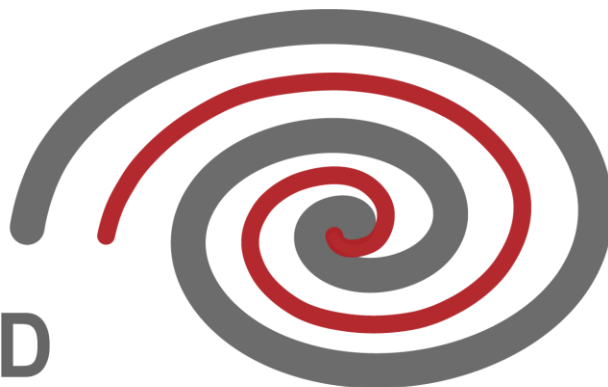


Heavy
Minerals
L I M I T E D



And Controlled Entities

ABN: 26 647 831 883

ANNUAL REPORT

For the Year Ended 30 June 2021

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DIRECTORS

Adam Schofield	Non-Executive Chairman
Maurice (Nic) Matich	Managing Director
Greg Jones	Non-Executive Director
Glenn Simpson	Non-Executive Director

SECRETARY

Stephen Brockhurst

BUSINESS AND REGISTERED OFFICE

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AUDITORS

Criterion Audit Pty Ltd
Suite 2
642 Newcastle Street
Leederville WA 6902

STOCK EXCHANGE LISTING

Australian Securities Exchange
ASX Code: HVY

Your Directors submit the financial report of the Consolidated Entity for the year ended 30 June 2021.

DIRECTORS

The names of Directors who held office during or since the end of the year:

Name	Title
Adam Schofield	Non-Independent Non-Executive Chairman (appointed 10 February 2021)
Maurice (Nic) Matich	Executive Director (appointed 10 February 2021)
Greg Jones	Independent Non-Executive Director (appointed 10 February 2021)
Glenn Simpson	Non-Independent Non-Executive Director (appointed 10 February 2021)

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity is exploration for industrial garnet in Australia and exploration for mineral sands in Mozambique.

REVIEW OF RESULTS

The loss after tax for the year ended 30 June 2021 was \$2,410,468 (2020: \$374,637).

The earnings of the Consolidated Entity for the past 3 years since are summarised below (note that these figures are those of Mozmin Resources Pty Ltd as the accounting parent):

	30 June 2021 \$	30 June 2020 \$	30 June 2019 \$
Revenue	-	-	-
EBITDA	(2,393,231)	(345,223)	(188,944)
EBIT	(2,393,324)	(345,223)	(188,944)
Loss after income tax	(2,410,468)	(374,637)	(206,337)

Company Focus and Mission

Heavy Minerals Limited (HVY) is an Australian industrial minerals exploration company committed to increasing Shareholder wealth through the exploration, development of our mineral resource projects in Western Australia and Mozambique. HVY will also look to acquire other projects in the Industrial Minerals space that are value additive and are complimentary to our existing projects and focus.

During the year the primary focus of the Company consisted of conducting low impact exploration activities (including drone surveys) on the Port Gregory Tenements, identifying the exploration target in tenement E70/5160 and securing land access agreements with private landholders in key exploration areas.

No exploration activities were undertaken in Mozambique due to COVID 19 and its impacts on travel and border restrictions.

PROJECTS

Port Gregory Project [Australia]

The Port Gregory Project is the primary focus of the Company and consists of 5 granted tenements totalling 181 km² of tenure. The Port Gregory Project is prospective for industrial minerals, in particular Garnet as shown by previous exploration activities carried out on the northern tenements (E70/5160 and E70/5314). The Port Gregory Project contains a defined Exploration Target of between 3.5Mt and 4.5Mt In-Situ Garnet.

The Port Gregory Project consists of the following tenure:

Licence No.	Area (Blocks)	Status	Grant date	Expiry date
E66/102	22	Current	31/10/2018	31/10/2023
E70/5130	25	Current	19/11/2018	19/11/2023
E70/5160	6	Current	08/01/2019	08/01/2024
E70/5161	15	Current	09/05/2019	09/05/2024
E70/5314	3	Current	02/12/2020	02/12/2025

During the year ending 30 June 2021 the company undertook the following exploration and evaluation activities on the project:

- Collation of Historical exploration results from WAMEX
- Resource Model creation and identification of Exploration Target
- Aerial Drone Surveys (Photogrametry and Digital Terrain models)
- Field trip to meet land owners, view exploration target area, scout greenfield targets
- Desktop Geological studies to plan exploration program

Inhambane Project [Mozambique]

The Inhambane Project consists of a mining concession application (the application for which was lodged on 11 March 2020) and has a JORC (2012) inferred Mineral Resource of 51 million tonnes @ 3.4% Total Heavy Mineral. The Company has a 70% indirect interest in the Inhambane Project (via its wholly-owned subsidiary, Mozmin Resources (Mauritius) Limited) with the remaining 30% owned by Galilei (which will be free carried until a decision to mine is made by the Company). While the exploration licence preceeding the mining concession application has expired, the grant of the Mining Concession is currently pending.

Competent Persons Statements

The information in this announcement that relates to Exploration Targets is based on and fairly represents information and supporting documentation prepared by Mr. Greg Jones (FAusIMM) who is a Non-Executive Director by Heavy Minerals Limited. Mr. Jones is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being reported on to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Jones has reviewed this report and consents to the inclusion in the report of the matters in the form and context with which it appears.

Environmental Regulation

The Company's projects are not subject to direct physical risk arising from climate factors. The Port Gregory Project is still at an early exploration stage. The Inhambane Project is located in Mozambique and hence is only accessible during a limited season. Global warming may make the site more inaccessible over time. The Projects are not subject to any direct physical risk from climate factors such as flooding or excessive drought. The Consolidated Entity is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The Directors are not aware of any environmental law that is not being complied with.

CORPORATE

Heavy Minerals Limited (HVY) was incorporated on 10 February 2021 and listed on the Australian Securities Exchange (ASX) on 14 September 2021. Mozmin Resources Pty Ltd is the accounting parent.

On 1 June 2021 HVY completed a 1 for 1 share swap for all of the shares of Mozmin Resources Pty Ltd.

During the year, debt totalling \$555,654 was converted into equity at \$0.10 per share.

COVID-19 Impacts

COVID 19 did not impact operations in Western Australia during the financial year given the relatively limited number of "lock-downs" in the State and limited travel requirements intrastate.

In Mozambique the force majeure position with respect to the expenditure requirements of the Mozambique assets remained in place.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 June 2021 HVY completed a 1 for 1 share swap for all of the shares of Mozmin Resources Pty Ltd. Mozmin Resources is now a 100% owned subsidiary of HVY.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no likely developments of which the Directors are aware of which could be expected to significantly affect the results of the Company's operations in subsequent financial periods not otherwise disclosed in the 'Principal activities' and 'Review of operations' or the 'Significant events after the balance sheet date' sections of the Directors' report.

HVY raised \$5.5M by way of an initial public offering and listing on the ASX on 14 September 2021.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

The Directors' qualifications and experience are set out below.

