



ABN 62 610 855 064

Interim Financial Report
For the half year ended 31 December 2021

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Corporate directory

Directors

| | |
|--------------|--|
| Peter Bowler | Independent Non-Executive Director, Chairman |
| Greg Barrett | Non-Executive Director |
| Paul Payne | Independent Non-Executive Director |
| Rob Watkins | Managing Director |

Company Secretary

Greg Barrett

Corporate Details

Carnaby Resources Limited (ABN 62 610 855 064)

Issued capital 143,535,253 Fully Paid Ordinary shares

Registered Office

78 Churchill Avenue

Subiaco, WA 6008

Telephone: +61 8 9320 2320

Internet: www.carnabyresources.com.au

Share Registry

Computershare Investor Services Pty Ltd

Level 11

172 St Georges Terrace

Perth, WA 6000

Within Australia: 1300 850 505

Outside Australia: +61 3 9415 4000

Internet: www.computershare.com.au

Stock Exchange Listing

ASX Ltd

ASX code: CNB

Auditor

Grant Thornton Audit Pty Ltd

Level 43

152 – 158 St Georges Terrace

Perth, WA 6000

Telephone: +61 8 9480 2000

Directors' Report

For the six months ended 31 December 2021

The directors present their report together with the consolidated interim financial statements of the Carnaby Resources Limited (the "Company" or "Carnaby") Group, being the Company and its subsidiaries, for the six months ended 31 December 2021 (the "period") and the auditor's review report thereon.

Directors

The directors of the Company at any time during or since the end of the period are as set out below. Directors were in office for the entire period unless otherwise stated.

| | |
|-------------------|--|
| Mr Peter Bowler | Independent Non-Executive Director, Chairman |
| Mr Robert Watkins | Managing Director |
| Mr Greg Barrett | Non-Executive Director |
| Mr Paul Payne | Independent Non-Executive Director |

Financial performance

The Company's net loss after tax attributable to the shareholders for the half year to 31 December 2021 was \$1,504,761 (31 December 2020 profit: \$2,145,123). The Company's net assets decreased by \$861,397 (31 December 2020 increased: \$7,327,825). The Company's cash position as at 31 December 2021 was \$5,440,970 (31 December 2020: \$7,928,088).

Corporate

The Company began receiving proceeds from the sale of the Lainejaur Project in Sweden for total consideration of \$1.5 million (See ASX release 19 July 2021). The first payment of \$750,000 was received in late December 2021.

During the period, the Company received a total of \$560,000 due to the exercise of Unlisted Share Options by Directors, see ASX release dated 31 December 2021 for details.

No further proceeds from a 5% royalty on the Tick Hill Tailing Retreatment Project (see ASX release 3 August 2020) were received during the period while site operational improvements continued throughout 2H 2021. Cumulative royalties received to date are \$381,000 with production due to recommence in 1H 2022.

Subsequent to the end of the period, the Company completed a \$20 million placement of approximately 15.4 million new fully paid ordinary shares to institutional and sophisticated investors (see ASX release dated 31 January 2022). The additional funds will allow the Company to accelerate exploration activities at its Nil Desperandum and Lady Fanny discoveries at the Greater Duchess Copper Gold Project in Queensland, where more than 20,000m of drilling and extensive geophysical surveys are underway.

Review of operations

During the period, significant RC and diamond drilling programs made multiple high-grade copper discoveries at the Company's Greater Duchess Copper Gold Project in Queensland. Intersections of 41m at 4.1 % Copper at the Nil Desperandum Prospect and 27m at 2.8% Copper at the Lady Fanny Prospect were standout results within rapidly growing mineralisation at both locations. Exploration at the Project is accelerating significantly in 2022 as the Company shifts its primary focus to its operations in Queensland, where numerous additional prospects remain untested over the Company's greater than 1,022km² of continuous regional tenure.

RC drilling at the Strelley Gold Project in the Pilbara region of Western Australia was conducted, intersecting significant intrusion hosted gold mineralisation at several prospects. Such results defined a greater than 4km long Strelley Gold Corridor which will be the subject of continued exploration during the 2022 field season. Results from several RC holes completed in December 2021 are yet to be received. In addition to the developments at Strelley, soil sampling results from the Company's neighbouring Big Hill Project have outlined a significant lithium soil anomaly which will also be the subject of the drilling programs in 2022.

