Silica Resources Australia Ltd

ABN 97 655 231 066

Audited Financial Statements - 30 September 2023

Silica Resources Australia Ltd
Corporate directory
30 September 2023

Directors	Mr Peter Lansom (Chairman) Mr Robert Tindall (Managing Director) Mr Michael Everard (Non-Executive Director) Mr Tyler Mapstone (Non-Executive Director) Mr Mark Pitcher (Non-Executive Director)
Company secretary	Mr Robert Tindall
Registered office	Level 4 96-100 Albert Road South Melbourne VIC 3205
Principal place of business	Level 4 96-100 Albert Road South Melbourne VIC 3205
Auditor	McLean Delmo Bentleys Audit Pty Ltd Level 3, 302 Burwood Road, Hawthorn VIC 3122

The Directors present their report, together with the financial statements, of Silica Resources Australia Ltd (the 'Company' or 'SRA') at the end of, or during, the period ended 30 September 2023.

Directors
The following persons were Directors of Silica Resources Australia Ltd during the whole of the financial period and up to the date of this report, unless otherwise stated:

Mr Peter Lansom (Chairman)
Mr Robert Tindall (Managing Director)
Mr Michael Everard (Non-Executive Director)
Mr Tyler Mapstone (Non-Executive Director)
Mr Mark Pitcher (Non-Executive Director) - appointed 3 August 2023

Principal activities
Silica Resources Australia Ltd was incorporated on 11 November 2021. The Company entered into a binding agreement to acquire the shares in Mourilyan Silica Resources Pty Ltd (MSR), a company which holds a series of licences and permits that form the Mourilyan Silica Sands Project (MSP). Under the agreement SRA will have full access rights and will conduct a series of technical studies. SRA will also have a right to mine on a 50/50 profit share until the first option is exercised and SRA acquires 70% of the company and project. During the period the Company has spent money to undertake technical due diligence to support funding and the exercise of the rights.

Dividends
There were no dividends paid or declared during the current financial period.

Review of operations
The loss for the Company after providing for income tax amounted to $2,087,243 (30 September 2022: $507,377).

The net assets of the Company were $8,404,001 as at 30 September 2023 and had net cash outflows from operating activities for the period of $1,562,234.

The loss for the current period is consistent with the principal activities of the Company as it has no revenue-generating activities.

Significant changes in the state of affairs
There were no other significant changes in the state of affairs of the Company during the financial period.

Matters subsequent to the end of the financial year.
Subsequent to the year end on 17 October 2023, the Company issued 8,300,000 ordinary shares.

During October and November 2023, the Company has entered into agreements to issue additional Convertible Notes with face value of $2,700,000 at an interest rate of 10% per annum. These Convertible Notes are issued at same terms as those noted in the note 9 to the financial statements.

On 7 December 2023, the Company issued 4,000,000 Options to Amery Partners as per corporate advisory agreement for capital raising services.

No other matter or circumstance has arisen since 30 September 2023 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations
Information on other likely developments in the operations of the Company and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation
During the period ended 30 September 2023, the Company was not subject to any particular environmental regulations.

Shares under option

Grant date	Expiry date	Exercise price	Number under option
15 May 2023	16 May 2025	$0.0625	15,152,000
15 May 2023	1 March 2024	$0.0625	1,717,500
19 May 2023	1 March 2024	$0.0625	1,075,000
29 September 2023	30 September 2026	$0.0625	2,500,000
2 November 2023	16 May 2025	$0.0625	27,550,000
6 November 2023	16 May 2025	$0.0625	6,000,000
20 November 2023	16 May 2025	$0.0625	11,100,000
7 December 2023	16 May 2025	$0.0625	4,000,000
			69,094,500

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

Shares issued on the exercise of options
There were no ordinary shares of Silica Resources Australia Ltd issued on the exercise of options during the period ended 30 September 2023 and up to the date of this report.