Current Directors

Director	Details
Adam Schofield	
Qualifications	Dip (MechEng)
Position	Non-Independent Non-Executive Chairman
Appointment Date	10 February 2021
Resignation Date	N/A
Length of Service	4 months
Biography	Mr Schofield is an Executive Director with over 21 years' experience in the resources sector in Africa and Australia. He is a Mechanical Engineer with significant experience in conducting feasibility studies and taking projects from feasibility stage into operations. Mr Schofield has an extensive experience in gold, mineral sands, iron ore and copper.
Committee Memberships	N/A as the Board as a whole performs the role of the Audit and Risk, Nomination and Remuneration Committees
Current ASX Listed Directorships	Kingfisher Mining Limited Nelson Resources Limited
Former ASX Listed Directorships	None

Maurice (Nic) Matich	
Qualifications	B Eng (Mech) (Hons), B Sci (Phys, IT), GradDip (Finance)
Position	Managing Director
Appointment Date	10 February 2021
Resignation Date	N/A
Length of Service	4 months
Biography	Mr Matich is a mechanical engineer and finance professional with over 15 years' of varied experience in the resources sector. His industry experience includes the provision of engineering, risk consulting and insurance services to numerous tier 1 mining companies with operations in mineral sands, kaolin, iron ore, gold and zinc. Mr Matich has a deep understanding of the industrial minerals thematic having covered the sector as an analyst for Patersons Securities. Mr Matich is a director of Mobile Crisis Construction Limited, an Australian Charity that operates internationally.
Committee Memberships	N/A as the Board as a whole performs the role of the Audit and Risk, Nomination and Remuneration Committees
Current ASX Listed Directorships	None
Former ASX Listed Directorships	None
Greg Jones	
Qualifications	B App Sc (Geol) (Hons), FAusIMM
Position	Independent Non-Executive Director
Appointment Date	10 February 2021
Resignation Date	N/A
Length of Service	4 months
Biography	Mr Jones has over 25 years' experience primarily as a mineral sands Geologist. Most of his career has been with Iluka Resources in senior resource estimation/management roles and in the capacity of Competent Person for the reporting and management of Mineral Resources and Ore Reserves. Mr Jones has helped develop a number of new discoveries into reportable Mineral Resources including Jacinth-Ambrosia. He is a 20 year member of the AusIMM, holding the grade of Fellow, sitting on review committees and has published multiple technical and resource estimation mineral sands papers. For the past seven years, Mr Jones has held various consulting roles, firstly establishing GNJ Consulting Pty Ltd specialising in geological, geometallurgical and resource estimation consulting services to the mineral sands sector, then joining IHC Robbins where he is currently the Commercial and Business Development Manager.
Committee Memberships	N/A as the Board as a whole performs the role of the Audit and Risk, Nomination and Remuneration Committees
Current ASX Listed Directorships	None
Former ASX Listed Directorships	None

Glenn Simpson	
Qualifications	BCom
Position	Non-Independent Non-Executive Director
Appointment Date	10 February 2021
Resignation Date	N/A
Length of Service	4 months
Biography	Mr Simpson has been a Chartered Accountant for over 32 years, with global experience in accounting with a strong mining focus. His experience includes managing the Touché Ross & Co (Deloitte) practice in Bougainville, Papua New Guinea for 3 years and establishing his own large commercial accounting practice in West Perth and Kalgoorlie. Over the last decade, he established a large insurance broking and underwriting business from Perth that operated nationally. These businesses were sold to a “national brand” underwriting and broking company. Mr Simpson is a sophisticated investor and has been involved in many commercial ventures including capital raising and business start-ups. He has also mentored many small cap companies.
Committee Memberships	N/A as the Board as a whole performs the role of the Audit and Risk, Nomination and Remuneration Committees
Current ASX Listed Directorships	None
Former ASX Listed Directorships	Cleveland Mining Company Ltd (CDG)

COMPANY SECRETARY

Company Secretary	Details
Stephen Brockhurst	
Qualifications	BCom
Position	Company Secretary
Appointment Date	22 February 2021
Resignation Date	N/A
Biography	Mr Brockhurst has over 19 years' experience in the finance and corporate advisory industry and has been responsible for the due diligence process and preparation of prospectuses on a number of initial public offers. His experience includes corporate and capital structuring, corporate advisory and company secretarial services, capital raising, ASX and ASIC compliance requirements. Mr Brockhurst has served on the board and acted as Company Secretary for numerous ASX listed companies.

MEETINGS OF DIRECTORS

The number of meetings held during the year and the number of meetings attended by each Director was as follows:

	Board	Audit & Risk Committee	Nomination Committee	Remuneration Committee
Number of Meetings Held	1	-	-	-
Number of Meetings Attended:				
Adam Schofield	1	-	-	-
Nic Matich	1	-	-	-
Greg Jones	1	-	-	-
Glenn Simpson	1	-	-	-

All Directors were eligible to attend all Board Meetings held when they were in office.

SHARE OPTIONS

As at the date of this report:

No. Options	Exercise Price	Expiry Date	Listed / Unlisted
3,782,226	\$0.25	14 September 2023	Unlisted
5,000,000	\$0.25	14 September 2024	Unlisted

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

No shares as a result of the exercise of the options were issued as at the date of this report.

DIRECTORS' INTERESTS AND BENEFITS

The movement during the reporting period in the number of options over ordinary shares of the Company held directly, indirectly or beneficially, by each Director or key management personnel, including their personally-related entities is as follows:

Director	No. Options Held at 30 June 2020	Share Based Payments	Exercise of Options	Other Changes	No. Options Held at 30 June 2021	No. Options Held at Date of this Report
Adam Schofield						
Directly	-	1,000,000	-	-	1,000,000	1,000,000
Indirectly	-	-	-	-	-	-
Nic Matich						
Directly	-	1,250,000	-	-	1,250,000	1,250,000
Indirectly	-	-	-	-	-	-
Greg Jones						
Directly	-	1,000,000	-	-	1,000,000	1,000,000
Indirectly	-	-	-	-	-	-
Glenn Simpson						
Directly	-	1,000,000	-	-	1,000,000	1,000,000
Indirectly	-	-	-	-	-	-
Total	-	4,250,000	-	-	4,250,000	4,250,000

The movement during the reporting period in the number of performance rights of the Company held directly, indirectly or beneficially, by each Director or key management personnel, including their personally-related entities is as follows:

Director	No. Performance Rights Held at 30 June 2020	Security Based Payments	Conversion of Performance Rights	No. Performance Rights Held at 30 June 2021	No. Performance Rights Held at Date of this Report
Adam Schofield					
Directly	-	1,000,000	-	1,000,000	1,000,000
Indirectly	-	-	-	-	-
Nic Matich					
Directly	-	1,250,000	-	1,250,000	1,250,000
Indirectly	-	-	-	-	-
Greg Jones					
Directly	-	1,000,000	-	1,000,000	1,000,000
Indirectly	-	-	-	-	-
Glenn Simpson					
Directly	-	1,000,000	-	1,000,000	1,000,000
Indirectly	-	-	-	-	-
Total	-	4,250,000	-	4,250,000	4,250,000

The following terms and conditions apply to each of the Performance Rights:

✕ **(Vesting Conditions):** The Performance Rights will vest subject to the satisfaction of the following performance milestones within that timeframe (each a **Milestone**):

Class	Performance Milestone	Milestone Date	Number of Performance Rights
Class A	Delineation of an Inferred Mineral Resource of 1.5MT contained Garnet (at a minimum cut-off grade of 2.5% THM) at the Port Gregory Project	5 years from the date of Admission	2,565,407
Class B	Delineation of a 250MT Inferred Mineral Resource at 3.0% THM (with a minimum cut-off grade of 2%) at the Inhambane Project	5 years from the date of Admission	2,565,408
Total			5,130,815

- For the avoidance of doubt, both the retention condition and the relevant Milestone (together, the **Vesting Conditions**) must be satisfied before a Performance Right will vest.

