

Alvo Minerals Limited

ACN 637 802 496

**Financial Statements - for the period 2 December 2019 to 31
December 2020**

Alvo Minerals Limited
Corporate directory
31 December 2020

Directors	Mr Graeme Slattery (Non-Executive Chairman) Mr Robert Smakman (Managing Director and Chief Executive Officer) Mr Beau Nicholls (Non-Executive Director) Ms Itta Somaia (Non-Executive Director) - resigned on 28 January 2020
Company secretaries	Mr Robert Smakman - resigned on 9 March 2021 Ms Melanie Leydin - resigned on 19 May 2021 Ms Patricia Vanni de Oliveira
Registered office	Level 4 100 Albert Road South Melbourne VIC 3205
Principal place of business	Level 4 100 Albert Road South Melbourne VIC 3205
Auditor	William Buck Level 20, 181 William Street Melbourne, VIC 3000
Solicitor	Squire Patton Boggs Level 21, 300 Murray Street Perth, WA 6837

Alvo Minerals Limited
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31 December 2020

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Alvo Minerals Limited
Directors' report
31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity consisting of Alvo Minerals Limited (referred to hereafter as 'Alvo' or the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2020.

Principal activities

During the financial period, the principal continuing activities of Alvo is the data compilation and consolidation of exploration tenements around the Palma base and precious metals project in Brazil.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$385,802.

Alvo Minerals Limited (ACN 637 802 496) was incorporated and registered in Victoria, Australia in December 2019 and is an Australian registered tax company. The Company was established as a Brazilian focussed, precious and base-metals explorer.

In 2019, the consolidated entity obtained the Palmeiropolis volcanic-hosted massive sulphide (VMS) project by winning the first ever Brazilian Federal Government auction, conducted by the Brazilian Geological Survey.

In February 2020, Alvo signed the Assignment Contract with the Brazilian Federal Geological Survey and paid the first instalment of the staged payments. The Assignment contract details the exploration stages and additional staged payments, predicated on successful transfer of title and award of mining rights for the Palmeiropolis Project.

Alvo joined the winning Palmeiropolis tenement areas to our existing adjacent tenements and formed the Palma Project. On winning the Auction, Alvo also gained access to a series of regional scale databases which it then used to further expand the Palma Project footprint.

Alvo currently has a low level of direct activities on the Brazilian projects, with a focus on compiling historical work and integrating that data into a sophisticated geological model. Alvo currently has no full-time employees in Brazil - however the directors have extensive experience building teams in Brazil and intend to have an operational team on the ground, ready to explore on successful IPO.

The Coronavirus (COVID-19) pandemic has had severe social and economic impact in Brazil resulting in a significant drop in the foreign currency (Brazilian Real vs. Australian Dollar), and this may create uncertainty over future exploration operations. However, given the current low level of activities on the Brazilian projects and the gradual re-opening of the economy and the understanding of operating under the pandemic, management is confident that the ongoing COVID-19 impact to Alvo's business is limited and can be managed.

Significant changes in the state of affairs

Other than outlined above, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial period

On 13 January 2021, 1,286,565 shares were issued to Spezia 55 Pty Ltd (an entity associated with Robert Smakman) at \$0.08 AUD to settle the \$75,077 AUD loan payable to director as at 31 Dec 2020.

On 30 January 2021, Ms Melanie Leydin and Ms Patricia Vanni de Oliveira were appointed as the company secretaries.

On 1 March 2021 and 2 March 2021, 1,000,000 shares in total were issued to the nominees of Discovery Capital Partners at \$0.0001 AUD as a part consideration for their services as the Lead Manager in Alvo's Pre-IPO. The 3 nominees are AKM (WA) Pty Ltd as trustee for the AKM Family Trust (325,000 shares), Horizon Investment Services Pty Ltd (325,000 shares) and Winsome Mary Stavrianou (350,000 shares).

On 9 March 2021, Robert Smakman resigned as the company secretary.

On 19 May 2021, Ms Melanie Leydin resigned as the company secretary.

Alvo Minerals Limited
Directors' report
31 December 2020

On 21 May 2021, Graeme Slattery was appointed as the Non-executive Chairman and Robert Smakman was appointed as the Managing Director and Chief Executive Officer.

