



Accelerate Resources Limited

ABN 33 617 821 771

Consolidated Interim Financial Report For the Half-Year Ended 31 December 2020

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CORPORATE INFORMATION

Accelerate Resources Limited

ABN 33 617 821 771

Directors

Mr Richard Hill
Non-Executive Chairman

Ms Yaxi Zhan
Managing Director

Mr Grant Mooney
Non-Executive Director

Company Secretary

Ms Deborah Ho

Registered and Principal Office

Suite 4, 16 Ord Street
West Perth, WA 6005

Telephone: (08) 9482 0500

Website

www.ax8.com.au

Stock Exchange

Australian Securities Exchange (ASX Limited)
Home Exchange Perth

Securities

Code: AX8

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DIRECTORS' REPORT

The Directors of Accelerate Resources Limited (“the Company” or “Accelerate”) and its controlled entities (“the Group”), present their interim financial report for the half-year ended 31 December 2020.

DIRECTORS

The names of Directors in office at any time during or since the end of the half-year ended 31 December 2020 were as follows:

| Name | Title | Date Appointed |
|---------------------|---------------------------|--|
| Mr Richard Hill | Non-Executive Chairman | Appointed as Non-Executive Director on 3 July 2020, transitioned to Non-Executive Chairman on 20 November 2020 |
| Ms Yaxi Zhan | Managing Director | Appointed 7 March 2017 |
| Mr Grant Mooney | Non-Executive Director | Appointed as Non-Executive Chairman on 1 June 2017, transitioned to Non-Executive Director on 20 November 2020 |
| Mr Terence Topping | Non-Executive Director | Resigned 3 July 2020 |
| Mr Andrew Haythorpe | Non-Executive Director | Resigned 3 July 2020 |

PRINCIPAL ACTIVITIES

The Group is an Australian gold, base metals and industrial minerals focused exploration entity.

REVIEW OF OPERATIONS AND RESULTS

COMET GOLD PROJECT, WA – ACCELERATE RESOURCES 100%

The Comet Gold Project comprises one granted exploration license, E20/908 and one exploration licenses application, E21/213 covering 84.5km², located approximately 115 km south southwest of Meekatharra and 20 km southeast of Cue. The project covers part of the Meekatharra to Mount Magnet Greenstone belt, located at the southern end of the Tuckabianna Shear Zone.

During the half-year, the Company applied for two new exploration licenses E21/214 and E20/970, covering 45.7km², to the northwest and west of the current tenure.

The Company completed its maiden drilling campaign initially targeting high priority mineralised gold trends at the Antarctica and Comet East prospects at the Comet Gold Project near Cue in Western Australia. The program comprised 17 shallow Reverse Circulation (RC) drill holes for 1,212m, designed to further investigate and extend shallow, high-grade, oxide gold intersections from historical reconnaissance RAB and RC drilling.

Compilation and analysis of historical RAB and RC drilling data by the Company, identified a number of gold targets and anomalous gold trends within the Comet Project area, including extensions to the north and east of the Comet gold mine and along the Antarctica gold trend in the eastern part of the license (See ASX announcement dated 14 July 2020).

Accelerate's RC drilling program was successfully completed with the holes generally intersecting the targeted banded iron formation and other potential mineralised positions as planned. A total of 740 samples have been submitted to the laboratory for fire assay analysis, with results reporting highly significant assay results from two phases of reverse circulation (RC) drilling at the Comet Gold project. Drilling significantly upgraded the potential of Comet East to host economically mineable gold mineralisation.

During September 2020, Accelerate undertook a first phase of RC drilling (17 holes for 1,212m; 20CORC001 - 017) at the Comet Gold Project, returning highly encouraging assay results from shallow drilling at the Comet East prospect.

Follow up RC drilling was completed in late December 2020. An additional ten RC holes for 702m (20CORC018 – 027) were drilled to infill section spacing to 40m along 160m of strike on the shallow dipping Comet East mineralised structure. All holes returned a significant gold intersection from the targeted gold position.

