
PELSART RESOURCES N.L.
(ABN: 72 009 449 101)

CONSOLIDATED FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

PELSART RESOURCES N.L.

CORPORATE INFORMATION

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PELSART RESOURCES N.L.

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PELSART RESOURCES N.L.

DIRECTORS' REPORT

The directors present their report on Pelsart Resources N.L. (the “Company”) and its controlled entities (the “Group”) for the year ended 31 December 2021.

The directors and secretary of the Company in office at the date of this report are:

1. DIRECTORS AND SECRETARY

1.1 The names of the directors of the Company during the financial year and up to the date of this report are:

Dr. E E Tan
Mr. J K C Chan
Mr. S G S Hughes
Mr. M T Kennedy (Deceased on 13 July 2022)
Mr. R T B Tan

1.2 Mr. S. Roberts held the position of company secretary during the financial year and up to the date of this report. He was appointed on 12 October 2018. Mr Roberts is a CPA and member of CPA Australia, a registered tax agent and financial advisor. He has over 25 years' experience as a practising accountant in business, tax and financial advisory in Australia, covering a number of sectors. He currently sits on several private company boards in an advisory capacity.

1.3 Details of directors (as at the date of this report)

Dr. E E Tan graduated as a medical doctor from the University of Sydney and obtained an MBA from Massachusetts Institute of Technology where he was a Sloan Fellow. He is certified by the Medical Board of Australia and the Hong Kong Medical Council. Dr. Tan also sits on the boards of several public listed companies.

Mr. J K C Chan holds a Bachelor of Commerce degree from the University of Western Australia and is an Associate Member of the Institute of Chartered Accountants Australia & New Zealand. He has broad experience in the financial sector in the Asia Pacific region and has previously worked in Singapore, Hong Kong, New York, Sydney and Perth.

Mr. S G S Hughes holds a bachelor's degree in accounting and is a Fellow of Chartered Accountants Australia & New Zealand. He has over 25 years' investment banking and corporate finance in Australia and Asia covering a number of sectors including mining.

Mr. M T Kennedy holds a Bachelor's degree in Business (Accounting) from the University of Technology, Sydney and is a Fellow of the Institute of Chartered Accountants Australia & New Zealand. He has more than 40 years of experience in the financial sector in the Asia Pacific region and is a Consultant to Peter Walker Partners in Sydney, Australia.

Mr. R T B Tan has been in the accountancy practice in Australia for more than 30 years before retiring recently. He was a member of the Association of Chartered Certified Accountants (UK) and that of the Taxation Institute of Australia. He was a board member of several public listed companies in Australia.

PELSART RESOURCES N.L.

DIRECTORS' REPORT (Continued)

1.3 Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the year were:

Director	Directors' Meetings	
	Attended	Eligible to attend
E E Tan	-	1
J K C Chan	1	1
S G S Hughes	1	1
M T Kennedy	1	1
R T B Tan	1	1

1.4 Directors' remuneration

The remuneration of the directors which is paid or payable by the Company are set out below:

	2021 \$	2020 \$
M T Kennedy	32,850	32,850
R T B Tan	32,850	32,850

1.5 Indemnification of officers

During the financial year, the Company paid a premium to insure the directors and secretaries of the Group. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

1.6 Proceedings on behalf of the company

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

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

2. PRINCIPAL ACTIVITIES

The principal activities of the Group are mineral exploration and production, and the derivation of petroleum royalties from certain Australian production permits.

PELSART RESOURCES N.L.

DIRECTORS' REPORT (Continued)

3. REVIEW OF OPERATIONS

The net consolidated loss after income tax for the financial year was \$7,018,335 (2020 Loss: \$1,562,958).

The main focus of the Group is developing and operating gold mines in Kalimantan, Indonesia.

The Indonesian subsidiary, PT Pelsart Tambang Kencana has received the Forest Operating Permit (IPPKH) in October 2021 from the Ministry of Environment and Forestry. The design of access road and preparation of land acquisition are in progress and construction is planned to commence in April 2022. The front-end engineering design (FEED) and detail engineering design (DED) studies are currently underway by Yantai Jinpeng. The tailing storage facility (TSF) study was completed and the dry TSF method was selected. A memorandum of understanding (MoU) with PT Perusahaan Listrik Negara (PT PLN) for the main electricity supply was signed in June 2021 to supply 18.5 MW of electric power to the facility.

PT Pelsart Tambang Kencana holds mineral assets, mainly the Kusan and Timburu exploration block areas, known as the Contract of Work (Cow). PT Pelsart Tambang Kencana used geological data and rock samples, as well as all information from historical drilling data, to calculate the gold and silver mineral resources of the Sungai Keruh prospect at the Kusan block area with a result of 600koz of gold and 300koz of silver.

During the year 2021, the activity was focused in the Timburu block Area (the Northern part of CoW area), where PT Pelsart Tambang Kencana completed an additional 50 holes totaling 8,735 meters drilling and was given an additional resources of 60koz in Timburu Area (20koz was defined as Indicated Resource category and 40koz as Inferred Resource category) with total exploration cost of US\$1.6 million. The ending balance of resources as at 31 December 2021 is 800koz of gold and 1,260koz of silver.