Shares under performance rights
Unissued ordinary shares of Silica Resources Australia Ltd under performance rights at the date of this report are as follows:

Grant date	Name	Exercise price	Number under rights
1/7/2023	Peter Lansom	$0.0000	3,500,000
1/7/2023	Robert Tindall	$0.0000	3,500,000
1/7/2023	Michael Everard	$0.0000	1,500,000
1/7/2023	Tyler Mapstone	$0.0000	1,500,000
			10,000,000

These performance rights have no expiry date. No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of performance rights
There were no ordinary shares of Silica Resources Australia Ltd issued on the exercise of performance rights during the period ended 30 September 2023 and up to the date of this report.

Indemnity and insurance of officers
The Company has indemnified the directors of the Company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the period, the Company paid a premium in respect of a contract to insure the directors of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not otherwise, during or since the period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the period, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001

On behalf of the Directors

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Peter Lansom
Chairman

6 February 2024

McLean Delmo Bentleys
Audit Pty Ltd

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SILICA RESOURCES AUSTRALIA LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 September 2023 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

McLean Delmo Bentleys Audit Pty Ltd

MCLEAN DELMO BENTLEYS AUDIT PTY LTD

John Delmo
Partner

Hawthorn
7 February 2024

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Silica Resources Australia Ltd
Consolidated statement of profit or loss and other comprehensive income
For the period ended 30 September 2023

	Note	30 September 2023 $	30 September 2022 $
Expenses			
Corporate and administration expenses		(1,241,635)	(285,041)
Exploration costs		(264,673)	(222,336)
Finance costs		(580,935)	-
Total expenses		(2,087,243)	(507,377)
Loss before income tax expense		(2,087,243)	(507,377)
Income tax expense	4	-	-
Loss after income tax expense for the period attributable to the owners of Silica Resources Australia Ltd		(2,087,243)	(507,377)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period attributable to the owners of Silica Resources Australia Ltd		(2,087,243)	(507,377)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Silica Resources Australia Ltd
Consolidated statement of financial position
As at 30 September 2023

	Note	30 September 2023 $	30 September 2022 $
Assets			
Current assets			
Cash and cash equivalents	5	2,479,847	1,117,962
Other receivables	6	189,229	35,303
Total current assets		2,669,076	1,153,265
Non-current assets			
Exploration and evaluation	7	11,745,883	350,000
Total non-current assets		11,745,883	350,000
Total assets		14,414,959	1,503,265
Liabilities			
Current liabilities			
Trade and other payables	8	652,203	148,586
Total current liabilities		652,203	148,586
Non-current liabilities			
Convertible notes	9	3,698,755	-
Other liabilities	10	1,660,000	-
Total non-current liabilities		5,358,755	-
Total liabilities		6,010,958	148,586
Net assets		8,404,001	1,354,679
Equity			
Issued capital	11	3,641,076	1,862,056
Reserves	12	7,357,545	-
Accumulated losses		(2,594,620)	(507,377)
Total equity		8,404,001	1,354,679

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Silica Resources Australia Ltd
Consolidated statement of changes in equity
For the period ended 30 September 2023

	Share capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 11 November 2021	-	-	-	-
Loss after income tax expense for the period	-	-	(507,377)	(507,377)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(507,377)	(507,377)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 11)	1,862,056	-	-	1,862,056
Balance at 30 September 2022	1,862,056	-	(507,377)	1,354,679

	Share capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 October 2022	1,862,056	-	(507,377)	1,354,679
Loss after income tax expense for the period	-	-	(2,087,243)	(2,087,243)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(2,087,243)	(2,087,243)
Convertible note reserve (note 12)	-	4,140,045	-	4,140,045
Convertible note option reserve (note 12)	-	3,217,500	-	3,217,500
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 11)	1,779,020	-	-	1,779,020
Balance at 30 September 2023	3,641,076	7,357,545	(2,594,620)	8,404,001

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Silica Resources Australia Ltd
Consolidated statement of cash flows
For the period ended 30 September 2023