Directors' Report

Mount Isa Inlier Copper and Gold Projects, QLD

Greater Duchess Copper Gold Project

The Greater Duchess Copper Gold Project lies approximately 70 km southeast of Mount Isa, Queensland on a land holding of approximately 1,022 km² with multiple undeveloped copper rich Iron Oxide Copper Gold (IOCG) targets over a 100 km corridor.

Throughout the period the Group has conducted multiple RC and diamond drilling programs on highly concentrated areas of the tenement package, where at the Nil Desperandum Prospect, it has defined a greater than 500m plunging high-grade mineralisation shoot completely open at depth and to the southwest. With a standout result of (see ASX release 29 December 2021):

| | |
|-----------|-------------------------------|
| NLDD044 | 41.1m @ 4.1% copper from 247m |
| Including | 24m @ 6.5% copper from 251m |
| Including | 9m @ 10.3% copper from 264m, |

and outstanding follow-up visual results announced subsequent to the end of the period (see ASX release dated 4 February 2022), Nil Desperandum constitutes a major copper gold discovery for the Group. Additional IP survey results were also announced after the period's end which have extended the chargeability anomaly to the southwest of NLDD044 to over 400m in length (see ASX release dated 11 February 2022), producing numerous follow-up targets.

In January 2022, the Group also announced another copper-gold discovery at its Lady Fanny prospect, located 3km north of Nil Desperandum, with stunning standout results including (see ASX releases dated 13 & 17 January 2022):

| | |
|-----------|---------------------------------|
| LFRC009 | 27m @ 2.8% copper from 61m |
| Including | 9m @ 4% copper from 65m |
| LFRC013 | 20m @ 2.3% copper from 30m |
| Including | 6m @ 5.5% copper from 38m |
| LFRC008 | 40m @ 1.0% copper from surface. |

Additional IP surveys conducted at Lady Fanny subsequent to the period have defined significant chargeability anomalies, which now suggests that the mineralised corridor at the prospect is greater than 600m in length (see ASX releases dated 17 & 25 February 2022).

Significant follow-up exploration consisting of more than 20,000m of drilling and extensive geophysical surveys is being conducted at both Prospects, with the Greater Duchess Copper Gold Project now becoming the primary focus of the Group's exploration activities.

Tick Hill Gold Project

The Tick Hill open pit cutback is forecast to produce 63,300t @ 6.1 g/t for 12,500oz generating pre-tax cashflows of ~\$15,000,000 at AISC of A\$1,190/oz (see ASX release 5 June 2020). A decision to develop, consolidate and / or divest part or all of the open pit cutback project is in progress.

The third party operated Tick Hill Tailings Retreatment Project ceased processing during the period while site operational improvements were being implemented and relevant governmental approvals were awaited. As such, the Company did not receive any additional funds from its 5% Royalty on production during the half.

Governmental approvals have subsequently been received and production is expected to re-commence in H1 2022.

Pilbara Projects, WA

Strelley Gold Project

RC drilling was completed at Strelley for the first time during the period, where significant gold mineralisation was intersected along the newly identified 4km Strelley Gold Corridor, targeting the Alcazar, Stockade and Bastion Prospects.

At the Alcazar Prospect, a stand-out composite intercept early in the period of 5m @ 4.83g/t from 110m in PLRC0051 (see ASX release dated 27 October 2021) was followed up by further encouraging results later in the year with a composite result of 5m @ 1.82g/t from 160m in PLRC0114 (see ASX release dated 19 January 2022). A single RC hole was drilled 160m to the south of the PLRC0051, which intersected a highly encouraging broad zone of gold mineralisation with composite results of 20m @ 0.45g/t gold from 105m including 5m @ 1.52g/t from 110m in PLRC0112. The intersections are hosted by a wide intrusion and remain open to the south and to the north where results from a further RC hole drilled are awaited.

At the Bastion Prospect, initial RC drilling intersected 2m @ 5.21 g/t gold from 85m including 1m @ 9.75 g/t gold from 85m (see ASX release dated 15 October 2021). In the follow-up drilling program, the target intrusion and encouraging

Directors' Report

alteration were recorded at the northern end of the Bastion Intrusion where composite results of 5m @ 1.03 g/t gold from 110m in PLRC0071 and 5m @ 0.41g/t gold from 95m in PLRC0157 were intersected (see ASX release dated 19 January 2022). Additional results from RC holes drilled targeting to the northeast of Bastion are still pending.