- (Vesting Process): Provided the Vesting Conditions are met or otherwise waived by the Board, a Vesting Notification will be sent to the holder from the Board, informing them that some or all of the Performance Rights have vested. Unless and until the Vesting Notification is issued by the Company, the Performance Rights will not be considered to have vested.
- Following the issue of the Vesting Notification for the Performance Rights, the holder will have until the Expiry Date of the Performance Rights to convert any vested Performance Rights. Any vested Performance Rights that remain unconverted after this date will automatically expire and lapse.
- (Conversion of Vested Performance Rights): Following the vesting of any Performance Rights the holder has until the Expiry Date to convert any such vested Performance Rights, at their election.
- The holder may convert vested Performance Rights (in whole or if converted in part, multiples of 10,000 must be converted on each occasion) by lodging with the Company, on or prior to the Expiry Date a written notice of conversion of Performance Rights specifying the number of vested Performance Rights being converted (Conversion Notice).
- Upon conversion, the holder will be issued and/or transferred one Share for each vested Performance Right.
- (Timing of issue of Shares and quotation of Shares on conversion): As soon as practicable after the valid conversion of a vested Performance Right, the Company will:
 - issue, allocate or cause to be transferred to the holder the number of Shares to which the holder is entitled;
 - issue a substitute certificate for any remaining unconverted Performance Rights held by the holder;
 - if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act; and
 - in the event the Company is admitted to the official list of ASX at the time, do all such acts, matters and things to obtain the grant of quotation of the Shares by ASX in accordance with the Listing Rules.
- All Shares issued upon the conversion of Performance Rights will upon issue rank equally in all respects with the then issued Shares.
- (Restrictions on transfer or disposal of Shares): If the Company is unable to give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, Shares issued on conversion of the Performance Rights may not be traded until 12 months after their issue unless the Company, at its sole discretion, elects to issue a prospectus pursuant to section 708A(11) of the Corporations Act.
- Except as set out in the Company's share trading policy and applicable laws, no other specific disposal restrictions apply to any Shares that are issued or transferred as a result of the conversion of the Performance Rights.
- (Shares issued on exercise): All Shares issued upon exercise of Performance Rights will upon issue rank equally in all respects with the Company's existing Shares on issue.
- (Expiry Date of Performance Rights): All unvested, or vested but unexercised, Performance Rights will expire automatically at 5.00pm WST on the date which is 5 years from their date of issue unless an earlier lapsing date applies (as set out below).

- ✘ **(Lapse of Performance Rights):** Where the holder becomes a leaver, all unvested Performance Rights will automatically be forfeited and lapse, subject to any determination otherwise by the Board in its sole and absolute discretion. The Board may take into account the holder's longevity in the role and the reasons for leaving. For example, the Board may, at its sole and absolute discretion, determine that unvested performance right vest upon the holder becoming a leaver due to their role being made redundant, where the other vesting conditions have been met.

Where, in the opinion of the Board, the holder:

- (i) acts fraudulently, or dishonestly;
- (ii) wilfully breaches their duties to the Group;
- (iii) is responsible for: material financial misstatements; major negligence; significant legal, regulatory and/or policy non-compliance; or a significant harmful act,

then the Board may, at its sole and absolute discretion, deem some or all of the unvested, or vested but unconverted, Performance Rights to be forfeited and to have lapsed.

Unless the Board otherwise determines in its sole and absolute discretion, unvested Performance Rights will lapse in accordance with the Rules, which includes (without limitation):

- (i) if the Vesting Conditions applicable to that Performance Right are not achieved by the relevant time;
- (ii) if the Board determines in its sole and absolute discretion that any Vesting Condition applicable to that Performance Right has not been met and cannot be met prior to the Expiry Date; or
- (iii) if the holder becomes Insolvent.

- ✘ **(Transfer of Performance Rights):** The Performance Rights are not transferable unless they have vested and then only with the prior written approval of the Board and subject to compliance with the Corporations Act and the ASX Listing Rules.

- ✘ **(Quotation of Performance Rights):** No application for quotation of the Performance Rights will be made by the Company.

- ✘ **(Change of control):** In the event that a Change of Control Event occurs or the Board determines that either such an event is likely to occur before the Vesting Conditions are met, the Board will have a discretion whether to allow the vesting of the Performance Rights and on what terms. When determining the vesting of the Performance Rights, the Directors will take into consideration a number of criteria, but in particular the value to shareholders as a result of the event.

- ✘ **(Participation in entitlements and bonus issues):** Subject always to the rights under items above, the holder of the Performance Rights will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

- ✘ **(Adjustment for bonus issue):** If securities are issued pro-rata to shareholders generally by way of bonus issue (other than an issue in lieu of dividends by way of dividend reinvestment), the number of Performance Rights to which the holder is entitled will be increased by that number of securities which the holder would have been entitled if the Performance Rights held by the holder were converted immediately prior to the record date of the bonus issue, and in any event in a manner consistent with the Listing Rules at the time of the bonus issue.

- ✕ (Reorganisation of capital): In the event that the issued capital of the Company is reconstructed, all the holder's rights as a holder of Performance Rights will be changed to the extent necessary to comply with the Listing Rules at the time of reorganisation provided that, subject to compliance with the Listing Rules, following such reorganisation the holder's economic and other rights are not diminished or terminated.

Transactions with related parties

During the reporting year, there were the following related party transactions:

- ✕ On 7 May 2021 Mozmin Resources Pty Ltd granted 4,250,000 Director Options exercisable at \$0.25 expiring 3 years from ASX listing date to Directors;
- ✕ On 7 May 2021 Mozmin Resources Pty Ltd granted 4,250,000 Director Performance Rights expiring 5 years from ASX listing date to Directors;
- ✕ On 1 June 2021 the acquisition of Mozmin Resources Pty Ltd by Heavy Minerals Limited and the roll-up (effective consolidation) of securities into Heavy Minerals Limited occurred.

REMUNERATION REPORT

Introduction

The Directors present the Remuneration Report for the Consolidated Entity for the year ended 30 June 2021. This Remuneration Report forms part of the Directors' Report in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, including any Director (whether executive or otherwise) of the Consolidated Entity.

Remuneration Policy

The remuneration policy of the Consolidated Entity has been designed to align KMP objectives with Shareholders' interests and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Entity's financial results. The Board believes that the remuneration policy is appropriate and effective in its ability to attract and retain the best KMP to run and manage the Consolidated Entity, as well as create goal congruence between Directors, Executives and Shareholders.

Executive Directors and Key Management Personnel

The Board's policy for determining the nature and amount of remuneration for Executive Directors and Key Management Personnel of the Consolidated Entity was in place for the year ended 30 June 2021.

There was no performance evaluation performed during the year due to the Consolidated Entity's infancy. The Board has agreed to conduct its first performance review in the next financial year, now that ASX listing has occurred.

Non-Executive Directors

The Board's policy is to remunerate Non-Executive Directors based on market practices, duties and accountability. Independent external advice is sought when required. The fees paid to Non-Executive Directors will be reviewed annually. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by Shareholders at the Annual General Meeting ("AGM"). The maximum aggregate amount of fees payable has been set at \$250,000pa.

Use of Remuneration Consultants

To ensure the Remuneration Committee (of which the function is performed by the Board as a whole at this stage) is fully informed when making remuneration decisions, it may seek external remuneration advice. The Board did not engage external remuneration advice in 2021.

Remuneration Report Approval at FY2021 AGM

The remuneration report for the year ended 30 June 2021 will be put to shareholders for approval at the Consolidated Entity's AGM which will be held during November 2021.

Details of Remuneration

Details of remuneration of the Directors and KMP of the Consolidated Entity (as defined by AASB 124 Related Party Disclosures) and specified executives are set out below:

		Fixed				STI	LTI	Total	Proportion of Remuneration		
	Year	Salary fees and leave \$	Other Fees \$	Super-annuation \$	Security Based Payments \$	Incentive Payments \$	Fair value of Share Options (equity settled) \$	\$	Fixed %	STI %	LTI %
Non-Executive Directors											
Adam Schofield	2021	26,967	-	-	-	-	155,000	181,967	15%	-	85%
	2020	10,000	-	-	-	-	-	10,000	100%	-	-
	2021	33,569	-	1,857	-	-	155,000	190,426	19%	-	81%
Greg Jones	2020	10,000	-	-	-	-	-	10,000	100%	-	-
Glenn Simpson	2021	25,426	-	-	-	-	155,000	180,426	14%	-	86%
	2020	10,000	-	-	-	-	-	10,000	100%	-	-
	2021	6,552	-	-	-	-	-	6,552	100%	-	-
Steven Flynn	2020	-	-	-	-	-	-	-	-	-	-
	2021	-	-	-	-	-	-	-	-	-	-
Jeet Foolessur	2020	-	-	-	-	-	-	-	-	-	-
Total Non-Executive Directors	2021	92,514	-	1,857	-	-	465,000	559,361	17%	-	83%
	2020	30,000	-	-	-	-	-	30,000	100%	-	-
Executive Directors											
Nic Matich	2021	117,808	-	5,781	-	-	193,750	317,339	36%	-	64%
	2020	-	-	-	-	-	-	-	-	-	-
Total Executive Directors	2021	117,808	-	5,781	-	-	193,750	317,339	36%	-	64%
	2020	-	-	-	-	-	-	-	-	-	-