Accelerate intends to undertake a review of the current results with a view to developing the next phase of potential evaluation work at the Comet Gold Project.

Comet Project Tenure Expansion

In November 2020, the Company acquired Volcanic Resources Pty Ltd, a company that holds a 100% interest in tenement application ELA20/965. The tenement is contiguous with the north-west portion of Accelerate's Comet Project, substantially expanding the existing ground position at Cue. In addition to this acquisition, Accelerate further expanded the Comet project area via the low cost application of tenements ELA 21/214 and ELA 20/965. The Company is continuing to evaluate the geological potential of these properties as part of a broader project review.

ROSSLAND GOLD PROJECT, CANADA – ACCELERATE RESOURCES EARNING UP TO 100%

The Company entered into an agreement with Canadian company Currie Rose Resources Inc. ("Currie Rose" TSXV:CUI) to acquire up to 100% of the Rossland Gold Project, in British Columbia, Canada (See ASX announcement dated 1 September 2020).

The Rossland Gold Project covers approximately 3,000 Ha and hosts the same geological structures as the adjacent high grade Le Roi Mines that produced more than 2.7 million ounces of gold, 3.5 million ounces of silver and 71 tonnes of copper between 1894 and 1941.

Now with consolidated ownership and evidence from the adjacent mining records, Accelerate is able to apply modern geophysical, geochemical and drilling techniques to thoroughly test the strike extent of high grade deposits that run up to the project boundary. The on-ground technical team have identified several high-priority gold targets that have high grade historical drill results, which have not been tested by modern exploration methods. The Project also includes numerous historic prospecting pits and several adits to be mapped and sampled for future drill testing.

During the half-year, a 11 line-kilometer, Very Low-Frequency Electromagnetic (VLF-EM) survey was completed over the high-grade Gertrude prospect in the northern part of the project (See ASX announcement dated 6 October 2020). The results have confirmed the Company's original interpretation and will be used as a guide in the upcoming diamond drill program at Gertrude planned to commence.

The due diligence phase of the Earn In Agreement with TXS-V listed Currie Rose Resources INC ("Currie") commenced at the Rossland Gold Project located in central southern British Columbia. A single hole has been completed at the first of the targets, the Novelty Prospect (part of the Gertrude Prospect area). The first hole (RGP-20-001) has been drilled to a planned depth of 60.6m. Drill results are pending.

Drilling at the more elevated Eleanor and the Gertrude targets has been delayed due to unseasonal weather conditions and unforeseen access limitations. The number of meters planned to be drilled at these targets has been modified to accommodate the current weather conditions and drilling will recommence once conditions improve.

Drilling activity has now focused on the Mascot Prospect, situated on the eastern flank of the Rossland Gold Project. Recent geological mapping has confirmed that the Mascot Prospect hosts three primary veins: Mascot Vein, Central Vein, and Kapaï Vein, as well as the secondary Mascot North Vein. In 1894, three mine adits were developed on the Mascot lodes; records indicate that the Mascot Vein was mined to 120m with grades up to 9g/t. Several other drill targets have been identified within the greater project area and will be subject to drilling over the coming months.

MOUNT MONGER GOLD PROJECT, WA – ACCELERATE RESOURCES 100%

The Mount Monger project comprises two granted exploration licenses, E25/525 and E25/565 and one exploration license application E25/586, covering 35.3 km² in the Bulong district, 43 km east of Kambalda and approximately 70 km by road from Kalgoorlie. The project area is located 8 km east of Silver Lake Resources Ltd's currently operating 1.2 Mtpa Randall's gold mill.

The Company has granted a prospective purchaser an exclusive option to purchase the Mt Monger Gold Project. The exclusive option expires on 11 February 2021 and is subject to the parties entering into a formal option agreement. The option was subsequently extended to 20 May 2021.