	Note	30 September 2023 $	30 September 2022 $
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(1,237,599)	(393,994)
Finance costs paid		(324,635)	-
Net cash used in operating activities	23	(1,562,234)	(393,994)
Cash flows from investing activities			
Payments for exploration and evaluation	7	(11,314,901)	(350,000)
Net cash used in investing activities		(11,314,901)	(350,000)
Cash flows from financing activities			
Proceeds from issue of shares	11	2,117,000	2,032,566
Share issue transaction costs		(337,980)	(170,610)
Advance from share capital	10	1,660,000	-
Proceeds from convertible notes		10,800,000	-
Net cash from financing activities		14,239,020	1,861,956
Net increase in cash and cash equivalents		1,361,885	1,117,962
Cash and cash equivalents at the beginning of the financial period		1,117,962	-
Cash and cash equivalents at the end of the financial period	5	2,479,847	1,117,962

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Silica Resources Australia Ltd at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Silica Resources Australia Ltd's functional and presentation currency.

Silica Resources Australia Ltd is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4
96-100 Albert Road South Melbourne
VIC 3205

A description of the nature of the Company's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 6 February 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

There are a number of standards, amendments to standards, and interpretations which have been issued by the AASB that are effective in future accounting periods that the Consolidated Entity has decided not to adopt early.

The following amendments to standards are applicable to the Company and effective for future reporting periods:

- Disclosure of Accounting Policies (Amendments to IAS 1, IFRS Practice Statement 2 and Amendments to IAS 8), which are effective for accounting periods beginning on or after 1 January 2023.
- Amendment to IFRS 16 – Leases on sale and leaseback, which are effective for accounting periods beginning on or after 1 January 2024.
- Amendment to IAS 1 - Non-current liabilities with covenants which is effective for accounting periods beginning on or after 1 January 2024; and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12), effective for accounting periods beginning on or after 1 January 2023.

These standards, which are not yet effective, are not expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions. However, management will continue to assess this closer to the application date of each standard.

Rounding of amounts

Silica Resources Australia Ltd is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Note 2. Significant accounting policies (continued)

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going concern
The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity made a loss after tax of $2,087,243 during the year ended 30 September 2023 (30 September 2022: $507,377) and had net operating cash outflows of $1,562,234 (30 September 2022: $393,994). As at 30 September 2023, the cash balance was $2,479,847 and net working capital surplus was $2,016,873.

During October and November 2023, the Company has entered into agreements to issue additional Convertible Notes with face value of $2,700,000 at an interest rate of 10% per annum.

The Directors will continue to monitor the ongoing funding requirements of the Consolidated Entity. As a consequence of the above, the directors believe that, notwithstanding the Consolidated Entity's operating results for the year, the Consolidated Entity will be able to continue as a going concern and therefore, these financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silica Resources Australia Ltd ('Company' or 'parent entity') as at 30 September 2023 and the results of all subsidiaries for the period then ended. Silica Resources Australia Ltd and its subsidiaries together are referred to in these financial statements as the 'Company'.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Company. Losses incurred by the Company are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Note 2. Significant accounting policies (continued)

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

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

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Note 2. Significant accounting policies (continued)

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the Company will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. To the extent that exploration costs are determined not to be recoverable in the future, they will be written off in the period in which they are incurred.

Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. The expectation of recovery of the costs capitalised is based on the assumption that the Group will be able to obtain adequate financing to allow the continued exploration and subsequent development of areas of interest by either successfully farming out a proportion of existing permits or raising adequate capital in its own right. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Accounting for convertible notes
The classification as debt or equity may have a significant impact on the quantum of the Company's net equity. Significant judgement involved in determining whether the convertible notes represent liability, equity or compound financial instrument. Contractual terms, especially those conversion features require careful analysis to determine the nature of instrument. A convertible note will only be a compound instrument where the component relating to conversion satisfies the requirements of the 'fixed for fixed' test. Terms are carefully examined to determine whether separate components exist and, where they do, whether they are equity components or liability components.

Significant judgement is involved in determining the substance of the conversion feature of convertible notes whether a conversion option is fixed in economic terms and appropriate interest rates in fair valuing the loan amounts. When a convertible instrument has been determined to contain a host liability (i.e. coupon payments and principal) and embedded equity conversion feature, the fair value of the host liability is determined first with the residual amount assigned as the equity component by deducting the host liability component from the fair value of the convertible notes as a whole. The entire convertible notes are therefore segregated into two key components:

(1) Coupon and principal amount (financial liability); and
(2) Conversion feature of the instrument (equity).