Exploration and development of a potential mine has cost US\$39.7 million up to 31 December 2021. This has been financed by loans provided by a minority shareholder of PT Pelsart Tambang Kencana. The Directors have been provided with an estimate of an additional US\$131 million over the next three years that will be required to get a mine into production and cash flow positive. The Company does not have the resources to meet its share of this commitment and discussions are taking place to determine the best outcome for the Company.

4. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

5. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR AND LIKELY DEVELOPMENT

There are no new matters or events which have arisen since the end of financial year that have significantly affected the operations of the Group or the results of those operations or the state of affairs of the Group, nor are there any such matters or circumstances which may significantly affect the future operations or results of those operations or the state of affairs of the Group, in the subsequent financial year.

6. DIVIDENDS

No dividends were declared or paid during the year.

7. ENVIRONMENTAL ISSUES

The Group's operations are subject to significant environmental regulation under the laws of Indonesia. The directors are not aware of any contraventions of these requirements.

PELSART RESOURCES N.L.

DIRECTORS' REPORT (Continued)

8. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required by S307C of the *Corporations Act 2001* is set out on page 5.

No officer of the Group is or has been a partner/director of any auditor of the Group.

9. OPTIONS

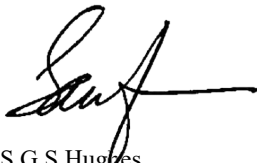
No options over unissued shares or interests in the Company or the controlled entities were granted during or since the end of the financial year, and there were no options outstanding as at the date of this report.

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

Dated this 18 August 2022



E E Tan
Chairman



S G S Hughes
Director

Auditor's Independence Declaration

To those charged with governance of Pelsart Resources NL

As auditor for the audit of Pelsart Resources NL for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Rafay

Rafay Nabeel
Audit Director

18 August 2022

Perth

Independent Audit Report to the members of Pelsart Resources NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pelsart Resources NL ("the Company") and its subsidiaries (collectively referred as "the Group"), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 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 as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty regarding related to going concern

Without modifying the opinion, we draw attention to Note 1(a) to the financial statements which describes the uncertainty dependent upon the continued financial support of the company's ultimate controlling shareholder, Sanfield Holdings Limited. As a result, there is a material uncertainty related to events or conditions that may cast doubt on the company's ability to continue as going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Our opinion is not qualified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in Directors' Report, 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 on the other information obtained prior to the date of this auditor's report, 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 Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the financial report.

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

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

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.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Rafay

Rafay Nabeel
Audit Director

18 August 2022

Perth

PELSART RESOURCES N.L.

DIRECTORS' DECLARATION

In the opinion of the Directors of Pelsart Resources N.L.:

The financial statements and notes as set out on pages 10 to 33 are in accordance with the Corporations Act 2001 and:

- (a) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with the International Financial Reporting Standards (IFRS); and
- (b) give a true and fair view of the financial position of the Consolidated Entity as at 31 December 2021 and of its performance for the year ended on that date.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 18 August 2022



E E Tan
Chairman



S G S Hughes
Director

PELSART RESOURCES N.L.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 \$	2020 \$
Revenue		39,202	16,349
Other income	2	2,101,440	919,049
		<u>2,140,642</u>	<u>935,398</u>
Exploration expenditure		(4,664,930)	(1,836,559)
Employee benefit expenses		(1,484,012)	(927,036)
Other expenses	3	(2,939,875)	(2,496,370)
Share of profit of an equity accounted investee	10	-	3,493,982
Finance cost	4	(70,160)	(732,373)
Loss before income tax expense		<u>(7,018,335)</u>	<u>(1,562,958)</u>
Income tax expense	5	-	-
Loss for the year		<u>(7,018,335)</u>	<u>(1,562,958)</u>
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(592,809)	889,016
Other comprehensive (loss)/income for the year		(592,809)	889,016
Total comprehensive loss for the year			
attributable to members of the parent entity		<u>(7,611,144)</u>	<u>(673,942)</u>
Loss for the year is attributable to:			
Non-controlling interests		(469,522)	(415,337)
Owners of Pelsart Resources NL		(6,548,813)	(1,147,621)
		<u>(7,018,335)</u>	<u>(1,562,958)</u>
Total comprehensive loss for the year is attributable to:			
Non-controlling interests		(469,522)	(415,337)
Owners of Pelsart Resources NL		(7,141,622)	(258,605)
		<u>(7,611,144)</u>	<u>(673,942)</u>

This statement should be read in conjunction with the notes to the financial statements.

