling Assays Indicate Extensive Copper Mineralisation", Ian E Neilson, competent person.
10. 8 December 2022, "Further Assays from Dogwood Drilling Highlight Copper Porphyry Potential", Ian E Neilson, competent person.
11. 23 June 2021, "JORC Resource Increases at Gimlet to Inferred Resource of 120,000 Ounces Au", Mr Andrew Bewsher and Dr Gavin England, competent persons.
12. 22 August 2022, "Testing on Economic Potential of Gimlet Gold Project, Kalgoorlie", Mr Lee Richardson, competent person.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that the form and context of the respective competent persons' findings in relation to those reports have not been materially modified from the original market announcement.

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Operating and Financial Business Risks

The material business risks affecting the Company are set out below. In addition to these risks, the Company may also face a range of other risks from time to time in conducting its business activities. There are various internal and external risks that may have a material impact on the Company's future financial performance and economic sustainability. The Company makes every effort to identify material risks and to manage these effectively. These risks set out below do not represent an exhaustive list of the risks the Company is exposed to, nor are they in order of significance.

Environmental Risks and Regulations:

The operations and proposed activities of the Company are subject to Western Australian, Victorian and Federal environmental laws and regulations. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company attempts to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Government authorities may, from time to time, review the environmental bonds that are placed on permits. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Company. Further, the Company may require approval from the authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities.

The Company and its activities are also subject to climate risk, including as a result of emergence of new or expanded regulations and/or physical and environmental risks that are not able to be predicted.

Licences, permits and payment obligations:

The Company's mining exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The Company cannot guarantee that those mining tenements that are applications will ultimately be granted (in whole or in part). The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on the Company being successful in obtaining the required statutory approvals for its proposed activities and that the licences, concessions, leases, permits or consents it holds will be renewed as and when required. The Company is not aware of any reason why these tenements would not be renewed in the ordinary course but cannot give assurance that such renewals will be given and there is no assurance that new conditions will not be imposed in connection therewith.

Pursuant to the licences comprising the Company's projects, the Company is subject to payments and other obligations. In particular, licence holders are required to expend the funds necessary to meet the minimum work commitments attaching to the tenements. Failure to meet these work commitments may render the licence subject to forfeiture or result in the holders being liable for fees. Further, if any contractual obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of the Company's interest in its projects.

Future capital requirements:

The Company's activities require substantial expenditure. If the Company is unable to use debt or equity to fund development there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing (if available) may involve restrictive covenants, which may limit the Company's operations and business strategy.

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Potential Acquisitions:

As part of its business strategy, the Company may make acquisitions of, or significant investments in, other resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of resource projects.

Native Title and Aboriginal Heritage Risks:

The existence of native title and/or native title claims in relation to the land the subject of the tenements may affect the Company's ability to obtain the grant of future tenure over the Tenements or in their vicinity. If the tenements have not been validly granted in compliance with native title legislation, this may have an adverse impact on the Company's activities. The Directors will closely monitor the potential effect of native title claims involving tenements in which the Company has, or may have, an interest.

Access and third-party risks:

Under State and Commonwealth legislation, the Company may be required to obtain the consent of, and pay compensation to, the holders of third party interests which overlay areas within the tenements or future tenements granted to the Company, including native title claims and pastoral leases, prior to accessing or commencing any exploration or mining activities on the affected areas within the tenements or future tenements. Whilst the requirement to seek and obtain such consents and pay such compensation is customary, any delay in obtaining these consents may impact on the Company's ability to carry out exploration activities within the affected areas or future tenements granted to the Company.

Regulatory risks:

The Company will incur ongoing costs and obligations associated with compliance with necessary regulations. Regulatory areas which are of particular significance to the Company include environmental compliance and rehabilitation, mining, taxation, employee relations, worker health and safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities. Any failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's proposed business operations. In addition, changes in regulations could require extensive changes to the Company's operations, increased compliance costs or give rise to liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

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Directors' Report

The Directors present their financial report for the consolidated entity consisting of First Au Limited ('Company' or 'FAU') and the entities it controls (consolidated entity or group) for the year ended 31 December 2022.

Directors:

Names of Directors of First Au Limited during or since the end of the year up to the date of this report:

Damon O'Meara – Non-Executive Director
Michael Quinert – Non-Executive Director
Ryan Skeen – Executive Director appointed 18 November 2022
Mr Gavin England – Resigned 22 March 2022
Bryan Frost – Resigned 18 November 2022
Richard Revelins – Resigned 18 November 2022

Particulars of the current Directors' experience and qualifications are set out in this report.

Principal Activities:

The principal activity of the Company is exploration for gold and base metals at its interests in mining tenements located in Western Australia, Victoria and South Australia. There have been no significant changes to the principal activity during the year. Refer to Events after reporting date in relation to sale of mining tenements in South Australia at Mabel Creek.

Operating and Financial Review:

Refer Index to Annual Report for:

- Review of Operations
- Operating and Financial Business Risks
- Operating Results – Financial Statements and Notes to the Financial Statements

The net loss for the year ended 31 December 2022 was \$3,747,994 (2021: \$3,878,658).

Net cash outflow after operating, investing and financing activities was \$2,433,913 (2021: Net inflow \$1,417,397). The net assets of the Company at 31 December 2022 was \$2,617,019 (2021: \$5,212,126).

Likely Developments and Expected Results:

The Company will continue its exploration activities with the objective of advancing these activities to development or mining stage. Reference should be made to ASX Announcements by the Company after the reporting period as these ASX Announcements comment on likely developments that may affect future results.

Significant changes in the state of affairs:

During the year, the Company's share capital increased by \$1,514,500 net of costs. This total included the value of shares issued as milestone shares \$510,000, part consideration for advisory services \$65,000 and shares in lieu of directors' fees \$102,500. Refer Note 8 of the Financial Statements.

FAU announced to the ASX on 14 September 2022 that Talga Joint Venture and Farm-in had commenced with Octava Minerals Ltd (ASX: OCT) ('Octava'). Refer to Note 15b of the Financial Statements.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Company during the year under review not otherwise disclosed in this Annual Report.

Also refer to Note 18: Events after the reporting date.

Environmental Issues:

The Company's operations are subject to significant environmental regulations under statutory legislation in relation to its exploration activities. The Directors monitor compliance with environmental legislation and are not aware of any significant breaches during the year and to the date of this report.

First Au Limited

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Directors' Report (Cont'd)

Options:

Options issued during the year:

- Part consideration for advisory services: 20,000,000 unquoted options. Refer ASX Announcement dated 8 April 2022.
- Share placement: 56,250,000 unquoted options. Refer ASX Announcement dated 21 July 2022.
- Share placement: 15,000,000 unquoted options issued to Corporate Adviser. Refer ASX Announcement dated 21 July 2022.

Options expired during the year:

- 1,500,000 options expired: Refer ASX Announcement 11 November 2022.
- 8,500,000 options expired due to resignations of directors – B Frost & R Revelins.

Further details are set out in the Financial Statements at Note 8.

Dividends Paid or Recommended:

No dividend has been paid or recommended in respect of the year ended 31 December 2022 (2021: Nil).

Information Relating to Directors, CEO and Company Secretary:

Damon O'Meara

Qualifications:

Bachelor of Education, Diploma of Teaching

Experience:

Over 40 years' experience in the mining industry, having worked for Denis O'Meara Prospecting and former ASX-Listed Miralga Mining NL. Denis O'Meara Prospecting founders of Atlas Iron, Kalamazoo Resources and De Grey Mining.

Co-founder of Outback Trees of Australia which has been contracting to prominent mining groups Rio Tinto, BHP, FMG, Chevron, Woodside, Mineral Resources and others for over 30 years, currently MD of private exploration companies Great Sandy Pty Ltd and Mineral Edge Pty Ltd.

Interest in shares and options: 21,418,032 ordinary shares
5,000,000 options.

Special responsibilities: Non-Executive Director: Tenement management

Directorships held in other listed entities

during the three years

prior to the current year: None

Length of service: Appointed to the Board on 8 June 2018

Michael Quinert

Qualifications:

Degrees in Economics and Law from Monash University

Experience:

Mr Quinert has over 35 years' experience as a commercial lawyer and over 25 years as a partner in a Melbourne law firm, QR Lawyers. He has extensive experience in assisting and advising public companies on capital raising and market compliance issues. Mr Quinert is Chairman of ASX listed West Wits Mining Limited (ASX: WWI), a company with active gold mining activities in South Africa and Australia, and is a non-executive Director of First Graphene Limited (ASX:FGR), a company that is a leading supplier of high-performing graphene products.

Interest in shares and options: 4,097,161 ordinary shares
7,868,106 options

Special responsibilities: Non-Executive Director: Chair of Audit Committee

Directorships held in other listed entities

during the three years

prior to the current year: Non-Executive Chairman of West Wits Mining Limited; Non-Executive Director of First Graphene Limited.

Length of service: Appointed to the Board on 8 June 2018

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Directors' Report (Cont'd)

Information Relating to Directors, CEO and Company Secretary: (Cont'd):

Ryan Skeen:

Qualifications: Master of Applied Finance (Distinction), Bachelor of Business (Financial Risk management)

Experience: Deep understanding of financial and economic markets while providing investment and strategic advice to complex situations. Well versed in various capital raisings including IPO's, placements and rights issues and is focused on business development and growth.

Interest in shares and options: 480,454, ordinary shares
5,200,000 options

Special responsibilities: Executive Director and Chief Executive Officer.

Directorships held in other listed entities during the three years

prior to the current year: None

Length of service: Appointed to the Board on 18 November 2022.

Paul Godfrey

Company Secretary

Qualifications: Bachelor of Law (Honours), Bachelor of Legal Studies

Experience: Paul is Special Counsel at law firm QR Lawyers and has practiced exclusively in corporate and commercial law since his admission in February 2017. Paul has held the position of Company Secretary from 3 March 2021. Paul is also the joint Company Secretary of West Wits Mining Limited (ASX:WWI).

Directors' Meetings:

The following table sets out the number of meetings of the Company's Directors held during the year ended 31 December 2022 and the number of meetings attended by each Director. The following table includes Director meetings held by written circulating resolution:

	<i>Directors' Meetings</i>		<i>Audit Committee</i>	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Damon O'Meara	22	19	2	1
Michael Quinert	22	22	2	2
Ryan Skeen - appointed 18 November 2022	2	2	0	0
Gavin England - resigned 22 March 2022	2	0	0	0
Bryan Frost - resigned 18 November 2022	22	16	2	2
Richard Revelins - resigned 18 November 2022	22	14	2	1

Directors' Report (Cont'd)

Events after the Reporting Date:

No matters or circumstances, with the exception the matters set out in this section and the ongoing effects of Coronavirus, have arisen since the end of the financial reporting period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Talga Joint Venture and Farm-in:

Subsequent to 31 December 2022, Octava Minerals Ltd ('Octava') achieved Stage 1 interest in Octava's Talga tenements and increased its share by 40.1%, from 10% to 50.1%. Also refer to Note 15b. of the Financial Statements for further information in relation to the Talga Joint Venture and Farm-in.