Wide zones of gold mineralisation were intersected at the Stockade Prospect in drill hole PLRC0035, which was drilled targeting a bottom of hole aircore drilling anomaly. Composite results of 5m @ 0.59 g/t gold from 85m, 5m @ 0.45g/t gold from 105m and 10m @ 1.62 g/t gold from 115m were recorded in PLRC0035 (see ASX release dated 27 October 2021).

Big Hill Project

Soil sampling results from the Big Hill Project have highlighted a large 1.5 km by 0.5 km lithium soil anomaly with soil results up to 179 ppm Li (see ASX Release dated 1 December 2021). The lithium soil anomaly is associated with elevated caesium (Cs) and tantalum (Ta) confirming a LCT pegmatite type anomaly target.

The Big Hill lithium soil anomaly is coincident with a discrete magnetic high unit located on a major fault structure (Berghaus Shear Zone) on the edge of the large Split Rock Supersuite intrusion, considered to be a similar geological setting to the world class Pilgangoora and Wodgina lithium deposits located 60 and 80 kms north respectively.

First pass drill testing of the Big Hill lithium and gold soil anomalies is planned. Heritage clearances are complete, and drilling is planned for first half 2022, subject to rig and personnel availability.

Yilgarn Margin Projects, WA

Malmac Project

Further low-cost soil sampling, geological mapping and rock chip sampling were conducted during the period, targeting the previously unexplored western half of E69/3509 and completing infill soil sampling at areas on the eastern half of the tenement. Compilation, review and analysis of these results is in progress, however Carnaby continues to be encouraged by the early stage greenfields exploration potential.

The Malmac project lies on the northern margin of the Earraheedy Basin and comprises a package of rocks variously termed the 'Troy Creek Beds' or 'Troy Creek Schist'. The Troy Creek package has been affiliated with the Bryah Group (host to the DeGrussa, Monty and Horseshoe Lights Cu-Au massive sulphide deposits), Yerrida Group (host to the epithermal-style Thaduna Copper Deposit) and the Earraheedy Group (host to the recent Chinook Zn-Pb discovery by Rumble Resources Limited).

Subsequent events

Subsequent to the end of the period, the Company completed a \$20 million placement of approximately 15.4 million new fully paid ordinary shares to institutional and sophisticated investors (see ASX release dated 31 January 2022). The additional funds will allow the Company to accelerate exploration activities at its Nil Desperandum and Lady Fanny discoveries at the Greater Duchess Copper Gold Project in Queensland, where more than 20,000m of drilling and extensive geophysical surveys are underway.

The Company received a total of \$280,000 after the period's end due to the exercise of Unlisted Share Options by a Director, see ASX release dated 7 February 2022 for details.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 20 and forms part of the directors' report for the six months ended 31 December 2021.

This report is made with a resolution of the directors:



Rob Watkins

Managing Director

Dated at Perth, this 10th day of March 2022

Competent persons and cautionary statements

Competent Persons Statement

The information in this document that relates to the Tick Deposit Mineral Resources is based upon information compiled by Mr Paul Tan. Mr Tan is a full-time employee and security holder of the Company and a Member of the AusIMM. Mr Tan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Tan consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears.

The information in this document that relates to exploration results and the Tailings Dam Mineral Resources is based upon information compiled by Mr Robert Watkins. Mr Watkins is a Director and security holder of the Company and a Member of the AusIMM. Mr Watkins has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Watkins consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears.

Previously Released ASX Material References relating to this Report include:

| | |
|--|------------------|
| Lady Fanny Shines and Expands On New IP Surveys and Drilling | 25 February 2022 |
| Lady Fanny IP Survey Lights Up Strong Chargeability Targets | 17 February 2022 |
| Nil Desperandum Continues To Grow | 11 February 2022 |
| Appendix 3Y - Change of Directors' Interest Notices | 7 February 2022 |
| Major Discovery Confirmed at Nil Desperandum | 4 February 2022 |
| Settlement of A\$20 Million Placement and s708a Notice | 31 January 2022 |
| Quarterly Activities/Appendix 5B Cash Flow Report | 19 January 2022 |
| Lady Fanny Prospect - LFR008 40m @ 1.0%Cu And 11m @ 1.7%Cu | 17 January 2022 |
| Stunning First Drill Results Lady Fanny - 27m @ 2.8% Copper | 13 January 2022 |
| Appendix 3Y - Change of Director's Interest Notices | 31 December 2021 |
| MAJOR COPPER GOLD DISCOVERY 41m @ 4.1% Cu Inc 9m @ 10.3% Cu | 29 December 2021 |
| Significant Lithium Soil Anomaly - Big Hill Pilbara WA | 1 December 2021 |
| Strelley Gold Corridor Extended To Over 4KM Strike | 27 October 2021 |
| Strelley Gold Project Interim Exploration Update | 15 October 2021 |
| Improved Terms - Lainejaur Project Divestment Update | 19 July 2021 |
| Sale of Tick Hill Stockpiles for \$6M | 3 August 2020 |
| Tick Hill Gold Project PFS Results and Maiden Ore Reserve | 5 June 2020 |

Competent persons and cautionary statements

Disclaimer

References have been made in this Interim Financial Report to certain ASX announcements, including references regarding exploration results and Mineral Resources. For full details, refer to said announcement on said date. The Company is not aware of any new information or data that materially affects this information. Other than as specified in this announcement and the mentioned announcements, the Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, Exploration Target(s) or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Forward looking statements

This report may contain certain forward looking statements and projections regarding:

- Estimated, Mineral Resources and Ore Reserves;
- planned production and operating costs profiles;
- planned capital requirements; and
- planned strategies and corporate objectives.

Such forward looking statements/projections are estimates for discussion purposes only and should not be relied upon. They are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors many of which are beyond the control of the Company. The forward-looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved. The Company does not make any representations and provides no warranties concerning the accuracy of the projections, and disclaims any obligation to update or revise any forward-looking statements/projects based on new information, future events or otherwise except to the extent required by applicable laws.

Consolidated interim financial statements

Consolidated interim statement of financial position

As at 31 December 2021

| | <i>Note</i> | Dec 2021 \$ | June 2021 \$ |
|---|-------------|-------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | 5 | 5,440,970 | 6,662,191 |
| Restricted cash | 6 | 15,000 | 15,000 |
| Prepayments | | 138,540 | 81,890 |
| Trade and other receivables | | 872,063 | 346,263 |
| Total current assets | | 6,466,573 | 7,105,344 |
| Trade and other receivables non-current | | 400 | 400 |
| Restricted cash non-current | 6 | 341,574 | 323,000 |
| Exploration and evaluation assets | 7 | 4,380,696 | 4,382,092 |
| Property, plant and equipment | 8 | 28,524 | 29,979 |
| Right of use assets | | 87,785 | 9,351 |
| Total non-current assets | | 4,838,979 | 4,744,822 |
| Total assets | | 11,305,552 | 11,850,166 |
| Liabilities | | | |
| Trade and other payables | 9 | 1,094,289 | 872,129 |
| Lease liabilities | | 46,843 | 9,103 |
| Employee benefits | | 51,130 | 36,668 |
| Total current liabilities | | 1,192,262 | 917,900 |
| Lease liabilities | | 40,739 | - |
| Employee benefits | | 2,974 | 1,292 |
| Provisions | | 332,853 | 332,853 |
| Total non-current liabilities | | 376,566 | 334,145 |
| Total liabilities | | 1,568,828 | 1,252,045 |
| Net assets | | 9,736,724 | 10,598,121 |
| Equity | | | |
| Share capital | 10 | 17,635,098 | 17,060,166 |
| Reserves | | 2,306,354 | 2,237,922 |
| Accumulated losses | | (10,204,728) | (8,699,967) |
| Total equity | | 9,736,724 | 10,598,121 |

The notes on pages 13 to 16 are an integral part of these consolidated interim financial statements.