PELSART RESOURCES N.L.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Note	31 December 2021 \$	31 December 2020 \$
CURRENT ASSETS			
Cash and cash equivalents	7	2,308,742	18,988,941
Trade and other receivables	9	6,622,183	7,169
Inventories		583,125	165,293
Other assets		627,676	26,273
TOTAL CURRENT ASSETS		10,141,726	19,187,676
NON-CURRENT ASSETS			
Investments in equity accounted investee	10	-	-
Investment in other financial asset	10	3,220,036	4,748,088
TOTAL NON-CURRENT ASSETS		3,220,036	4,748,088
TOTAL ASSETS		13,361,762	23,935,764
CURRENT LIABILITIES			
Trade and other payables	11	1,775,679	1,584,050
Borrowings	12	35,821,887	38,976,374
TOTAL CURRENT LIABILITIES		37,597,566	40,560,424
TOTAL LIABILITIES		37,597,566	40,560,424
NET LIABILITIES		(24,235,804)	(16,624,660)
EQUITY			
Issued capital	13	87,712,103	87,712,103
Other comprehensive income		296,207	889,016
Accumulated losses		(109,357,138)	(102,808,325)
Equity attributable to the owners of Pelsart Resources N.L.		(21,348,828)	(14,207,206)
Non-controlling interests	14	(2,886,976)	(2,417,454)
TOTAL DEFICIENCY IN EQUITY		(24,235,804)	(16,624,660)

This statement should be read in conjunction with the notes to the financial statements.

PELSART RESOURCES N.L.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Issued capital	Other comprehensive income	Accumulated losses	Non- controlling interests	Deficiency in equity
	\$	\$	\$	\$	\$
Balance at 1 January 2020	87,712,103	-	(101,660,704)	(2,002,117)	(15,950,718)
Loss for the year	-	-	(1,147,621)	(415,337)	(1,562,958)
<i>Other comprehensive income for the year</i>					
Translation reserve movement	-	889,016	-	-	889,016
Balance at 31 December 2020	<u>87,712,103</u>	<u>889,016</u>	<u>(102,808,325)</u>	<u>(2,417,454)</u>	<u>(16,624,660)</u>
 Balance at 1 January 2021	 87,712,103	 889,016	 (102,808,325)	 (2,417,454)	 (16,624,660)
Loss for the year	-	-	(6,548,813)	(469,522)	(7,018,335)
<i>Other comprehensive income for the year</i>					
Translation reserve movement	-	(592,809)	-	-	(592,809)
Balance at 31 December 2021	<u>87,712,103</u>	<u>296,207</u>	<u>(109,357,138)</u>	<u>(2,886,976)</u>	<u>(24,235,804)</u>

The statement should be read in conjunction with the notes to the financial statements.

PELSART RESOURCES N.L.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 \$	2020 \$
Cash Flows Used In Operating Activities:			
Receipts from customers and others		25,765	978
Payments to suppliers and employees		(3,490,462)	(1,619,752)
Receipts from government grants		-	20,000
Advances		(6,601,577)	-
Exploration expenditures		(4,664,930)	(1,836,559)
Net cash used in operating activities	18	<u>(14,731,204)</u>	<u>(3,435,333)</u>
Cash Flows From Investing Activities:			
Proceeds from sale of investment		-	18,992,350
Dividends received		2,101,440	-
Net cash from investing activities		<u>2,101,440</u>	<u>18,992,350</u>
Cash Flows From Financing Activities:			
Proceeds from borrowings		16,668,777	3,300,323
Repayments of borrowings		(20,725,093)	-
Net cash from financing activities		<u>(4,056,316)</u>	<u>3,300,323</u>
Net (decrease)/increase in cash held		(16,686,080)	18,857,340
Cash at the beginning of the year		18,988,941	143,029
Effects of foreign exchange		5,881	(11,428)
Cash at the end of the year	7	<u>2,308,742</u>	<u>18,988,941</u>

This statement should be read in conjunction with the notes to the financial statements.

PELSART RESOURCES N.L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements and notes represent those of Pelsart Resources N.L. (“the Company”) and its’ controlled entities (collectively referred to as “the Group”). Pelsart Resources N.L. is an unlisted public company incorporated and domiciled in Australia.

These financial statements were authorised for issue on 18 August 2022 by the directors of Pelsart Resources N.L.

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standard Board has concluded would result in the financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which fair value basis of accounting has been applied.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods in these consolidated financial statements and have been applied consistently by the Group.

(a) Going Concern Basis

The financial report has been prepared on the going concern basis, which contemplates continuity of business activities, albeit at a reduced level, and the realisation of assets and settlement of liabilities in the ordinary course of business.

The ultimate parent entity has indicated that until such time as otherwise advised in writing, should the Group have insufficient funds to meet its debts as and when they fall due, provided such debt has been incurred with their direct approval or is within established management authority, they will transfer funds to the Group for the purposes of enabling the debts to be satisfied.

The ability of the Company and the Group to pay its debts when they are due and payable is dependent upon the continued financial support of its ultimate controlling shareholder for at least 12 months from the date of these financial statements.

Should this financial support be discontinued, there will be material uncertainty over the ability of the Group and the Company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pelsart Resources N.L. (“parent entity”) as at 31 December 2021 and the results of all subsidiaries for the year then ended.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

(b) Principles of Consolidation (Continued)

Subsidiaries are all those entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date of control was obtained or until the date control ceased. A list of controlled entities is contained in Note 8 to the financial statements. All controlled entities have a December financial year end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

(c) New or Amended Accounting Standards and Interpretations Adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

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

(d) Income Tax

Income tax expense or benefit

Income tax expense or benefit for the year is the tax payable/recoverable on the current year's taxable income, based on the national income tax rate for each jurisdiction, adjusted for changes in the deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and any unused tax losses. Current and deferred tax expense attributable to amounts recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

(d) Income Tax (Continued)

Deferred tax

Deferred 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.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax offsets to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences, tax losses and offsets, except when the deferred tax asset arises from the 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 tax liabilities are recognised for all taxable temporary differences except if the temporary difference arises from the initial recognition of goodwill or 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 tax liabilities are recognised for taxable temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint arrangements, except where the consolidated entity is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period when the assets are realised or liabilities are settled, based on those tax rates (and laws) that have been enacted or substantively enacted for each jurisdiction at the balance sheet date.

