



2021 ANNUAL REPORT

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COUNTY INTERNATIONAL LIMITED

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder,

As previously noted, investor sentiment for coal assets has declined in recent times.

County has therefore been actively reviewing a number of opportunities in the resources industry, especially where its management team has experience to enhance value and preferably in Australia. We have been conscious of the need to be relisted and generate shareholder value. One such opportunity, Far Northern Resources, became our major focus and much of this year has been spent understanding its assets and structuring a proposal for their board. Since the end of the financial year we have decided not to proceed with this previously announced transaction. County will continue to actively review opportunities in the resource industry.

I thank shareholders for your patience and past support and look forward to reporting in the future on County's new direction.

Yours faithfully,



Robert G Cameron AO

Chairman

COUNTY INTERNATIONAL LIMITED

DIRECTOR'S REPORT

REPORT ON OPERATIONS

County's shares were suspended from trading at the end of January 2020 as the ASX took the view that the level of operations was not sufficient to maintain an active registry.

County has continued to work on its existing US based activities and concurrently has actively undertaken a search for Australian-based opportunities that fitted the underlying purpose and skill set of the Company, remaining focused in the resource industry, both within and external to the coal industry. Negotiations were progressed and due diligence carried out on a number of opportunities during 2020.

As detailed in the Outlook section of this Directors' Report below, County announced on 24 December 2020 that it had entered into an agreement with the shareholders of Far Northern Resources Ltd ("FNR") to acquire 100% of the issued shares and options in FNR in consideration of shares and options in County.

In anticipation of completing the FNR agreement, County sought and secured shareholder and ASX approval to undertake a share consolidation, which was executed on 10 June 2021 at a ratio of 100:1178 reducing the 240,000,008 issued shares to 20,373,648 issued shares. County's share consolidation applied equally to all shareholders and individual shareholdings were reduced in the same ratio as the total number of shares (subject to rounding). Accordingly, the share consolidation had no effect on the percentage interest in the Company of each shareholder. (Refer Note 14(d) of the accounts)

Since the end of the financial year we have decided not to proceed with the proposed FNR transaction. County will continue to actively review opportunities in the resource industry. It should be noted that while the County share consolidation was undertaken as a key aspect of the FNR transaction the decision to discontinue that transaction, has no effect on the new County share structure and in fact, the consolidation that was undertaken sets the Company in the best position possible to take advantage of other opportunities as they arise.

During the year, County successfully sold and settled a surplus parcel of freehold land located at Lake DeSmet in Wyoming for approximately AUD 530,000 in August 2020. The sale was in excess of its book value at 30 June 2020.

No further work is planned on County International's coal projects in the PRB in the immediate future. County International has previously announced some 381 million tonnes of JORC coal resource in its exploration areas in Wyoming's PRB. No further work will be undertaken on the coal assets and the Company will continue efforts on securing commercialization partners for the coal assets.

OUTLOOK AND ONGOING BUSINESS OPPORTUNITIES

In September 2021, County advised that we have decided not to proceed with the proposed transaction with the shareholders of FNR. County will continue to actively review opportunities in the resource industry.

FINANCIAL POSITION

During the financial year, the Board continued to minimise cash used by the Company.

The Company had available cash of \$675,572 at 30th June 2021.

COUNTY INTERNATIONAL LIMITED

DIRECTOR'S REPORT (CONTINUED)

COAL RESOURCE SUMMARY

A summary of County International's current Coal Resources are contained in the following table.

| Prospect | JORC Inferred Coal Resource | JORC Indicated Coal Resource | JORC Measured Coal Resource | Total JORC Coal Resource |
|--------------------------|-----------------------------|------------------------------|-----------------------------|--------------------------|
| Shell Creek Coal Project | 6 Mt | 5 Mt | 60 Mt | 71 Mt |
| Miller Coal Project | - | - | 310 Mt | 310 Mt |
| Total JORC Coal Resource | 6 Mt | 5 Mt | 370 Mt | 381 Mt |

Notes: (a) The information in the table "JORC-Compliant Coal Resources" is based on Independent Geologist's Report, Aqua Terra Consultants Inc., October 2012. The information in this table that relates to Geology, Exploration results and Mineral resources is based on information compiled by Steven J Stresky, who is a member of the American Institute of Professional Geologists, and a full time employee of Aqua Terra Consultants Inc. (the geology consultants to County International). Mr Stresky has sufficient experience which is relevant to the style of deposit under consideration and to the activity he is undertaking to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Stresky consents to the inclusion in the report of the matters based on the information in the form and context in which it appears. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Directors and Management

Directors

Robert G. Cameron AO | Non-executive Chairman HonDEng UNSW, BE (Hons), MBA, Grad Dip Geoscience, FAusIMM, FAIM, FAICD

Bob Cameron holds degrees in mining, mineral economics and business administration and has had more than 37 years of experience in the coal industry. This includes 14 years as a senior manager with Coal & Allied Industries in the Hunter Valley and 21 years as Founder and Managing Director/CEO of Centennial Coal Company Limited. This Company grew from a market capitalisation of \$20 million and was acquired by Banpu PLC in 2010 for approximately \$2.5 billion.

Upon the takeover of Centennial, Bob moved to the role of non-executive Chairman of the Company until March 2017. Amongst other positions, Bob is Chairman of Hunter Valley Training Company Limited, a Director of the University of New South Wales Foundation and a Member of the State Library Council of NSW.

Bob is past Chairman of the Australian Coal Association, ACA Low Emissions Technology Ltd, NSW Minerals Council and the Australian Japan Coal Conference, and was a Director of Port Kembla Coal Terminal. He was also on numerous other government and industry boards and committees including the Ministerial Minerals Advisory Council and Mining Education Australia.

In 2002 The Australasian Institute of Mining and Metallurgy awarded Bob the Institute Medal in recognition of his outstanding leadership in the coal industry.

In 2005 he received the Hunter Business Person of the Year Award from the Hunter Business Chamber, and in 2010 he received the Australian Mining Prospect Award for Most Outstanding Contribution to Mining.

UNSW has recognised Mr Cameron with an Honorary Degree in Engineering and the Alumni Achievement Award in Business and Innovation.

In 2012 he was awarded an Order of Australia for his contribution to the Australian mining industry, tertiary education and the community of the Hunter Valley.

David Miller | Non-executive Director B.Sc (Geol) (resigned 5th August 2021)

David Miller is a geologist and businessman. David is currently a Director of ALX Uranium Corp, a uranium and mineral exploration company. He was a Director and CEO of Strathmore Minerals Corp (a TSX listed mining group) until August 2013. David's primary professional focus has been on minerals exploration, development, and mining. His career has spanned over 30 years, with a chain of companies that started with Utah International and evolved into AREVA, the French Nuclear Power Conglomerate. David is an eight-term member of the Wyoming Legislature, serving District 55 –Riverton. He is currently Chairman of Travel Recreation and Wildlife Committee, he has served as Majority Floor Leader and has served on Minerals, Revenue, Education, Corporations, and Health & Labor Committees and was an original appointee to the Wyoming Energy Commission. David is a registered professional geologist in Wyoming, a registered member of the Society of Mining Engineers, and a Fellow in the Society of Economic Geologists. David is the architect responsible for assembling the Miller Coal property, now owned by County International.

Nicholas Revell | Non-executive BAppSc (Geology) AIG membership (appointed 5th August 2021)

Nick Revell has over 30 years' experience in mining and exploration. He has had several senior positions in mining, exploration geology and resource property evaluation working for ASX and TSX listed mining companies as director, exploration manager and mine geologist in a range of minerals.

He has worked for major resource companies including Fortescue Minerals, Aurion Gold, St Barbara, Crescent Gold and MacArthur Minerals.

Rod Ruston | Chief Executive Officer and Managing Director BE (Mining), MBA

Rodney (Rod) Ruston was appointed as Chief Executive Officer of County International in July 2012.

Mr Ruston holds a degree in mining engineering and an MBA and has over 35 years of business experience during which he has led private and publicly listed companies in the resources, oil and gas and construction industries. His international experience as the chief executive of a heavy construction and mining contractor, coupled with chief executive roles with operating resource companies provides the Company with a broad-based CEO, who can provide leadership in the development of the Company.