TAMBELLUP KAOLIN PROJECT, WA – HALCYON RESOURCES PTY LTD 100%

The Tambellup Kaolin Project (E70/4969) is located 10 km west of the township of Tambellup in the Southwest of West Australia. The project is located approximately 280 km south-southeast of Perth via the Great Southern Highway, and 120 km north of Albany. The Tambellup West Road bisects the project and links to the Albany Highway in the west. The Perth - Albany freight railway corridor runs north-south through the centre of the township. Two kaolin prospects have previously been identified by drilling within the tenement, Sadlers in the northwest of the project area, and Hulls in the east.

Exploration by the Company during 2020 has comprised an Aircore drilling program (52 holes for 769m) targeting kaolin mineralisation at the Hulls prospect (See ASX announcement dated 20 February 2020).

Interpretation of the results from the drilling indicates that the Sadlers kaolin prospect remains open to the southeast and is bounded to the northeast and southwest by two east-southeast trending mafic units which are observable in outcrop and shallow drilling. A shallow granite basement high occurs in the western part of the prospect.

MOUNT READ PROJECT, TASMANIA - ACCELERATE RESOURCES 100%

The Company's Mount Read Project is located on the Cape Sorell Peninsula, south of Macquarie Harbour and approximately 48 km south of the town of Strahan, in western Tasmania. The project comprises one exploration licence (EL6/2013) with an area of 224 km².

CORPORATE

On 6 July 2020, the Company announced the appointment of Mr Richard Hill to the Board of Directors, effective 3 July 2020, and the subsequent resignation of Mr Terrence Topping and Mr Andrew Haythorpe.

In July and August 2020, the Company issued a total of 34,722,223 fully paid ordinary shares at \$0.0288 per share, raising \$1 million (before costs) through a placement.

In August 2020, the Company granted 4,000,000 performance rights expiring 3 July 2022 to Mr Richard Hill, and 4,508,905 fully paid ordinary shares to Directors, as approved by shareholders at the Company's General Meeting held on 24 August 2020.

On 2 September 2020, the Company issued 5,000,000 unlisted options exercisable at \$0.06 each, expiring 2 September 2023, to a consultant of the Company.

On 2 September 2020, the Company announced that it has received firm commitments to raise \$1.7 million (before costs) from sophisticated investors via a placement at \$0.05 per share. On 11 September 2020, the Company issued 24,649,440 fully paid ordinary shares. A further 9,350,560 shares was issued on 27 November 2020 upon shareholder approval.

On 20 November 2020, the Company appointed Mr Richard Hill as the Non-Executive Chairman of the Company, with Mr Grant Mooney to remain as a Non-Executive Director of the Company.

On 27 November 2020, 250,000 fully paid ordinary shares were issued as consideration for the acquisition of Volcanic Resources Pty Ltd ("Consideration Shares"). 125,000 of these Consideration Shares are voluntarily restricted for 6 months to 27 May 2021.

On 27 November 2020, 4,000,000 performance rights converted to fully paid ordinary shares having met the milestones as disclosed in the Company's Notice of General Meeting dated 23 July 2020.

On 27 November 2020, the Company issued 3,000,000 unlisted options exercisable at \$0.0959 each, expiring 27 November 2022, to a consultant of the Company. 9,000,000 unlisted options exercisable at \$0.0957 each, expiring 27 November 2024 were issued to Directors of the Company. 7,500,000 unlisted options exercisable at \$0.0957 each, expiring 27 November 2022 were issued to the Placement Lead Managers.

DIVIDENDS

There were no dividends paid, recommended or declared during the half-year ended 31 December 2020.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in the state of affairs of the Group.

EVENTS SUBSEQUENT TO REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Group up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

OPERATING RESULTS FOR THE PERIOD

The loss after tax for the half-year ended 31 December 2020 was \$1,501,131 (2019: \$287,754).

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



Yaxi Zhan
Managing Director

Date: 12 March 2021
Perth

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Accelerate Resources Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature of Tutu Phong in black ink, consisting of the letters "RSM" in a stylized, cursive font.