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 when the entity 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

(e) Plant and Equipment

Plant and equipment are measured on the historical cost basis less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income statement during the financial year in which they are incurred.

Depreciation

The depreciable amount of plant and equipment is depreciated on a straight-line basis over their estimated useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation Rate
Plant and equipment	10-25%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to accumulated losses.

(f) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income. This policy has no application where paragraph (h) (Exploration and Evaluation Expenditure) applies.

(g) Associate (equity accounted investee)

An associate is an entity in which the Group holds significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control. If the Group holds 20% or more of the voting power of an entity, it is presumed that the Group has significant influence, unless it can be clearly demonstrated that this is not the case. Significant influence can also arise when the Group has less than 20% of voting power but it can be demonstrated that the Group has the power to participate in the financial and operating policy decisions of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

(g) Associate (equity accounted investee) (Continued)

Investment in an associate is accounted for using the equity method. Under the equity method, the investment in an associate is recorded initially at cost to the Group, including the value of any goodwill on acquisition. In subsequent years, the carrying amount of the investment in an associate is adjusted to reflect the Group's share of its post-acquisition profit or loss and other comprehensive income as disclosed in Note 10. After application of the equity method, including recognising the Group's share of the associate's results, the value of the investment will be assessed for impairment if there is objective evidence that an impairment of the investment may have occurred. When the Group's share of accumulated losses in an associate exceeds its investment in the associate, the Group does not recognise profit or further losses. Dividends received or receivable from an associate will reduce the carrying amount of the investment.

(h) Exploration and Evaluation Expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- i. researching and analysing historical exploration data;
- ii. gathering exploration data through topographical, geochemical and geophysical studies;
- iii. exploratory drilling, trenching and sampling;
- iv. determining and examining the volume and grade of the resource;
- v. surveying transportation and infrastructure requirements;
- vi. conducting market and finance studies.

Administration costs that are not directly attributable to a specific exploration area are charged to the income statement. Initial payments for the acquisition of intangible lease assets are capitalised and amortised over the term of the permit.

Exploration and evaluation expenditure is charged to the income statement as incurred except in the following circumstances, in which case the expenditure may be capitalised:

- i. the exploration and evaluation activity is within an area of interest which was previously acquired as an asset acquisition or in a business combination and measured at fair value on acquisition; or
- ii. the existence of a commercial viable mineral deposit has been established.

Capitalised exploration and evaluation expenditure considered to be a tangible asset is recorded as a component of property, plant and equipment at cost less impairment charges. All capitalised exploration and evaluation expenditure is monitored for indication of impairment. When a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the Group of operating assets (representing a cash-generating unit) to which the exploration is attributed. Exploration areas in which reserves have been discovered but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is no longer expected to be recovered, it is charged to the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

(i) Financial Instruments

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group determines the classification of its financial instruments at initial recognition.

Financial assets

Financial assets are classified at initial recognition a (i) subsequently measured at amortised cost, (ii) fair value through other comprehensive income or (iii) fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired.

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the Income Statement within finance costs. Transaction costs arising on initial recognition are expensed in the income statement.

Financial assets at fair value through other comprehensive income

The financial asset is held for both collecting contractual cash flows and selling the financial asset. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

The Group's financial assets at fair value through other comprehensive income include its investment in listed equities.

Financial assets at amortised cost

Financial asset at amortised costs are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gain and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables and cash and equivalents in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

(i) Financial Instruments (Continued)

Financial liabilities

Financial liabilities are classified at initial recognition as (i) financial liabilities at fair value through profit or, (ii) loans and borrowings, (iii) payables or (iv) derivatives designated as hedging instruments, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdraft. These are subsequently measured at amortised cost using the effective interest method. Gain and losses are recognised in the Income Statement when the liabilities are derecognised. Amortisation is included as finance costs in the income statement.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. The expression fair value – and derivatives thereof – wherever used in this report bears the meaning ascribed to that expression by the Australian Accounting Standards Board.

(j) Impairment of Financial Assets

A financial asset measured at amortised cost is assessed at each reporting date as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of financial assets measured at amortised cost is recognised in the income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the event that an impairment loss is reversed, it will be to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of financial assets through other comprehensive income (FVOCI), a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

(k) Foreign Currency Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined.

(l) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the statement of cash flows, cash includes cash on hand, demand deposits and cash equivalents.

(m) Revenue

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the expected value or most likely amount method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless the GST incurred is not recoverable from taxation authorities. In this case, it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

(n) Goods and Services Tax (GST) (Continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, taxation authorities is included with other receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows inclusive of GST. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, taxation authorities are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to taxation authorities. The net of GST payable and receivable is remitted to the appropriate tax body in accordance with legislative requirements.