Prior to joining County International, Rod was Chief Executive Officer and President of North American Energy Partners Inc., a large Canadian mining and construction contracting company, which he took public with a listing on the NYSE and the TSX. From 2000-2004 Rod was Managing Director of Tigor Ltd an Australian based, ASX listed, titanium dioxide producer with operations in Australia and South Africa. In addition, Rod was a Non-Executive Director of AngloGold Ashanti, one of the world's largest gold miners, from 2012 until 2020.

COUNTY INTERNATIONAL LIMITED

ACN 149 136 783

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2021.

Directors

The names of directors in office at any time during or since the end of the year are:

Robert G. Cameron AO - Non-Executive Chairman

Rodney Ruston - Managing Director

Nicholas Revell - Non-Executive Director (appointed 5th August 2021)

David Miller - Non-Executive Director (resigned 5th August 2021)

Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

Further details as to the Directors' experience are contained on page 4 of this Annual Report.

Principal Activity

County, together with its adjoining neighbouring owners of its Wyoming coal assts, has continued discussions with a potential partner to commercialise the collective coal assets by converting the coal and coal fines to synthetic fuels or other products.

County owns coal assets in Wyoming, being the Miller coal leases and BAT/Piney Creek area at Shell Creek.

County continues to actively review opportunities in the resource industry.

Result

The consolidated loss of the Consolidated Entity amounted to \$81,392 (2020: \$72,514).

Dividends Paid or Recommended

There is no dividend paid, declared or recommended.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the reporting year.

After Balance Date Events

The directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may affect:

- (i) The operations of the company and the entities that it controls
- (ii) The results of those operations
- (iii) The state of affairs of the Company in subsequent years

Future Developments

County continues to actively review opportunities in the resource industry.

COUNTY INTERNATIONAL LIMITED DIRECTORS' REPORT (CONTINUED)

Directors' Interests in Securities

As at the date of this report, details of Directors who hold shares or options in the company for their own benefit or who have an interest in holdings through a third party are detailed below.

| Director | Shares | Options |
|---------------------------------------------------------|-----------|---------|
| Robert Cameron* | 1,185,069 | - |
| David Miller** (resigned 5 th August 2021) | 127,335 | - |
| Nicholas Revell (appointed 5 th August 2021) | - | - |
| Rodney Ruston | 55,179 | 369,270 |

* 930,399 shares are held by Paula Suzanne Cameron and Robert Graham Cameron ATF Cameron Family Superannuation Plan of which Mr Cameron is a beneficiary and 254,670 are held directly.

** Shares held by Miller and Associates LLC of which Mr Miller is a Director

| | DIRECTORS' MEETINGS | | COMMITTEE MEETINGS | | | |
|----------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|
| | | | AUDIT COMMITTEE | | REMUNERATION COMMITTEE | |
| | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended |
| Robert Cameron | 3 | 3 | 2 | 2 | 1 | 1 |
| Rodney Ruston | 3 | 3 | - | - | - | - |
| David Miller | 3 | - | 2 | 2 | 1 | 1 |

Indemnifying Directors or Officers

Each Director has entered into a Deed with the Company under which the Director is given access to documentation and in addition is:

- indemnified by the Company to the full extent permitted by law against all liabilities sustained or incurred through acting as a Director (under the Corporations Act the indemnity does not extend to a liability owed to the Company or its related bodies corporate, or which arises out of conduct involving a lack of good faith, or is for a pecuniary penalty order under section 1317G of the Corporations Act or a compensation order under section 1317H of the Corporations Act);
- indemnified by the Company to the full extent permitted by law against legal costs and expenses incurred in defending an action for a liability incurred as an officer of the Company (under the Corporations Act the indemnity does not extend to costs incurred in circumstances where the Director is found to have a liability for which the Director cannot be indemnified, or costs of defending or resisting criminal proceedings in which the Director is found guilty or defending proceedings brought by ASIC or a liquidator for a court order where the court holds that the grounds for making the order are established, or costs of proceedings seeking relief for the Director under the Corporations Act where the court denies relief);
- entitled to a loan to meet the costs of defending or responding to any such claim or proceeding; and
- entitled to have the Company maintain and pay premiums in respect of directors' and officers' insurance.

Board Member's Directorships

Listed below are details of other listed public company directorships held by Board Members over the last three years.

| Director | Directorship of | Date Appointed | Date Resigned |
|-----------------|------------------------------|-----------------|------------------|
| Robert Cameron | Pacific Smiles Group Limited | 6 December 2002 | 19 February 2020 |
| David Miller | ALX Uranium Corp. | 17 April 2017 | Current |
| Nicholas Revell | - | - | - |
| Rodney Ruston | AngloGold Ashanti Limited | 1 January 2012 | 10 June 2020 |

COUNTY INTERNATIONAL LIMITED DIRECTORS' REPORT (CONTINUED)

Options

At the date of this report there are 369,270 ordinary shares of County International Limited under option. The options are exercisable at 35.34 cents each. Each option entitles the holder, when exercised, to one Share in the capital of County International Limited. Further details are below.

| Number of Options | Issue Date | Exercisable Date | Expiry Date | Exercise Price |
|-------------------|------------------|------------------|-----------------|----------------|
| 369,270 | 26 November 2019 | 1 February 2020 | 31 January 2023 | 35.34 cents |

5 million options were granted over unissued shares during the 2020 financial year. Options were issued to Mr Rodney Ruston, the Company's Managing Director. These options had an exercise price of 3 cents per share and will expire on 31 January 2023. These options will vest progressively, with 1,000,000 options vesting on 1 February 2020, a further 2,000,000 options vesting on 1 February 2021 and a further 2,000,000 options vesting on 1 February 2022. Following consolidation of the Company's shares in June 2021 the number of options outstanding converted to 369,270 at an exercise price of 35.34 cents per share. (Refer Note 14(d) of the accounts)

No options have been granted since the end of the financial year by the company to directors or any of the specified officers as part of their remuneration.

650,000 options have been exercised in the last financial year.

No options expired during the year (2020: nil).

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

COUNTY INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of County International Limited and for the executives receiving the highest remuneration.

Remuneration Policy

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Consolidated Entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee, which currently is the majority of the board. All executives receive a total remuneration package, which may include a base salary (commensurate with their expertise and experience), superannuation, fringe benefits, options and in the future performance incentives. The remuneration committee reviews executive packages annually by reference to the Consolidated Entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is assessed annually and for the Chief Executive Officer's annual review considers his performance, any change to the nature and scope of his work, the current employment market for similar positions, the performance of the Company and any other matter the Board considers relevant. There are currently no bonuses and incentive arrangements in place, however the Company will give reasonable consideration to the establishment of a short term incentive plan in the future. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Other future executives may also be entitled to participate in the employee option arrangements at the discretion of the Board.

Australian executives receive a superannuation guarantee contribution, required by the government, which is currently 9.5%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black and Scholes methodology.

The board's normal policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Fees for executive and non-executive directors are not linked to the performance of the Consolidated Entity. In the 2015/16 financial year the Directors agreed to reduce their remuneration to zero from August 2015, so as to reduce the future cash outgoings of the Company.

Performance Based Remuneration

As part of senior executives' remuneration packages in the future there may be a performance-based component, consisting of key performance indicators (KPIs) but there is currently no such component.

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

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. The issue of options to a share option trust on behalf of the Chief Executive Officer was to encourage the alignment of personal and shareholder interests. The company believes this policy should be effective in increasing shareholder wealth over the medium term.

The board will review its remuneration policy annually to ensure it is effective.

Performance Income as a proportion of Total Remuneration

All senior executives' remuneration for the year ended 30 June 2021 had only a fixed component and no variable component of their overall remuneration.

COUNTY INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (continued)

Options Issued as part of remuneration for the year ended 30 June 2021

No options were issued to directors as part of their remuneration during the year ended 30 June 2021 (2020: 5,000,000). In November 2019 the company issued five million options to Mr Ruston, the Company's Managing Director. These options had an exercise price of 3 cents per share and will expire on 31 January 2023. These options will vest progressively, with 1,000,000 options vesting on 1 February 2020, a further 2,000,000 options vesting on 1 February 2021 and a further 2,000,000 options vesting on 1 February 2022. Following consolidation of the Company's shares in June 2021 the number of options reduced by a factor of 11.78 and the exercise price converted to 35.34 cents per share.

Employment Contracts of Directors and Senior Executives

The employment conditions of the chief executive officer (or similar) and specified executives are formalised in contracts of employment. All executives are permanent employees of County International Limited.

No contract is for a fixed term. Each contract states it can be terminated by the company by giving the executive up to three months' notice and by paying a redundancy of between three to six months.