Sale of Mable Creek:

ASX Announcement dated 30 January 2023: FAU announced that it had entered into a binding tenement sale agreement to sell tenements forming the Mabel Creek Project to Talisman Mining Limited (ASX:TLM) (TLM) for aggregate consideration comprising \$200,000 in cash and \$100,000 of TLM fully paid ordinary shares.

Agreement to Acquire 100% of Lithium Project and \$1.5 million capital raising:

ASX Announcement dated 13 February 2023: FAU announced agreement to acquire 100% of Lithium Project and \$1.5 million capital raising. Also refer ASX Announcement dated 29 March 2023: FAU announced Lithium project update, grant of Listing Rule waiver.

Refer to the Financial Statements Note 18 for further information in relation to the terms of the Lithium Project.

Capital Raising:

ASX Announcement dated 20 February 2023: FAU announced the issue of 142,789,991 ordinary shares following a successful placement which raised capital of \$428,370.

Indemnifying Officers or Auditor:

During the financial year the Company entered into an insurance policy to indemnify Directors and Officers against certain liabilities incurred as a Director or Officer. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an Officer or Auditor of the Company against a liability incurred as Officer or Auditor.

Proceedings on behalf of the Company:

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

The Company was not a party to any such proceedings during the year.

Non-audit Services:

There were no non-audit services provided to the Company by the audit firm during the year.

Auditor's Independence Declaration:

The Auditor's Independence Declaration for the year ended 31 December 2022 has been received and a copy is attached to the Financial Statements.

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Directors' Report (Cont'd) Remuneration Report – (Audited)

Remuneration Policy:

This Report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the key management ('KMP') of First Au Limited for the year ended 31 December 2022. The information provided in the Remuneration Report has been audited as required by Section 308(3C) and the *Corporations Act 2001*.

The Remuneration Report details the remuneration arrangements of KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director of the Group.

As the Company has a small Board, the full Board acts as Nomination Committee and Remuneration Committee and is responsible for determining and reviewing compensation arrangements for Directors. The Company's only employee is the Chief Executive Officer.

The Board does not link the nature and amount of Directors' Remuneration to the Company's financial and operational performance.

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The remuneration arrangement is considered appropriate for the present stage of development of the Company and the activities it undertakes.

Performance based remuneration:

The Company does not pay performance-based remuneration to any Director.

Key Management Personnel ('KMP') Shareholdings:

Ordinary shares and options in the Company held directly, indirectly or beneficially by each KMP during the financial year was as follows:

SHARES		Balance at Beginning of Year	Disposed	Acquired	Balance at End of Year or at date of resignation
	Damon O'Meara	26,276,383	(6,866,383)	2,008,032	21,418,032
	Michael Quinert	1,085,113	-	3,012,048	4,097,161
	Ryan Skeen	480,454	-	-	480,454
	Bryan Frost: Resigned 18/11/2022	33,272,196	-	25,827,793	59,099,989
	Richard Revelins: Resigned 18/11/2022	6,000,000	-	3,012,048	9,012,048
	Gavin England: Resigned 22/3/2022	5,276,669	-	-	5,276,669

OPTIONS		Balance at Beginning of Year	Options Expired or lapsed on Resignation	Acquired	Balance at End of Year or at date of resignation
	Includes Options quoted and unquoted				
	Damon O'Meara	5,000,000	-	-	5,000,000
	Michael Quinert	7,868,106	-	-	7,868,106
	Ryan Skeen	5,000,000	-	200,000	5,200,000
	Bryan Frost: Resigned 18/11/2022	28,989,650	(5,500,000)	-	23,489,650
	Richard Revelins: Resigned 18/11/2022	10,800,000	(3,000,000)	-	7,800,000
	Gavin England: Resigned 22/3/2022	2,000,000	-	-	2,000,000

First Au Limited

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Directors' Report (Cont'd) Remuneration Report (Cont'd)

Details of Remuneration for Year Ended 31 December 2022:

Directors	Role	Short term benefits	Listed shares issued in lieu of fees Refer Note *A	Share-based Payments Unlisted Options Refer Note *B	Post - employment benefits	Total
		\$		\$	\$	\$
Ryan Skeen	Director and Chief Executive Officer - refer Note *C	166,346	-	15,588	17,087	199,021
Damon O'Meara	Director and strategic services	30,000	10,000	8,910	-	48,910
Michael Quinert	Director and strategic services	45,000	15,000	17,821	-	77,821
Bryan Frost	Director services: Resigned 18/11/2022	187,500	62,500	30,460	-	280,460
Richard Revelins	Director services: Resigned 18/11/2022	45,000	15,000	16,616	-	76,616
Gavin England	Directors - Technical: Resigned 22/3/2022	14,454	-	-	-	14,454
Total Key Management Personnel Remuneration		488,300	102,500	89,395	17,087	697,282

*A: Listed shares issued in lieu of fees. Refer Announcement to the ASX dated 8 November 2022 'Application for quotation of securities'.

*B: Options issued to Directors allocated over vesting period. Refer Note 9a of the Financial Statements.

*C: Ryan Skeen: Share based payment relates to 5 million options issued 28 July 2021. Refer Note 9a of the Financial Statements.

For details of methodology of valuing options refer Note 1k Share-based Payments.

Details of Remuneration for Year Ended 31 December 2021:

Directors	Role	Short term benefits	Share-based Payments Unlisted Options	Post - employment benefits	Total
		Fees \$	\$	\$	\$
Bryan Frost	Chairman and Managing Director services	250,000	-	-	250,000
	Share-based payments *A	-	47,301	-	47,301
		250,000	47,301	-	297,301
Richard Revelins	Director and strategic services	45,000	-	-	45,000
	Consultancy and management services	158,311	-	-	158,311
	Share-based payments *A	-	25,800	-	25,800
		203,311	25,800	-	229,111
Damon O'Meara	Director and strategic services	40,000	-	-	40,000
	Share-based payments *A	-	12,900	-	12,900
Michael Quinert	Director and strategic services	48,334	-	-	48,334
	Share-based payments *A	-	25,800	-	25,800
Gavin England	Director - Technical	153,510	-	-	153,510
Ryan Skeen	Chief Executive Officer - refer Note B	55,995	-	5,599	61,594
	Share-based payments	-	8,847	-	8,847
Total Key Management Personnel Remuneration		751,150	120,648	5,599	877,397

*A: Options issued to Directors allocated over vesting period. Refer Note 9a of the Financial Statements.

*B: Ryan Skeen commenced employment 26 July 2021. Share based payment relates to 5 million options issued 28 July 2021. Refer Note 9a of the Financial Statements.

First Au Limited

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Directors' Report (Cont'd) Remuneration Report (Cont'd)

Share based payments represents the expense related to participation in the Employee Security Ownership Plan as measured by the fair value of unquoted options on grant date proportionally allocated over the vesting period. Options were valued at grant date based on Black-Scholes methodology and the cost spread over the vesting period.

Michael Quinert is a Partner in the legal firm, QR Lawyers which received fees during the year of \$55,247 (2021: \$142,570) on normal commercial terms.

Agreements with Directors:

Each Director has entered into an Agreement with the Company. The Agreements contain provisions considered standard for agreements of this nature. Appointment ceases when the Company is advised in writing of the resignation or as otherwise in accordance with the Company's Constitution. No Directors are entitled to any termination payment apart from remuneration payable up to and including the date of termination.

Options:

The following table shows options issued 14 October 2020 as remuneration for the period to date of expiry on 14 October 2023. Refer Financial Statements Note 1k and Note 9 for further information.

RECIPIENT*	Exercise: \$0.03 Vest: 18 months from the issue date	Exercise: \$0.03 Vest: 24 months from the issue date	Exercise: \$0.035 Vest: 30 months from the issue date	Exercise: \$0.035 Vest: 30 days prior to the expiry date	TOTAL
Michael Quinert	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
Damon O'Meara	750,000	750,000	750,000	750,000	3,000,000
Bryan Frost: resigned 18/11/2022	2,750,000	2,750,000	Options lapsed due to resignation of director	Options lapsed due to resignation of director	5,500,000
Richard Revelins: resigned 18/11/2022	1,500,000	1,500,000	Options lapsed due to resignation of director	Options lapsed due to resignation of director	3,000,000
Total	6,500,000	6,500,000	2,250,000	2,250,000	17,500,000

* options may have been issued to nominee(s) of recipients as advised to the Company.

This concludes the Remuneration Report which has been audited.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



Ryan Skeen
Director

Dated: 30 March 2023

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF FIRST AU LIMITED**

In accordance with the requirements of Section 307C of the Corporations Act 2001, as lead auditor for the audit of First Au Limited for the year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

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

McLean Delmo Bentleys Audit Pty Ltd.

McLean Delmo Bentleys Audit Pty Ltd



**Rod Hutton
Partner**

Hawthorn
30 March 2023

**First Au Limited
and Controlled Entities**

ABN 65 000 332 918

**Statement of Profit or Loss
and Other Comprehensive Income
For the Year Ended 31 December 2022**

	Note	Consolidated Entities 31 Dec 2022 \$	Consolidated Entities 31 Dec 2021 \$
Revenue	2	260,619	81,688
Expenses			
Exploration expenses		(3,073,325)	(2,590,632)
Public relation and promotion		(78,442)	(168,765)
Administration expenses		(821,602)	(768,771)
Prospectus Expenses		(35,244)	(432,178)
Loss before income tax	2	(3,747,994)	(3,878,658)
Income Tax expense	3	-	-
Net Loss and Comprehensive Loss		(3,747,994)	(3,878,658)
		2022	2021
Earnings (Loss) per ordinary share		Cents/share	Cents/share
Basic earnings (loss) per share		(0.49)	(0.59)
Diluted earnings (loss) per share		(0.28)	(0.38)

The accompanying notes form part of these financial statements.