RSM AUSTRALIA PARTNERS

A handwritten signature of Tutu Phong in black ink, consisting of a stylized signature.

TUTU PHONG
Partner

Perth, WA
Dated: 12 March 2021

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2020

| | Note | Consolidated | |
|---|------|---------------------------|---------------------------|
| | | 31 December 2020 \$ | 31 December 2019 \$ |
| Revenue | | | |
| Other income | | 64,577 | 55,479 |
| Expenses | | | |
| Corporate and professional expenses | | (115,932) | (134,955) |
| Director and employee benefits | | (404,565) | (109,334) |
| Administration expenses | | (40,835) | (21,972) |
| Other expenses | | (133,640) | (37,829) |
| Depreciation expenses | | (5,107) | (17,847) |
| Share based payment expense | | (853,055) | - |
| Exploration expenditure | | (12,574) | (21,296) |
| Loss before income tax expenses | | (1,501,131) | (287,754) |
| Income tax expense | | - | - |
| Loss after income tax for the half-year | | (1,501,131) | (287,754) |
| Other comprehensive income for the half-year | | | |
| Other comprehensive income for the half-year, net of income tax | | - | - |
| Total comprehensive loss for the half-year | | (1,501,131) | (287,754) |
| Basic and Diluted Loss per share (cents per share) | 9 | (1.17) | (0.58) |

The accompanying notes form part of this financial report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | Note | Consolidated | |
|--|------|---------------------------|-----------------------|
| | | 31 December 2019 \$ | 30 June 2020 \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 1,704,566 | 156,611 |
| Other assets | 4 | 90,820 | 56,410 |
| Asset held for sale | 5 | 103,925 | - |
| Total Current Assets | | 1,899,311 | 213,021 |
| Non-Current Assets | | | |
| Other assets | 4 | 371,171 | - |
| Exploration and evaluation expenditure | 5 | 3,554,715 | 3,306,522 |
| Plant and equipment | | 5,782 | 6,889 |
| Total Non-Current Assets | | 3,931,668 | 3,313,411 |
| TOTAL ASSETS | | 5,830,979 | 3,526,432 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 6 | 230,475 | 146,237 |
| Other liability | | 36,000 | - |
| Provision | | 44,128 | 39,917 |
| Total Current Liabilities | | 310,603 | 186,154 |
| TOTAL LIABILITIES | | 310,603 | 186,154 |
| NET ASSETS | | 5,520,376 | 3,340,278 |
| EQUITY | | | |
| Issued capital | 7 | 9,087,960 | 6,225,335 |
| Reserves | 8 | 2,380,518 | 1,561,914 |
| Accumulated losses | | (5,948,102) | (4,446,971) |
| TOTAL EQUITY | | 5,520,376 | 3,340,278 |

The accompanying notes form part of this financial report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2020

| | Note | Issued Capital \$ | Reserves \$ | Accumulated Losses \$ | Total \$ |
|---|------|----------------------|------------------|-----------------------------|--------------------|
| Balance as at 1 July 2019 | | 5,661,905 | 1,487,077 | (2,947,730) | 4,201,252 |
| Loss for the half-year | | - | - | (287,754) | (287,754) |
| Other comprehensive income | | - | - | - | - |
| Total Comprehensive Loss for the half-year | | - | - | (287,754) | (287,754) |
| Shares issued | | 259,000 | - | - | 259,000 |
| Share issue costs | | (2,910) | - | - | (2,910) |
| Balance as at 31 December 2019 | | 5,917,995 | 1,487,077 | (3,235,484) | 4,169,588 |
| Balance as at 1 July 2020 | | 6,225,335 | 1,561,914 | (4,446,971) | 3,340,278 |
| Loss for the half-year | | - | - | (1,501,131) | (1,501,131) |
| Other comprehensive income | | - | - | - | - |
| Total Comprehensive Loss for the half-year | | - | - | (1,501,131) | (1,501,131) |
| Shares issued | 7 | 2,984,061 | - | - | 2,984,061 |
| Share issue costs | 7,8 | (391,436) | 217,549 | - | (173,887) |
| Consideration shares issued | 7 | 18,000 | - | - | 18,000 |
| Performance rights issued | 7 | - | 252,000 | - | 252,000 |
| Conversion of performance rights | 7 | 252,000 | (252,000) | - | - |
| Options issued | 8 | - | 601,055 | - | 601,055 |
| Balance as at 31 December 2020 | | 9,087,960 | 2,380,518 | (5,948,102) | 5,520,376 |