Directors' remuneration

The following table discloses the remuneration of Directors of the company for the years ended 30 June 2020 and 2021, as specified for disclosure by AASB 124. The information contained in this table is audited.

| Director | Short-term Benefits | | Post- Employment Benefits | | Total |
|-------------------|---------------------|----------------------|---------------------------|----------------------|------------|
| | Salary & Fees | Share Option Benefit | Superannuation | Termination Benefits | |
| Robert Cameron | | | | | |
| - 2021 | - | - | - | - | - |
| - 2020 | - | - | - | - | - |
| Rodney Ruston* | | | | | |
| - 2021 | - | 300 | - | - | 300 |
| - 2020 | - | 300 | - | - | 300 |
| David Miller | | | | | |
| - 2021 | - | - | - | - | - |
| - 2020 | - | - | - | - | - |
| TOTAL 2021 | - | 300 | - | - | 300 |
| TOTAL 2020 | - | 300 | - | - | 300 |

* Mr Ruston received a share option benefit of \$300 (2020: \$300) pertaining to options issued to a share option trust on his behalf in 2019.

At 30 June 2021 the Company had no employees (2020: Nil). The key management personnel of the consolidated group comprise the directors.

COUNTY INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (continued)

Share and Option holdings

Details of shares and options held by key management personnel (including those holding entities associated with Directors) are set out below.

Shares held by Key Management Personnel

| Year ended 30 June 2021 | Balance at beginning of year | Shares Acquired | Share Consolidation*** | Balance at end of year |
|-------------------------|------------------------------|-----------------|------------------------|------------------------|
| Directors | | | | |
| R. Cameron* | 13,960,092 | - | (12,775,023) | 1,185,069 |
| R. Ruston | - | 650,000 | (594,821) | 55,179 |
| D. Miller** | 1,500,000 | - | (1,372,665) | 127,335 |
| Total | 15,460,092 | 650,000 | (14,742,509) | 1,367,583 |

| Year ended 30 June 2020 | Balance at beginning of year | Shares Acquired | Balance at end of year |
|-------------------------|------------------------------|-----------------|------------------------|
| Directors | | | |
| R. Cameron* | 13,960,092 | - | 13,960,092 |
| R. Ruston | - | - | - |
| D. Miller** | 1,500,000 | - | 1,500,000 |
| Total | 15,460,092 | - | 15,460,092 |

* 930,399 shares (2020: 10,960,092 shares) are held by Paula Suzanne Cameron and Robert Graham Cameron ATF Cameron Family Superannuation Plan of which Mr Cameron is a beneficiary and 254,670 (2020: 3,000,000) are held directly.

** Shares held by Miller and Associates LLC of which Mr Miller is a Director.

*** On 10 June 2021 the Company consolidated its issued share capital through the conversion of every eleven point seven eight (11.78) fully paid ordinary shares into one (1) fully paid ordinary share. This resulted in the number of shares on issue reducing from 240,000,008 to 20,373,648.

The share consolidation applied equally to all shareholders and individual shareholdings were reduced in the same ratio as the total number of shares (subject to rounding). Accordingly, the share consolidation had no effect on the percentage interest in the Company of each shareholder.

As part of the share consolidation the terms of options on issue were amended in the same ratio as the share consolidation and the exercise price was amended in inverse proportion to that ratio. After the share consolidation, there were 369,270 options exercisable at \$0.3534 each on or before 31 January 2023.

COUNTY INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (continued)

Options held by Key Management Personnel

Year ended 30 June 2021

| Directors | Balance at beginning of year | Options Lapsed or Exercised | Share Consolidation* | Balance at end of year | Total Vested 30.6.21 | Total Exercisable | Total Un-exercisable |
|------------|------------------------------|-----------------------------|----------------------|------------------------|----------------------|-------------------|----------------------|
| R. Ruston | 5,000,000 | (650,000) | (3,980,730) | 369,270 | 199,491 | 199,491 | - |
| R. Cameron | - | - | - | - | - | - | - |
| D. Miller | - | - | - | - | - | - | - |
| Total | 5,000,000 | (650,000) | (3,980,730) | 369,270 | 199,491 | 199,491 | - |

Year ended 30 June 2020

| Directors | Balance at beginning of year | Options Issued | Options Lapsed or Exercised | Balance at end of year | Total Vested 30.6.20 | Total Exercisable | Total Un-exercisable |
|------------|------------------------------|----------------|-----------------------------|------------------------|----------------------|-------------------|----------------------|
| R. Ruston | 5,000,000 | 5,000,000 | (5,000,000) | 5,000,000 | 1,000,000 | 1,000,000 | - |
| R. Cameron | - | - | - | - | - | - | - |
| D. Miller | - | - | - | - | - | - | - |
| Total | 5,000,000 | 5,000,000 | (5,000,000) | 5,000,000 | 1,000,000 | 1,000,000 | - |

*Refer Note 14(d) of the accounts

In November 2015 the company issued five million options to Mr Ruston, the Company's Managing Director. The options vest progressively and fully vested on 26 November 2017 and are to be exercisable, upon payment of 4 cents per share. These options expired on 31 January 2020.

5 million options were granted over unissued shares during the 2020 financial year. Options were issued to Mr Rodney Ruston, the Company's Managing Director. These options had an exercise price of 3 cents per share and will expire on 31 January 2023. These options will vest progressively, with 1,000,000 options vesting on 1 February 2020, a further 2,000,000 options vesting on 1 February 2021 and a further 2,000,000 options vesting on 1 February 2022. 650,000 options were exercised in February 2021. Following consolidation of the Company's shares in June 2021 the number of options outstanding converted to 369,270 at an exercise price of 35.34 cents per share.

Contracts with Key Management Personnel

Pursuant to a property purchase agreement in relation to properties acquired in 2011 from Miller and Associates LLC, located in Campbell County, Wyoming, certain royalties may be payable to Miller and Associates LLC in the future. Miller and Associates LLC is associated with Mr Miller a director of the company.

All the above transactions were made on normal commercial terms and conditions.

COUNTY INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of County International Limited support and have adhered to key principles of corporate governance.

Please refer to the Corporate Governance Statement of County International Limited on our website for more information <http://www.countyinternational.com/index.php/corporate-details/corporate-governance>.

Environmental regulations

The operations and proposed activities of its wholly owned subsidiary companies County Energy Inc., County Coal Company LLC., and Clear Creek Holdings LLC are and will be subject to USA laws and regulations concerning the environment. As with most production operations, County International's activities are expected to have an impact on the environment. It is County International's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all operational and environmental laws. Nevertheless, there are certain risks inherent in County International's activities, such as accidental waste water spills, gas leaks, or explosions or other unforeseen circumstances, which could subject County International to extensive liability.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of these proceedings.

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

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

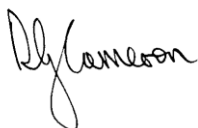
- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance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

Fees of \$1,500 were paid to the external auditors during the year ended 30 June 2021 for the preparation of income tax returns.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2021 is set out on page 42.

Signed in accordance with a resolution of the Board of Directors.



Robert Cameron AO
Chairman
17th September 2021

COUNTY INTERNATIONAL LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2021 \$ | 2020 \$ |
|----------------------------------------------------|------|-----------------|-----------------|
| Interest revenue | 5 | 2,368 | 1,289 |
| Profit on disposal of land | | 97,723 | - |
| Administration, development and corporate expenses | | (181,483) | (73,803) |
| Loss before income tax expense | | (81,392) | (72,514) |
| Income tax expense | 7 | - | - |
| Loss for the period | | (81,392) | (72,514) |
| Basic earnings per share (cents per share) | 8 | (0.40) | (0.03) |
| Diluted earnings per share (cents per share) | 8 | (0.40) | (0.03) |

The accompanying notes form part of these financial statements.

COUNTY INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

| | 2021 \$ | 2020 \$ |
|------------------------------------------------------------------------------|------------------|-----------------|
| Loss | (81,392) | (72,514) |
| Items that may be reclassified subsequently to profit or loss | | |
| Other comprehensive income: | | |
| Foreign exchange translation difference for foreign operations | (72,555) | 20,572 |
| Other comprehensive income for the period | (72,555) | 20,572 |
| Total comprehensive loss attributable to members of the parent entity | (153,947) | (51,942) |

The accompanying notes form part of these financial statements.