The free attaching share options issued concurrently with the convertible notes are treated as transaction costs. The carrying amount of the financial liability and equity component is adjusted for the transaction costs incurred.

Note 4. Income tax

	30 September 2023 $	30 September 2022 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(2,087,243)	(507,377)
Tax at the statutory tax rate of 25%	(521,811)	(126,844)
Current period tax losses not recognised	521,811	126,844
Income tax expense	-	-

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 5. Current assets - Cash and cash equivalents

	30 September 2023 $	30 September 2022 $
Cash on hand	100	-
Cash at bank	2,479,747	1,117,962
	2,479,847	1,117,962

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

Note 6. Current assets - Other receivables

	30 September 2023 $	30 September 2022 $
Receivables for founding shares	-	100
GST receivable	189,229	35,203
	189,229	35,303

Accounting policy for trade and other receivables
Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 7. Non-current assets - Exploration and evaluation

	30 September 2023 $	30 September 2022 $
Exploration rights	11,100,000	350,000
Capitalised exploration expenditure	645,883	-
	11,745,883	350,000

During 2022 financial year, the Company signed a binding agreement to acquire 100% of shares in Mourilyan Silica Resources Pty Ltd (MSR) from Daraleigh Pty Ltd, legal and beneficial owners of MSR. MSR holds a series of licences and permits that form the Mourilyan Silica Sands Project (MSP). During the year, the Company completed acquisition 100% of the shares in two tranches for a total cumulative payment of $10 million (knowns as "Call Option 1 fees of $5 million " and "Call Option 2 fees of $5 million"). In addition, the Company also paid $750,000 (2022: $350,000) in return for the acquisition rights, during the year. Under the agreement SRA have full access rights the mines and will conduct a series of technical studies to advance the Mourilyan Silica Sands Project.

The MSR acquisition is not deemed to be a business combination as defined in AASB 3 Business Combination and treated as an asset acquisition and accounted as per AASB 3. 2(b) guidance. Total purchase consideration paid is recognised as exploration rights in the financial statements.

Note 7. Non-current assets - Exploration and evaluation (continued)

Accounting policy for exploration and evaluation assets
Exploration and evaluation expenditures in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Note 8. Current liabilities - Trade and other payables

	30 September 2023 $	30 September 2022 $
Trade payables	586,130	114,336
Accrued expenses	66,073	34,250
	652,203	148,586

Refer to note 15 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial half-year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 9. Non-current liabilities - Convertible notes

	30 September 2023 $	30 September 2022 $
Convertible notes	3,698,755	-

The Company has entered into agreements to issue Convertible notes with face value of $10,800,000 at an interest rate of 10% per annum. The Convertible Notes mature on 30 June 2026. Interest is compounded quarterly and is paid on the maturity date. The Convertible Notes will be redeemable or will convert into fully paid ordinary shares in the Company, and the redemption or conversion value will be lower of:

- $0.20; or
- The lowest price at which the company issues shares after the Convertible note agreement (excluding any issues on exercise of the free-attaching options).

The Company issued 23,400,000 free attaching options (refer note 12) to the Convertible Note holders. These Options have been recognised at their independently determined fair value with the corresponding share-based payment being treated as transaction costs attributable to the financial liability and equity components and recognised as finance charges on the liability component through the maturity date of the Convertible Notes.

$3,698,755 of the convertible notes are issued to Wahl Citadel Pty Limited, an entity associated with Mr. Mark Pitcher, a non-executive director of the Company. All transactions were made on normal commercial terms and conditions and at market rates.

Note 9. Non-current liabilities - Convertible notes (continued)

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Note 10. Non-current liabilities - Other liabilities

	30 September 2023 $	30 September 2022 $
Advances for share capital	1,660,000	-

The balance represents the advances received at 30 September 2023 in relation to a Placement, which was completed subsequent to the year end on 17 October 2023 by issuing 8,300,000 shares.