Service Agreements

The Company entered into an executive services agreement with Maurice Matich on the 10 February 2021, pursuant to which Mr Matich serves as Managing Director responsible for the overall management and supervision of the activities, operations and affairs of the Company, subject to overall control and direction of the Board. Pursuant to the agreement, Mr Matich is entitled to receive \$165,000 per annum (including statutory superannuation). In addition, the Company has agreed to a \$60,000 sign on bonus to be paid immediately prior to Admission (**Sign-on Bonus**) and issued Mr Matich (or his nominee) 1,250,000 Options and 1,250,000 Performance Rights. The Board may, in its absolute discretion invite Mr Matich to participate in bonus and/or other incentive schemes in the Company that it may implement from time to time, subject to compliance with the Corporations Act and Listing Rules. The agreement is for an indefinite term, continuing until terminated by either the Company or Mr Matich giving not less than one month's written notice of termination to the other party (or shorter period in limited circumstances). Mr Matich is also subject to restrictions in relation to the use of confidential information during his employment and after his employment with the Company ceases and being directly or indirectly involved in a competing business during the continuance of his employment with the Company and for a period of 12 months after his employment with the Company ceases, on terms which are otherwise considered standard for agreements of this nature. In addition, the agreement contains additional provisions considered standard for agreements of this nature.

The Company has entered into agreements with its Non-Executive Directors.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share Based Compensation

Performance based compensation during the year ended 30 June 2021 has been detailed for the Directors within the Remuneration and Service Agreements sections of the Remuneration Report.

The movement during the reporting period in the number of ordinary shares of the Company held directly, indirectly or beneficially, by each Director or key management personnel, including their personally-related entities is as follows:

Director	No. Shares Held at 30 June 2020	Share Based Payments	Exercise of Options	Other Changes	No. Shares Held at 30 June 2021	No. Shares Held at Date of this Report
Adam Schofield						
Directly	-	-	-	3,029,183	3,029,183	3,029,183
Indirectly	-	-	-	-	-	-
Nic Matich						
Directly	-	-	-	800,000	800,000	800,000
Indirectly	-	-	-	-	-	-
Greg Jones						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	1,579,078	1,579,078	1,579,078
Glenn Simpson						
Directly	-	-	-	-	-	-
Indirectly	-	-	-	2,963,445	2,963,445	2,963,445
Total	-	-	-	8,371,706	8,371,706	8,371,706

The following table sets out the details of options granted as remuneration during the year ended 30 June 2021:

	Exercise Price	Expiry Date	Grant Date	Granted as Remuneration	Fair Value per Option at Grant Date
Non-Executive Directors					
Adam Schofield	\$0.25	14-Sep-24	07-May-21	1,000,000	\$55,000
Greg Jones	\$0.25	14-Sep-24	07-May-21	1,000,000	\$55,000
Glenn Simpson	\$0.25	14-Sep-24	07-May-21	1,000,000	\$55,000
Total Non-Executive Directors	N/A	N/A	N/A	3,000,000	\$165,000
Executive Directors					
Nic Matich	\$0.25	14-Sep-24	07-May-21	1,250,000	\$68,750
Total Executive Directors	N/A	N/A	N/A	1,250,000	\$68,750
Total	N/A	N/A	N/A	4,250,000	\$233,750

There were no other Director and KMP transactions.

End of Audited Remuneration Report.

DIVIDENDS

No dividends were paid during the year and no recommendation is made as to payment of dividends.

EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances have arisen since the end of the year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial years other than the following:

- ✕ HVY successfully raised \$5.5M by way of initial public offering listing on the ASX on 14 September 2021; and
- ✕ Upon ASX admission, the borrowings outstanding at balance date were repaid via an equity conversion.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and officers of the Company for costs incurred, in their capacity as a Director or officer, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a premium in respect of a contract to insure the Directors and officers of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Consolidated Entity has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Consolidated Entity or any related entity against a liability incurred by the auditor. During the financial year, the Consolidated Entity has not paid a premium in respect of a contract to insure the auditor of the Consolidated Entity or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 5 to the financial statements. The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are of the opinion that the services as disclosed in Note 5 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- ✕ All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- ✕ None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Consolidated Entity, acting as advocates for the Consolidated Entity or jointly sharing economic risks and rewards.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2021 has been received and is included within the financial statements.

AUDITOR

Criterion Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporation Act 2001.

Signed in accordance on behalf of the Directors.



Adam Schofield
Non-Executive Chairman

29 September 2021

The Board of Directors is responsible for the corporate governance of Heavy Minerals Limited (the Consolidated Entity). The Board of Directors have established a corporate governance framework which follows the recommendations as set out in the ASX Corporate Governance Council's Principles and Recommendations 4th edition ("Principles and Recommendations"). The Consolidated Entity has followed each recommendation where the Board has considered the recommendation to be appropriate benchmark for the Consolidated Entity's corporate governance practices. Where the Consolidated Entity's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where the Consolidated Entity's corporate governance practices do not follow a recommendation, the Board explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Consolidated Entity has adopted instead of those in the recommendation. The Consolidated Entity's corporate governance framework can be viewed on the Consolidated Entity's website: www.heavyminerals.com

Recommendation 1.5

The respective proportions of men and women on the Board, in senior executive positions (including key management personnel) and across the whole organisation:

Details: 2021	Percentage	Number
Board		
Men	100%	4
Women	-%	-
Senior Executive Positions		
Men	100%	2
Women	-%	-
Entire Organisation		
Men	100%	6
Women	-%	-

The Consolidated Entity recognises and respects the value of diversity at all levels of the organisation. The Consolidated Entity recognises that the mining and exploration industry is intrinsically male dominated in many of the operational sectors and the pool of women with appropriate skills will be limited in some instances. The Consolidated Entity recognises that diversity extends to matters of age, disability, ethnicity, marital/family status, religious/cultural background and sexual orientation. Where possible, the Consolidated Entity will seek to identify suitable candidates for positions from a diverse pool.

Recommendation 2.2

The Consolidated Entity has reviewed the skill set of its Board to determine where the skills lie and any relevant gaps in skills shortages. The Consolidated Entity is working towards filling these gaps through engagement of professional advisors where it is deemed necessary.

Recommendation 7.4

The Consolidated Entity has assessed its exposure to economic, environmental and social sustainability risks and has addressed them in its prospectus dated 27 July 2021 and these remain the same for the current financial year.

Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 233 LEEDERVILLE WA 6902

Suite 2, 642 Newcastle Street
LEEDERVILLE WA 6007

Phone: 9466 9009

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Heavy Minerals Limited and its controlled entities for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



CHRIS WATTS CA
Director

CRITERION AUDIT PTY LTD

DATED at PERTH this 29th day of September 2021

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

	Note	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
Revenue	3	-	56
Accounting fees		(28,863)	(6,117)
Compliance fees		(50,447)	(5,152)
Consultancy fees		(30,942)	(17,208)
Corporate restructure costs	17	(1,223,924)	-
Depreciation	10	(93)	-
Directors' remuneration		(205,766)	(75,585)
Exploration expenditure expensed		(6,562)	(230,971)
Foreign exchange loss		(24,435)	(11,770)
Insurance expense		(8,103)	-
Interest expense		(17,144)	(29,414)
IT expenses		(2,738)	(3,825)
Legal fees		(40,774)	2,876
Marketing		(2,565)	-
Other expenses		(1,865)	(11,314)
Share based payments expense	16	(788,082)	-
Travel expenses		(4,607)	(684)
Loss before tax		(2,436,910)	(389,108)
Income tax benefit/(expense)	4	-	-
Net loss for the year from operations		(2,436,910)	(389,108)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		26,442	14,471
Total comprehensive loss for the year		(2,410,468)	(374,637)
Attributable to owners of the Consolidated Entity		(2,408,698)	(373,882)
Attributable to non-controlling interest		(1,770)	(755)
		(2,410,468)	(374,637)
Basic and diluted loss per share (cents)	6	(3.89)c	(0.58)c

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	34,872	2,301
Trade and other receivables	8	1,151	50
Other assets	9	186,593	-
Total Current Assets		222,616	2,351
Non-Current Assets			
Plant and equipment	10	1,912	-
Exploration and evaluation assets	11	90,350	54,712
Total Non-Current Assets		92,262	54,712
Total Assets		314,878	57,063
LIABILITIES			
Current Liabilities			
Trade and other payables	12	333,635	108,335
Borrowings	13	215,785	512,785
Provisions	14	4,469	-
Total Current Liabilities		553,889	621,120
Total Liabilities		553,889	621,120
Net Assets Deficiency		(239,011)	(564,057)
EQUITY			
Contributed equity	15	2,707,849	919,270
Reserves	16	977,516	2,815
Accumulated losses		(3,880,881)	(1,444,417)
Attributable to owners of the Consolidated Entity		(195,516)	(522,332)
Attributable to non-controlling interest		(43,495)	(41,725)
Total Equity Deficiency		(239,011)	(564,057)

The accompanying notes form part of these financial statements.

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

Consolidated Entity	Contributed Equity	Foreign Currency Translation Reserve	Share Based Payments Reserve	Accumulated Losses	Attributable to Owners of the Consolidated Entity	Attributable to Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	919,270	2,815	-	(1,444,417)	(522,332)	(41,725)	(564,057)
Equity issues	564,655	-	-	-	564,655	-	564,655
Deemed consideration of acquisition	1,223,924	-	-	-	1,223,924	-	1,223,924
Share based payments	-	-	946,935	-	946,935	-	946,935
Foreign exchange on translation of operations	-	27,766	-	-	27,766	(1,324)	26,442
Loss for the year	-	-	-	(2,436,464)	(2,436,464)	(446)	(2,436,910)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(2,436,464)	(2,408,698)	(1,770)	(2,410,468)
Balance at 30 June 2021	2,707,849	30,581	946,935	(3,880,881)	(195,516)	(43,495)	(239,011)
Balance at 1 July 2019	919,270	(7,235)	-	(1,060,485)	(148,450)	(40,970)	(189,420)
Foreign exchange on translation of operations	-	10,050	-	-	10,050	4,421	14,471
Loss for the year	-	-	-	(383,932)	(383,932)	(5,176)	(389,108)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	10,050	-	(383,932)	(373,882)	(755)	(374,637)
Balance at 30 June 2020	919,270	2,815	-	(1,444,417)	(522,332)	(41,725)	(564,057)

The accompanying notes form part of these financial statements.

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

	Note	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
Cash flows from operating activities			
Payments to suppliers and employees		(186,698)	(33,432)
Interest received		-	-
Interest paid		-	-
Payment for exploration and evaluation		(23,488)	(230,988)
Net cash used in operating activities	19	(210,186)	(264,420)
Cash flows from investing activities			
Payments for exploration assets		-	(2,212)
Payment for plant and equipment		(2,005)	-
Net cash from investing activities		(2,005)	(2,212)
Cash flows from financing activities			
Payment for costs of equity issues		(42,286)	-
Proceeds from borrowings		287,000	131,750
Net cash provided/(used in) from financing activities		244,714	131,750
Net increase / (decrease) in cash held		32,523	(134,882)
Cash and cash equivalents at beginning of the year		2,301	136,419
Foreign exchange effect on cash and cash equivalents		48	764
Cash and cash equivalents at year end	7	34,872	2,301

The accompanying notes form part of these financial statements.

1. *Corporate information*

This annual report covers Heavy Minerals Limited (parent entity) and subsidiaries (the "Consolidated Entity"), a company incorporated in Australia for the year ended 30 June 2021. The presentation currency of the Consolidated Entity is Australian Dollars ("\$"). A description of the Consolidated Entity's operations is included in the review and results of operations in the Directors' Report. The Directors' Report is not part of the financial statements. The Consolidated Entity is a for-profit entity and limited by shares incorporated in Australia whose shares are traded under the ASX code "HVV". The financial statements were authorised for issue on 29 September 2021 by the Directors. The Directors have the power to amend and reissue the financial statements. The principal accounting policies adopted in the preparation of the financial statements are set out below.

2. *Accounting policies*

a. Basis of preparation

The general purpose financial statements of the Consolidated Entity have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial report has also been prepared on a historical cost base. It is recommended that the annual financial report be considered together with any public announcements made by the Consolidated Entity up to the issue date of this report, which the Consolidated Entity has made in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001*. The financial statements have been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of financial assets and financial liabilities.

b. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Heavy Minerals Limited (Company or parent entity) as at 30 June 2021 and the results of all subsidiaries for the year then ended. Heavy Minerals Limited and its subsidiaries together are referred to in these financial statements as the Consolidated Entity. Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

2. *Accounting policies (continued)*

A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent. Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance. Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

c. 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 classified as current when: it is either 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 12 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 12 months after the reporting period. All other assets are classified as non-current. A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

d. Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

e. Provisions

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits.

f. Significant management judgement in applying accounting policies and estimate uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below.

2. Accounting policies (continued)

i. Exploration and evaluation expenditure

Exploration and evaluation costs have been capitalised and are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Key judgements are applied in considering the costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

ii. Share based payment transactions

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

f. Accounting Standards that are mandatorily effective for the current reporting year

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020. The Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Company accounting policies.

g. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Company has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Company's accounting policies, however further analysis will be performed when the relevant standards are effective.

	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
3. Revenue		
Interest revenue	-	56
	-	56

Accounting policy

Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

4. Income tax benefit/(expense)

A reconciliation between the income tax expense and the product of accounting profit before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:

Loss before tax	(2,436,910)	(389,108)
Statutory income tax rate for the Consolidated Entity at 30% (2020: 30%)	(731,073)	(116,732)
Tax effect of amounts which are not deductible /(taxable) in calculating taxable income:		
Other non-deductible expenses	615,738	27,099
Unrecognised tax losses and timing differences	112,740	88,995
Differences in tax rate of subsidiaries operating in other jurisdictions	2,595	738
Income tax expense	-	-
Unrecognised deferred tax assets and liabilities	495,972	385,931
Other	(2,699)	-
	498,671	385,931

4. Income tax benefit/(expense) (continued)

Accounting policy

Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction. Income tax on profit or loss for the year comprises current and deferred tax. Current and deferred tax is recognised in statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Goods and services and sales tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other assets or liabilities in the consolidated statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
--	--	--

5. Auditor's remuneration

Audit of the financial statements	20,500	-
Investigating accountants report	2,500	-
	23,000	-

	Consolidated Entity 30 June 2021	Consolidated Entity 30 June 2020
--	--	--

6. Loss per share

The following reflects the loss and number of shares used in the calculation of the basic and diluted loss per share.

Basic and diluted loss per share (cents per share)	(3.89)c	(0.58)c
Net loss attributable to ordinary shareholders (\$)	\$(2,408,698)	\$(373,882)

	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic loss per share	62,672,263	65,000,000

Accounting policy

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), dividend by the weighted average number of ordinary shares, adjusted for any bonus element. The diluted earnings per share is calculated as net profit or loss attributable to members of the parent dividend by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. The weighted average number of shares was based on the consolidated weighted average number of shares in the reporting year. The net profit or loss attributable to members of the parent is adjusted for:

- ✕ Costs of servicing equity (other than dividends) and preference share dividends;
- ✕ The after-tax effect if dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- ✕ Other non-discretionary changes in revenue or expenses during the year that would result from the dilution of potential ordinary shares.