COUNTY INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | Note | 2021 \$ | 2020 \$ |
|--------------------------------------------------------------------|------|------------------|------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 9 | 675,572 | 301,615 |
| Trade and other receivables | 10 | 8,260 | 4,699 |
| Assets held for resale | 11 | - | 541,569 |
| Costs of land sale | | - | 6,027 |
| Convertible note | 26 | 102,203 | - |
| Total Current Assets | | 786,035 | 853,910 |
| Non-Current Assets | | | |
| Coal rights and capitalised exploration and evaluation expenditure | 6 | 588,210 | 640,181 |
| Total Non-Current Assets | | 588,210 | 640,181 |
| Total Assets | | 1,374,245 | 1,494,091 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 13 | 22,958 | 8,657 |
| Total Current Liabilities | | 22,958 | 8,657 |
| Non-Current Liabilities | | | |
| Trade and other payables | 13 | - | - |
| Total Non-Current Liabilities | | - | - |
| Total Liabilities | | 22,958 | 8,657 |
| Net Assets | | 1,351,287 | 1,485,434 |
| Equity | | | |
| Issued Capital | 14 | 16,821,165 | 16,801,665 |
| Reserves | 15 | 2,934,987 | 3,007,242 |
| Accumulated losses | | (18,404,865) | (18,323,473) |
| Total Equity | | 1,351,287 | 1,485,434 |

The accompanying notes form part of these financial statements.

COUNTY INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

| | Issued Capital | Foreign Currency Translation Reserve | Share Option Reserve | Accumulated Losses | Total |
|-------------------------------------------------------------|-------------------|-----------------------------------------------|----------------------------|-----------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 30 June 2019 | 16,801,665 | 2,505,170 | 481,200 | (18,250,959) | 1,537,076 |
| Share option reserve on recognition of remuneration options | - | - | 300 | - | 300 |
| Loss attributable to members | - | - | - | (72,514) | (72,514) |
| Total other comprehensive income for the year | - | 20,572 | - | - | 20,572 |
| Balance at 30 June 2020 | 16,801,665 | 2,525,742 | 481,500 | (18,323,473) | 1,485,434 |
| Share option reserve on recognition of remuneration options | - | - | 300 | - | 300 |
| Shares issued during the period | 19,500 | - | - | - | 19,500 |
| Loss attributable to members | - | - | - | (81,392) | (81,392) |
| Total other comprehensive income for the year | - | (72,555) | - | - | (72,555) |
| Balance at 30 June 2021 | 16,821,165 | 2,453,187 | 481,800 | (18,404,865) | 1,351,287 |

The accompanying notes form part of these financial statements.

COUNTY INTERNATIONAL LIMITED

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

| | Note | 2021 \$ | 2020 \$ |
|-------------------------------------------------------------|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | - | - |
| Payments to suppliers and employees (inclusive of GST) | | (189,881) | (98,162) |
| Interest received | | 178 | 1,314 |
| Net cash used in operating activities | 16(b) | (189,703) | (96,848) |
| Cash flows from investing activities | | | |
| Proceeds on disposal of land | | 645,319 | - |
| Subscription for convertible note | | (100,000) | - |
| Net cash provided by investing activities | | 545,319 | - |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 19,500 | - |
| Share issuance costs | | - | - |
| Net cash provided by financing activities | | 19,500 | - |
| Net increase/(decrease) in cash and cash equivalents held | | 375,116 | (96,848) |
| Cash and cash equivalents at beginning of period | | 301,615 | 397,157 |
| Net foreign exchange difference | | (1,159) | 1,306 |
| Cash and cash equivalents at end of reporting period | 16(a) | 675,572 | 301,615 |

The accompanying notes form part of these financial statements.

COUNTY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. REPORTING ENTITY

County International Limited is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2021 comprise the Company and its controlled entities (together referred to as the Consolidated Entity). The Consolidated Entity is involved in coal exploration and development in the USA.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Consolidated Entity and the financial report of the Company comply with International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

d. Use of judgments and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following areas:

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Consolidated Entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by all entities in the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of Consolidation

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in controlled entities are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intra-group balances and any recognised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b. Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of controlled entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary transactions denominated in foreign currencies that are stated at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the date the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, generally are translated to the functional currency at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to the functional currency at rates approximating the foreign exchange rates ruling at the dates of transactions. Foreign currency differences arising from translation of controlled entities with a different functional currency to that of the Consolidated Entity are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount of its FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

c. Impairment

The carrying amounts of the Consolidated Entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit or a group of units and then, to reduce the carrying amount of the other assets in the unit or a group of units on a pro-rata basis.

Calculation of recoverable amount

Receivables

The recoverable amount of the Consolidated Entity's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment.

Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date. The allowance for impairment is calculated with reference to the profile of debtors in the Consolidated Entity's sales and marketing regions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Impairment (continued)

Calculation of recoverable amount (continued)

Other Assets

The recoverable amount of other assets is the greater of their fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets (cash generating units). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to the cash generating units that are expected to benefit from the synergies of the combination. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of Impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or recognised, if no impairment loss had been recognised.

d. Financial assets

The Group classifies its financial assets in the following categories:

- (i) Financial assets at amortised cost;
- (ii) Financial assets at fair value through other comprehensive income;
- (iii) Financial assets at fair value through profit or loss.

Financial assets at amortised cost

Financial assets included in this category need to meet two criteria:

- The financial asset is held in order to collect contractual cash flows; and
- The cash flows are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

At initial recognition an election may be made to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. After initial recognition investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the assets are not measured at amortised cost or classified as financial assets at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. New standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has assessed that none of the new or amended Accounting Standards and Interpretations will have a financial impact on the consolidated entity.

f. New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

g. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

h. Fair value measurement

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value measurement hierarchy

The Consolidated Entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

4. FINANCIAL RISK MANAGEMENT

Overview

The Company and Consolidated Entity have exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's and the Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of directors has overall responsibility for the establishment and oversight of the risk management and monitors operational and financial risk management throughout the Consolidated Entity. Monitoring risk management includes ensuring appropriate policies and procedures are published and adhered to.

The Board aims to manage the impact of short-term fluctuations on the Company's and the Consolidated Entity's earnings. Over the longer term, permanent changes in market rates will have an impact on earnings.

The Company and the Consolidated Entity are exposed to risks from movements in exchange rates and interest rates that affect revenues, expenses, assets, liabilities and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

Exposure to credit, foreign exchange and interest rate risks arises in the normal course of the Company's and the Consolidated Entity's business. Derivative financial instruments are not used to hedge exposure to fluctuations in foreign exchange rates.

5. REVENUE

ACCOUNTING POLICY

Income Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Interest

Control of the right to receive the interest payment.

Interest income is recognised as it accrues in the income statement using the effective interest method.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

| | 30 June 2021 | 30 June 2020 |
|------------------------------|--------------|--------------|
| | \$ | \$ |
| Other revenue | | |
| Interest received/receivable | 2,368 | 1,289 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

6. EXPLORATION EXPENDITURE CAPITALISED

ACCOUNTING POLICY

Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- ii) exploration and evaluation activities in the area have not, at balance date, resulted in booking economically recoverable reserves, and active operations in, or relating to, this area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made.

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

Amortisation is charged against individual deposits currently based on reserve estimates. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

| | 30 June 2021 | 30 June 2020 |
|---------------------------------------------------------------------------------------|----------------|----------------|
| | \$ | \$ |
| Coal rights, freehold property and capitalised exploration and evaluation expenditure | 588,210 | 640,181 |
| | <u>588,210</u> | <u>640,181</u> |
| Movement | | |
| At the beginning of reporting year | 640,181 | 629,432 |
| Foreign exchange fluctuation | (51,971) | 10,749 |
| Impairment of coal rights and freehold property | - | - |
| At end of reporting year | <u>588,210</u> | <u>640,181</u> |

As a result of the decline in world coal prices, Directors reassessed the carrying value of the 381Mt of proven-JORC Coal Resource in the Company's accounts. In assessing the recoverable value, the Directors took into consideration the attributes of the coal as determined in the Aqua Terra geologist's reports dated October 2011 and October 2012, the value paid for the various properties and coal resource in 2011 and the reduction in world thermal coal prices since 2011.