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**First Au Limited
and Controlled Entities**

ABN 65 000 332 918

**Statement of Financial Position
As at 31 December 2022**

	Note	Consolidated Entities 31 Dec 2022 \$	Consolidated Entities 31 Dec 2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		97,242	2,531,155
Other receivables	4	106,184	178,115
Other financial assets	5	200,000	408,703
TOTAL CURRENT ASSETS		403,426	3,117,973
NON-CURRENT ASSETS			
Exploration and evaluation	6	2,312,966	2,247,966
Motor vehicles	7	105,253	116,336
TOTAL NON-CURRENT ASSETS		2,418,219	2,364,302
TOTAL ASSETS		2,821,645	5,482,275
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		161,767	243,252
Borrowings		32,919	26,897
Provisions - Employee Benefits		9,940	-
TOTAL CURRENT LIABILITIES AND TOTAL LIABILITIES		204,626	270,149
NET ASSETS		2,617,019	5,212,126
EQUITY			
Issued capital	8	18,379,472	16,864,972
Reserves	9	2,623,465	3,062,297
Accumulated losses		(18,385,918)	(14,715,143)
TOTAL EQUITY		2,617,019	5,212,126

The accompanying notes form part of these financial statements.

**First Au Limited
and Controlled Entities**

ABN 65 000 332 918

**Statement of Changes in Equity
For the Year Ended 31 December 2022**

	Note	Share Capital	Share Based Payment Reserve	Options Reserve	Contingent Consideration Reserve	Accumulated Losses	Total
		\$	\$	\$		\$	\$
Balance at 31 December 2020		13,751,485	95,229	-	510,000	(10,903,985)	3,452,729
Net I Loss		-	-	-	-	(3,878,658)	(3,878,658)
Corporate Adviser and Vendor unquoted options lapsed 1 March 2021	9	-	(67,500)	-	-	67,500	-
Capital received from Investors - share placement - 16 February 2021	8	1,280,000	-	-	-	-	1,280,000
Fees paid for share placement	8	(85,500)	-	-	-	-	(85,500)
Share based payment	8	20,000	-	-	-	-	20,000
Options Rights issue	9	-	-	2,310,515	-	-	2,310,515
Fees paid for rights issue	9	-	-	(45,000)	-	-	(45,000)
Fair value of unquoted options issued to Directors & Management Team as share based payments	9	-	124,702	-	-	-	124,702
Fair value of unquoted options issued to Consultant as share based payment	9	-	18,509	-	-	-	18,509
Fair value of unquoted options issued to CEO as share based payment	9	-	8,847	-	-	-	8,847
Capital received from Investors - share placement 19 October 2021	8	1,843,886	-	-	-	-	1,843,886
Securities Purchase Plan ('SPP')	8	187,500	-	-	-	-	187,500
Fees paid for share placement and SPP	8	(132,399)	-	-	-	-	(132,399)
Fair value of quoted options issued to Lead manager as consideration for share placement	9	-	106,995	-	-	-	106,995
Balance at 31 December 2021		16,864,972	286,782	2,265,515	510,000	(14,715,143)	5,212,126
Net Loss		-	-	-	-	(3,747,994)	(3,747,994)
Fair value of unquoted options issued to Directors & Management Team as share based payments	9	-	98,306	-	-	-	98,306
Fair value of unquoted options issued to Consultant as share based payment	9	-	21,371	-	-	-	21,371
Milestone shares to VicGold vendors - exploration licences for tenements granted	8	510,000	-	-	(510,000)	-	-
Share based payment	8	65,000	-	-	-	-	65,000
Share placement 27 July 2022	8	900,000	-	-	-	-	900,000
Fair value of unquoted options issued to Lead manager as consideration for share placement	9	-	28,710	-	-	-	28,710
Fees paid for share placement	8	(63,000)	-	-	-	-	(63,000)
Shares issued under employee incentive scheme	8	102,500	-	-	-	-	102,500
Corporate Adviser unquoted options lapsed 10 November 2022	9	-	(20,259)	-	-	20,259	-
Directors unquoted options lapsed 18 November 2022	9	-	(56,960)	-	-	56,960	-
Balance at 31 December 2022		18,379,472	357,950	2,265,515	-	(18,385,918)	2,617,019

The accompanying notes form part of these financial statements.

**First Au Limited
and Controlled Entities**

ABN 65 000 332 918

**Statement of Cash Flows
For the Year Ended 31 December 2022**

	Consolidated Entities	Consolidated Entities
	31 Dec 2022	31 Dec 2021
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of listed shares	467,544	718,107
Payments for listed shares	(269,746)	(724,818)
Payments to suppliers	(786,773)	(1,193,042)
Exploration costs	(3,263,904)	(3,045,766)
Interest received	1,268	207
Octava Minerals Ltd - Reimbursement of expenses	270,000	-
GST received from ATO	370,632	349,335
Net cash used in operating activities	10 (3,210,979)	(3,895,977)
CASH FLOWS FROM INVESTING ACTIVITIES		
Tenement acquisitions - Mines of Stirling Pty Ltd	12e (40,000)	(20,000)
Tenement acquisitions - EL5422	(25,000)	-
Motor vehicle purchased	-	(37,668)
Net cash used in investing activities	(65,000)	(57,668)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from capital raising	900,000	5,621,901
Fees paid for capital raising	(63,000)	(262,899)
Proceeds from borrowings-Insurance Premium	59,929	51,485
Repayment of borrowings-Insurance Premiums	(54,863)	(39,445)
Net cash provided by financing activities	842,066	5,371,042
Net (decrease) / increase in cash and cash equivalents held	(2,433,913)	1,417,397
Cash and cash equivalents at 1 January	2,531,155	1,113,758
Cash and cash equivalents at 31 December	97,242	2,531,155

The accompanying notes form part of these financial statements.

First Au Limited and Controlled Entities

ABN 65 000 332 918

Notes to the Financial Statements For the Year Ended 31 December 2022

1) Summary of Significant Accounting Policies

a) Corporate Information

First Au Limited ('FAU' or 'Company' or 'Group') is a listed public company, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors of the Company on the same date as the Directors' Report.

b) Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs.

c) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of FAU and all of the subsidiaries as set out in Note 16. Subsidiaries are entities that FAU controls. FAU controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the FAU from the date on which control is obtained by FAU. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between FAU's entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by FAU.

d) Revenue and Other Income

Interest revenue is recognised using the effective interest method.

e) Goods and Services Tax (GST)

Revenues (with the exception of interest), expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows and included in receipts from customers or payments to suppliers.

f) Income Tax

The income tax expense/ (income) for the year comprises current income tax expense/ (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income for the current period. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/ (recovered from) the Australian Tax Office (ATO) using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current income tax expense/ (income) is charged or credited directly outside profit or loss when the tax relates to items that are recognised outside profit or loss.

A deferred tax asset has not been recognised in respect of the carry forward amount of unused tax losses at this stage as it is not possible to determine when future taxable profits will be derived.

The benefit of tax losses will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for losses to be realised,

First Au Limited and Controlled Entities

ABN 65 000 332 918

Notes to the Financial Statements For the Year Ended 31 December 2022

- the Company continues to comply with the conditions for deductibility imposed by tax legislation. This includes being able to satisfy the continuity of ownership test or the same business test which appear unlikely having regards to events noted after the reporting date; and
- no changes in tax legislation adversely affect the Company in realising the benefit from tax losses.

g) Tax Consolidation

The FAU and its wholly-owned Australian resident entities have formed a tax-Consolidated Group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is FAU. The members of the tax-consolidated Group are FAU *and its wholly owned subsidiary entities*. Deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Group are recognised where applicable in the separate financial statements of the members of the tax-consolidated Group using the “separate taxpayer within group” approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Where applicable current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated Group are recognised by FAU (as head entity in the tax-consolidated Group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated Group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the Parent Entity and the other members of the tax-consolidated Group in accordance with the arrangement.

h) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term highly liquid investments with original maturities of three months or less.

i) Exploration and Development Expenditure

Acquisition of the mining tenements (exploration licence):

Mining tenements were acquired in consideration for shares and options during the capital raising process. The cost of acquiring these mining tenements has been capitalised as an asset.

All other expenditure on exploration and evaluation is expensed as incurred.

The capital cost of the mining tenements have been recognised as an asset based on:

- The rights to tenure of the area of interest are current, and;
- Exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.
- Exploration and evaluation assets are measured at cost.

Acquisition costs in relation to an abandoned area are written off in full against profit or loss in the period in which the decision to abandon the area is made.

Mining tenements are granted in order to maintain certain standards against which native title and environmental factors are measured. This ensures that the effects of exploration on the environment will be ecologically sound and that there are no conflicts with traditional owners of the land involved.

j) Impairment

At the end of each reporting period, the Company assesses exploration and evaluation assets for impairment. When facts and circumstances suggest that the carrying amount of an exploration and evaluation asset exceeds the recoverable amount, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

k) Share-based Payments

Equity-settled share-based compensation benefits are provided to Directors, management and *Contractors* and represent awards of shares or options in consideration for the rendering of

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Notes to the Financial Statements For the Year Ended 31 December 2022

services or purchase of assets. The cost of equity-settled transactions are recognised as an expense with a corresponding increase in share based payment reserve.

Share-based payment represents an expense related to participation in the Employee Security Ownership Plan as measured by the fair value of the options on grant date proportionally allocated over the vesting period. The fair value of the options have been valued by Black-Scholes methodology adopting Commonwealth Government Bond rates at grant date and a volatility of 100%. The adoption of this methodology follows Accounting Standard AASB 2: *Share-based Payment* and may result in a value which is in excess of the current market price of the security.

l) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and realisation of assets and settlement of liabilities in the normal course of business. The consolidated group incurred a net loss of \$3,747,994 for the year ended 31 December 2022 and a net cash outflow after operating, investing and financing activities of \$2,433,913. Net assets of the Company at 31 December 2022 were \$2,617,019.

In preparing the financial statements the Directors note that the ability of the Company to continue as a going concern is dependent upon:

- the containment of operating expenses at a level that is commensurate with the Company's level of operations;
- ability to raise sufficient capital and equity;
- enhancement of the value of retained assets;
- exploitation of the exploration and evaluation tenements; and
- disposal of any surplus exploration and evaluation tenements at a fair value that generates adequate cash flow to the Company.

Also refer to Note 18: Events after reporting date for further detail on the following events:

- FAU announced to the ASX on 30 January 2023 that it has entered into a binding tenement sale agreement to sell tenements forming the Mabel Creek Project to Talisman Mining Limited (ASX:TLM) (**TLM**) for aggregate consideration comprising \$200,000 in cash and \$100,000 of TLM fully paid ordinary shares.
- FAU announced to the ASX on 13 February 2023 an Agreement to acquire 100% of a Lithium Project and \$1.5 million capital raising. The Company is undertaking a two-tranche placement to unrelated professional and sophisticated investors to raise \$1.5m. Funds will be used to commence a drill program at FAU's primary target at its Victorian Goldfields Project, the highly prospective Haunted Stream, and for working capital.
- FAU announced to the ASX on 20 February 2023 the issue of 142,789,991 ordinary shares following a successful placement which raised capital of \$428,370.