	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
--	--	--

7. Cash and cash equivalents

Cash at bank	<u>34,872</u>	<u>2,301</u>
	<u>34,872</u>	<u>2,301</u>

Accounting policy

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Trade and other receivables (current)

Tax refunds	<u>1,151</u>	<u>50</u>
	<u>1,151</u>	<u>50</u>

Accounting policy

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. This category generally applies to trade and other receivables. Trade and other receivables are generally due for settlement within no more than 30 days from the date of recognition. Due to their current nature, the carrying amount of trade and other receivables approximates fair value. There is no allowance for expected credit losses recognised for the year ended 30 June 2021 (2020: Nil).

	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
9. Other assets		
Deferred costs (capital raising costs)	164,353	-
Prepaid expenses	22,239	-
	<u>186,593</u>	<u>-</u>

Accounting policy

Deferred costs relate to deferred capital raising expenses associated with the IPO, measured at cost.

10. Plant and equipment

Opening written down value at beginning of year	-	-
Additions	2,005	-
Depreciation	(93)	-
	<u>1,912</u>	<u>-</u>
Closing written down value at beginning of year		

Accounting policy

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives, being 5 years. The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
11. Exploration and evaluation assets		
Balance at beginning of year	54,712	52,500
Exploration and evaluation expenditure incurred during the year	35,638	2,212
Balance at end of year	90,350	54,712

Accounting policy

Exploration and evaluation expenditure in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- ✕ the rights to tenure of the area of interest are current; and
- ✕ at least one of the following conditions is also met:
 - the exploration and evaluation expenditure are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest. Indirect costs that are included in the cost of an exploration and evaluation asset include, among other things, charges for depreciation of equipment used in exploration and evaluation activities. If an area of interest is abandoned or is considered to be of no further commercial interest, the accumulated exploration costs relating to the area are written off against income in the year of abandonment. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
12. Trade and other payables		
Accrued expenses	329,136	108,335
Trade creditors	4,499	-
	333,635	108,335

Accounting policy

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost.

13. Borrowings

Current

Balance at beginning of year	512,785	353,646
Proceeds from borrowings	287,000	159,139
Capitalised interest	17,144	-
Conversion to equity ¹	(601,144)	-
	215,785	512,785

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

¹ During the year, the convertible loans and associated interest were converted to equity. Upon ASX admission, borrowings of \$195,785 were repaid via an equity conversion.

	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
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14. Provisions

Current

Provision for annual leave	4,469	-
	4,469	-

Accounting policy

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits.

	Consolidated Entity 30 June 2021 No.	\$	Consolidated Entity 30 June 2020 No.	\$
15. Contributed equity				
Balance at beginning of year	65,000,000	919,270	65,000,000	919,270
Share issue: 10 February 2021	100	1	-	-
Share issue upon loan conversions: 26 April 2021	14,401,829	304,654	-	-
Share consolidation: 1 June 2021 ²	(62,605,288)	-	-	-
Share issue & loan conversions: 1 June 2021	2,600,000	260,000	-	-
Deemed consideration of acquisition	-	1,223,924	-	-
Balance at end of year	19,396,641	2,707,849	65,000,000	919,270

Ordinary shares

Ordinary shares have no par value and have the right to receive dividends as declared and, in the event of the winding up of the Consolidated Entity, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Consolidated Entity. Share capital represents the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

² Refer to Note 17.

15. **Contributed equity (continued)**

Capital management

Management controlled the capital of the Consolidated Entity in order to maintain a capital structure that ensured the lowest cost of capital available to the Consolidated Entity. Management's objective is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. The Consolidated Entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
16. Reserves		
<u>Foreign currency translation reserve</u>		
Balance at beginning of year	2,815	(7,235)
Foreign exchange on translation of operations	27,766	10,050
Balance at end of year	30,581	2,815
<u>Share based payments reserve</u>		
Balance at beginning of year	-	-
Options granted ⁵	433,853	-
Performance rights granted ³	513,082	-
Balance at end of year	946,935	-

⁵Variables used to calculate the option valuations are as follows:

Inputs	Director and Consultant Options	Shareholder Options
Number of options	5,000,000	3,782,226
Exercise price	\$0.25	\$0.25
Expiry date	14 September 2024	14 September 2023
Grant date	7 May 2021	1 June 2021
Share price at grant date	\$0.20	\$0.20
Risk free interest rate	0.11%	0.09%
Volatility	50%	50%
Option value	\$0.055	\$0.042

³ On 7 May 2021 Mozmin Resources Pty Ltd granted 4,250,000 Director Performance Rights expiring 14 September 2026 to Directors and 880,815 Consultant Performance Rights expiring 14 September 2026 to a consultant. Refer to the Directors' Report for the terms and conditions. The performance rights expense of \$513,082 along with \$275,000 of the \$433,853 results in the share based payment expense of \$788,082.

	Consolidated Entity 30 June 2021 No.	Consolidated Entity 30 June 2020 No.
16. Reserves (continued)		
<u>Unlisted options</u>		
Balance at beginning of year	-	-
Options granted ⁵	27,418,726	-
Option consolidation ⁴	(18,636,500)	-
Balance at end of year	8,782,226	-

Accounting policy

Each entity within the Consolidated Entity determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates, being Australian dollars. In translating the financial statements of such an entity for incorporation in the combined financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

17. Reverse acquisition

Heavy Minerals Limited (the Company) acquired Mozmin Resources Pty Ltd on 1 June 2021. From a legal and taxation perspective, the Company is considered the acquiring entity. However the acquisition has the features of a reverse acquisition as described in the Australia Accounting Standard AASB 3 Business Combinations (AASB 3) because the acquisition resulted in Mozmin Resources Pty Ltd shareholders holding a controlling interest in the Company after the transaction, notwithstanding the Company being the legal parent of the Consolidated Entity. It is therefore considered that the Company does not meet the definition of a business for the purposes of AASB 3 as it did not have any processes or outputs. The transaction has therefore been accounted for as a reverse acquisition from a consolidated perspective, where Mozmin Resources Pty Ltd is the accounting acquirer and the Company is the legal acquirer. The annual report includes the consolidated financial statements of Mozmin Resources Pty Ltd for the year and the Company for the period 10 February 2021 to 30 June 2021. The annual report represents a continuation of Mozmin Resources Pty Ltd's financial statements with the exception of the capital structure. The amount recognised as equity instruments in these consolidated financial statements represents the issued equity of the Company adjusted to reflect the equity issued by the Company on acquisition. Under the reverse acquisition principles, the consideration provided by Mozmin Resources Pty Ltd was determined to be \$1,223,924 which is the deemed fair value of the 79,401,829 shares owned by the former Mozmin Resources Pty Ltd shareholders at completion of the acquisition.

⁴ On 1 June 2021 the acquisition of Mozmin Resources Pty Ltd by Heavy Minerals Limited and the roll-up (effective consolidation) of securities into Heavy Minerals Limited occurred.

17. Reverse acquisition (continued)

The excess of the deemed fair value of the shares owned by the Company shareholders and the fair value of the identifiable net assets of the Company immediately prior to the completion of the merger has resulted in the recognition of \$1,223,924 being recorded in the profit and loss. The net assets of the Company were recorded at fair value at acquisition date. As the carrying value of all assets and liabilities held by the Company at acquisition date approximated their fair value, no adjustments were required.

The fair value of the assets and liabilities of the Company (being the accounting acquire) as at the date of the acquisition and the deemed consideration is an equity amount of \$1.

	At 1 February 2021 \$
<u>Accumulated losses adjustment for acquisition</u>	
Fair value of the shares deemed to have been issued by Mozmin Resources Pty Ltd	1,223,924
Less: fair value of identifiable net assets acquired	(1)
	<u>1,223,923</u>

18. Operating segments

The Consolidated Entity has determined operating segments based on the information provided to the Board of Directors. The Consolidated Entity operates predominantly in one business segment being the exploration for minerals with entities based in three geographic segments, being Australia, Mauritius and Mozambique.