From November 2011 to June 2015 thermal coal prices reduced by approximately 44%. Given the further decline in thermal coal prices in the 2016 financial year, so as to comply with the accounting standards in assessing the value of the Company's assets, the Board further impaired the Company's coal rights and capitalised exploration and evaluation expenditure to reflect this reduction as at 30th June 2016. Given the current global thermal coal prices, the Board deems it prudent to maintain the valuation contained in the 30th June 2016 accounts. The value of the Miller coal resource was previously reduced in the Company's books in line with the decrease in world thermal coal prices. The quality of coal in the Company's Shell Creek property is below that of the Miller property and accordingly, the Board had previously written down the coal resource in this property in its entirety.

There has been no further impairment to these coal assets during the year ended 30 June 2021.

During July 2018, the Company relinquished some of its leases at the Shell Creek Project, which will ensure future expenditure will not be necessary. County retains the BAT/Piney Creek portion of the Shell Creek area with a total JORC Coal Resource of 71Mt. County retains its ownership of the mineral leases at the Miller Coal Project with a total JORC Coal Resource of 310Mt.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

6. EXPLORATION EXPENDITURE CAPITALISED (continued)

Valuation technique

Impairment of coal rights and property results from a reduction in the carrying value of the Company's exploration and evaluation expenditure as explained above and a reduction on the value of the Company's freehold property. The value of the Company's freehold property has been reassessed by the Directors based on existing market conditions.

During the 2015 financial year the Company determined it had freehold land which was considered excess to the Company's requirements. This land in Wyoming was previously reflected in coal rights, freehold property and capitalised exploration and evaluation expenditure and has been transferred to an asset held for resale. A contract for sale of this land was settled in August 2020.

Exploration assets and freehold property (Note 11) held by the Company exist in markets which are not liquid. In such cases it is challenging to determine accurate fair values for these assets. Therefore the ultimate value which may be realised for such assets in future years could vary significantly from the amounts reflected in these accounts.

Fair value hierarchy

In order to arrive at the recoverable amount when impairing the non-financial assets the Directors used level 3 inputs such as adjusted comparable land values and adjusted commodity prices as interpreted by the Directors. The valuation technique is as described above.

7. INCOME TAXES

ACCOUNTING POLICY

Income tax expense in the income statement for the years presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of goodwill and other assets or liabilities in a transaction that affects neither accounting nor taxable profit, or differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based upon the laws that have been enacted at reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recognised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be recognised. Additional income taxes that arise from distribution of dividends are recognised at the same time as liability to pay the related dividend is recognised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on a different tax entity but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be recognised simultaneously.

| | 2021 \$ | 2020 \$ |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| (a) Tax expense/(benefit) | | |
| The prima facie income tax expense on pre-tax accounting (loss)/profit from operations reconciles to the income tax expense in the financial statements as follows: | | |
| Net loss for the year | (81,392) | (72,514) |
| Income tax benefit calculated at 26% (2020: 27.5%) of loss using the company's domestic tax rate. | (21,162) | (19,941) |
| Add/(less) tax effect of: | | |
| Other allowable items | (939) | (1,546) |
| Other temporary differences not recognised | 3,717 | (557) |
| Unused tax losses not recognised as deferred tax assets | 18,384 | 22,044 |
| Income tax expense/(benefit) | - | - |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
|--|------------|------------|

7. INCOME TAXES (continued)

(b) Deferred tax assets

The following deferred tax balances at 26% (2020: 27.5%) have not been recognised:

| | | |
|-------------------------|------------------|------------------|
| Capital losses | 447,293 | 473,098 |
| Revenue losses | 1,557,384 | 1,627,790 |
| Development expenditure | 331,823 | 350,967 |
| Capital raising costs | 2,033 | 3,225 |
| Other | 1,660,948 | 1,387,948 |
| Provisions and accruals | 5,969 | 2,382 |
| | <u>4,005,450</u> | <u>3,845,410</u> |

8. LOSS PER SHARE

ACCOUNTING POLICY

The Consolidated Entity presents basic and diluted earnings/(loss) per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the net profit/(loss) attributable to equity holders of the parent for the financial year, after excluding any costs of servicing equity (other than ordinary shares) by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated using the basic EPS earnings/(loss) as the numerator. The weighted average number of shares used as the denominator is adjusted by the after-tax effect of financing costs associated with the dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares adjusted for any bonus issue.

The following reflects the loss and share data used in the calculations of basic and diluted loss per share.

| | 2021 | 2020 |
|--------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------|
| Net loss used in calculating basic and diluted earnings per share | (\$81,392) | (\$72,514) |
| Diluted loss per share (cents per share) | (0.40) | (0.03) |
| Basic loss per share (cents per share) | (0.40) | (0.03) |
| Weighted average number of shares used in the calculation of basic and diluted loss per share* | 20,340,862 | 239,350,008 |
| Shares on issue at year end* | 20,373,648 | 239,350,008 |
| Number of options on issue at year end – each option is exercisable at 35.34 cents per share (2020: 3 cents) and converts to one ordinary share* | 369,270 | 5,000,000 |

* Refer Note 14(d) of the accounts

9. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

| | 2021 \$ | 2020 \$ |
|-----------------------------|----------------|----------------|
| Cash at bank – A\$ Accounts | 667,983 | 287,016 |
| Cash at bank – USD Accounts | 7,589 | 14,599 |
| | <u>675,572</u> | <u>301,615</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

10. TRADE & OTHER RECEIVABLES

ACCOUNTING POLICY

Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy 3(c)).

| | 2021 \$ | 2020 \$ |
|-------------------|--------------|--------------|
| Current | | |
| Other receivables | 8,260 | 4,699 |
| | <u>8,260</u> | <u>4,699</u> |

There is no exposure to credit risk from other receivables. Other receivables are not past due and not impaired.

11. ASSETS HELD FOR RESALE

ACCOUNTING POLICY

Non-current assets and disposal groups are classified as held for resale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Consolidated Entity is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Consolidated Entity will retain a non-controlling interest in its former subsidiary after the sale.

When the Consolidated Entity is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Consolidated Entity discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Consolidated Entity discontinues the use of the equity method at the time of disposal when the disposal results in the Consolidated Entity losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with AASB 9 unless the retained interest continues to be an associate or a joint venture, in which case the Consolidated Entity uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

| | 30 June 2021 \$ | 30 June 2020 \$ |
|--------------------------------------|--------------------|--------------------|
| Freehold property held for sale | - | 541,569 |
| Movement: | | |
| At the beginning of reporting period | 541,569 | 532,476 |
| Foreign exchange fluctuation | - | 9,093 |
| Disposal during the period | (541,569) | - |
| | <u>-</u> | <u>541,569</u> |

The Board has determined that certain freehold land in Wyoming, USA would be realised as it is surplus to the Company's requirements.

The Directors revalued this land in the 2016 financial year based on their assessment of the value of nearby properties and after consideration of local government valuations for the parcels of land. A contract for sale of this land was settled in August 2020 in excess of the book value.

The freehold land is not allocated to an operating segment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

12. PROPERTY, PLANT & EQUIPMENT

ACCOUNTING POLICY

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 3(c)). An asset's cost is determined as the consideration provided plus incidental costs directly attributable to the acquisition. Subsequent costs in relation to replacing a part of property, plant and equipment are recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Consolidated Entity and its cost can be measured reliably. All other costs are recognised in the income statement as incurred.

Depreciation

Depreciation is recognised in the income statement on a straight-line basis. Items of property, plant and equipment, including leasehold assets, are depreciated using the straight-line method over their estimated useful lives, taking into account estimated residual values. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Depreciation rates and methods, useful lives and residual values are reviewed at each balance sheet date. When changes are made, adjustments are reflected prospectively in current and future financial years only. The estimated useful lives in the current and comparative years are as follows:

Plant & equipment 3 – 10 years

| | 2021 \$ | 2020 \$ |
|---------------------------------------------------------------------------|------------|------------|
| Cost | - | - |
| Less provision for depreciation | - | - |
| | - | - |
| Movements in the carrying amounts of plant and equipment during the year: | | |
| Balance at the beginning of the year | - | - |
| Foreign exchange fluctuation | - | - |
| Depreciation expense | - | - |
| Carrying amount at end of year | - | - |

13. TRADE & OTHER PAYABLES

ACCOUNTING POLICY

Trade and other payables are stated at amortised cost.

Current

| | | |
|-----------------|--------|-------|
| Other creditors | - | - |
| Accruals | 22,958 | 8,657 |
| | 22,958 | 8,657 |

Non-Current

| | | |
|-----------------|---|---|
| Other creditors | - | - |
|-----------------|---|---|

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

14. SHARE CAPITAL

ACCOUNTING POLICY

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any income tax benefit.