Consolidated interim financial statements

Consolidated interim statement of profit or loss and other comprehensive income

For the six months ended 31 December 2021

| | <i>Note</i> | Dec 2021 | Dec 2020 |
|---|-------------|--------------------|------------------|
| | | \$ | \$ |
| Revenue from Sale of Tick Hill Tailings | | - | 4,000,000 |
| Interest received | | 6,698 | 14,136 |
| Government grants and other income | | 2,313 | 58,968 |
| Gain on Disposal of Financial Asset - Metalore Sale (Lainejaur Project) | <i>11</i> | 1,498,604 | - |
| Administrative expenses | | (299,368) | (311,989) |
| Project exploration and evaluation expenses | | (2,640,565) | (1,586,788) |
| Share based payment expense | | (68,432) | (25,591) |
| Results from operating activities | | (1,500,750) | 2,148,736 |
| Finance expense | | (4,011) | (3,613) |
| Net finance expense | | (4,011) | (3,613) |
| Total comprehensive income / (loss) for the year | | (1,504,761) | 2,145,123 |

The notes on pages 13 to 16 are an integral part of these consolidated interim financial statements.

Consolidated interim financial statements

Consolidated interim statement of changes in equity

For the six months ended 31 December 2021

| | Share capital \$ | Accumulated losses \$ | Translation reserve \$ | Share option reserve \$ | Total equity \$ |
|---|---------------------|--------------------------|---------------------------|----------------------------|--------------------|
| Balance at 1 July 2021 | 17,060,166 | (8,699,967) | (28,486) | 2,266,408 | 10,598,121 |
| Total comprehensive income for the period | | | | | |
| Profit / (Loss) for the period | - | (1,504,761) | - | - | (1,504,761) |
| Total comprehensive profit for the period | - | (1,504,761) | - | - | (1,504,761) |
| Transactions with owners recorded directly in equity | | | | | |
| Contributions by and distributions to owners | | | | | |
| Issue of ordinary shares | - | - | - | - | - |
| Equity transaction costs | 580,000 | - | - | - | 580,000 |
| Conversion of share options | (5,068) | - | - | - | (5,068) |
| Share based payments | - | - | - | 68,432 | 68,432 |
| Total contributions by and distributions to owners | 574,932 | - | - | 68,432 | 643,364 |
| Balance as at 31 December 2021 | 17,635,098 | (10,204,728) | (28,486) | 2,334,840 | 9,736,724 |

| | Share capital \$ | Accumulated losses \$ | Translation reserve \$ | Share option reserve \$ | Total equity \$ |
|---|---------------------|--------------------------|---------------------------|----------------------------|--------------------|
| Balance at 1 July 2020 | 11,885,025 | (9,071,349) | (28,486) | 2,236,256 | 5,021,446 |
| Total comprehensive income for the period | | | | | |
| Loss for the period | - | 2,145,123 | - | - | 2,145,123 |
| Total comprehensive profit for the period | - | 2,145,123 | - | - | 2,145,123 |
| Transactions with owners recorded directly in equity | | | | | |
| Contributions by and distributions to owners | | | | | |
| Issue of ordinary shares | 5,277,256 | - | - | - | 5,277,256 |
| Equity transaction costs | (258,445) | - | - | - | (258,445) |
| Conversion of share options | 138,300 | - | - | - | 138,300 |
| Share based payments | - | - | - | 25,591 | 25,591 |
| Total contributions by and distributions to owners | 5,157,111 | - | - | 25,591 | 5,182,702 |
| Balance as at 31 December 2020 | 17,042,136 | (6,926,226) | (28,486) | 2,261,847 | 12,349,271 |

The notes on pages 13 to 16 are an integral part of these consolidated interim financial statements.

Consolidated interim financial statements

Consolidated interim statement of cash flows

For the six months ended 31 December 2021

| | <i>Note</i> | Dec 2021 \$ | Dec 2020 \$ |
|---|-------------|--------------------|------------------|
| Cash flow from operating activities | | | |
| Proceeds from sale of Tick Hill tailings | | 221,497 | 3,250,000 |
| Payments to suppliers and employees | | (320,819) | (311,767) |
| Payments for exploration expenditure | | (2,423,833) | (967,395) |
| Net cash from / (used in) operating activities | | (2,523,155) | 1,970,838 |
| Cashflow from investing activities | | | |
| Interest received | | 7,743 | 11,353 |
| Payments for property, plant and equipment and mineral properties | | (3,824) | (46,322) |
| Proceeds from the sale of Financial Asset - Metalore Sale (Lainejaur Project) | | 750,000 | - |
| Net cash from / (used in) investing activities | | 753,919 | (34,969) |
| Cashflow from financing activities | | | |
| Proceeds from issue of share capital | | - | 5,026,221 |
| Share issue costs | | (1,281) | (258,445) |
| Proceeds from exercise of options | | 580,000 | 138,300 |
| Transfers to restricted cash | | (18,574) | - |
| Payments for lease liabilities | | (12,130) | (13,170) |
| Net cash from financing activities | | 548,015 | 4,892,906 |
| Net increase/(decrease) in cash and cash equivalents | | (1,221,221) | 6,828,775 |
| Cash and cash equivalents at the beginning of the period | | 6,662,191 | 1,099,313 |
| Cash and cash equivalents 31 December 2021 | <i>5</i> | 5,440,970 | 7,928,088 |

The notes on pages 13 to 16 are an integral part of these consolidated interim financial statements.