	Australia Exploration & Corporate	Mauritius Exploration & Corporate	Mozambique Exploration & Corporate	Total
2021				
Segment revenue	-	-	-	-
Segment loss	(2,385,369)	(24,059)	(1,040)	(2,410,468)
Segment assets	220,910	93,529	439	314,878
Segment liabilities	(553,020)	(869)	-	(553,889)
2020				
Segment revenue	56	-	-	56
Segment loss	(111,975)	(245,408)	(17,254)	(374,637)
Segment assets	437	54,712	1,914	57,063
Segment liabilities	(612,785)	(8,335)	-	(621,120)

18. Operating segments (continued)

Accounting policy

Operating segments are identified based on the internal reports that are regularly reviewed by the Board of Director's, the Chief Operation Decision Maker, for the purpose of allocating resources and assessing performance. The adoption of this "management approach" has resulted in the identification of reportable segments.

	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
19. Reconciliation of cashflows from operating activities		
Loss before tax	(2,436,910)	(389,108)
Capitalised finance costs	-	29,414
Corporate restructure costs	1,223,924	-
Depreciation	93	-
Share based payments	788,082	-
Foreign exchange	30,580	18,984
Change in trade & other receivables	(1,101)	(3,651)
Change in other assets	(22,239)	-
Change in exploration expenditure	(35,638)	-
Change in trade & other payables	238,554	79,941
Change in provisions	4,469	-
Net cash used in operating activities	(210,186)	(264,420)

20. Events after the end of the reporting year

There are no matters or circumstances have arisen since the end of the year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial years other than the following:

- ✕ HVY successfully raised \$5.5M by way of initial public offering listing on the ASX on 14 September 2021, and
- ✕ Upon ASX admission, the borrowings outstanding at balance date were repaid via an equity conversion.

	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
21. Related party transactions		
a. KMP compensation		
Short-term employee benefits	217,950	30,000
Long-term employee benefits	658,750	-
Total	876,700	30,000

Detailed remuneration disclosures are provided in the remuneration report included in the Directors' Report.

b. Transactions with related parties

During the reporting year, there were the following related party transactions:

- ✖ On 7 May 2021 Mozmin Resources Pty Ltd granted 4,250,000 Director Options exercisable at \$0.25 expiring 3 years from ASX listing date to Directors;
- ✖ On 7 May 2021 Mozmin Resources Pty Ltd granted 4,250,000 Director Performance Rights expiring 5 years from ASX listing date to Directors;
- ✖ On 1 June 2021 the acquisition of Mozmin Resources Pty Ltd by Heavy Minerals Limited and the roll-up (effective consolidation) of securities into Heavy Minerals Limited occurred.

c. Outstanding balances arising from sales/purchases of goods and services

There are no outstanding balances arising from sales/purchases of goods and services at the end of the reporting year.

d. Loan to Directors and their related parties

No loans have been made to any Director or any of their related parties, during the reporting year.

22. *Financial risk management*

The Consolidated Entity's overall financial risk management strategy is to ensure that the Consolidated Entity is able to fund its business operations and expansion plans. Exposure to credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk arises in the normal course of the Consolidated Entity's business. The Consolidated Entity's risk management strategy is set by and performed in the close co-operation with the Board and focuses on actively securing the Consolidated Entity's short to medium-term cash flows by regular review of its working capital and minimising the exposure to financial markets. The Consolidated Entity does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Consolidated Entity is exposed are described below.

Financial assets and liabilities

The financial assets and liabilities as at 30 June 2021 are reflected at cost, fair valued through the statement of comprehensive income. The Directors consider that the carrying amounts of the financial assets and liabilities approximate their fair values.

Specific financial risk exposures and management

The main risks the Consolidated Entity is exposed to through its financial instruments are credit risk, liquidity risk and market risk, including in interest rates, foreign currency, commodity and equity prices.

a) Credit risk

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents. Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contractual obligations that could lead to a financial loss to the Consolidated Entity. Credit risk is managed through the maintenance of credit assessment and monitoring procedures.

b) Liquidity risk

Liquidity risk is the risk that there will be inadequate funds available to meet financial commitments as they fall due. The Consolidated Entity recognises the on-going requirements to have committed funds in place to cover both existing business cash flows and provide reasonable headroom for capital expenditure programs.

The key funding objective is to ensure the availability of flexible and competitively priced funding from alternative sources to meet the Consolidated Entity's current and future requirements. The Consolidated Entity utilises a detailed cash flow model to manage its liquidity risk. This analysis shows that available sources of funds are expected to be sufficient over the lookout period. The Consolidated Entity attempts to accurately project the sources and uses of funds which provide an effective framework for decision making and budgeting. The table below summarises the maturity profile of the Consolidated Entity's contractual cash flow financial liabilities based on contractual undiscounted repayment obligations. Repayments, which are subject to notice, are treated as if notice were to be given immediately.

22. Financial risk management (continued)

c) Foreign currency risk

Foreign currency risk is considered to be immaterial.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Consolidated Entity is not exposed to interest rate movement through borrowings as there are no borrowings. The following table sets out the variable interest bearing and fixed interest bearing financial instruments of the Consolidated Entity:

	Variable interest \$	Fixed interest \$
30 June 2021		
Financial assets		
Cash and cash equivalents	34,872	-
Total	34,875	-
30 June 2020		
Financial assets		
Cash and cash equivalents	2,301	-
Total	2,301	-

Interest rate risk is considered to be immaterial.

Accounting policy

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

22. Financial risk management (continued)

Classification and measurement of financial assets:

Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date. Financial asset that is an equity investment classified as measured at fair value through other comprehensive income (FVTOCI): There was one financial assets classified in this category at reporting year end date.

Financial asset classified as measured at fair value through profit or loss (FVTPL): There were no financial assets classified in this category at reporting year end date.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

	Consolidated Entity 30 June 2021 \$	Consolidated Entity 30 June 2020 \$
23. Commitments and contingencies		
a. Commitments relating to operating and exploration expenditures		
Not longer than 1 year	1,424,787	129,061
More than 1 year but not longer than 5 years	596,727	387,305
More than 5 years	-	253,813
	2,021,514	770,179

There are no other material commitments as at 30 June 2021.

b. Contingent assets

There are no contingent assets as at 30 June 2021.

23. Commitments and contingencies (continued)

c. Contingent liabilities

Contingent liabilities as at 30 June 2021 consist of the following contingent liability in Mozambique:

Transfers of interest that have occurred under the +258 Agreement (being Mozmin Mauritius' acquisition of 70% of the equity in +258 Limitada set out in Section 7.1(b)) and the Share Swap (being the Company's acquisition of 100% of the share capital of MRPL) have not received Government Approval. The Company has retrospectively commenced the process to obtain these approvals and is not aware of any reason why these approvals would not be granted, however, until such time as the approvals are received, the Company has allocated minimal funds to the Inhambane Project. There is no guarantee that the Government Approvals will be received and further, there is a likelihood that the approvals will require the payment of stamp duty. The Company understands that stamp duty rates vary between 0.1% to 10% of the face value of relevant documents. As at the date of the Prospectus, the Company anticipates that the stamp duty will be approximately USD 750.