Capital management

The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns to shareholders, to provide benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board aims to maintain and develop a capital base appropriate to the Consolidated Entity. In order to maintain or adjust the capital structure, the Consolidated Entity can issue new shares. The Board of directors undertakes periodic reviews of the Consolidated Entity's capital management position to assess whether the capital management structure is appropriate to meet the Consolidated Entity's medium and long-term strategic requirements. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements. There were no significant changes in the Consolidated Entity's approach to capital management during the year.

| | 2021 \$ | 2020 \$ |
|------------------------------------------------------------|------------|------------|
| Issued and paid up capital | | |
| 20,373,648 (2020 – 239,350,008) Ordinary shares fully paid | 16,821,165 | 16,801,665 |

(a) Movements in paid up capital

| | | |
|----------------------------------------|------------|------------|
| At the beginning of the reporting year | 16,801,665 | 16,801,665 |
| - Issued during year | 19,500 | - |
| - Less costs of issue | - | - |
| At end of reporting year | 16,821,165 | 16,801,665 |

(b) Movements in shares on issue

| | 2021 # shares | 2020 # shares |
|----------------------------------------|------------------|------------------|
| At the beginning of the reporting year | 239,350,008 | 239,350,008 |
| Shares issued during the year | 650,000 | - |
| Consolidation of shares* | (219,626,360) | - |
| At end of reporting year | 20,373,648 | 239,350,008 |

* Refer Note 14(d) of the accounts

(c) Options

At 30th June 2021 there were 369,270 (2020: 5 million) existing options on issue. The options are exercisable at 35.34 cents (2020: 3 cents) each. Each option entitles the holder, when exercised, to one ordinary share in the capital of County International Limited. (Refer Note 14(d) of the accounts)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

14. SHARE CAPITAL (continued)

(c) Options (continued)

| Number of Options | Issue Date | Exercisable Date | Expiry Date | Exercise Price |
|-------------------|------------------|------------------|-----------------|----------------|
| 369,270 | 26 November 2019 | 1 February 2020* | 31 January 2023 | 35.34 cents |

*84,890 options only. Remainder of options are subject to vesting conditions.

Terms and conditions of contributed equity

Ordinary shares

Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Share consolidation

On 10 June 2021 the Company consolidated its issued share capital through the conversion of every eleven point seven eight (11.78) fully paid ordinary shares into one (1) fully paid ordinary share. This resulted in the number of shares on issue reducing from 240,000,008 to 20,373,648.

The share consolidation applied equally to all shareholders and individual shareholdings were reduced in the same ratio as the total number of shares (subject to rounding). Accordingly the share consolidation had no effect on the percentage interest in the Company of each shareholder.

As part of the share consolidation the terms of options on issue were amended in the same ratio as the share consolidation and the exercise price was amended in inverse proportion to that ratio. After the share consolidation, there were 369,270 options exercisable at \$0.3534 each on or before 31 January 2023.

| | 2021 \$ | 2020 \$ |
|--------------------------------------|------------------|------------------|
| 15. RESERVES | | |
| Share option reserve | 481,800 | 481,500 |
| Foreign currency translation reserve | 2,453,187 | 2,525,742 |
| | <u>2,934,987</u> | <u>3,007,242</u> |

The share option reserve records items recognised as expenses on valuation of share options issues as remuneration.

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

16. RECONCILIATION OF CASH

(a) Cash balances comprises cash at bank:

| | | |
|----------------------|----------------|----------------|
| - \$A accounts | 667,983 | 287,016 |
| - US Dollar accounts | 7,589 | 14,599 |
| | <u>675,572</u> | <u>301,615</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
|--|------------|------------|

16. RECONCILIATION OF CASH (continued)

(b) Reconciliation of operating loss after income tax to net cash outflow from operating activities:

| | | |
|-----------------------------------------|-----------|----------|
| Net loss | (81,392) | (72,514) |
| Share option expense | 300 | 300 |
| Profit on disposal of asset | (97,723) | - |
| Effects of movement in foreign exchange | (19,425) | 8,517 |
| Change in assets/liabilities: | | |
| (Increase)/decrease in receivables | (5,764) | 679 |
| Increase/(decrease) in payables | 14,301 | (18,710) |
| Net cash used in operating activities | (189,703) | (96,848) |

17. REMUNERATION OF AUDITORS

Remuneration of the Company's auditors for:

| | | |
|-----------------------------------------------------------|--------|--------|
| Auditing or reviewing the financial report | 8,500 | 8,500 |
| Other services | 1,500 | 1,500 |
| Total auditors' remuneration included in operating result | 10,000 | 10,000 |

18. SEGMENT REPORTING

The Consolidated Entity operates only in one segment and accordingly no segment information is disclosed.

19. INTEREST IN SUBSIDIARIES

Interests are held in the following

| Name | Country of Incorporation | Ownership Interest | |
|--------------------------|--------------------------|--------------------|------|
| | | 2021 | 2020 |
| County Coal Company LLC | USA | 100% | 100% |
| County Energy Inc. | USA | 100% | 100% |
| Clear Creek Holdings LLC | USA | 100% | 100% |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

20. SHARE BASED PAYMENTS

ACCOUNTING POLICY

Employee Benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to settle within 12 months of the year end represent present obligations resulting from employees' services provided up to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

Share based payments

The Company had granted options to certain directors and employees. The fair value of options and shares granted was recognised as an expense with a corresponding increase in equity. The fair value was measured at the date the options or shares were granted taking into account market based criteria and expensed over the vesting period after which the employees become unconditionally entitled to the options and shares. The fair value of the options granted is measured using the Black-Scholes method, taking into account the terms and conditions attached to the options. The fair value of the performance shares granted is measured using the weighted average share price of ordinary shares in the Company, taking into account the terms and conditions attached to the shares. The amount recognised as an expense is adjusted to reflect the actual number of options and shares that vest except where forfeiture is due to market related conditions.

(a) Shareholdings and Options and Rights Holdings held by Key Management Personnel, including options held in associated entities.

Please refer to the Remuneration Report section of the Directors' Report.

(b) Options issued as Part of Remuneration for the year ended 30 June 2021

No options (2020: 5 million) were issued to directors as part of their remuneration in the current year.

In February 2015, the company issued 3,000,000 options to an employee, subject to vesting conditions. The options were exercisable upon payment of 4 cents per share during the period from 31 January 2018 until they expired on 31 January 2020.

In November 2015 the company issued 5,000,000 options to an option share trust on behalf of Mr Ruston, the Company's Managing Director. The options vested progressively, with 2,500,000 options having vested on 26 November 2016 and a further 2,500,000 options vested on 26 November 2017 and were exercisable, upon payment of 4 cents per share. These options expired on 31 January 2020.

5,000,000 options were granted over unissued shares during the 2020 financial year. Options were issued to Mr Rodney Ruston, the Company's Managing Director. These options had an exercise price of 3 cents per share and will expire on 31 January 2023. These options will vest progressively, with 1,000,000 options vesting on 1 February 2020, a further 2,000,000 options vesting on 1 February 2021 and a further 2,000,000 options vesting on 1 February 2022. 650,000 options were exercised in February 2021. Following consolidation of the Company's shares in June 2021 the number of options outstanding converted to 369,270 at an exercise price of 35.34 cents per share.

The options issued to executives outstanding at 30 June 2021 had a weighted average exercise price of \$0.3534 (2020: \$0.03) and a weighted average remaining contractual life of 1.583 years (2020: 3.166 years). The exercise price range is \$0.3534 (2020: \$0.03).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

20. SHARE BASED PAYMENTS (continued)

(b) Options issued as Part of Remuneration for the year ended 30 June 2021 (continued)

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

| | |
|--------------------------------------|----------|
| Weighted average exercise price | \$0.03 |
| Weighted average life of the option | 3 years |
| Underlying share price approximating | \$0.0004 |
| Expected share price volatility | 40 |
| Risk free interest rate | 2.50 |

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

Exercisability of the options has been considered when determining the fair value of the options.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future. Included under share and option expense in the income statement is \$300 (2020: \$300), that relates, in full, to equity-settled share-based payment transactions.

(c) Employee Benefits

At 30 June 2021, County International Limited had no employees (2020: Nil).