The accompanying notes form part of this financial report

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2020

| | | 31 December 2020 | 31 December 2019 |
|--|------|---------------------|---------------------|
| | Note | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments to suppliers and employees | | (464,312) | (265,046) |
| Interest received | | 56 | 10,479 |
| Other income received | | 27,360 | 45,000 |
| Net cash (used in) operating activities | | (436,896) | (209,567) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for exploration and evaluation expenditures | | (185,091) | (146,759) |
| Amounts advanced to external party | | (371,171) | - |
| Proceeds on sale of asset | | 15,000 | 200,000 |
| Purchase of plant and equipment | | - | (14,052) |
| Cash acquired from asset acquisition | | - | 4,674 |
| Net cash (used in) / from investing activities | | (541,262) | 43,863 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | 7 | 2,700,000 | - |
| Share issue cost | | (173,887) | (2,910) |
| Net cash from / (used in) financing activities | | 2,526,113 | (2,910) |
| Net increase / (decrease) in cash and cash equivalents | | 1,547,955 | (168,614) |
| Cash and cash equivalents at the beginning of the half-year | | 156,611 | 683,235 |
| Cash and cash equivalents at the end of the half-year | 3 | 1,704,566 | 514,621 |

The accompanying notes form part of this financial report

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT

NOTE 1: GENERAL INFORMATION

Accelerate Resources Limited and its controlled entities is a public company listed on the Australian Securities Exchange (trading under the symbol 'AX8'), incorporated and operating in Australia.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year interim report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Basis of preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the financial statements are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2020, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Changes in Accounting Policy, Accounting Standards and Interpretations

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTE 3: CASH AND CASH EQUIVALENTS

| | Consolidated 31 December 2020 \$ | Consolidated 30 June 2020 \$ |
|--------------|---|---|
| Cash at bank | 1,704,566 | 156,611 |

NOTE 4: OTHER ASSETS

| | Consolidated 31 December 2020 \$ | Consolidated 30 June 2020 \$ |
|---------------------|---|---|
| CURRENT | | |
| Accounts receivable | 2,640 | - |
| GST receivable | 36,100 | 19,258 |
| Deposit | 25,000 | 27,376 |
| Prepayments | 27,080 | 9,776 |
| | 90,820 | 56,410 |
| NON-CURRENT | | |
| Other asset* | 371,171 | - |
| | 371,171 | - |

*Pursuant to the binding term sheet entered into with Currie Ross Resources Inc. ("Currie Rose") on 30 August 2020, Accelerate will make available CAD\$500,000 to Currie Rose in order to fund a due diligence exploration program on the Rossland Gold Project ("Exploration Program"), with Currie Rose managing the Exploration Program at the direction of Accelerate. The Exploration Program is to be completed within 8 months (which may be extended by a further 2 months by Accelerate making available a further CAD\$50,000 to CAD\$100,000 ("Due Diligence Period"). Prior to the expiry of the Due Diligence Period, and subject to the conditions being satisfied or waived (including the parties entering into the Definitive Agreement), Accelerate may elect to earn in to 51% of the Rossland Gold Project.

Should Accelerate decide not to proceed with the earn-in at any time during the Due Diligence Period, Currie Rose must repay the amount drawn down against the CAD\$500,000 made available to it by Accelerate by issuing fully paid ordinary shares in the capital of Currie Rose ("Currie Rose Shares") to Accelerate at a deemed issue price of \$0.06 per Currie Rose Share to Currie Ross Resources Inc. If Currie Rose is unable to issue the shares to Accelerate, the drawn down amount must be repaid in cash.