(o) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operation segments, has been identified as the Board of directors.

(q) Change in Accounting Policies and Standards

There have been no changes in accounting policies adopted for the year ended 31 December 2021. No new accounting standards are materially applicable to the Group for the first time this year. No new or changes to accounting standards have been adopted early. If they have had of been adopted early, they would not have materially impacted on these financial statements.

(r) Comparative Figures

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

(s) Significant Estimates, Judgements and Errors

Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events that may be indicative of impairment triggers. Recoverable amounts of relevant assets are assessed as the higher of fair value less cost to sell and value in use. The calculation of fair value less cost to sell and value in use is an estimation which incorporates various assumptions.

PELSART RESOURCES N.L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (Continued)

(s) Significant Estimates, Judgements and Errors (Continued)

Taxation

Balances disclosed in the financial statements and the notes related to taxation, are based on the best estimates of directors and take into account the financial performance and position of the Group as they pertain to current income tax legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current tax position represents the best estimate, pending assessment by the relevant taxation authorities.

Note 2: Other Income

	2021	2020
	\$	\$
Fair value gain arising from loans payable to associate	-	426,610
Government grants	-	20,000
Unrealised foreign currency exchange gain, net	-	472,439
Dividend income	2,101,440	-
Total	<u>2,101,440</u>	<u>919,049</u>

Note 3: Other Expenses

	2021	2020
	\$	\$
Unrealised foreign currency exchange loss, net	588,875	-
Realised foreign currency exchange loss	236,916	191,733
Loss on sale of investment	-	820,625
Impairment loss on investment	1,528,052	205,156
Final tax on disposal of investment	-	949,618
Withholding tax expense	315,216	-
Others	270,816	329,238
Total	<u>2,939,875</u>	<u>2,496,370</u>

Note 4: Finance Cost

	2021	2020
	\$	\$
Amortisation of discounted fair value loans payable to associate	<u>70,160</u>	<u>732,373</u>

PELSART RESOURCES N.L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Income Tax Expense

	2021	2020
	\$	\$
(a) Current tax expense:		
Current provision	-	-
(b) The prima facie tax benefit on the operating loss is reconciled to the income tax provided for in the accounts as follows:		
Prima facie tax benefit on operating loss before income tax calculated at 25.0% (2020: 27.5%)	(1,754,584)	(429,813)
<u>Tax effect of permanent differences:</u>		
Add/(Less):		
- Non-deductable exploration expenditure	1,166,232	505,054
- Non-deductibles/assessable income	1,066,951	1,041,815
- Deductibles/non-assessable income	(575,340)	(1,223,398)
Total	(96,741)	(106,342)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	96,741	106,342
Income tax benefit attributable to operating loss before income tax	-	-

The Company has available tax losses of approximately \$1,302,106 (2020: \$1,784,328)

Note 6: Auditors' Remuneration

	2021	2020
	\$	\$
Auditors' remuneration	25,907	23,075

Note 7: Cash and Cash Equivalents

	2021	2020
	\$	\$
Cash on hand	32,003	36,491
Cash deposits with banks	2,276,739	18,952,450
Total	2,308,742	18,988,941

PELSART RESOURCES N.L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Controlled Entities

The details of the subsidiaries held directly by the Group were as follows:

Name of Subsidiary	Country of Incorporation	Effective Equity Interest and Voting Power Held by the Group	
		2021	2020
Pelsart International N.L.	Australia	100%	100%
Corsair Petroleum N.L.	Australia	100%	100%
Pelsart Kasongan Pty Ltd	Australia	100%	100%
PT Pelsart Tambang Kencana	Indonesia	70%	70%
Tambang Kencana Singapore Pte Ltd	Singapore	100%	100%

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

Note 9: Trade and Other Receivables

	2021	2020
	\$	\$
<u>Current</u>		
Trade receivables	13,574	4,234
Other receivables (i)	6,608,609	2,935
Total	<u>6,622,183</u>	<u>7,169</u>

- (i) Included in other receivables are funds paid in advance from PT Pelsart Tambang Kencana amounting to Rp 68,350,000,000 [equivalent to US\$4,790,104 or \$6,601,577] to PT Indo Muro Kencana for its operation activities. This advance was repaid in full in January 2022.

Note 10: Investments

<u>Investment in Equity Accounted Investee</u>	2021	2020
	\$	\$
Unquoted equity shares, at cost	-	10,235,015
Exchange differences on consolidation	-	1,450,262
Share of post-acquisition profit	-	13,080,942
	-	24,766,219
Less: Disposal of 36% of shareholding interests	-	(19,812,975)
	-	4,953,244
Less: Impairment loss on investment	-	(205,156)
	-	4,748,088
Less: Reclassification to investment in other financial asset	-	(4,748,088)
Total	<u>-</u>	<u>-</u>

PELSART RESOURCES N.L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Investments (Continued)

The investment in associate, PT Kasongan Bumi Kencana, was held by Pelsart Kasongan Pty Ltd, a 100% subsidiary of Pelsart Resources N. L. This associate holds a Contract of Work for mineral exploration.