On 28 May 2021, Alvo raised \$1,000,000 AUD of additional funding through its Pre-IPO project.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity 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 consolidated entity.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

There were no unissued ordinary shares of Alvo Minerals Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Alvo Minerals Limited issued on the exercise of options during the period ended 31 December 2020 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial 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.

Alvo Minerals Limited
Directors' report
31 December 2020

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

On behalf of the directors



Graeme Slattery
Non-executive Chairman

28 May 2021

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

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2020 there have been:

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

William Buck

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

A. A. Finnis

A. A. Finnis
Director
Melbourne, 28 May 2021

ACCOUNTANTS & ADVISORS

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Alvo Minerals Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 31 December 2020

	Note	Consolidated for period 2 December 2019 to 31 December 2020 \$
Revenue		
Other Income		1,697
Expenses		
Employee benefits expense		(120,154)
Corporate and administration expense		<u>(267,345)</u>
Loss before income tax expense		(385,802)
Income tax expense		<u>-</u>
Loss after income tax expense for the period attributable to the owners of Alvo Minerals Limited		(385,802)
Other comprehensive income / (loss)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation		<u>(118,218)</u>
Other comprehensive income / (loss) for the period, net of tax		<u>(118,218)</u>
Total comprehensive income / (loss) for the period attributable to the owners of Alvo Minerals Limited		<u><u>(504,020)</u></u>
		Cents
Basic earnings per share	18	(1.93)
Diluted earnings per share	18	(1.93)

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

Alvo Minerals Limited
Consolidated statement of financial position
As at 31 December 2020

	Note	Consolidated 31 December 2020 \$
Assets		
Current assets		
Cash and cash equivalents		99,272
Prepayments		649
Deposits		75,077
Total current assets		<u>174,998</u>
Non-current assets		
Exploration and evaluation	5	<u>401,154</u>
Total non-current assets		<u>401,154</u>
Total assets		<u>576,152</u>
Liabilities		
Current liabilities		
Trade and other payables	6	180,194
Loan from directors	7	75,077
Total current liabilities		<u>255,271</u>
Total liabilities		<u>255,271</u>
Net assets		<u>320,881</u>
Equity		
Issued capital	8	824,901
Foreign currency translation reserve		(118,218)
Accumulated losses		<u>(385,802)</u>
Total equity		<u>320,881</u>

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

Alvo Minerals Limited
Consolidated statement of changes in equity
For the period ended 31 December 2020

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Accumulated losses \$	Total equity \$
Balance at 2 December 2019	-	-	-	-
Loss after income tax expense for the period	-	-	(385,802)	(385,802)
Other comprehensive income / (loss) for the period, net of tax	-	(118,218)	-	(118,218)
Total comprehensive income / (loss) for the period	-	(118,218)	(385,802)	(504,020)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	824,901	-	-	824,901
Balance at 31 December 2020	<u>824,901</u>	<u>(118,218)</u>	<u>(385,802)</u>	<u>320,881</u>

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

Alvo Minerals Limited
Consolidated statement of cash flows
For the period ended 31 December 2020

	Note	Consolidated for period 2 December 2019 to 31 December 2020 \$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)		(170,095)
Interest received		<u>1,697</u>
Net cash used in operating activities	17	<u>(168,398)</u>
Cash flows from investing activities		
Payments for exploration and evaluation		<u>(546,718)</u>
Net cash used in investing activities		<u>(546,718)</u>
Cash flows from financing activities		
Proceeds from issue of shares	8	<u>824,901</u>
Net cash from financing activities		<u>824,901</u>
Net increase in cash and cash equivalents		109,785
Cash and cash equivalents at the beginning of the financial period		-
Effects of exchange rate changes on cash and cash equivalents		<u>(10,513)</u>
Cash and cash equivalents at the end of the financial period		<u><u>99,272</u></u>

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

Alvo Minerals Limited
Notes to the consolidated financial statements
31 December 2020

Note 1. General information

The financial statements cover Alvo Minerals Limited as a consolidated entity consisting of Alvo Minerals Limited and the entities it controlled at the end of, or during, the period. This is the Company's first set of financial statements, covering the period from the date of incorporation, being 2 December 2019, to 31 December 2020. The financial statements are presented in Australian dollars, which is Alvo Minerals Pty Ltd's functional and presentation currency.