NOTE 5: EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated 31 December 2020 \$ | Consolidated 30 June 2020 \$ |
|--|---|---|
| Exploration and evaluation expenditure – Tasmania | 2,708,157 | 2,687,405 |
| Exploration and evaluation expenditure – Western Australia | 846,558 | 619,117 |
| | 3,554,715 | 3,306,522 |

NOTE 5: EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

| | |
|--|-------------------------|
| Exploration and evaluation expenditure – Tasmania | \$ |
| Balance as at 1 July 2020 | 2,687,405 |
| Additions | 20,752 |
| Balance as at 31 December 2020 | <u>2,708,157</u> |

Exploration and evaluation expenditure – Western

Australia

| | |
|---|-----------------------|
| Balance as at 1 July 2020 | 619,117 |
| Additions ¹ | 344,139 |
| Sale of tenement ² | (12,773) |
| Reclass to asset held for sale ³ | (103,925) |
| Balance as at 31 December 2020 | <u>846,558</u> |

¹ Included in the additions is the acquisition of exploration and evaluation asset amounting to \$54,000 from Volcanic Resources Pty Ltd (“Volcanic”). On 27 November 2020, the Company acquired Volcanic for a purchase consideration of \$54,000 which consisted of 250,000 fully paid ordinary shares and contingent consideration of 500,000 shares. The acquisition of Volcanic has been treated as an asset acquisition. Details of the asset acquisition are as follows:

| | Fair value \$ |
|--|----------------------|
| Net assets acquired | <u>-</u> |
| Consideration shares in Accelerate Resources Limited issued to vendor* | 18,000 |
| Deferred consideration shares** | 36,000 |
| Fair value of the consideration transferred | <u>54,000</u> |

* 250,000 fully paid ordinary shares were issued at 7.2 cents as partial payment for the acquisition.

** 500,000 fully paid ordinary shares to be issued at 7.2 cents upon last to occur of settlement and the grant of the tenement to the Company.

² In September 2020, the Company sold the title and rights of the Sandstone project, comprising of exploration license E57/1118, to Firehouse WA Pty Ltd for a cash consideration of \$15,000 plus GST.

³ In December 2020, the Company announced that it had entered into a Binding Option Agreement, whereby upon exercise of the option, Mt Monger Minerals Pty Ltd acquires 100% of the legal and beneficial interest in the Company’s Mt Monger Gold Project. The Mt Monger Gold project comprised of exploration licenses E25/525 and E25/565. Upon exercising of the option, the Company will receive \$120,000 (excl GST) as initial cash consideration, and a further \$50,000 upon the delineation of an Inferred Mineral Resources of at least 20,000 oz. at >1.5 g/t gold as deferred cash consideration. The Company has received a non-refundable option fee of \$30,000 (excl GST) for an exclusive option period to 20 February 2021. The option was subsequently extended till 20 May 2021. As a result of this, the asset has been classified as held for sale as at 31 December 2020.

NOTE 6: TRADE AND OTHER PAYABLES

| | Consolidated 31 December 2020 \$ | Consolidated 30 June 2020 \$ |
|----------------|---|---------------------------------------|
| Trade payables | 182,154 | 76,897 |
| Accruals | 48,321 | 22,691 |
| Other payables | - | 46,649 |
| | 230,475 | 146,237 |