Notes to the consolidated interim financial statements

1. Reporting entity

Carnaby Resources Limited (the "Company") is a for profit company limited by shares and incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The consolidated interim financial statements of the Company as at and for the period from 1 July 2021 to 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The nature of the operations and principal activities of the Group are as described in the Directors' Report.

2. Statement of compliance

The consolidated interim financial statements are a general-purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual report of the Group as at and for the year ended 30 June 2021 and public announcements made by the Group during the half year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act.

The consolidated interim financial statements were approved by the Board of Directors on 10th March 2022.

3. Basis of preparation

a) Accounting policies

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2021.

b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. Segments

Operating segments

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Managing Director (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group operates in one segment being 'Australian mineral exploration' which is the Group's strategic business unit.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of activities earning revenue. Segment assets are based on the geographical location of assets. The Group conducts all its activities within Australia and accordingly has assessed its sole geographical segment to be Australia.

5. Cash and cash equivalents

| | Dec 2021 | June 2021 |
|--|-----------|-----------|
| | \$ | \$ |
| Bank balances | 5,440,970 | 6,662,191 |
| Cash and cash equivalents in the statement of cash flows | 5,440,970 | 6,662,191 |

Notes to the consolidated interim financial statements

6. Restricted cash

| | Dec 2021 | June 2021 |
|----------------------------------|----------|-----------|
| | \$ | \$ |
| Restricted cash | 356,574 | 338,000 |
| Current | 15,000 | 15,000 |
| Non current | 341,574 | 323,000 |
| Balance at the end of the period | 356,574 | 338,000 |

Restricted cash comprises cash held in term deposits issued in the Company's name which have been used to provide security for:

- (i) a \$15,000 credit card facility.
- (ii) a \$323,000 bank guarantee facility (the Facility). The Facility allows the Company to issue bank guarantees in satisfaction of its Queensland state government environmental surety obligations; and
- (iii) a \$18,574 in cash held in a term deposit issued in the Company's name which has been used to provide security in relation to a leased property.

7. Exploration and evaluation assets

| | Dec 2021 | June 2021 |
|--|-----------|-----------|
| | \$ | \$ |
| Cost | | |
| Opening balance | 4,382,092 | 4,140,379 |
| (Sale) / Formation of subsidiaries | (1,396) | 1,396 |
| Other acquisitions | - | 290,412 |
| Reassessment of Estimated rehabilitation costs | - | (50,095) |
| Balance at the end of the period | 4,380,696 | 4,382,092 |

8. Property, plant and equipment

| | Plant & equipment | Office equipment | Total |
|-----------------------------|----------------------|---------------------|----------|
| | \$ | \$ | \$ |
| 31 December 2021 | | | |
| Cost | | | |
| Opening balance | 22,435 | 32,524 | 54,959 |
| Additions | - | 2,144 | 2,144 |
| Balance at 31 December 2021 | 22,435 | 34,668 | 57,103 |
| Depreciation | | | |
| Opening balance | (3,541) | (21,439) | (24,980) |
| Depreciation | (982) | (2,617) | (3,599) |
| Balance at 31 December 2021 | (4,523) | (24,056) | (28,579) |
| Carrying amount | | | |
| Opening balance | 18,894 | 11,085 | 29,979 |
| Balance at 31 December 2021 | 17,912 | 10,612 | 28,524 |