Alvo Minerals Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 100 Albert Road
South Melbourne, VIC, 3205

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 May 2021. 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 below.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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.

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 14.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alvo Minerals Limited ('company' or 'parent entity') as at 31 December 2020 and the results of all subsidiaries for the period then ended. Alvo Minerals Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

Alvo Minerals Limited
Notes to the consolidated financial statements
31 December 2020

Note 2. Significant accounting policies (continued)

Foreign currency translation

The financial statements are presented in Australian dollars, which is Alvo Minerals Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars 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 financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Interest

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

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Current and non-current classification

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity'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 consolidated entity'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.

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.

Trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Exploration and evaluation assets

Exploration and evaluation expenditure 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.

Alvo Minerals Limited
Notes to the consolidated financial statements
31 December 2020

Note 2. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period 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.

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.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Alvo Minerals Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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.

In Brazil, GST is equivalent to ICMS (Imposto sobre Circulação de Mercadorias e Serviços). It is a state sales tax on the circulation of goods and transportation and communication services and the rates vary on different goods and states.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2020. The directors expect that none of these new standards and interpretations will materially impact these financial statements.

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carry forward losses only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. 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. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. 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.

At this stage all of the consolidated entity's projects are in exploration phase, which has only a minimal disturbance to the underlying areas of interest and for which the consolidated entity rehabilitates as it conducts its exploration activity.

In 2019, Alvo won an open auction in Brazil from the Brazilian Geological Survey (CPRM) for the tenements over the main deposits. The exploration assets is mainly the cash consideration paid for the Palma Project tenements acquisition and the acquisition of prospective tenements adjacent to and nearby the Palma Project.

Founder shares and fair value

Founder shares were issued at nil fair value at foundation date because there were no goods or services exchanged or provided for the shares issued.

Note 4. Operating segments

The operating segment of Alvo is in Brazil.

Alvo currently has a low level of activities on the Brazilian projects, with a focus on compiling historical work and integrating that data into a sophisticated geological model. Alvo currently has no full-time employees in Brazil - however the directors have extensive experience building teams in Brazil and intend to have an operational team on the ground, ready to explore on successful IPO.

Alvo Minerals Limited
Notes to the consolidated financial statements
31 December 2020

Note 5. Non-current assets - Exploration and evaluation

	Consolidated 31 December 2020 \$
Exploration and evaluation - at cost	<u>401,154</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

Consolidated	Exploration and evaluation \$	Total \$
Balance at 2 December 2019	-	-
Additions at the time of the purchase	546,718	546,718
Foreign exchange impact	<u>(145,564)</u>	<u>(145,564)</u>
Balance at 31 December 2020	<u>401,154</u>	<u>401,154</u>

The principal activity of Alvo is the exploration of Base and Precious Metals in Brazil with a view to development of the Palma VMS Project, a Volcanic hosted Massive Sulphide (VMS) style project. In 2019, Alvo won an open auction in Brazil from the Brazilian Geological Survey (CPRM) for tenements over the main mineralised prospects. The exploration assets are mainly the cash consideration paid for the Palmeiropolis Project tenements acquisition and the acquisition of prospective tenements adjacent to and nearby the Palma Project.

Note 6. Current liabilities - trade and other payables

	Consolidated 31 December 2020 \$
Trade payables	173,685
Other payables	<u>6,509</u>
	<u>180,194</u>

Note 7. Current liabilities - Loan from directors

	Consolidated 31 December 2020 \$
Loan from directors	<u>75,077</u>

Refer to note 10 for further information on financial instruments.

The amount payable to the director is unsecured, non-interest bearing, payable at call and there are no equity conversion terms. This amount payable is considered to be at terms equal to or more favourable than market terms. Also, the loan from directors is converted into equity post the year end as disclosed in the subsequent events note.