If the Company was unable to raise additional capital, it would be able to defer or reduce its budgeted exploration expenditure such that the Company would remain a going concern for at least the period up to 12 months from the date of signing the financial report.

On the basis of these factors, the Directors believe that the going concern basis of preparation of the financial statements is appropriate.

m) Segments:

Exploration and Evaluation Segment: During the financial year, the parent entity was involved in exploration and development in Western Australia, South Australia and Victoria. Refer Note 18: Events after reporting date where the tenements held in South Australia were sold.
Share Trading: A subsidiary company trades in listed securities quoted on the ASX.

n) Financial Instruments:

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the FAU becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (that is, trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs.

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Share trading sales and purchases are recognised based on 'ASX Settlement Date' when the Group becomes a party to the contractual provisions of the share trade invoice.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at amortised cost using the effective interest rate method. Shares held are held at fair value and traded through Profit or Loss.

Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Receivables

Receivables are measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Impairment

o) Financial Risk Management:

i) Financial instruments consist mainly of deposits with banks, other receivables, equity investments and trade and other payables.

ii) Financial Risk Management Policies:

The use of financial instruments is governed by policies approved by the Board of Directors. The Directors are responsible for managing treasury requirements.

iii) Financial Risk Exposures:

The main risk the Company is exposed to through its financial instruments are interest rate risk, equity price risk and liquidity risk.

iv) Interest Rate Risk:

Interest rate risk is managed with a mixture of cash at bank and financial assets. The interest receivable on bank deposits can vary depending upon interest rates from time to time. The Company has not used interest rate swaps to hedge its exposure to interest rate risk.

Due to low interest rates on funds held in the bank during the year, interest of \$1,268 was earned for year (2021: \$207).

v) Liquidity Risk:

The Board manages liquidity risk by:

- Monitoring cash flows and maintaining sufficient cash to meet operational requirements.
- Containing operating expenses at a level that is commensurate with the Company's level of operations;
- Raising sufficient capital;
- Enhancement of the value of retained assets; and
- Managing cash expended on exploration and evaluation tenements.

As the Company is undertaking exploration programs, the Company may undertake further capital raisings in the future to fund operating and exploration expenditure.

If the Company was unable to raise additional capital, it would be able to defer or reduce its budgeted exploration expenditure such that the Company would remain a going concern for at least the period up to 12 months from the date of signing the financial report.

vi) Equity Price Risk:

The Company's exposure to equity price risk is primarily through investments in listed securities. Listed securities are valued at fair value with reference to quoted market price from an active market.

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Notes to the Financial Statements For the Year Ended 31 December 2022

vii) Financial liability maturity analysis:

All liabilities of the current year and comparative year are due to be paid within three months. No liabilities extend beyond this period.

viii) Credit Risk:

Other receivables are represented by GST, prepayments and sundry debtors and there is no expected credit loss to be recognised.

The Board monitors credit risk by actively assessing the quality of counterparties. The Company's cash at bank and bank deposits are placed with reputable banks with good credit ratings.

ix) Sensitivity Analysis:

The Directors do not believe that any reasonably possible movement in the interest rate would cause a material impact on the reported result for the year.

The Directors do not believe that any reasonably possible movement in the market value of listed investments would cause a material impact on the reported result for the year. A 15% change on fair value of shares of \$200,000 at reporting date would cause an impact of \$30,000 plus or minus.

x) Fair Values:

Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying amounts are equivalent to fair value.

p) Adoption of New and Revised Accounting Standards:

The Group has adopted all new standards effective 31 December 2022 and there was no impact on the financial position or performance of the Group. There is not expected to be a material impact on any standards issued but not yet effective.

q) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information.

i) Key Estimates:

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers.

ii) Key Judgements:

Exploration and Evaluation:

The Group capitalises the initial cost in acquiring tenements expenditure relating to exploration and evaluation. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such initial capitalised costs should not be written off since feasibility studies and exploration in such areas may have not yet concluded. All other exploration costs are expensed as incurred.

New Projects and Tenements:

Judgements and estimates are made by the directors when considering and acquiring new projects for the Group.

Share based payments – options:

Where unquoted Options are granted to key management personnel, the fair value of the options is calculated using Black-Scholes option pricing model. Judgement has been applied to determine the share price volatility and other inputs to the model. Refer to Note 9 for further information related to share-based payments.

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Notes to the Financial Statements For the Year Ended 31 December 2022

	Consolidated Entities 31 Dec 2022 \$	Consolidated Entities 31 Dec 2021 \$
2. Income and Expenses:		
The following revenue and expense items are relevant in explaining the financial performance for the year:		
<i>Revenue:</i>		
Reimbursement of expenses from Octava Minerals Ltd	270,000	-
Fair value movement of listed investment through Profit or Loss	(10,905)	81,481
Other	256	-
Interest received - bank accounts	1,268	207
	<u>260,619</u>	<u>81,688</u>
<i>Expenses:</i>		
Auditing the financial statements	32,600	31,850
Depreciation	11,085	7,355
Key management personnel remuneration included in exploration and administration expenses (refer Note 14)	697,282	877,397
3. Income Tax Expense:		
The prima facie tax on net loss for year is reconciled to income tax as follows:		
Prima facie income tax on net loss for year at 25% (2021 : 25%)	936,999	969,664
Prima facie income tax on Gain (Loss) on fair value investment measured through other comprehensive income for year at 25% (2021 : 25%)		
Tax effect of:		
Non-allowable items	(82,917)	(71,669)
Benefit of tax losses not recognised	(854,082)	(897,995)
Income tax attributable to the group	<u>-</u>	<u>-</u>
A tax rate of 25% (2021: 25%) has been adopted as the entity is a base rate entity. To be eligible for a rate of 25% the Company must satisfy a section of the Income Tax Act that requires no more than 80% of its assessable income to be classified as base rate passive income.		
A deferred tax asset has not been recognised in respect of the carry forward of unused tax losses as at this stage it is not probable that future taxable profits will be derived. Tax losses approximate \$15,581,529 (excluding tax losses for which the similar business test must be passed of \$2,021,300) and capital losses approximate \$2,230,196 as at year end.		
	Consolidated Entities 31 Dec 2022 \$	Consolidated Entities 31 Dec 2021 \$
4. Other Receivables:		
Other receivables is represented by GST receivable, prepayments and sundry debtors	106,184	178,115
The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. All other receivables are within initial trade terms.		

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Notes to the Financial Statements For the Year Ended 31 December 2022

	Consolidated Entities 31 Dec 2022 \$	Consolidated Entities 31 Dec 2021 \$	
5. Other Financial Asset:			
Shares held for trading in listed investments	200,000	408,703	
Fair value measurement is based on Level 1 fair value hierarchy on market value of shares at reporting date.			
6. Exploration and Evaluation:			
Vendor shares at fair value issued to acquire tenements at Gimlet and Talga in Western Australia.	955,974	955,974	
20% share in WWI Tambina Gold project. Refer Note 15	60,000	60,000	
Deferred consideration shares issued to vendors *	247,000	247,000	
Mines of Sterling. Refer Note 12e	100,000	60,000	
Tenement purchased for cash EL5422	25,000	-	
Vendors shares at fair value and cash issued to acquire tenements held in Victorian Goldfields Pty Ltd and its subsidiary company	414,992	414,992	
Fair value of shares issued to VicGold Vendors in relation to Milestone One and Two. Refer Note 8a.	510,000	510,000	
Total cost of mining tenement acquisitions	<u>2,312,966</u>	<u>2,247,966</u>	
* Deferred consideration shares: 13 million shares issued on satisfaction of a milestone arising from the JORC resource identified at Gimlet. Refer ASX announcement 25 August 2020.			
7. Motor Vehicle			
Exploration vehicles - at cost	125,961	125,959	
Accumulated depreciation	(20,708)	(9,622)	
Written down value	<u>105,253</u>	<u>116,336</u>	
8. Issued Capital and Options:	Parent Entity Share Capital	Parent Entity Number of Shares	Parent Entity Number of Options
8a. Movement of Capital, Shares & Options:	\$		
Balance at 31 December 2020	13,751,485	538,084,636	44,000,000
Share placement 16 February 2021	1,280,000	75,294,118	-
Fees paid for share placement	(85,500)	-	-
Options Rights issue 22 February 2021 - Note 9	-	-	462,103,004
Shares issued for services rendered 23 April 2021*(i)	20,000	1,250,000	-
Options expired 1 March 2021 *(ii)	-	-	(13,500,000)
Unquoted Options issued to CEO 28 July 2021 *(iii)	-	-	5,000,000
Share placement 19 October 2021	1,843,886	153,657,186	76,828,593
Fees paid for share placement and SPP *(iv)	(132,399)	-	35,000,000
Securities Purchase Plan ('SPP') 3 December 2021	187,500	15,625,009	7,812,517
Balance at 31 December 2021	<u>16,864,972</u>	<u>783,910,949</u>	<u>617,244,114</u>

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Notes to the Financial Statements For the Year Ended 31 December 2022

8. Issued Capital and Options (Cont'd):	Parent Entity Share Capital	Parent Entity Number of Shares	Parent Entity Number of Options
8a. Movement of Capital, Shares & Options (Cont'd):	\$		
Balance at 31 December 2021	16,864,972	783,910,949	617,244,114
Issued on satisfaction of a milestone under the Victorian Goldfields transaction, being grant of exploration licences EL006975, EL006976 and EL006977. Refer Announcement dated 6 April 2022	425,000	25,000,000	-
Issued as part consideration for advisory services provided to FAU. Refer Announcement dated 8 April 2022. Refer Note 9a	65,000	5,000,000	20,000,000
Issued on satisfaction of a milestone under the Victorian Goldfields transaction, being grant of exploration licence EL5422. Refer Announcement dated 6 May 2022	85,000	5,000,000	-
Share placement 27 July 2022. Refer Announcement dated 21 July 2022	900,000	112,500,000	56,250,000
Unquoted options issued for corporate advisory and lead manager services in connection with share placement 27 July 2022. Refer Announcement dated 21 July 2022	-	-	15,000,000
Fees paid for share placement	(63,000)	-	-
Shares issued under employee incentive scheme. Refer Announcement dated 8 November 2022	102,500	20,582,328	-
Unquoted options expired 10 November 2022 Refer Announcement dated 11 November 2022	-	-	(1,500,000)
Unquoted options lapsed due to resignations of Directors: B Frost & R Revelins on 18 November 2022	-	-	(8,500,000)
Balance at 31 December 2022	18,379,472	951,993,277	698,494,114

- *
i Shares issued for services rendered. Indicative price per share of \$0.016, being the trading price at which FAU shares closed on 21 April 2021. Refer ASX Announcement Appendix 3B on 22 April 2021.
ii Options expired 1 March 2021. Refer ASX Announcement on 2 March 2021.
iii Unquoted options. Refer Note 9a.
iv Listed options to Lead Manager. Refer Note 9a.