24. Interests in controlled entities

Company Name	Place of Incorporation	30 June 2021 % Ownership	30 June 2020 % Ownership
Mozmin Resources Pty Ltd	Australia	100%	-%
Mozmin Resources (Mauritius) Ltd	Mauritius	100%	100%
+258 Limitada	Mozambique	70%	70%
ATM Limitada	Mozambique	70%	70%

The Directors of the Consolidated Entity declare that:

The financial statements and notes are in accordance with the *Corporations Act 2001* and:

- ✕ comply with Australian Accounting Standards;
- ✕ are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 2 to the financial statements; and
- ✕ give a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of the performance for the year ended 30 June 2021;

In the Directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Adam Schofield
Non-Executive Chairman

29 September 2021

Independent Auditor's Report

To the Members of Heavy Minerals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Heavy Minerals Limited ("the Company") and its controlled entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2021, 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, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of Heavy Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity'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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for a reverse acquisition (Refer to Note 17)</p> <p>As disclosed in the financial report, the Company acquired Mozmin Resources Pty Ltd (unlisted entity incorporated in Australia). The accounting for the reverse acquisition is a key audit matter due to the effect of the arrangement which is accounted for as Mozmin Resources Pty Ltd (the accounting parent) issuing a share based payment in return for the assets acquired in the company and listing status. Furthermore, there is significant judgment involved in the determination of the value of the purchase consideration settled by way of a share-based payment.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">• Reading the terms and conditions of the agreement to obtain an understanding of the transaction including an assessment of the accounting acquirer and whether the transaction constituted a business or asset acquisition.• Assessing management's accounting treatment that the Company did not meet the definition of a business in accordance with AASB 3 <i>Business Combinations</i>.• Assessing the fair value of consideration by checking the underlying assumptions used in the valuation against comparable transactions and market information.• Checking the calculation of the share-based payment, fair value of identifiable net assets acquired, including any separately identifiable intangible assets, and listing expense.• Assessing the appropriateness of the acquisition journals at acquisition date and checking that the disclosures in the financial statements are in accordance with the basis of preparation as disclosed in note 17 for the reverse acquisition.• Assessing the adequacy of the related disclosures in the financial report.
<p>Exploration and Evaluation Expenditure – \$90,350 (Refer to Note 11)</p> <p>Exploration and evaluation is a key audit matter due to:</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">• Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Consolidated Entity holds an interest and

- The significance of the balance to the Consolidated Entity's financial position.
- The level of judgement required in evaluating management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources*. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset.
- The assessment of impairment of exploration and evaluation expenditure being inherently difficult.

the exploration programmes planned for those tenements.

- For each area of interest, we assessed the Consolidated Entity's rights to tenure by corroborating to government registries and evaluating agreements in place with other parties as applicable;
- We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6;
- We considered the activities in each area of interest to date and assessed the planned future activities for each area of interest by evaluating budgets for each area of interest.
- We assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised expenditure:
 - the licenses for the right to explore expiring in the near future or are not expected to be renewed;
 - substantive expenditure for further exploration in the specific area is neither budgeted or planned
 - decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and
 - data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or sale.

Share-based payments (Refer to Note 16)

Share-based payments is a key audit matter due to:

- The significance of the balance to the Consolidated Entity's financial performance and position.
- The level of judgement required in evaluating management's application of the requirements of AASB 2 *Share-based Payment* which requires the application of significant judgements and estimates.

- We assessed the appropriateness of the related disclosures in the financial statements.

Our procedures included, amongst others:

- Verifying the key terms of the share based payments in respect of the granting of option over the shares for rendering of services by directors, employees and contractors.
- Assessing the fair value calculation of options granted by checking the accuracy of the inputs to the Black Scholes option pricing model adopted for that purpose.
- Testing the accuracy of the amortisation of share-based payments over the vesting period and the recording of an expense in the statement of profit or loss and an increment to the share based payment reserve.
- We assessed the appropriateness of the related disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity'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

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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 Company 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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 Heavy Minerals 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 s 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.

Criterion Audit

CRITERION AUDIT PTY LTD

Watts

CHRIS WATTS CA
Director

DATED at PERTH this 29th day of September 2021

As at 20 September 2021

Issued Securities

	Listed on ASX	Unlisted	Total
Fully paid ordinary shares	36,667,684	14,640,574	51,308,258
\$0.25 unlisted options expiring 14 September 2023	-	3,782,226	3,782,226
\$0.25 unlisted options expiring 14 September 2024	-	10,000,000	10,000,000
Class A performance rights expiring 14 September 2026	-	2,565,408	2,565,408
Class B performance rights expiring 14 September 2026	-	2,565,407	2,565,407
Total	36,667,684	33,553,615	70,221,299

Distribution of Listed Ordinary Fully Paid Shares

Spread of Holdings	Number of Holders	Number of Units	% of Total Issued Capital
1 - 1,000	5	41	0.00%
1,001 - 5,000	21	64,995	0.13%
5,001 - 10,000	72	693,383	1.35%
10,001 - 100,000	223	10,005,506	19.50%
100,001 - and over	82	40,544,333	79.02%
Total	403	51,308,258	100.00%

Top 20 Listed Ordinary Fully Paid Shareholders

Rank	Shareholder	Shares Held	% Issued Capital
1.	CHRISTOPHER ADAM SCHOFIELD	3,029,283	5.90%
2.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,750,000	5.36%
3.	VALENS INTERNATIONAL PTY LIMITED	2,000,000	3.90%
4.	GLENN SIMPSON & KERRY SIMPSON <SIMPSON FAMILY S/F A/C>	1,984,367	3.87%
5.	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	1,975,000	3.85%
6.	METAL TIGER PLC	1,750,000	3.41%
7.	GNJ CONSULTING PTY LTD <GNJ CONSULTING A/C>	1,579,078	3.08%
8.	AJAVA HOLDINGS PTY LTD	1,427,885	2.78%
9.	ROBERT ANDREW JEWSON	1,403,870	2.74%
10.	PETER ROMEO GIANNI	1,125,000	2.19%
11.	FOSTER STOCKBROKING NOMINEES PTY LTD <NO 1 ACCOUNT>	1,000,000	1.95%
12.	COMERTOSE PTY LTD <SIMPSON FAMILY A/C>	979,078	1.91%
13.	NEIL GAWTHORPE	978,925	1.91%
14.	PETER COOK <FAMILY A/C>	867,670	1.69%
15.	FINCLEAR NOMINEES PTY LTD <ACCUMULATION ENTREPOT A/C>	840,000	1.64%
16.	MAURICE DOMINIC MATICH	800,000	1.56%
17.	CHIFLEY PORTFOLIOS PTY LIMITED <DAVID HANNON RETIREMENT A/C>	650,000	1.27%
18.	WAHOO CAPITAL PTY LTD	617,500	1.20%
19.	COMSEC NOMINEES PTY LIMITED	542,398	1.06%
20.	GEOANALYTICA PROPRIETARY LIMITED	525,000	1.02%
Total		26,825,054	52.28%

The number of shareholdings held in less than marketable parcels is 10.

The Company has the following substantial shareholders listed in its register as at 20 September 2021:

Rank	Shareholder	Shares Held	% Issued Capital
1.	CHRISTOPHER ADAM SCHOFIELD	3,029,283	5.90%

Ordinary Shares Voting Rights - Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- ✕ each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- ✕ on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- ✕ on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

The Company has the following restricted securities on issue as at the date of this report:

Security Type	Number of Escrowed Securities	Escrow Duration	Escrow Date
Fully paid ordinary shares	542,670	12 months from date of restricted security issue	26-Apr-22
Fully paid ordinary shares	1,250,000	12 months from date of restricted security issue	01-Jun-22
Fully paid ordinary shares	125,000	12 months from date of restricted security issue	26-Jul-22
Fully paid ordinary shares	12,722,904	24 months from date of quotation	14-Sep-23
\$0.25 unlisted options expiring 14 September 2023	3,782,226	12 months from date of restricted security issue	01-Jun-22
\$0.25 unlisted options expiring 14 September 2024	10,000,000	24 months from date of quotation	14-Sep-23
Class A performance rights expiring 14 September 2026	2,565,408	24 months from date of quotation	14-Sep-23
Class B performance rights expiring 14 September 2026	2,565,407	24 months from date of quotation	14-Sep-23

Use of Funds

Between the date of listing on ASX and the date of this report the Consolidated Entity has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives and as set out in the Second Replacement Prospectus dated 26 July 2021.

Schedule of Exploration Tenements

Project	Tenement Number	Interest Held
Port Gregory	E66/102	100%
Port Gregory	E70/5130	100%
Port Gregory	E70/5160	100%
Port Gregory	E70/5161	100%
Port Gregory	E70/5314	100%

Project	Licence Number	Interest Held
Inhambane	10255C	70%