On 28 December 2020, Pelsart Kasongan Pty Ltd entered into a sale and purchase agreement with PT Kreasi Cemerlang Lestari to sell 7,200,000 shares, equivalent to 36% of total shares, in PT Kasongan Bumi Kencana to PT Kreasi Cemerlang Lestari for a consideration of US\$14,400,000 (\$18,992,350). A loss on disposal of \$820,625 was recognised upon the disposal of shares.

As a result, the total shareholding of Pelsart Kasongan Pty Ltd in PT Kasongan Bumi Kencana decreased from 45% to 9% after the divestment and PT Kasongan Bumi Kencana ceased to be an associate of the Group. The investment has been reclassified to investment in other financial asset.

The summarised financial information of an associate on a 100% basis is set out below:

	2021	2020
	\$	\$
Current assets	-	51,117,706
Non-current assets	-	13,485,717
Current liabilities	-	(5,651,202)
Non-current liabilities	-	(3,916,179)
	<u>-</u>	<u>55,036,042</u>
Revenue	-	53,635,414
Profit for the year	-	9,771,903
Total comprehensive income for the year	<u>-</u>	<u>7,764,405</u>

Investment in Other Financial Asset

	2021	2020
	\$	\$
At cost	4,953,244	4,953,244
Allowance for impairment	(1,733,208)	(205,156)
	<u>3,220,036</u>	<u>4,748,088</u>

Details of the Group's investment in other financial asset at 31 December are as follows:

Name	Principal Activity	Country of Incorporation	Effective Equity Interest and Voting Power Held by the Group	
			2021	2020
			%	%
PT Kasongan Bumi Kencana	Gold and silver production	Indonesia	9	9

During the year, the Group recognised an impairment loss on the investment in other financial asset of \$1,528,052 (2020: \$205,156), reducing the fair value of investment in PT Kasongan Bumi Kencana to \$3,220,036 as at 31 December 2021 (2020: \$4,748,088).

PELSART RESOURCES N.L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Trade and Other Payables

	2021	2020
	\$	\$
<u>Current</u>		
Other tax liabilities	112,029	20,362
Other creditors and accruals	1,663,650	1,563,688
Total	1,775,679	1,584,050

Note 12: Borrowings

	2021	2020
	\$	\$
<u>Current</u>		
<i>Unsecured liabilities:</i>		
Loans payable to associate (i)	-	-
Loans payable to investee (i)	-	7,880,058
Loans payable to other entities (ii)	25,974,698	18,251,281
Shareholder loan (iii)	200,000	12,845,035
	26,174,698	38,976,374
<i>Secured liability:</i>		
Short-term loan (iv)	9,647,189	-
	9,647,189	-
Total	35,821,887	38,976,374

- (i) On 23 February 2017, PT Pelsart Tambang Kencana entered into a non-interest-bearing loan agreement with the Group's associate, PT Kasongan Bumi Kencana, under which the associate would loan funds up to a maximum facility amounting to Rp 30,000,000,000 with a due date within 12 months.

On 23 February 2018, the 1st amendment to the loan agreement revised the due date to 23 February 2019. The 2nd amendment of loan agreement dated 3 September 2018 increased the maximum facility to Rp 60,000,000,000.

On 22 February 2019, the 3rd amendment to the loan agreement revised the due date to 22 February 2020.

The 4th amendment of loan agreement dated 21 February 2020 revised the due date to 22 February 2021 and increased the maximum facility to Rp 100,000,000,000.

On 19 February 2021, the 5th amendment to the loan agreement revised the due date to 22 February 2022.

On 28 December 2020, PT Kasongan Bumi Kencana has ceased to be an associate of the Group following the disposal of 36% of shareholding (Note 10).

This loan was repaid in full on 16 March 2021 and 28 April 2021.

PELSART RESOURCES N.L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Borrowings (Continued)

- (ii) Included in loan payable to other entities are funds received in advance from PT Aurora Kirana of US\$13,401,241 [equivalent to \$18,469,186] (2020: US\$13,401,241 [equivalent to \$17,399,690]) for shares in PT Pelsart Tambang Kencana that had yet to be notarised and issued. When issued, PT Aurora Kirana's holding interest in PT Pelsart Tambang Kencana will increase to 36.14% and the company dilute to 63.7%.

Based on the loan agreement dated 31 December 2021, PT Pelsart Tambang Kencana agreed to obtain a loan from PT Aurora Kirana, with maximum facility amounting to Rp 68,350,000,000 [equivalent to US\$4,790,104 or \$6,601,577] with a due date within 12 months and non-interest bearing. The outstanding balance of this loan as at 31 December 2021 is Rp 68,350,000,000 [equivalent to US\$4,790,104 or \$6,601,577].