8b. Options: ASX Security Codes and description:	Parent Entity Number of Options
FAUOA : Quoted Options expiring 01-JUL-2023 EX \$0.02	581,744,114
FAUAO : Unquoted Options expiring 06-MAY-2027 EX \$0.015	20,000,000
FAUAM : Unquoted Options expiring 28-JUL-2023 EX \$0.02	2,500,000
FAUAN : Unquoted Options expiring 28-JAN-2024 EX \$0.035	2,500,000
FAUAG : Unquoted Options expiring 14-OCT-2023 EX \$0.03	10,250,000
FAUAH : Unquoted Options expiring 14-OCT-2023 EX \$0.035	10,250,000
FAUAP : Unquoted Options expiring 31-DEC-2023 EX \$0.013	71,250,000
	698,494,114

8c. Earnings (Loss) per ordinary share:	Parent Entity 31 Dec 2022 Cents/share	Parent Entity 31 Dec 2021 Cents/share
Basic earnings (loss) per share ('EPS')	(0.49)	(0.59)
Diluted earnings (loss) per share ('EPS')	(0.28)	(0.38)
	No of shares	No of shares
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	758,331,879	662,479,382
Weighted average number of ordinary shares and options used in the calculation of basic diluted EPS	1,362,277,898	1,028,719,802

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Notes to the Financial Statements For the Year Ended 31 December 2022

	Parent Entity 31 Dec 2022 \$	Parent Entity 31 Dec 2021 \$
8c. Earnings (Loss) per ordinary share (Cont'd):		
Net loss for the year used in the calculation of basic and diluted earnings per share	(3,747,994)	(3,878,658)
8d. Capital Management:		
The Directors control the capital to ensure that the Company can fund its operations and continue as a going concern. There are no externally imposed capital requirements.		
The Directors effectively manage the Company's capital by assessing financial risks and adjusting its capital structure in response to changes in these risks and to changes in the market. The strategy adopted by the Board to manage risk and control the capital of the Company since the prior year has been to raise additional capital for the purposes of exploration for gold and base metals.		
	Consolidated Entities 31 Dec 2022 \$	Consolidated Entities 31 Dec 2021 \$
9. Reserves:		
Share Based Payment Reserve (refer Note 9a)	357,950	286,782
Options Reserve (refer Note 9b)	2,265,515	2,265,515
Contingent Consideration Reserve (refer Note 9c)	-	510,000
	<u>2,623,465</u>	<u>3,062,297</u>
9a. Share Based Payment Reserve:		
Opening balance	286,782	95,229
Corporate Adviser and Vendor unlisted options lapsed 1 March 2021	-	(67,500)
Fair value of unquoted options issued to Directors & Management Team. Refer Note 9a(i)	-	124,702
Fair value of unquoted options issued to Consultant. Part of Corporate Adviser unquoted options that lapsed 10 November 2022	-	18,509
Fair value of unquoted options issued to CEO. Refer Note 9a(iii)	-	8,847
Listed options to Lead Manager for services in relation to Placement (19 October 2021) and SPP (3 December 2021)	-	106,995
Fair value of unquoted options issued to Directors & Management. Refer Note 9a(i)	82,718	-
Fair value of unquoted options issued to Consultant. Refer Announcement 8 April 2022 and Note 9a(ii)	21,371	-
Fair value of unquoted options issued to CEO. Refer Note 9a(iii)	15,588	-
Fair value of unquoted options issued to Corporate Advisor. Refer Announcement 21 July 2022 and Note 9a(iv)	28,710	-
Corporate Adviser unquoted options lapsed 10 November 2022	(20,259)	-
Directors unquoted options lapsed 18 November 2022	(56,960)	-
Closing Balance	<u>357,950</u>	<u>286,782</u>

Share based payment reserve represents an expense related to participation in the Employee Security Ownership Plan as measured by the fair value of the options on grant date proportionally allocated over the vesting period. The fair value of the options have been valued by Black-Scholes methodology adopting Commonwealth Government Bond rates at grant date and a volatility of 100%.

For details of methodology of valuing options refer Note 1k Share-based Payments.

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Notes to the Financial Statements For the Year Ended 31 December 2022

9a. Share Based Payment Reserve (Cont'd):

(i) Directors and Management Team Options:

29 million options issued to Directors and Management Team on 15 September 2020 expiring 3 years from the issue date valued at \$259,391 by Black-Scholes methodology comprised;

- 7.25 million options exercise price \$0.03 and vesting 18 months from issue date;
- 7.25 million options exercise price \$0.03 and vesting 24 months from issue date;
- 7.25 million options exercise price \$0.035 and vesting 30 months from issue date;
- 7.25 million options exercise price \$0.035 and vesting 30 days prior to expiry date.

Due to the resignation of two Directors on 18 November 2022, options vesting 30 months and 30 days were reduced by 4.25 million options respectively.

	Option value
	\$
Fair value of options	259,391
Allocations to vesting periods	
2020 year	(25,979)
2021 year	(124,702)
2022 year	(82,718)
Less adjustment to fair value of options due to resignation of two Directors	(16,650)
Balance of option value for allocation in future periods	<u>9,342</u>

(ii) Consultant Options:

FAU announced to the ASX on 8 April 2022 that it had entered into an agreement with ALG Media in USA to assist the Company in marketing its activities to US based investors, institutions and investment banks. Engagement terms included allotment of 20 million 5-year unlisted options with an exercise price of 1.5 cents each, which vest and are able to be exercised into ordinary shares on and from achievement of the following milestones: (a) 10 million options vest once the 10-day VWAP (Volume Weighted Average Price) of FAU shares reached 3 cents; and 10 million options vest once the 10-day VWAP of FAU shares reached 4 cents.

These options were valued at \$160,280 by Black-Scholes methodology. An amount of \$21,371 was allocated to 2022 year leaving \$138,909 to be allocated over the remaining vesting period.

(iii) CEO Options:

5 million options issued to the CEO on 3 August 2021 expiring Tranche 1 - 2 years and Tranche 2 - 30 months from the issue date valued at \$25,075 by Black-Scholes methodology comprised;

- 2.5 million options exercise price \$0.02. vesting 12 months from issue date, expiry date 2 years from issue date;
- 2.5 million options exercise price \$0.035 vesting 18 months from issue date, expiry date 30 months from issue date.

Valuation allocation: An amount of \$8,847 was allocated to 2021 year and \$15,588 to 2022 year leaving \$641 to be allocated over the remaining vesting period.

(iv) Corporate Advisor Options:

FAU announced to the ASX on 21 July 2022 that a Placement had been completed and Peak Asset Management were to receive 15,000,000 unquoted options with same terms as the Placement Options.

The Placement Options terms were exercise price of \$0.013 (1.3 cents) and expiring on 31 December 2023.

9b. Options Reserve:

Options Reserve represent capital raised of \$2,265,515 after commission paid of \$45,000 by the issue of 462,103,004 options at \$0.005 each, exercise price \$0.02 each and expiry date 1 July 2023. Refer Non-Renounceable Pro-Rata Options Rights Issue announced ASX 18 February 2021 and Supplementary Prospectus announced ASX 15 March 2021.

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Notes to the Financial Statements For the Year Ended 31 December 2022

9c. Contingent Consideration Reserve:

Contingent Consideration Reserve represents fair value of shares issued to VicGold Vendors in relation to Milestone One and Two resulting in exploration licences being issued for tenements in relation to those milestones. Refer Explanatory Memorandum, Notice of Meeting lodged ASX 10 August 2020 for details of Milestones One and Two. Refer Note 8a: Shares issued on satisfaction of a milestone under the Victorian Goldfield transaction comprising amounts of \$425,000 and \$85,000 which total \$510,000.

	Consolidated Entities 31 Dec 2022 \$	Consolidated Entities 31 Dec 2021 \$
10. Cash Flow Information:		
Reconciliation of cash flows from operations with net loss for the year		
Total Comprehensive Loss for the Year	(3,747,994)	(3,878,658)
Non-cash flows from ordinary activities:		
Shares and options issued in lieu of services rendered	315,887	279,053
Depreciation	11,086	7,354
Annual leave provision	9,940	-
Other non-cash items	955	-
Changes in assets and liabilities:		
(Increase)/Decrease in other receivables	71,931	46
(Increase)/Decrease in other financial assets	208,703	(88,195)
Increase/(Decrease) in trade and other payables	(81,487)	(215,577)
Net cash used in operating activities	<u>(3,210,979)</u>	<u>(3,895,977)</u>
Significant non-cash items		
Shares issued under employee incentive scheme in lieu of Directors fees	102,500	-
Milestone shares to VicGold vendors - exploration licences for tenements granted	510,000	-

11. Contingent Liabilities:

The Company was not aware of any contingent liabilities as at 31 December 2022 or 31 December 2021.

12. Capital and Other Commitments:

12a. The Company holds various mining tenements in Western Australia, South Australia and Gippsland Victoria. Due to the nature of the Company's operations in exploring areas of interest within the Mining Tenements held by the Company, it is difficult to forecast the nature or amount of future expenditure. It is a condition of the licence that the Company incur the following minimum level of expenditure in order to retain present interests in Mining Tenements.

Expenditure commitments on Mining Tenements can be reduced by selective relinquishment, compulsory reduction or by renegotiation of expenditure commitments.

	Consolidated Entities 31 Dec 2022 \$	Consolidated Entities 31 Dec 2021 \$
12b. The approximate minimum level of expenditure requirements are		
Within one year	987,000	534,000
One year or later and no later than five years	<u>3,944,000</u>	<u>3,480,000</u>

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Notes to the Financial Statements For the Year Ended 31 December 2022

12. Capital and Other Commitments (Cont'd):

12c. Right to earn up to a maximum aggregate 80% joint venture interest by sole funding joint venture expenditure of up to \$500,000 within 3 years from the commencement date of the JV Agreement with West Wits Mining Limited in the Tambina Gold project. Refer Note 15.

12e. A Deed of Option between FAU and Mines of Stirling Pty Ltd was signed 8 July 2020. An option fee of \$20,000 was paid to the Grantor together with finders fees of \$20,000 to other parties.

The term of the Deed are: payment of option fee of \$20,000 on the first anniversary of commencement date. \$20,000 has been paid on the first anniversary of commencement date. A further \$40,000 was paid on the second anniversary date during 2022.