NOTE 7: ISSUED CAPITAL

| | 31 December 2020 No. | 30 June 2020 No. | 31 December 2020 \$ | 30 June 2020 \$ |
|----------------------------|----------------------------|------------------------|---------------------------|-----------------------|
| Fully paid ordinary shares | 156,847,794 | 79,366,666 | 9,087,960 | 6,225,335 |

| <i>Movements in Issued Capital</i> | Date | Issue price \$ | Shares No. | Amount \$ |
|---|------------|-------------------|--------------------|------------------|
| Balance as at 1 July 2020 | | | 79,366,666 | 6,225,335 |
| Placement – tranche 1 | 14/07/2020 | 0.0288 | 19,841,666 | 571,440 |
| Placement – tranche 1 | 31/08/2020 | 0.0288 | 14,880,557 | 428,560 |
| Shares to Directors upon appointment | 31/08/2020 | 0.063 | 4,000,000 | 252,000 |
| Shares to Directors in lieu of services | 31/08/2020 | 0.063 | 508,905 | 32,061 |
| Placement – tranche 2 | 11/09/2020 | 0.05 | 24,649,440 | 1,232,472 |
| Placement – tranche 2 | 27/11/2020 | 0.05 | 9,350,560 | 467,528 |
| Conversion of performance rights | 27/11/2020 | 0.063 | 4,000,000 | 252,000 |
| Acquisition of Volcanic | 27/11/2020 | 0.072 | 250,000 | 18,000 |
| Share Issue Cost | | | - | (391,436) |
| Balance as at 31 December 2020 | | | 156,847,794 | 9,087,960 |

On 27 November 2020, 4,000,000 performance rights converted to fully paid ordinary shares having met the milestones.

NOTE 8: RESERVES

| | 31 December 2020 \$ | 30 June 2020 \$ |
|--|---------------------------|-----------------------|
| Option reserve | 2,380,518 | 1,561,914 |
| | Options | Amount |
| | No. | \$ |
| <i>Movements in Option Reserve</i> | | |
| Balance as at 1 July 2020 | 20,000,000 | 1,561,914 |
| Options issued to consultant ¹ | 5,000,000 | 165,614 |
| Options issued to consultant ² | 3,000,000 | 92,149 |
| Options issued to Directors ² | 9,000,000 | 343,292 |
| Options issued to Lead Managers ² | 7,500,000 | 217,549 |
| Balance as at 31 December 2020 | 44,500,000 | 2,380,518 |

¹ On 2 September 2020, the Company issued 5,000,000 unlisted options exercisable at \$0.06 each, expiring 2 September 2023, to a consultant of the Company.

² On 27 November 2020, the Company issued 3,000,000 unlisted options exercisable at \$0.0959 each, expiring 27 November 2022, to a consultant of the Company. 9,000,000 unlisted options exercisable at \$0.0957 each, expiring 27 November 2024 were issued to Directors of the Company. 7,500,000 unlisted options exercisable at \$0.0957 each, expiring 27 November 2022 were issued to the Placement Lead Managers.

The total fair value of \$601,055 for options issued to consultants and Directors were recognised as share based payment expense in the statement of profit or loss and other comprehensive income.

The Black-Scholes option pricing model was used to value the options and the following table lists the inputs to the model used for the valuation of the options:

| Grant Date | Expiry Date | Exercise Price | Share Price | | Expected Volatility | Risk-free Interest Rate | Fair Value per Option |
|------------|-------------|----------------|---------------|----------|---------------------|-------------------------|-----------------------|
| | | | at Grant Date | Expected | | | |
| 30/08/2020 | 02/09/2023 | \$0.06 | \$0.056 | 97.8% | 0.28% | \$0.0331 | |
| 31/10/2020 | 27/11/2022 | \$0.0959 | \$0.095 | 106.3% | 0.11% | \$0.0527 | |
| 23/11/2020 | 27/11/2024 | \$0.0957 | \$0.063 | 98.3% | 0.20% | \$0.0381 | |
| 23/11/2020 | 27/11/2022 | \$0.0957 | \$0.063 | 107.6% | 0.09% | \$0.0290 | |

NOTE 8: RESERVES (CONTINUED)