21. EVENTS SUBSEQUENT TO BALANCE DATE

Directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may affect:

- (i) The operations of the company and the entities that it controls
- (ii) The results of those operations
- (iii) The state of affairs of the company in subsequent years

22. CONTINGENT LIABILITIES AND COMMITMENTS

The Consolidated Entity is not aware of any contingent liabilities, which existed as at the end of the financial period or have arisen as at the date of this report other than as detailed below.

Pursuant to the property purchase agreements in relation to the properties/leasehold coal rights acquired during the previous financial years, certain royalties are payable to vendors of the various properties. No royalties are payable at the date of these accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

22. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

| Exploration Commitments | 2021 \$ | 2020 \$ |
|----------------------------------------------------------------------------------------|------------|------------|
| Exploration commitments contracted for but not capitalised in the financial statements | | |
| Payable: | | |
| - Not later than 1 year | - | - |
| - Later than 1 year but not later than 5 years | - | - |
| - Later than 5 years | - | - |
| | - | - |

23. RELATED PARTY DISCLOSURES

(a) Ultimate Parent

County International Limited is the ultimate Australian parent company.

The following companies are wholly owned subsidiaries- County Energy Inc., County Coal Company LLC and Clear Creek Holdings LLC, all of which are incorporated in the USA.

(b) Other Related Party Transactions

Pursuant to a property purchase agreement in relation to properties acquired in 2011 from Miller and Associates LLC, located in Campbell County, Wyoming, certain royalties may be payable to Miller and Associates LLC in the future. Miller and Associates LLC is associated with Mr Miller a director of the company.

All the above transactions were made on normal commercial terms and conditions.

24. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of Key Management Personnel

Directors during the year ended 30 June 2021 were:

Robert Cameron – Non-Executive Chairman

Rodney Ruston – Managing Director

Nicholas Revell – Non-Executive Director (appointed 5 August 2021)

David Miller – Non-Executive Director (resigned 5 August 2021)

(b) Compensation Practices and Key Management Personnel Compensation

Details of compensation practices and key management personnel compensation are disclosed in the Directors' Report which accompanies these financial statements.

(c) Other Transactions and Balances with Key Management Personnel

There were no transactions with key management personnel in the year to 30 June 2021 other than as detailed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL INSTRUMENTS

Credit Risk

ACCOUNTING POLICY

Credit risk is the risk of financial loss to the Company or the Consolidated Entity if a customer, controlled entity or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's and the Consolidated Entity's receivables from customers.

Trade and other receivables

The Company's and Consolidated Entity's exposure to credit risk is influenced mainly by the geographical location and characteristics of individual customers. The Consolidated Entity does not have a significant concentration of credit risk with a single customer.

Policies and procedures of credit management and administration of receivables are established and executed at a regional level. In monitoring customer credit risk, the ageing profile of total receivables balances is reviewed by management by geographic region on a monthly basis.

The Company and the Consolidated Entity have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables.

Cash and cash equivalents

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. This Note provides information regarding the credit risk relating to cash and money market securities based on S&P counterparty credit ratings.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | 2021 \$ | 2020 \$ |
|---------------------------------|----------------|----------------|
| Cash and equivalents (AA rated) | 675,572 | 301,615 |
| Other receivables | 8,260 | 4,699 |
| | <u>683,832</u> | <u>306,314</u> |

Currency Risk

ACCOUNTING POLICY

The Consolidated Entity will undertake its coal exploration and development activities in US currency and be exposed to currency risk on the value of its exploration assets that are denominated in United States dollars (USD).

A percentage of the Consolidated Entity's future revenues from coal exploration and development activities may be denominated in currencies other than AUD. Risk resulting from the translation of assets and liabilities of foreign operations into the Consolidated Entity's reporting currency is not hedged.

Consolidated Entity's exposure to foreign currency (USD) risk was as follows, based upon notional amounts:

2021

| | USD |
|------------------------|--------------|
| Amounts local currency | |
| Cash and equivalents | 7,589 |
| Trade payables | - |
| | <u>7,589</u> |

2020

| | USD |
|------------------------|---------------|
| Amounts local currency | |
| Cash and equivalents | 10,079 |
| Trade payables | - |
| | <u>10,079</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL INSTRUMENTS (continued)

Currency Risk (continued)

The following significant exchange rates applied to the Company and the Consolidated Entity during the year:

| | Closing Rate | | Average Rate | |
|---------|--------------|--------|--------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| AUD = 1 | | | | |
| USD = | 0.7514 | 0.6904 | 0.7479 | 0.6710 |

Market Risk

ACCOUNTING POLICY

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's and the Consolidated Entity's net loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest Rate Risk

ACCOUNTING POLICY

The Consolidated Entity is exposed to interest rate risks in Australia. See this Note for effective interest rates.

Profile

At the reporting date, the interest rate profile of the Company's and the Consolidated Entity's interest-bearing financial instruments was:

| Variable rate instruments | 2021 \$ | 2020 \$ |
|---------------------------|------------|------------|
| Financial assets | 675,572 | 301,615 |

Liquidity Risk

ACCOUNTING POLICY

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity monitors cash flow requirements and produces cash flow projections for the short and long term with a view to optimising return on investments. Typically, the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational net cash flows for a period of at least 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of the Consolidated Entity's financial assets and liabilities including estimated interest payments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk (continued)

| 2021 | Effective interest rate p.a. | Carrying amount \$ | Less than 1 year \$ | 1-5 years \$ | More than 5 years \$ |
|---------------------------|------------------------------------|--------------------------|---------------------------|-----------------|----------------------------|
| Cash and cash equivalents | 0.48% | 675,572 | 675,572 | - | - |
| Other receivables | | 8,260 | 8,260 | - | - |
| Payables | | (22,958) | (22,958) | - | - |
| Total | | 660,874 | 660,874 | - | - |

| 2020 | Effective interest rate p.a. | Carrying amount \$ | Less than 1 year \$ | 1-5 years \$ | More than 5 years \$ |
|---------------------------|------------------------------------|--------------------------|---------------------------|-----------------|----------------------------|
| Cash and cash equivalents | 0.4% | 301,615 | 301,615 | - | - |
| Other receivables | | 4,699 | 4,699 | - | - |
| Payables | | (8,657) | (8,657) | - | - |
| Total | | 297,657 | 297,657 | - | - |

Sensitivity Analysis

In managing interest rate and currency risks, the Consolidated Entity aims to reduce the impact of short-term fluctuations on the Consolidated Entity's earnings. Over the longer term however, permanent changes in foreign exchange and interest rates will have an impact on the result.

For the year ended 30 June 2021, it is estimated that a general increase of one percent in interest rates would have decreased the Consolidated Entity's loss after income tax and equity by approximately \$24 (2020: \$1,200).

It is estimated that a general increase of ten percent in the value of the AUD against the USD would have decreased the Consolidated Entity's loss for the year ended 30 June 2021 by \$9,259 (2020: \$0) and increase the Consolidated Entity's equity by approximately \$9,259 (2020: \$0).

Fair Values

The fair values of financial assets and liabilities, together with carrying amounts in balance sheet are as follows:

| | Carrying Amount 2021 \$ | Fair value 2021 \$ | Carrying Amount 2020 \$ | Fair value 2020 \$ |
|--------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|
| Cash and equivalents | 675,572 | 675,572 | 301,615 | 301,615 |
| Other receivables | 8,260 | 8,260 | 4,699 | 4,699 |
| Trade and other payables | (22,958) | (22,958) | (8,657) | (8,657) |
| Total | 660,874 | 660,874 | 297,657 | 297,657 |

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

25. FINANCIAL INSTRUMENTS (continued)

Fair Values (continued)

Non-derivative financial assets and liabilities

The fair value of cash and receivables is considered to approximate their carrying amount because of their short maturity. Other assets are based on the assets carrying values as per the subsidiary company's accounts, which approximates fair value.

Fair value hierarchy

There are no other financial instruments carried at fair value or valued using the following:

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

26. CONVERTIBLE NOTE

An unsecured convertible note of \$100,000 was issued to County International Limited by Far Northern Resources Limited on 17th February 2021.

This convertible note bears interest at 6% pa, with the interest payable being capitalised at the end of calendar month. The maturity date of the convertible note is 17th February 2022, at which time the convertible note and interest that has accrued on it are converted into fully paid ordinary shares in Far Northern Resources Limited at a conversion price of \$0.50 per share.