Alvo Minerals Limited
Notes to the consolidated financial statements
31 December 2020

Note 8. Equity - issued capital

	Consolidated	
	31 December	31 December
	2020	2020
	Shares	\$
Ordinary shares - fully paid	<u>24,293,751</u>	<u>824,901</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	2 December 2019	-		-
Issue of shares to key management personnel	2 December 2019	1	\$1.0000	1
Issue of shares to key management personnel	20 January 2020	2,800,000	\$0.0001	280
Issue of shares to key management personnel	3 February 2020	10,640,000	\$0.0001	1,064
Issue of shares to key management personnel	3 February 2020	625,000	\$0.0800	50,000
Issue of shares to investors	3 February 2020	5,625,000	\$0.0800	450,000
Issue of shares to investors	10 February 2020	1,387,500	\$0.0800	111,000
Issue of shares to key management personnel	14 February 2020	560,000	\$0.0001	56
Issue of shares to key management personnel	7 April 2020	375,000	\$0.0800	30,000
Issue of shares to investors	8 April 2020	1,906,250	\$0.0800	152,500
Issue of shares to investors	15 April 2020	<u>375,000</u>	\$0.0800	<u>30,000</u>
Balance	31 December 2020	<u>24,293,751</u>		<u>824,901</u>

Following shares were issued at nil consideration as part of transactions with key management personnel:

Details	Date	Shares	Issue Price	\$
Itta Somaia	2 December 2019	1	\$1.0000	1
MMH Capital Limited (entity associated with Beau Nicholls, Robert Smakman and Graeme Slattery)	20 January 2020	2,800,000	\$0.0001	280
Spezia 55 Pty Ltd (entity associated with Robert Smakman)	3 February 2020	7,280,000	\$0.0001	728
Silvanicholls Pty Ltd (entity associated with Beau Nicholls)	3 February 2020	3,360,000	\$0.0001	336
GM & LA Slattery Family Trust (entity associated with Graeme Slattery)	14 February 2020	<u>560,000</u>	\$0.0001	<u>56</u>
		<u>14,000,001</u>		<u>1,401</u>

The above shares were issued for nil consideration to key management personnel to align their objectives with that of the company.

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.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Alvo Minerals Limited
Notes to the consolidated financial statements
31 December 2020

Note 9. Equity - dividends

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

Note 10. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (mainly foreign currency risk) and liquidity risk. It has no exposure to price risk, interest rate risk or credit 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 does not use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures.

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.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets 31 December 2020 \$	Liabilities 31 December 2020 \$
Brazilian real	<u>488,349</u>	<u>82,170</u>

The consolidated entity had net assets denominated in foreign currencies of \$406,179 (assets of \$488,349 less liabilities of \$82,170) as at 31 December 2020. Based on this exposure, the following sensitivity analysis has been performed. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

Consolidated - 31 December 2020	AUD strengthened	Effect on	Effect on	AUD weakened	Effect on	Effect on
	% change	profit before	equity	% change	profit before	equity
		tax	equity		tax	equity
Brazilian real	10%	<u>40,618</u>	<u>40,618</u>	(10%)	<u>(40,618)</u>	<u>(40,618)</u>

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. As at balance date all financial liabilities had payable terms within 60 days.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Alvo Minerals Limited
Notes to the consolidated financial statements
31 December 2020

Note 11. Key management personnel disclosures

Directors

The following persons were directors of Alvo Minerals Limited during the financial period:

Mr Graeme Slattery (Non-Executive Chairman)
 Mr Robert Smakman (Managing Director and CEO)
 Mr Beau Nicholls (Non-Executive Director)
 Ms Itta Somaia (Non-Executive Director)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 31 December 2020 \$
Consulting fee paid to Ndo Pty Ltd (entity associated with Robert Smakman)	<u>120,000</u>

Note 12. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by William Buck, the auditor of the company:

	Consolidated 31 December 2020 \$
<i>Audit services - William Buck</i> Audit of the financial statements	<u>6,000</u>

Note 13. Related party transactions

Parent entity

Alvo Minerals Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 15.

Key management personnel

Disclosures relating to key management personnel are set out in note 11.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 31 December 2020 \$
Payment for other expenses: Consulting fee paid to Ndo Pty Ltd (entity associated with Robert Smakman)	<u>120,000</u>

The following table details the number of shares that were issued to related parties.