Note 11. Equity - Issued capital

	30 September 2023 Shares	30 September 2022 Shares	30 September 2023 $	30 September 2022 $
Ordinary shares - fully paid	123,106,052	28,130,263	3,641,076	1,862,056

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	11 November 2021	-		-
Share issue	13/05/2022	10,800,000	$0.0001	100
Share issue	3/06/2022	3,400,000	$0.0000	-
Share issue	13/06/2022	7,170,263	$0.2500	1,792,566
Share issue	22/08/2022	400,000	$0.0000	-
Share issue	26/08/2022	3,360,000	$0.0268	90,000
Share issue	2/09/2022	600,000	$0.2500	150,000
Share issue	1/07/2022	2,400,000	$0.0000	-
Capital raising costs		-	$0.0000	(170,610)
Balance	30 September 2022	28,130,263		1,862,056
Share split	24/02/2023	84,390,789	$0.0000	-
Share issue	27/04/2023	3,435,000	$0.2000	687,000
Share issue	19/05/2023	2,150,000	$0.2000	430,000
Share issue	29/09/2023	5,000,000	$0.2000	1,000,000
Capital raising costs		-	$0.0000	(337,980)
Balance	30 September 2023	123,106,052		3,641,076

Note 11. Equity - Issued capital (continued)

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Accounting policy for issued capital
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.

Note 12. Equity - Reserves

	30 September 2023 $	30 September 2022 $
Convertible Note Reserve	4,140,045	-
Convertible Note Option Reserve	3,217,500	-
	7,357,545	-

Convertible note reserve
This reserve is used to recognise equity component of the convertible notes, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Convertible note options reserve
The convertible notes have Free Attaching Options ("Options") to acquire ordinary shares in the Company. A total of 23,400,000 Options were issued and are exercisable at $0.0625 per share, which will otherwise expire on 16 May 2025. The Options issued concurrently with Convertible Notes are treated as transaction costs. The carrying amount of financial liability and equity component are adjusted for fair value of transaction costs incurred with the corresponding credit recognised in equity.

Note 13. Equity - Dividends

There were no dividends paid or declared during the current financial period.

Accounting policy for dividends
Dividends are recognised when declared during the financial period and no longer at the discretion of the Company.

Note 14. Commitments

The Company had no commitments as at the period ended 30 September 2023 (30 September 2022: Nil).

Note 15. Financial instruments

Financial risk management objectives
The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Note 15. Financial instruments (continued)

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Consolidated Entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Price risk
The Company is not exposed to any significant price risk.

Interest rate risk
The Company's main interest rate risk arises from borrowings. Borrowings obtained at variable rates could expose the Company to interest rate risk. Borrowings obtained at fixed rates expose the Company to fair value risk. To mitigate risks arising from variable rates, the management have entered into borrowing agreements with fixed rates of interest.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Where appropriate, the Company obtains guarantees to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Company does not hold any collateral.

There are no significant concentration of credit risks, whether through exposure to individual customers, specific industry sectors or regions.

Liquidity risk
Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves and raising additional funding as required.

Remaining contractual maturities
The following tables detail the Company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

30 September 2023	**Interest rate**	**1 year or less $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**	**Remaining contractual maturities $**
Non-derivatives					
Non-interest bearing					
Trade and other payables	-	652,203	-	-	652,203
Interest-bearing - fixed rate					
Convertible note	10.00%	-	-	3,698,755	3,698,755
Total non-derivatives		652,203	-	3,698,755	4,350,958

Note 15. Financial instruments (continued)

30 September 2022	Interest rates	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade and other payables	-	148,586	-	-	148,586
Total non-derivatives		148,586	-	-	148,586

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. Where appropriate, the fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 16. Key management personnel disclosures

Directors
The following persons were Directors of Silica Resources Australia Ltd during the financial period:

Mr Peter Lansom	Chairman
Mr Robert Tindall	Managing Director
Mr Michael Everard	Non-Executive Director
Mr Tyler Mapstone	Non-Executive Director
Mr Mark Pitcher	Non-Executive Director - appointed 3 August 2023

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Company is set out below:

	30 September 2023 $	30 September 2022 $
Consulting fees paid to key management personnel	425,000	50,000

Note 17. Remuneration of auditors

During the financial half year the following fees were paid or payable for services provided by McLean Delmo Bentleys, the auditor of the Company:

	30 September 2023 $	30 September 2022 $
Audit services - McLean Delmo Bentleys Audit Pty Ltd		
Audit or review of the financial statements	5,500	5,500

Note 18. Contingent assets / liabilities

There were no contingent assets or liabilities existing at the year ended 30 September 2023 and 30 September 2022

Note 19. Related party transactions

Transactions with related parties

	30 September 2023 $	30 September 2022 $
Payment for goods and services:		
Payment for services from related party	1,092,675	-

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30 September 2023 $	30 September 2022 $
Current payables:		
Trade payables to related party	257,480	-

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 20. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	30 September 2023 $	30 September 2022 $
Loss after income tax	(2,087,243)	(507,377)
Total comprehensive income	(2,087,243)	(507,377)

Note 20. Parent entity information (continued)

Statement of financial position

	30 September 2023 $	30 September 2022 $
Total current assets	2,669,076	1,153,265
Total assets	14,414,959	1,503,265
Total current liabilities	652,203	148,586
Total liabilities	6,010,958	148,586
Equity		
Issued capital	3,641,076	1,862,056
Convertible Note Reserve	4,140,045	-
Convertible Note Option Reserve	3,217,500	-
Accumulated losses	(2,594,620)	(507,377)
Total equity	8,404,001	1,354,679

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 September 2023 and 30 September 2022.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 September 2023 and 30 September 2022.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 September 2023 and 30 September 2022.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Company, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 21. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**30 September 2023 %**	**30 September 2022 %**
Mourilyan Silica Resources Pty Ltd	Australia	100.00%	-
Silica Resources Australia Services Pty Ltd	Australia	100.00%	-
Silica Resources Australia Mining Pty Ltd	Australia	100.00%	-
Silica Resources Australia Property Pty Ltd	Australia	100.00%	-
Silica Resources Australia Mourilyan Port Pty Ltd	Australia	100.00%	-

Note 22. Events after the reporting period

Subsequent to the year end on 17 October 2023, the Company issued 8,300,000 ordinary shares.

During October and November 2023, the Company has entered into agreements to issue additional Convertible Notes with face value of $2,700,000 at an interest rate of 10% per annum. These Convertible Notes are issued at same terms as those noted in the note 9 to the financial statements.

On 7 December 2023, the Company issued 4,000,000 Options to Amery Partners as per corporate advisory agreement for capital raising services.

No other matter or circumstance has arisen since 30 September 2023 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 23. Reconciliation of loss after income tax to net cash used in operating activities

	30 September 2023 $	30 September 2022 $
Loss after income tax expense for the period	(2,087,243)	(507,377)
Adjustments for:		
Accrued finance costs	256,300	-
Change in operating assets and liabilities:		
Increase in other receivables	(153,926)	(35,303)
Increase in trade and other payables	422,635	148,686
Net cash used in operating activities	(1,562,234)	(393,994)

Silica Resources Australia Ltd
Directors' declaration
30 September 2023

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards issued by the Australian Accounting Standards Board, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 September 2023 and of its performance for the financial period ended on that date; and

- there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Peter Lansom
Chairman

6 February 2024

McLean Delmo Bentleys
THINKING AHEAD

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SILICA RESOURCES AUSTRALIA LTD

Opinion
We have audited the accompanying financial report of Silica Resources Australia Ltd which comprises the statement of financial position as at 30 September 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 financial report Silica Resources Australia Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 30 September 2023 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Simplified Disclosures and the *Corporations Regulations 2001*.

Basis for Opinion
We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with 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.

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SILICA RESOURCES AUSTRALIA LTD (CONTINUED)

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 Australian Auditing Standards, we exercise professional judgment 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

McLean Delmo Bentleys Audit Pty LTD

McLean Delmo Bentleys Audit Pty Ltd

John Delmo
Partner

Hawthorn
7 February 2024