- (iii) Loan provided by the ultimate controlling shareholder, Sanfield Holdings Limited, comprising of \$200,000 (2020: US\$8,995,208 and \$1,165,980), is interest free. As required by Australian Accounting Standards, the loan has been classified as "current" because the Parent Entity does not have the unconditional right to defer repayment. Sanfield Holdings Limited has indicated that it will reserve its right to call for repayment of the loan as and when required, by giving advance notice to the Company. The ultimate controlling shareholder has also indicated that until such time as otherwise advised in writing, should the Group have insufficient funds to meet its debts as and when they fall due, provided such debt has been incurred with their direct approval or is within established management authority, they will transfer funds to the Group for the purposes of enabling the debts to be satisfied. The loan outstanding as at 31 December 2020 was repaid in full on 29 January 2021.
- (iv) On 2 December 2021, PT Pelsart Tambang Kencana obtained a short-term loan facility from Bank Ganesha to finance its working capital requirements amounting to a maximum of US\$7,000,000. This loan was fully guaranteed with restricted time deposits from PT Kasongan Bumi Kencana.

Note 13: Issued Capital

(a) Share capital

	2021 No. of Shares	2020 No. of Shares	2021 \$	2020 \$
Ordinary shares: Fully paid	1,833,552,401	1,833,552,401	87,712,103	87,712,103

(b) Movement in ordinary share capital

Balance at the beginning and end of the year	1,833,552,401	1,833,552,401	87,712,103	87,712,103
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Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll, each share is entitled to one vote.

PELSART RESOURCES N.L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14: Non-controlling interests

	2021	2020
	\$	\$
Issued capital	165,380	155,804
Accumulated losses	(3,052,356)	(2,573,258)
Total	<u>(2,886,976)</u>	<u>(2,417,454)</u>

The non-controlling interests has a 30% (2020: 30%) equity holding in PT Pelsart Tambang Kencana.

Note 15: Capital and Leasing Commitments

The Group had not entered into any non-cancellable operating lease arrangement or any significant capital commitment as at 31 December 2021.

Note 16: Contingent Liabilities and Contingent Assets

Based on Decision Letter No. T-248/MB.04/DJB.M/2022 dated 19 January 2022, the Ministry of Energy and Mineral Resources of The Republic Indonesia has approved the work plan and budget cost for contract related to the construction facility stage in 2022 for the Indonesian subsidiary, PT Pelsart Tambang Kencana.

The directors are not aware of any circumstances or information which leads them to believe there are any material contingent liabilities or contingent assets outstanding as at 31 December 2021.

Note 17: Statement of Operations by Segments

- (a) The Group reports one segment, oil and gas exploration, to the chief operating decision maker, being the Board of Pelsart Resources N.L., in assessing performance and determining the allocation of resources. The financial information presented in the statement of cash flows is the same basis as that presented to the chief operating decision maker.

Unless otherwise stated, all amounts reported to the chief operating decision maker are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Revenue by geographical region

Revenue, including interest income, is disclosed below based on the location of the external customer:

	Total Revenue	
	2021	2020
	\$	\$
Australia	<u>39,202</u>	<u>16,349</u>

Assets by geographical region

The location of segment assets is disclosed below by geographical location on the assets:

	Total Assets	
	2021	2020
	\$	\$
Australia	205,783	20,886,999
Indonesia	13,155,979	3,048,765
Total	<u>13,361,762</u>	<u>23,935,764</u>

- (b) The Group derived income from non-contributing oil royalty interests in Australian permit areas.

PELSART RESOURCES N.L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 18: Reconciliation of Cash Flows Used in Operations

	2021	2020
	\$	\$
Operating loss for the year	(7,018,335)	(1,562,958)
Adjustments for:		
Share of results of an associate	-	(3,493,982)
Fair value gain arising from loans payable to associate	-	(426,610)
Loss on sale of investment	-	820,625
Impairment loss on investment	1,528,052	205,156
Amortisation of discounted of fair value loans payable to associate	70,160	732,373
Dividends received	(2,101,440)	-
Unrealised foreign currency exchange gain	(3,937)	(472,439)
Realised foreign currency exchange loss	236,916	191,733
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(6,615,014)	5,641
Increase in other assets	(601,403)	(21,012)
Increase in inventories	(417,832)	(165,293)
Increase in trade and other payables	191,629	751,433
Net cash used in operating activities	<u>(14,731,204)</u>	<u>(3,435,333)</u>

Note 19: Related Party Transactions

(a) Entities that exercise control over the Group

The ultimate parent entity of Pelsart Resources N.L. is Sanfield Holdings Limited, incorporated in Hong Kong.

(b) Entities that are subject to common control outside the Group

Entities that are subject to common control outside the Group are those entities over which the Group's immediate parent or the ultimate parent entity exercises control. These entities are deemed "sister" entities (fellow subsidiaries) of the reporting entity.

(c) Controlled entities

Controlled entities are entities over which Pelsart Resources N.L. has the power to govern the financial and operating policies so as to obtain benefits from their activities. Because intercompany transactions and balances involving controlled entities are eliminated on consolidation, controlled entities are considered as related parties only in the case of the parent entity's information. A list of controlled entities is provided in Note 8.

The parent entity has provided funds to its controlled entities by way of non-current loans for exploration expenditure, and investments in and loans to Indonesian companies, which total \$67,239,293 (2020: \$55,232,636) as at 31 December 2021. Allowance for impairment of \$67,239,293 (2020: \$55,232,636) on these loans has been made.

As a result, the net carrying value of these loans from the parent entity has been reduced to \$Nil (2020: \$Nil).