Summary of options granted as at 31 December 2020 are as follows:

| Grant Date | Expiry Date | Exercise Price | Balance at 1 Jul 2020 | Granted | Exercised | Expired / Forfeited / Other | Balance at 31 Dec 2020 |
|------------|-------------|----------------|-----------------------|-------------------|-----------|-----------------------------|------------------------|
| 28/04/2017 | 30/02/2021 | \$0.25 | 6,000,000 | - | - | - | 6,000,000 |
| 18/01/2018 | 30/04/2021 | \$0.25 | 4,000,000 | - | - | - | 4,000,000 |
| 18/01/2018 | 12/02/2022 | \$0.25 | 5,000,000 | - | - | - | 5,000,000 |
| 28/05/2020 | 09/06/2023 | \$0.06 | 5,000,000 | - | - | - | 5,000,000 |
| 30/08/2020 | 02/09/2023 | \$0.06 | - | 5,000,000 | - | - | 5,000,000 |
| 31/10/2020 | 27/11/2022 | \$0.0959 | - | 3,000,000 | - | - | 3,000,000 |
| 23/11/2020 | 27/11/2024 | \$0.0957 | - | 9,000,000 | - | - | 9,000,000 |
| 23/11/2020 | 27/11/2022 | \$0.0957 | - | 7,500,000 | - | - | 7,500,000 |
| | | | 20,000,000 | 24,500,000 | - | - | 44,500,000 |

Performance Rights

In August 2020, the Company granted 4,000,000 performance rights expiring 3 July 2022 to Director, as approved by shareholders at the Company's General Meeting held on 24 August 2020. The performance rights were valued at \$0.063 per right, with the total fair value of \$252,000 recognised as share based payment expense in the statement of profit or loss and other comprehensive income. On 27 November 2020, 4,000,000 performance rights converted to fully paid ordinary shares having met the milestones.

NOTE 9: EARNINGS PER SHARE

| | Consolidated 2020 | Company 2019 |
|--|-------------------|---------------|
| | \$ | \$ |
| Loss after income tax (used in calculating both basic and diluted loss per share) | (1,501,131) | (287,754) |
| | Cents | Cents |
| Basic loss per share (cents) | (1.17) | (0.58) |
| Diluted loss per share (cents) | (1.17) | (0.58) |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic and diluted EPS | 127,937,886 | 49,264,809 |

NOTE 10: SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the phase of operation within the mining industry. For management purposes, the Group identified only one segment, being exploration assets in Australia. The Group is domiciled in Australia.

NOTE 11: CONTINGENT ASSETS AND LIABILITIES

At 31 December 2020 and 30 June 2020, there was a contingent consideration of 15,000,000 ordinary shares that relates to the acquisition of Halcyon on the 18 November 2019. These contingent shares are payable based on the below:

- 7,000,000 shares payable upon announcement by the Company of an inferred mineral resource from the project of either:
 - 5,000,000 tonnes of Kaolin Clay containing 45% minus 45 micron clay with an 82% ISO brightness; or
 - 5,000,000 tonnes of Kaolin Clay containing not less than an average of 29% Al₂O₃ at an optimal fraction size.
- 8,000,000 shares payable upon shipment of 50,000 tons of Kaolin Clay.

There were no contingent assets at 31 December 2020 (30 June 2020: Nil).

NOTE 12: COMMITMENTS

Operating lease commitments consists of the various mining tenement leases.

| | 31 December 2020 | 30 June 2020 |
|---|-----------------------------|-------------------------|
| | \$ | \$ |
| Within 1 year | 273,187 | 167,951 |
| Not later than 1 year but less than 5 years | 223,051 | 171,303 |
| More than 5 years | - | - |
| | 496,238 | 339,254 |

NOTE 13: EVENTS SUBSEQUENT TO REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had no significant impact on the Group up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Apart from the above, no matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

DIRECTORS' DECLARATION

In the opinion of the Directors of Accelerate Resources Limited:

1. The consolidated financial statements and notes, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Yaxi Zhan
Managing Director

Perth

Dated: 12 March 2021

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
ACCELERATE RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Accelerate Resources Limited, which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Accelerate Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Accelerate Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

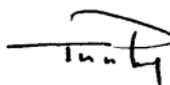
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 12 March 2021