Funding commitments under the Deed are: \$50,000 in the 12 months following commencement, a further \$50,000 in the 12 months commencing on the first anniversary date and a further \$50,000 in the 12 months commencing on the second anniversary date subject to FAU exercising its extension rights under the Deed.

13. Related Party Transactions:

Michael Quinert is a Director and Partner in the legal firm, QR Lawyers which received legal fees of \$55,247 (2021 \$142,570) on normal commercial terms.

Other payments to Directors are set out in the Remuneration Report which forms part of this Annual Report.

14. Key Management Personnel Remuneration:

The following are the details of remuneration:

	Consolidated Entities 31 Dec 2022 \$	Consolidated Entities 31 Dec 2021 \$
Short term benefits	488,300	751,150
Short term benefits - listed shares in lieu of fees	102,500	-
Share based payments	89,395	120,648
Post employment benefits	17,087	5,599
	<u>697,282</u>	<u>877,397</u>

Share based payments represents the expense related to participation in the Employee Security Ownership Plan as measured by the fair value of the options on grant date proportionally allocated over the vesting period.

Refer to the Remuneration Report contained in the Directors Report for details of Remuneration and Equity.

15. Investment in Joint Venture:

15a. Tambina Gold Project:

On 13 March 2019, FAU announced to the ASX that it had entered into a Joint Venture Agreement (JV Agreement) with West Wits Mining Limited (ASX: WWI) in respect to WWI's Tambina Gold Project in the East Pilbara region of Western Australia.

The main features of the JV:

- Payment of \$60,000 for a 20% share in the JV. Also refer Note 6: Exploration & Evaluation.
- A subscription of \$180,000 for 20,000,000 fully paid ordinary shares at an issue price of \$0.009 (0.9 cents) per share. Also refer Note 5: Financial Assets.
- Exclusive right to earn up to a maximum aggregate 80% joint venture interest (JVI) by sole funding joint venture expenditure of up to \$500,000 within 3 years from the commencement date of the JV Agreement.

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Notes to the Financial Statements For the Year Ended 31 December 2022

15a. Tambina Gold Project (Cont'd):

- d. FAU assumes part of the obligations of WWI to issue fully paid shares to the Original Tambina Vendors, subject to the satisfaction of certain milestones under the Sale Contract entered into by WWI and the Original Tambina Vendors. FAU may elect to settle its proportional JV interest by allotting shares in WWI or alternatively allotting shares in FAU on a predetermined basis.
- e. Upon FAU earning an aggregate 80% JVI, the participants will be liable to contribute to JV expenditure in proportion to their respective interests.
- f. FAU shall be the manager of the JV on and from the formation date and throughout the earning phase.
- g. FAU must ensure that the Mining Leases remain in good standing.

15b. Talga Joint Venture and Farm-in:

FAU announced to the ASX on 14 September 2022 that Talga Joint Venture and Farm-in had commenced with Octava Minerals Ltd (ASX: OCT) ('Octava').

FAU received a cash payment of \$180,000 during September 2022 with Octava receiving an initial 10% interest in the Talga project.

Subsequent to 31 December 2022, Octava achieved Stage 1 interest in Octava's Talga tenements and increased its share by 40.1%, from 10% to 50.1%.

Octava may acquire a further 19.9% undivided and unencumbered interest in the Tenements as a tenant in common ("Stage 2 Interest") by incurring aggregate Expenditure (inclusive of Expenditure incurred in connection with obtaining the Stage 1 Interest) of not less than \$600,000 within two (2) years of the Effective Date ("Stage 2 Period").

If Octava incurs not less than \$900,000 within three (3) years of the Effective Date ("Stage 3 Period"). Octava may exercise its right to acquire the Stage 3 Interest.

If Octava earns the Stage 3 interest then Octava will hold a 80% interest and FAU will hold a 20% interest in the Tenements as a tenants in common.

From the point at which Octava earns the Stage 3 Interest, FAU will be free-carried through to a decision to mine in respect of the Talga Project.

16. Interests in Subsidiary Companies:

Name	Date Incorporated	Place of Business	Ownership Interest by Group	
			31 Dec 2022	31 Dec 2021
Lions Share Gold Ltd	19 February 2019	Melbourne	100%	100%
LGH Nominees Pty Ltd	27 August 2019	Melbourne	100%	100%
Victorian Goldfields Pty Ltd	15 April 2019	Melbourne	80%	80%
Jacquian Pty Ltd	11 June 2004	Melbourne	80%	80%
East Victoria Goldfields Pty Ltd	16 August 2022	Melbourne	90%	-

Lions Share Gold Ltd did not trade during the year. Subsequent to year end a deregistration application has been lodged with ASIC.

LGH Nominees Pty Ltd trades in listed investments.

Victorian Goldfields Pty Ltd, Jacquian Pty Ltd and East Victoria Goldfields Pty Ltd did not trade. These entities hold or have lodged applications for tenements in East Gippsland upon which FAU is undertaking or planning exploration.

Minority Interests held in Victorian Goldfields Pty Ltd, Jacquian Pty Ltd and East Victoria Goldfields Pty Ltd are not recorded on the financial statements at 31 December 2022 as the Group did not receive revenue from the tenements held by these entities or record assets or liabilities in relation to these entities. FAU is responsible for undertaking exploration and writes off costs to Profit or Loss as incurred.

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Notes to the Financial Statements For the Year Ended 31 December 2022

17. Parent Entity information

17a. Summary financial information

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

	31 Dec 2022	31 Dec 2021
	\$	\$
Statement of Financial Position		
Balance Sheet		
Current assets	1,131,512	3,634,403
Non-current assets	1,493,225	1,439,310
Total assets	<u>2,624,737</u>	<u>5,073,713</u>
Current liabilities	(782,176)	(647,338)
Total liabilities	<u>(782,176)</u>	<u>(647,338)</u>
Net Assets	<u>1,842,561</u>	<u>4,426,375</u>
Shareholders' equity		
Issued capital	18,379,472	16,864,972
Share based payment reserve	2,623,465	3,062,297
Accumulated losses	(19,160,376)	(15,500,894)
Total Equity	<u>1,842,561</u>	<u>4,426,375</u>
Statement of Profit or Loss and Other Comprehensive Income		
Profit or loss for the year	(3,736,701)	(3,960,141)
Other Comprehensive Loss	-	-
Total comprehensive loss for year	<u>(3,736,701)</u>	<u>(3,960,141)</u>

17b. Guarantees entered into by the parent entity

FAU has not entered into any guarantees in the current financial year in relation to the debts of its subsidiaries (2021: nil)

17c. Contingent liabilities of the parent entity

The parent entity was not aware of any contingent liabilities as at 31 December 2022 or 31 December 2021.

17d. Contractual commitments for the acquisition of property, plant and equipment

At 31 December 2022, FAU had not entered into any contractual commitments for the acquisition of property, plant and equipment (2021: nil), except for a signed agreement as set out in Events After Reporting Date Note 18.

First Au Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 31 December 2022

18. Events after the reporting date:

No matters or circumstances, with the exception the matters set out in this section and the ongoing effects of Coronavirus, have arisen since the end of the financial reporting period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Talga Joint Venture and Farm-in:

ASX Announcement dated 14 September 2022: FAU announced Talga Joint Venture and Farm-in had commenced with Octava Minerals Ltd (ASX: OCT) ('Octava').

Subsequent to 31 December 2022, Octava achieved Stage 1 interest in Octava's Talga tenements and increased its share by 40.1%, from 10% to 50.1%. Octava has indicated to FAU that it intends to continue advancing the project and that it anticipates meeting the next stage of the earn-in requirements. Refer Note 15b. of the Financial Statements for further information in relation to the Talga Joint Venture and Farm-in.

Sale of Mable Creek:

ASX Announcement dated 30 January 2023: FAU announced that that it had entered into a binding tenement sale agreement to sell tenements forming the Mabel Creek Project to Talisman Mining Limited (ASX:TLM) (TLM) for aggregate consideration comprising \$200,000 in cash and \$100,000 of TLM fully paid ordinary shares.

Agreement to Acquire 100% of Lithium Project and \$1.5 million capital raising:

ASX Announcement dated 13 February 2023: FAU announced agreement to acquire 100% of Lithium Project and \$1.5 million capital raising. ASX Announcement dated 29 March 2023: FAU announced Lithium Project acquisition update, grant of Listing Rule waivers.

Capital Raising:

FAU has undertaken a two-tranche placement to unrelated professional and sophisticated investors to raise \$1.5m. Funds will be used to commence a drill program at FAU's primary target at its Victorian Goldfields Project, the highly prospective Haunted Stream, and for working capital. In addition, FAU will look to conduct early-stage exploration of the PG Exploration tenements with geological mapping and sampling to test for lithium potential.

Lithium Project:

An initial Agreement was entered into with the owners of PG Exploration Pty Ltd (which holds four tenement applications covering ~180km² in proximity to licences held by some of Australia's largest lithium companies, ASX: PLS, MIN & SYA) to acquire 100% of issued capital.

FAU announced on 29 March 2023 that it had agreed with the owners (shareholders) of PG Exploration Pty Ltd (PG Exploration) to vary the terms upon which FAU proposes acquiring 100% of the issued capital of PG Exploration (Transaction), in particular the terms of the milestones for issue of shares and options by FAU as consideration under the Transaction.

The terms of the Transaction were initially announced to ASX on 13 February 2023, with the milestones for issue of shares and options under the Transaction set out in that announcement being subject to refinement required by ASX. FAU has consulted with ASX specifically on the milestones under the Transaction and the agreed variations are a result of input from the ASX on the terms of the milestones, including the circumstances and timeframe within which milestones may be satisfied.

The total number of shares and options that may be issued under the Transaction remains the same.

Grant of Listing Rule waivers:

FAU announced that ASX had granted FAU a waiver of ASX Listing Rule 7.3.4 to allow the issue of shares and options as consideration under the Transaction more than three

First Au Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 31 December 2022

months after the date of shareholder approval and upon satisfaction of the relevant milestones and within the time required by the milestones, and in any event, no later than 5 years from the date of the general meeting where shareholder approval for issue of shares and options under the milestones is sought.

A summary of the material terms of the Transaction (as varied) are set out in the following:

Transaction structure:

FAU proposes acquiring 100% of the issued capital of PG Exploration Pty Ltd from the shareholders of PG Exploration (PG Vendors), each of whom is not a related party of FAU. If neither E45/6066 or E45/6101 (Condition Tenements) are granted within 12 months of the execution of the Term Sheet (or such later date as agreed, acting reasonably and in good faith), either FAU or the PG Vendors may terminate the Term Sheet by written notice. The PG Vendors grant FAU an irrevocable authority to act as FAU sees fit to seek grant of the Tenements and the PG Vendors agree to do all things, provide all consents and information and complete all matters necessary to seek grant of the Tenements.