The recovery by the parent entity of loans to its controlled entities is ultimately dependent upon the successful development and commercial exploitation of the relevant areas, alternatively, the sale of the areas for the book value of the related investments and loans.

PELSART RESOURCES N.L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 19: Related Party Transactions (Continued)

(d) Key management personnel of the Group

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Group or any of the Group's parent entities (as described in (a) above), directly or indirectly, including any directors (whether executive or otherwise) of the entity, is considered key management personnel.

Consultancy fees billed by one of the directors of the Company amounted to \$48,000 (2020: \$48,000).

(e) Key management personnel compensation

	2021	2020
	\$	\$
Short-term employee benefits	60,000	60,000
Post-employment benefits	5,700	5,700
Total	<u>65,700</u>	<u>65,700</u>

(f) Other related parties of the Group

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

Pelsart Kasongan Pty Ltd holds a 9% interest (2020: 9%) in PT Kasongan Bumi Kencana.

Note 20: Parent Entity Information

	2021	2020
	\$	\$
Statement of Financial Position		
<u>Assets</u>		
Total current assets	205,775	20,886,991
Total assets	<u>205,775</u>	<u>20,886,991</u>
<u>Liabilities</u>		
Total current liabilities	241,881	12,883,448
Total liabilities	<u>241,881</u>	<u>12,883,448</u>
<u>Equity</u>		
Issued capital	87,712,103	87,712,103
Accumulated losses	(87,748,209)	(79,708,560)
Total (deficiency)/equity	<u>(36,106)</u>	<u>8,003,543</u>
Income Statement and Other Comprehensive (Loss)/Income		
(Loss)/Profit and other comprehensive (loss)/income for the year	(8,039,649)	21,796,972
Total (loss)/profit and other comprehensive (loss)/income	<u>(8,039,649)</u>	<u>21,796,972</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 21: Financial Risks

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans made to related parties.

The total for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies, are as follows:

	2021 \$	2020 \$
<u>Financial Assets</u>		
Cash and cash equivalents	2,308,742	18,988,941
Trade and other receivables	6,622,183	7,169
Other assets	627,676	26,273
Total financial assets	9,558,601	19,022,383
<u>Financial Liabilities</u>		
Trade and other payables	1,775,679	1,584,050
Borrowings	35,821,887	38,976,374
Total financial liabilities	37,597,566	40,560,424

Financial Risk Management Policies

The Board's overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk. There have been no substantive changes in the types of risks the Group is exposed to, how these arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Foreign Currency Risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primary with respect to the United States Dollar and Indonesia Rupiah. Foreign currency risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

(b) Credit Risk

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted.

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date to recognise financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The consolidated entity has minimal credit risk relating to trade debtors and term debtors due to the nature of its business.

(c) Liquidity Risk

The ability of the Company to pay its debts when they are due and payable is dependent upon the continued financial support of its ultimate controlling shareholder, Sanfield Holdings Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 21: Financial Risks (Continued)

(d) Market Risk

Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest rate		Non-Interest Bearing		Total	
	2021 %	2020 %	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Financial Assets								
Cash and cash equivalents	0.18	2.41	2,308,742	18,988,941	-	-	2,308,742	18,988,941
Trade and other receivables	-	-	-	-	6,622,183	7,169	6,622,183	7,169
Other assets	-	-	-	-	627,676	26,273	627,676	26,273
Total financial assets			<u>2,308,742</u>	<u>18,988,941</u>	<u>7,249,859</u>	<u>33,442</u>	<u>9,558,601</u>	<u>19,022,383</u>
Financial Liabilities								
Trade and other payables	-	-	-	-	1,775,679	1,584,050	1,775,679	1,584,050
Borrowings	-	-	-	-	35,821,887	38,976,374	35,821,887	38,976,374
Total financial liabilities			<u>-</u>	<u>-</u>	<u>37,597,566</u>	<u>40,560,424</u>	<u>37,597,566</u>	<u>40,560,424</u>

The Group is only exposed to interest rate risk on its cash balances and term deposits held with financial institutions in Australia and Indonesia. There are no significant amounts of deposit held in Indonesia. Loans from the major shareholder, other entities and associate are interest free.

(e) Net Fair Values

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

The net fair value of monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the value of contractual or expected future cash flows on amounts due from customers or associated entities (reduced for expected credit losses) or due to suppliers. The carrying amounts of the bank term deposits, accounts receivable and accounts payable approximate net fair value.

Investments in shares of companies are reflected at valuation which approximates net fair value. Directors' appraisals are undertaken as necessary to reflect substantial changes affecting the net fair value of the investments.

For other assets and other liabilities, the net fair value approximates their carrying value.

Financial assets where the carrying amount exceeds net fair values have not been written down as the Group intends to hold these assets to maturity.

Note 22: Subsequent Events

There are no matters or circumstances which have arisen since the end of financial year that have significantly affected the operations of the Group or the results of those operations or the state of affairs of the Group, nor are there any such matters or circumstances which may significantly affect the future operations or results of those operations or the state of affairs of the Group, in the subsequent financial year.

Note 23: Company Details

The current registered office of the Company is:

Level 2, 267 St Georges Terrace
Perth WA 6000

Country of Incorporation: Australia
Domicile: Western Australia