27. PARENT ENTITY DISCLOSURES

At and throughout the financial year ended 30 June 2021, the parent company was County International Limited.

| Result of the parent entity | 2021 \$ | 2020 \$ |
|------------------------------------------------------------|--------------------|---------------------|
| Net profit/(loss) | (1,385,811) | (14,782,641) |
| Other comprehensive income | - | - |
| Total comprehensive income | (1,385,811) | (14,782,641) |
| Financial position of the parent entity at year end | | |
| Current assets | 774,548 | 287,733 |
| Total assets | 774,548 | 2,126,261 |
| Current liabilities | 22,958 | 8,660 |
| Total liabilities | 22,958 | 8,660 |
| Total equity of the parent entity comprising of: | | |
| Issued capital | 16,821,165 | 16,801,665 |
| Share option reserve | 481,800 | 481,500 |
| Accumulated (losses)/gains | (16,551,375) | (15,165,564) |
| Total Equity | 751,590 | 2,117,601 |

Parent entity contingencies

The details of all contingent liabilities and future commitments in respect to County International Limited are in Note 22.

COUNTY INTERNATIONAL LIMITED

ACN 149 136 783

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 13 to 37 are in accordance with the Corporations Act 2001:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the company and Consolidated Entity;
2. The Executive Director and Company Secretary have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. The financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. The financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Robert Cameron AO

Chairman

17th September 2021



STIRLING INTERNATIONAL

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the members of County International Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of County International Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of Matter - Inherent Uncertainty Regarding Recoverability of Assets

Included in non-current assets in Note 6 to the financial statements is capitalised exploration and evaluation expenditure at fair value of \$588,210. These assets have been valued by the directors of the company and they do not have an active market, therefore the values realised in future may be significantly different to the fair values determined by the directors of the company. The ultimate recovery of the value of these assets is dependent upon future coal prices.

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 year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of coal rights, freehold property and capitalised exploration and evaluation expenditure

As disclosed in Note 6, the Group holds coal rights, freehold property and capitalised exploration and evaluation expenditure of \$588,210 as at 30 June 2021 and this is a significant asset of the Group.

As noted in the "Emphasis of Matter" section above, the carrying value of this asset is subjective and its value is based on the Group's intention and ability to continue to explore the asset. The carrying value of this asset may also be impacted if the coal reserves and resources are commercially viable for extraction, or where the carrying value of the asset is not likely to be recouped through sale or successful development of this asset. This creates a risk that the amount stated in the financial statements may not be fully recoverable.

To address this risk our audit procedures included the following:

- assessing that the Group had the right to explore in the relevant exploration area, that the rights are current at the reporting date and expected to be renewed in future;
- assessing the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area, which included an assessment of the Group's future cash flow forecasts, and enquiry of management and the Board of Directors as to the intentions and strategy of the Group;
- enquiring of management, reviewing directors' meeting minutes and reviewing ASX announcements to ensure that the Group had not decided to discontinue activities in the area of interest; and
- assessing the results of exploration activity in the Group's areas of interests, to determine if there are any negative indicators that would suggest a potential impairment of this asset.

Other Information

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 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf.

Report on the Remuneration Report

Opinion on the Remuneration Report

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

In our opinion, the Remuneration Report of County International Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Stirling International

Chartered Accountants



Peter Turner

370 Pitt Street Sydney NSW 2000

17th September 2021

Liability limited by a scheme approved under Professional Standards Legislation

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF COUNTY INTERNATIONAL LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been:

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

This declaration is in respect of County International Limited and the entities it controlled during the year.

Stirling International
Chartered Accountants



Peter Turner
370 Pitt Street Sydney NSW 2000
17th September 2021
Liability limited by a scheme approved under Professional Standards Legislation

ADDITIONAL INFORMATION

Equity Securities

| a. | Distribution of Equity Securities | Shareholders | Shares | Percentage | Optionholders | Options | Percentage |
|----|---------------------------------------|--------------|-------------------|-----------------|---------------|----------------|-----------------|
| | Category (size of Holding- by number) | | | | | | |
| | 1-1,000 | 57 | 25,070 | 0.120 | - | - | - |
| | 1,001-5,000 | 84 | 186,431 | 0.920 | - | - | - |
| | 5,001-10,000 | 25 | 183,184 | 0.900 | - | - | - |
| | 10,001-100,000 | 59 | 2,059,843 | 10.110 | - | - | - |
| | 100,001 and over | 30 | 17,919,120 | 87.950 | 1 | 369,270 | 100.000% |
| | | 255 | 20,373,648 | 100.000% | 1 | 369,270 | 100.000% |

b. The number of shareholdings held in less than marketable parcels is N/A as shares not currently traded.

c. The names of the substantial shareholders listed in the holding company's register as at 24 August 2021 are:

| Shareholder | # of Ordinary Shares | Percentage |
|------------------------------------------------------------------------------------------------------------|----------------------|------------|
| Mismo Pty Limited <Southwest A/C> and Brylet Pty Limited | 2,154,582 | 10.575% |
| Mr Marcus Boland and Interenergy Pty Ltd <Boland Super Fund A/C> | 2,037,352 | 10.000% |
| Kemlay Pty Limited <Grasmere A/C> | 1,490,008 | 7.313% |
| Balander Pty Limited <Balander Super Fund A/C> | 1,245,332 | 6.112% |
| Mrs Paula Suzanne Cameron & Mr Robert Graham Cameron <Cameron Family S/F A/C> and Mr Robert Graham Cameron | 1,185,069 | 5.817% |

d. Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. Options do not carry a vote.

e. 20 Largest Shareholders — Ordinary Shares as at 24 August 2021

| Name | No. of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|----------------------------------------------------------------------------------|----------------------------------------|-----------------------------------|
| 1. Mr Marcus Boland | 1,952,462 | 9.583% |
| 2. Mr Anthony James Haggarty | 1,645,270 | 8.075% |
| 3. Kemlay Pty Limited <Grasmere A/C> | 1,490,008 | 7.313% |
| 4. Mismo Pty Limited <Southwest A/C> | 1,457,556 | 7.154% |
| 5. Balander Pty Limited <Balander Super Fund A/C> | 1,245,332 | 6.112% |
| 6. Mrs Paula Suzanne Cameron & Mr Robert Graham Cameron <Cameron Family S/F A/C> | 1,042,184 | 5.115% |
| 7. Saf It Consulting Group Pty Limited | 930,399 | 4.567% |
| 8. Calama Holdings Pty Ltd <Mambat Super Fund A/C> | 734,917 | 3.607% |
| 9. Brylet Pty Limited | 704,585 | 3.458% |
| 10. Corporate Property Services Pty Ltd <K W Share A/C> | 697,026 | 3.421% |
| 11. P G Howarth Pty Ltd | 694,883 | 3.411% |
| 12. Consanguine Pty Ltd | 635,399 | 3.119% |
| 13. Mr Alexander John Abrahams | 572,735 | 2.811% |
| 14. Symington Pty Ltd | 498,627 | 2.447% |
| 15. Bedel & Sowa Corp Pty Ltd | 424,449 | 2.083% |
| 16. Just Paddling Pty Ltd <Rosebrook Super Fund A/C> | 424,449 | 2.083% |
| 17. Warneet Super Pty Limited <Warneet Super Fund A/C> | 305,943 | 1.502% |
| 18. FNL Investments Pty Ltd <Staff Super Fund A/C> | 301,848 | 1.482% |
| 19. Mr Matthew Steven Klein | 271,475 | 1.332% |
| 20. GA & AM Leaver Investments Pty Ltd <GA & AM Leaver S/Fund A/C> | 229,203 | 1.125% |
| | 16,258,750 | 79.80% |

CORPORATE DIRECTORY

Board of Directors

Robert Cameron – Non-Executive Chairman
Rodney Ruston – Managing Director
Nicholas Revell – Non-Executive Director

Company Secretary

Terence Flitcroft

Registered Office

Suite 4, Level 10, 56 Pitt Street
Sydney, NSW 2000
Telephone: +61 2 9251 3007
Facsimile: +61 2 9251 6550

Auditors

Stirling International
370 Pitt Street
Sydney, NSW 2000

Share Registry

Boardroom Pty Limited
GPO Box 3993
Sydney, NSW 2001
Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664
www.boardroomlimited.com.au

Independent Geological Consultants

Aqua Terra Consultants Inc.
2624 Heartland Drive,
Sheridan, Wyoming 82801
United States of America

USA Solicitors

Pence & MacMillan
129 East Carlson Street
Cheyenne, Wyoming 82003
United States of America

Stock Exchange Listing

Australian Securities Exchange
ASX Code: CCJ