FAU retains exclusivity in respect of the Tenements and the issued capital of PG Exploration Pty Ltd until either settlement or the termination of the Term Sheet in accordance with its terms.

Conditions precedent:

Settlement of the Transaction is subject to satisfaction or waiver of the following conditions:

- FAU securing all necessary shareholder and regulatory approvals required to complete the Transaction including for issue of the securities forming consideration under the Transaction.
- Completion of legal, financial and technical due diligence by FAU on PG Exploration and its assets, financial position and operations including but not limited to the Tenements.
- For any Tenement(s) which is not granted, at settlement the application in respect of that Tenement having been completed in all material respects and there being no unresolved issues for the grant of the Tenement(s) raised by the department responsible for administering the regulatory framework set out in the applicable mining laws.
- Any granted Tenement(s) being, at settlement, in good standing and full force and effect and free from any encumbrances, third party interests or any liability to forfeiture or non-renewal under the relevant legislation and regulatory framework.
- FAU raising and/or receiving firm commitments to raise in aggregate not less than \$1.5 million before costs under the Placement.
- FAU being provided with evidence (to its reasonable satisfaction) that the Company at settlement will be cash free and debt free.
- There being no material adverse event prior to settlement which adversely affects the rights and interests proposed to be acquired under the Transaction.
- All representations, warranties and/or undertakings under the Term Sheet being true and accurate in all material respects (and not misleading in any way) upon execution of the Term Sheet and as at settlement of the Transaction.

Consideration:

No consideration is payable by FAU until settlement occurs. The consideration noted below that is conditional (being all of the Consideration Shares and Consideration Options) are not to be issued until such time as the relevant milestone for the issue is achieved.

First Au Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 31 December 2022

Noting the above, the Consideration payable by FAU to the PG Vendors comprises:

- Grant of a 1.5% net smelter royalty in respect of the Tenements (to be divided equally between the PG Vendors).
- 74,553,572 fully paid ordinary shares (Consideration Shares) and 37,276,786 options (each with an exercise price of \$0.012 (1.2 cents) and expiring 18 months from issue) (Consideration Options) upon grant of an exploration licence in respect of application E45 / 6066, provided such grant occurs on or before the date that is two years after receipt of shareholder approval.
- 74,553,372 Consideration Shares and 37,276,786 Consideration Options upon grant of an exploration licence in respect of application E45 / 6101, provided such grant occurs on or before the date that is two years after receipt of shareholder approval.
- 17,410,715 Consideration Shares and 8,705,358 Consideration Options upon of an exploration licence in respect of application E45 / 6093, provided such grant occurs on or before the date that is two years after receipt of shareholder approval.
- 17,410,715 Consideration Shares and 8,705,358 Consideration Options upon grant of an exploration licence in respect of application E47 / 4602, provided such grant occurs on or before the date that is two years after receipt of shareholder approval.

Assuming all Tenements currently held by PG Exploration are granted, 171,428,574 Consideration Shares and 85,714,288 Consideration Options would be issued to the PG Vendors.

FAU has also agreed to issue the PG Vendors further Consideration Shares and Consideration Options upon and subject to the satisfaction of the milestones noted below:

- 28,125,000 Consideration Shares and 14,062,500 Consideration Options in the event that, on or before the date that is two years from receipt of shareholder approval, PG Exploration is successful in its ballot application for, and being registered as holder of, application E45 / 6272.
- 28,125,000 Consideration Shares and 14,062,500 Consideration Options in the event that, on or before the date that is four years from receipt of shareholder approval, FAU completes an aggregate of 2,500 meters of drilling on any of the following tenements (including in combination, if applicable): E45/6066, E45/6101, E45/6093, E47/4602 and, if the ballot application is granted and PG Exploration Pty Ltd is registered as holder, E45/6272.
- 40,625,000 Consideration Shares and 20,312,500 Consideration Options in the event that, on or before the date that is five years from receipt of shareholder approval, an independent geological consultant declares a JORC Inferred Resource of not less than 0.5Mt at a grade of not less than 1% Li₂O on any of the following tenements (including in combination, if applicable): E45/6066, E45/6101, E45/6093, E47/4602 and, if the ballot application is granted and PG Exploration Pty Ltd is registered as holder, E45/6272.
- 40,625,000 Consideration Shares and 20,312,500 Consideration Options in the event that, on or before the date that is three years from receipt of shareholder approval, FAU receives and accepts a strategic offtake binding agreement for not less than 25,000 tonnes per annum of lithium concentrate from an unrelated lithium / cathode producer / offtake partner / strategic investor or similar (including a small group of associated investors) on any of the following tenements (including in combination, if applicable): E45/6066, E45/6101, E45/6093, E47/4602 and, if the ballot application is granted and PG Exploration Pty Ltd is registered as holder, E45/6272.

If all of the milestones noted above are satisfied, then 150,000,000 Consideration Shares and 75,000,000 Consideration Options will be issued to the PG Vendors.

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Notes to the Financial Statements For the Year Ended 31 December 2022

The aggregate maximum number of securities that may be issued under the Transaction by FAU is 321,428,574 Consideration Shares and 160,714,288 Consideration Options.

If a milestone is not satisfied by the date specified above then the milestone automatically lapses and no Consideration Shares and Consideration Options will be issued in respect of that milestone.

For the avoidance of doubt, all Consideration Options expire 18 months from their respective issue dates and accordingly will not have a common expiry date.

If after settlement and prior to expiry of one or more of the milestones above, FAU disposes of either 50% or more of the issued capital of PG Exploration or a 50% or a 50% or greater interest in the Tenements, FAU and the PG Vendors shall act in good faith to negotiate the lapse of the issue of Consideration Shares and Consideration Options on achievement of the then existing milestone(s). If such negotiations are not successful FAU and the PG Vendors shall refer the matter to mediation. This shall not apply for any milestone that is not achieved by its expiry date.

Other terms:

- FAU agreed to pay a non-refundable deposit of \$50,000 and a non-refundable finder's fee of \$30,000, each within 5 business days of completing the first tranche of the Placement. These amounts have been paid by FAU in accordance with the terms of the Transaction.
- The Term Sheet contains mechanics of settlement including completing all matters required to put FAU in effective control of PG Exploration.
- The Term Sheet otherwise contains terms typical for arrangements of this kind, including extensive warranties from the PG Vendors, pre-settlement obligations on the PG Vendors including to keep the Tenements in good standing and provisions regarding confidentiality.

Capital Raising:

ASX Announcement dated 20 February 2023: FAU announced the issue of 142,789,991 ordinary shares following a successful placement which raised capital of \$428,370.

First Au Limited and Controlled Entities

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Directors' Declaration

In accordance with a resolution of the Directors of First Au Limited, the Directors of the Company and Consolidated Group declare that:

1. The financial statements and notes set out on pages 22 to 43 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - (b) give a true and fair view of the financial position as at 31 December 2022 and of the performance for the year ended on that date of the Company and Consolidated Group.
2. In the Director's opinion, there are reasonable grounds to believe that the Company and Consolidated Group will be able to pay their debts as and when they become due and payable; and
3. The Directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.



Ryan Skeen
Director

30 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST AU LIMITED

Opinion

We have audited the financial report of First Au Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- (i) giving a true and fair view of the Group's consolidated financial position as at 31 December 2022 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(I), "Going Concern" in the financial report which indicates that the Group incurred a net loss of \$3,747,994 for the year ended 31 December 2022. In addition the Group had a net operating cash outflow after operating, investing and financing activities of \$2,433,913 for the year ended 31 December 2022. As stated in Note 1(I), these events or conditions along with other matters as set forth in note 1(I), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST AU LIMITED (Continued)**

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters. Including the matter described in the Materiality Uncertainty Related to Going Concern, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Exploration and Evaluation Expenditure</p> <p>The Group capitalised an amount of exploration and evaluation expenditure with a carrying value of \$2,312,966 as at 31 December 2022. This represents the costs associated with acquiring mining tenements. Exploration expenditure incurred on mining tenements subsequent to their acquisition have been expensed through the Statement of Profit or Loss and Other Comprehensive Income.</p> <p>The carrying value of exploration and evaluation assets are assessed for impairment by the Group when facts and circumstances indicate that the capitalised exploration and evaluation expenditure may exceed its recoverable amount.</p> <p>Exploration and evaluation expenditure is considered to be a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the balance to the Group's financial position; • The level of judgement required in evaluating management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> ("AASB 6"). AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset; 	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Group holds an interest and the exploration programmes planned for those tenements; • For each area of interest, we assessed the Group's rights to tenure by corroborating to government registries and evaluating agreements in place with other parties as applicable; • We tested the additions to capitalized expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalization requirements of the Group's accounting policy and the requirements of AASB 6; • We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalized expenditure: <ul style="list-style-type: none"> - the licenses for the right to explore expiring in the near future or are not expected to be renewed; - substantive expenditure for further exploration in the specific area is neither budgeted or planned - decision or intent by the Group to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources.

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<ul style="list-style-type: none"> The assessment of impairment of exploration and evaluation expenditure includes a number of judgements including whether the group has title and tenure to the licences, will be able to perform ongoing exploration and evaluation expenditure and whether there is sufficient information available for a decision to be made that an area of interest is not commercially viable. During the year the Group determined that there had been no indicators of impairment. 	
<p>Going Concern</p> <p>The Group incurred a net loss of \$3,747,994 for the year ended 31 December 2022 and had net operating cash outflow after operating, investing and financing activities of \$2,433,913 for the year ended 31 December 2022 which indicates a material uncertainty regarding the application of the going concern basis of accounting.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> We analysed the cash flow projections by evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past practices; We assessed the planned levels of operating expenditure for consistency of relationships and trends to the Group's historical results, results since year end, and our understanding of the business and economic conditions of the Group; We evaluated the events after reporting date and the impact that such events may have on the Group.

Information Other Than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST AU LIMITED (Continued)**

Responsibilities of the Directors for the Financial Report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FIRST AU LIMITED (Continued)**

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of First Au Limited, for the year ended 31 December 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

McLean Delmo Bentleys Auditor Pty Ltd.