Alvo Minerals Limited
Notes to the consolidated financial statements
31 December 2020

Note 13. Related party transactions (continued)

	Shares	\$
Itta Somaia	1	1
MMH Capital Limited (entity associated with Beau Nicholls, Robert Smakman and Graeme Slattery)	2,800,000	280
Spezia 55 Pty Ltd (entity associated with Robert Smakman)	7,280,000	728
Silvanicholls Pty Ltd (entity associated with Beau Nicholls)	3,985,000	50,336
GM & LA Slattery Family Trust (entity associated with Graeme Slattery)	935,000	30,056
	<u>15,000,001</u>	<u>81,401</u>

Receivable from and payable to related parties

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

	Consolidated 31 December 2020 \$
Current payables:	
Trade payables to MMH Capital Limited (entity associated with Beau Nicholls, Robert Smakman and Graeme Slattery)	150,000

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 31 December 2020 \$
Current borrowings:	
Loan from key management personnel	75,077

Terms and conditions

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

Note 14. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 31 December 2020 \$
Loss after income tax	<u>(190,198)</u>
Total comprehensive income / (loss)	<u>(190,198)</u>

Alvo Minerals Limited
Notes to the consolidated financial statements
31 December 2020

Note 14. Parent entity information (continued)

Statement of financial position

	Parent 31 December 2020 \$
Total current assets	<u>87,803</u>
Total assets	<u>657,803</u>
Total current liabilities	<u>23,101</u>
Total liabilities	<u>23,101</u>
Equity	
Issued capital	824,900
Accumulated losses	<u>(190,198)</u>
Total equity	<u><u>634,702</u></u>

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 31 December 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, 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 15. 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:

Name	Principal place of business / Country of incorporation	Ownership interest 31 December 2020 %
Perth Recursos Minerais Ltda (Perth Brazil)	Brazil	100.00%
Alvo Recursos Minerais SPE Eireli	Brazil	100.00%

Note 16. Events after the reporting period

On 13 January 2021, 1,286,565 shares were issued to Spezia 55 Pty Ltd (an entity associated with Robert Smakman) at \$0.08 AUD to settle the \$75,077 AUD loan payable to director as at 31 Dec 2020.

On 30 January 2021, Ms Melanie Leydin and Ms Patricia Vanni de Oliveira were appointed as the company secretaries.

Alvo Minerals Limited
Notes to the consolidated financial statements
31 December 2020

Note 16. Events after the reporting period (continued)

On 1 March 2021 and 2 March 2021, 1,000,000 shares in total were issued to the nominees of Discovery Capital Partners at \$0.0001 AUD as a part consideration for their services as the Lead Manager in Alvo's Pre-IPO. The 3 nominees are AKM (WA) Pty Ltd as trustee for the AKM Family Trust (325,000 shares), Horizon Investment Services Pty Ltd (325,000 shares) and Winsome Mary Stavrianou (350,000 shares).

On 9 March 2021, Robert Smakman resigned as the company secretary.

On 19 May 2021, Ms Melanie Leydin resigned as the company secretary.

On 21 May 2021, Graeme Slattery was appointed as the Non-executive Chairman and Robert Smakman was appointed as the Managing Director and Chief Executive Officer.

On 28 May 2021, Alvo raised \$1,000,000 AUD of additional funding through its Pre-IPO project.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 17. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 31 December 2020 \$
Loss after income tax expense for the period	(385,802)
Adjustments for:	
Foreign exchange differences	37,859
Change in operating assets and liabilities:	
Increase in prepayments	(649)
Increase in trade and other payables	180,194
Net cash used in operating activities	<u>(168,398)</u>

Note 18. Earnings per share

	Consolidated 31 December 2020 \$
Loss after income tax attributable to the owners of Alvo Minerals Limited	<u>(385,802)</u>
	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>20,035,308</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>20,035,308</u>
	Cents
Basic earnings per share	(1.93)
Diluted earnings per share	(1.93)

Alvo Minerals Limited
Directors' declaration
31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Graeme Slattery
Non-executive Chairman

28 May 2021

Alvo Minerals Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Alvo Minerals Limited (the Company and its subsidiaries (the consolidated entity)), which comprises the consolidated statement of financial position as at 31 December 2020, 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 period 2 December 2019 to 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- i. (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its financial performance for the period 2 December 2019 to 31 December 2020; and
- ii. (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the consolidated entity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information in the consolidated entity's annual report for the period ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity 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 consolidated entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our independent auditor's report.



William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136



A. A. Finniss
Director

Melbourne, 28 May 2021