Notes to the consolidated interim financial statements

| 30 June 2021 | Plant & equipment \$ | Office equipment \$ | Total \$ |
|-------------------------|----------------------------|---------------------------|-------------|
| Cost | | | |
| Opening balance | 12,435 | 29,236 | 41,671 |
| Additions | 10,000 | 3,288 | 13,288 |
| Balance at 30 June 2021 | 22,435 | 32,524 | 54,959 |
| Depreciation | | | |
| Opening balance | (768) | (16,615) | (17,383) |
| Depreciation | (2,773) | (4,824) | (7,597) |
| Balance at 30 June 2021 | (3,541) | (21,439) | (24,980) |
| Carrying amount | | | |
| Opening balance | 11,667 | 12,621 | 24,288 |
| Balance at 30 June 2021 | 18,894 | 11,085 | 29,979 |

9. Trade and other payables

| | Dec 2021 \$ | June 2021 \$ |
|----------------------------------|----------------|-----------------|
| Trade and other payables | 483,896 | 805,294 |
| Accruals | 610,393 | 66,835 |
| Balance at the end of the period | 1,094,289 | 872,129 |

10. Issued Capital

| Ordinary share capital | Dec 2021 shares | June 2021 shares | Dec 2021 \$ | June 2021 \$ |
|--|--------------------|---------------------|----------------|-----------------|
| On issue at the beginning of the period | 117,945,640 | 95,983,335 | 17,060,166 | 11,885,025 |
| Issued in respect of exploration and evaluation assets | | 1,933,239 | | 251,036 |
| Issued for cash | | 16,754,066 | | 5,026,220 |
| Options exercised | 6,125,000 | 3,275,000 | 580,000 | 158,300 |
| Equity transaction costs | | - | (5,068) | (260,415) |
| On issue at the end of the period (net of transaction costs) | 124,070,640 | 117,945,640 | 17,635,098 | 17,060,166 |

11. Revenue

| | Dec 2021 \$ | Dec 2020 \$ |
|---|----------------|----------------|
| Gain on Disposal of Financial Asset - Metalore Sale (Lainejaur Project) | 1,498,604 | - |
| Total Revenue | 1,498,604 | - |

On 19 July 2021, the Company announced the settlement of the divestment with improved consideration terms for the sale of Metalore Pty Ltd (Lainejaur Project) to Bayrock Resources Limited for \$1.5 million. The first payment of \$750,000 was received in late December 2021.

Revenue is recognised at a point in time when control of the asset passes to the customer. All revenue is derived in Australia.

12. Share-based payments

Share Options

The Group has an established share option plan ("ESOP") that entitles employees to purchase shares in the Company. The objective of the plan is to assist in the recruitment, reward, retention and motivation of eligible persons in the Group. Under the plan, the Board may issue eligible employees with options to acquire shares in the future at an exercise price fixed by the Board on grant of options.

Notes to the consolidated interim financial statements

All Share Options issued under the ESOP are subject to the ESOP terms and conditions as disclosed in the Company's 2021 Annual Report.

Share Options Exercised during the period:

During the period, the following unlisted options were exercised in accordance with their terms:

- 11 November 2021 – 125,000 @ \$0.16, expiring 30 June 2022
- 30 December 2021 – 4,000,000 @ \$0.09 and 2,000,000 @ \$0.10, expiring 23 April 2024

13. Subsequent events

Subsequent to the end of the period, the Company completed a \$20 million placement of approximately 15.4 million new fully paid ordinary shares to institutional and sophisticated investors (see ASX release dated 31 January 2022). The additional funds will allow the Company to accelerate exploration activities at its Nil Desperandum and Lady Fanny discoveries at the Greater Duchess Copper Gold Project in Queensland, where more than 20,000m of drilling and extensive geophysical surveys are underway.

The Company received a total of \$280,000 after the period's end due to the exercise of Unlisted Share Options by a Director, see ASX release dated 7 February 2022 for details.

Directors' declaration

1. In the opinion of the directors of Carnaby Resources Limited ("the Company"):
 - (a) the consolidated interim financial statements and notes 1 to 13 that are contained within are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Robert Watkins
Managing Director

Dated at Perth, this 10th day of March 2022

Independent Auditor's Review Report

To the Members of Carnaby Resources Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Carnaby Resources Limited (the Company) and its subsidiaries (the Group), which comprises the interim consolidated statement of financial position as at 31 December 2021, and the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- (a) giving a true and fair view of the Carnaby's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B P Steedman
Partner – Audit & Assurance

Perth, 10 March 2022

Auditor's Independence Declaration

To the Directors of Carnaby Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Carnaby Resources Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B P Steedman
Partner – Audit & Assurance

Perth, 10 March 2022