McLean Delmo Bentleys Audit Pty Ltd



**Rod Hutton
Partner**

Hawthorn
30 March 2023

Tenement Schedule - as at 31 December 2022

Mining Leases & Exploration Licences:

Tenement #	Note	Tenement name	Title Holder	Tenement Ownership	State
E26/174	-	Gimlet	FAU	FAU 100%	WA
E45/3679	4	Talga	FAU	OCT 10%, FAU 90%	WA
E45/5595	4	Razorback	FAU	OCT 10%, FAU 90%	WA
E45/5596	4	Razorback	FAU	OCT 10%, FAU 90%	WA
E45/3857	4	Talga	FAU	OCT 10%, FAU 90%	WA
E45/4137	4	Razorback	FAU	OCT 10%, FAU 90%	WA
E45/5571	4	Talga Talga	FAU	OCT 10%, FAU 90%	WA
M45/990	1	Tambina	Tambina Gold	FAU 20%, Tambina Gold 80%	WA
M45/991	1	Tambina	Tambina Gold	FAU 20%, Tambina Gold 80%	WA
M45/988	1	Tambina	Tambina Gold	FAU 20%, Tambina Gold 80%	WA
PL007319	2	Snow Storm	Mines of Stirling Pty Ltd	Mines of Stirling 100%	VIC
EL5505	2	Snow Storm	Mines of Stirling Pty Ltd	Mines of Stirling 100%	VIC
EL006816	-	Haunted Stream	Jacquian Pty Ltd	FAU 80% Jacquian 20%	VIC
EL006975	-	Haunted Stream Extension	Victorian Goldfields Pty Ltd	FAU 80% VicGold 20%	VIC
EL006976	-	Dargo High Plains	Victorian Goldfields Pty Ltd	FAU 80% VicGold 20%	VIC
EL006977	-	Dogwood	Victorian Goldfields Pty Ltd	FAU 80% VicGold 20%	VIC
EL007335	-	Snowstorm Extension	Victorian Goldfields Pty Ltd	FAU 80% VicGold 20%	VIC
EL007442	-	Barmouth	Victorian Goldfields Pty Ltd	FAU 80% VicGold 20%	VIC
EL007446	-	True Blue	Victorian Goldfields Pty Ltd	FAU 80% VicGold 20%	VIC
EL007473	-	Mount Jack	Victorian Goldfields Pty Ltd	FAU 80% VicGold 20%	VIC

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Tenement Schedule - as at 31 December 2022 (Cont'd)

Tenement #	Note	Tenement name	Title Holder	Tenement Ownership	State
EL007474	-	Bendoc	Victorian Goldfields Pty Ltd	FAU 80% VicGold 20%	VIC
EL007527		Highland Chief	Victorian Goldfields Pty Ltd	FAU 80% VicGold 20%	VIC
EL5422	3	Dargo	Ian Alexander Rathjen	Ian Alexander Rathjen	VIC
EL6619	5	Mabel Creek	FAU	FAU 100%	SA
EL6620	5	Mabel Creek	FAU	FAU 100%	SA
EL6627	5	Mabel Creek	FAU	FAU 100%	SA

Note 1: Refer Announcement to the ASX dated 13 March 2019. FAU acquired an initial 20% interest in Tambina's three mining leases on payment of \$60,000 and other conditions set out in the announcement that have now been satisfied. FAU has the exclusive right to earn up to a maximum aggregate 80% joint venture interest by sole funding joint venture expenditure up to \$500,000 within three years from the commencement date.

Note 2: Refer Announcement to the ASX dated 9 July 2020. FAU announced that it had entered into an option agreement with Mines of Stirling Pty Ltd to acquire an 85% interest (diluting to 80%) in granted exploration licence EL5505 and prospecting licence application PL007319 (Snowstorm project).

Note 3: Refer Announcement to the ASX dated 28 April 2022 relating to granting of EL5422. This Tenement is held on trust for FAU pending the transfer being able to occur in accordance with applicable law relating to transfer of a granted tenement in Victoria.

Note 4: OCT refers to Octava Minerals Ltd (ASX: OCT; 'Octava'). Refer Announcement to the ASX dated 14 September 2022: 'Talga Joint Venture and Farm-In Agreement with Octava Minerals Limited commences'. 'FAU has received a cash payment of \$180,000 with Octava receiving a 10% interest in the Talga project with an ability to earn up to 80%.'

A notice was received from Octava during January 2023 electing to acquire the Stage 1 Interest based on expenditure of not less than \$300,000 at which time the interest of Octava increased from 10% to 50.1%.

Note 5: Refer Announcement to the ASX dated 30 January 2023 that FAU had entered into binding tenement sale agreement to sell the tenements forming Mabel Creek Project to Talisman Mining Limited (ASX:TLM).

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Additional Shareholders Information

1. Corporate Governance Statement:

The Corporate Governance Statement together with Appendix 4G have been separately lodged with ASX. A copy of the Corporate Governance Statement will also be located on the Company's web site: www.firstau.com.

2. Distribution of Equity Securities:

Number of ordinary shareholders in different categories at 10 March 2023 are as follows:

	No. of Share Holders	Share Securities	Shares %	No. of Option Holders	Option Securities	Options %
100,001 and Over	786	1,062,392,822	97.04%	263	576,466,971	99.09%
10,001 to 100,000	465	31,365,458	2.86%	92	5,249,328	0.90%
5,001 to 10,000	0	-	0.00%	1	9,548	0.00%
1,001 to 5,000	9	15,938	0.00%	5	12,304	0.00%
1 to 1,000	39	9,050	0.00%	21	5,963	0.00%
Held OTCQB-USA	-	-	-	-	-	-
100,001 and Over	1	1,000,000	0.09%	-	-	-
Total	1,299	1,094,783,268	100%	382	581,744,114	100%

Holders of less than a marketable parcel of ordinary shares. The ASX Listing Rules define 'Unmarketable Parcel' as one with a market value of less than \$500. At 10 March 2023 based on a share price of \$0.0035, unmarketable parcels represented approximately 607 holders with 42.8 million shares.

Refer to Statement of Changes in Equity and Note 8 and Note 9 to the Financial Statements for further information in relation to expiry dates on options.

3. Ordinary Fully Paid Shares: Top 20 Holders (ungrouped) as of 10/3/2023:

	Shares	% Units
1 MR MALIK MOHAMMED EASAH	65,166,667	5.95%
2 7 ENTERPRISES PTY LTD	49,000,000	4.48%
3 MYLONITE PTY LTD	25,000,000	2.28%
4 MR LANGTREE ERIC CHRISTOPHER COPPIN	20,000,000	1.83%
4 APAX SUPER INVESTMENTS PTY LTD	20,000,000	1.83%
5 DR COLIN ROSE	19,250,000	1.76%
6 GOLDEN HOPE PTY LTD	17,166,666	1.57%
6 MRS ADEL ALBERTA MICHAEL	17,166,666	1.57%
7 NOTRE DAME INVESTMENT LIMITED	16,800,001	1.53%
8 BRIGHT ELEMENT PTY LTD	16,666,667	1.52%
8 MR CARRICK DURRANT RYAN	16,666,667	1.52%
9 QUEENSLAND M M PTY LTD	16,000,000	1.46%
10 10 BOLIVIANOS PTY LTD	13,199,865	1.21%
11 MRS ANNE MAREE RICHARDSON	12,337,611	1.13%
12 DRILLABIT PTY LTD	10,220,000	0.93%
13 ST BARNABAS INVESTMENTS PTY LTD	10,083,333	0.92%
14 MR HARPREET SINGH	10,000,000	0.91%
15 MR SIMON DE PASS HENRIQUES & MS SIMONE FRANCES PETTIGREW	9,000,000	0.82%
16 OUTBACK TREES OF AUSTRALIA PTY LTD	8,190,000	0.75%
17 RAIHANI FUTURE SUPER INVESTMENTS PTY LTD	7,950,000	0.73%
18 DISCO CAPITAL PTY LTD	7,920,100	0.72%
19 MR VINCENZO BRIZZI & MRS RITA LUCIA BRIZZI	7,500,000	0.69%
19 GL ENGLAND PTY LTD	7,500,000	0.69%
20 JOHN WARDMAN & ASSOCIATES PTY LTD	7,000,000	0.64%
Total	409,784,243	37.43%
Held OTCQB-USA	1,000,000	0.09%
Balance of register	683,999,025	62.48%
Grand total	1,094,783,268	100.00%

Refer to Statement of Changes in Equity and Note 8 and Note 9 to the Financial Statements for further information in relation to expiry dates on options.

Additional Shareholder Information (Cont'd)

4. Options: Top 20 Holders (ungrouped) as of 10/3/2023:

		Options	% Units
1	MR MALIK MOHAMMED EASAH	116,050,001	19.95%
2	7 ENTERPRISES PTY LTD	49,000,000	8.42%
3	MYLONITE PTY LTD	25,000,000	4.30%
4	QUEENSLAND M M PTY LTD	22,177,926	3.81%
5	MR LANGTREE ERIC CHRISTOPHER COPPIN	20,000,000	3.44%
5	APAX SUPER INVESTMENTS PTY LTD	20,000,000	3.44%
5	PAN ANDEAN CAPITAL PTY LTD	20,000,000	3.44%
6	MR VINCENZO BRIZZI & MRS RITA LUCIA BRIZZI	19,700,000	3.39%
7	DR COLIN ROSE	19,250,000	3.31%
8	NOTRE DAME INVESTMENT LIMITED	18,883,335	3.25%
9	N & J MITCHELL HOLDINGS PTY LTD	17,200,000	2.96%
10	GOLDEN HOPE PTY LTD	17,166,666	2.95%
10	MRS ADEL ALBERTA MICHAEL	17,166,666	2.95%
11	ST BARNABAS INVESTMENTS PTY LTD	17,037,155	2.93%
12	BRIGHT ELEMENT PTY LTD	16,666,667	2.86%
12	MR CARRICK DURRANT RYAN	16,666,667	2.86%
13	CROFTBANK PTY LTD	16,442,953	2.83%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,028,835	2.76%
15	TALEX INVESTMENTS PTY LTD	16,000,440	2.75%
16	CLAYMORE VENTURES LIMITED	16,000,000	2.75%
17	WFC NOMINEES AUSTRALIA PTY LTD	15,508,435	2.67%
18	BNP PARIBAS NOMINEES PTY LTD	15,226,141	2.62%
19	TALEX INVESTMENTS PTY LTD	15,000,000	2.58%
20	MR SIMON DE PASS HENRIQUES & MS SIMONE FRANCES PETTIGREW	14,400,000	2.48%
	Total	556,571,887	95.67%
	Balance of register	25,172,227	4.33%
	Grand total	581,744,114	100.00%

Refer to Statement of Changes in Equity and Note 8 and 9 to the Financial Statements for further information in relation to expiry dates on options. This table of option holders does not include unquoted options.

5. Substantial Shareholders:

Name of substantial shareholder who own 5% of more of the voting shares:

Mr Malik Mohammed Easah

7 Enterprises Pty Ltd

6. Voting rights:

In accordance with the Company's Constitution, voting rights are on a show of hands, one vote for every registered holder and on a poll, one vote for each share held by a registered holder.