

OREXPLORE
TECHNOLOGIES



2021

Annual Report

OREXPLORE TECHNOLOGIES LIMITED
ABN 98 645 505 406

TABLE OF CONTENTS

Corporate Directory	2
Directors' Report	3
Auditor's Independence Declaration	16
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	20
Notes to the Financial Statements	21
Directors Declaration.....	56
Independent Auditors Report.....	57
ASX Additional Information	63

CORPORATE DIRECTORY

Directors

Alan Bye
Brett Giroud
Kent Swick
Stuart Carmichael
Stefan Sädbom

Non-Executive Chairman
Managing Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

Company Secretary

Frank Campagna

Registered and Principal Office

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Bassendean WA 6054
Telephone: +61 8 9469 2900
Website: www.orexplorer.com
Email: info@orexplorer.com

Share Registry

Automic Pty Ltd
Level 5, 191 St Georges Terrace
Perth WA 6000
Telephone (within Australia): 1300 288 664
Telephone (outside Australia): +61 (2) 9698 5414
Email: hello@automicgroup.com.au
Website: www.automicgroup.com.au

Solicitors

HWL Ebsworth Lawyers
Level 20, 240 St Georges Terrace
Perth WA 6000

Stock Exchange Listing

Australian Securities Exchange (ASX: OXT)

Auditor

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Banker

National Australia Bank Limited

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of Orexlore Technologies Limited ("Orexlore" the "Parent" or the "Company") and its controlled entities (collectively referred to as "Orexlore Group" or the "Group") for the financial year ended 31 December 2021. The names and particulars of the directors of the company during or since the end of the financial year are:

Information on directors

Alan Bye

Non-executive chairman

Qualifications

BSc, BSc Hons, PhD

Experience

Dr Bye has more than 20 years' experience in senior operational and strategic roles in the resources industry working in 15 countries covering 9 commodities. Dr Bye has a mining operational background and has a PhD in mining engineering and is a fellow of the Academy of Technology Science and Engineering (FTSE). He was most recently Vice President Technology at BHP and in his global role he was accountable for execution of major innovation programs across five commodity value chains covering both digital and extractive technologies. Dr Bye was appointed as a Director of the Company in October 2020.

Interest in shares and options at the date of this report

3,109,926 Performance Rights

Directorships held in other listed entities during the three years prior to the current year

Swick Mining Services Ltd (November 2019 – February 2022)

Brett Giroud

Managing director

Qualifications

B.Eng (Computer Systems) Hons, MBA

Experience

Mr Giroud is an engineering executive and technology industry leader with over 24 years of corporate leadership and engineering consulting experience. He was the former APAC head of Strategy and Transaction Services for Worley (Advisian), and former Chief Engineer for Jacobs Engineering (Information and Communications Technology), where he created and lead a group of over 100 systems engineering and technology professionals. Mr Giroud has initiated and led business units and large-scale teams and been directly responsible for safely delivering, more than \$250m of complex disruptive technology projects for Tier-1 clients across a portfolio of more than \$15B of major growth projects. Mr Giroud has worked across Australia, Europe, and the Middle East and has extensive experience across the entire engineering and technology lifecycle from concept and design, through studies and major project delivery, into construction and leadership positions across site commissioning activities. As a prior visiting guest lecturer at the University of Western Australia across functional safety and advanced systems, and an independent advisor to emerging technology companies, Mr Giroud is experienced at early-stage technology ventures and commercialisation. Mr Giroud was appointed as a director of the Company in July 2021.

Interest in shares and options at the date of this report

5,183,210 Performance Rights

Directorships held in other listed entities during the three years prior to the current year

Nil

DIRECTORS' REPORT

Kent Swick	Non-executive director
Qualifications	B.Eng (Mech)
Experience	Mr Swick is a Mechanical Engineer with over 30 years experience in civil construction, mining maintenance and surface and underground mineral drilling. He was previously employed by Atlas Copco Australia as a Maintenance Engineer managing underground maintenance, where he developed a strong understanding of underground mining methods and equipment. Mr Swick founded Swick Mining Services initially as an underground longhole drilling contractor before moving into underground diamond drilling and RC drilling. Mr Swick was the driving technical force behind the design of the Company's innovative underground diamond drill rig and award winning surface reverse circulation drill rig. He graduated from the University of Western Australia holding a Bachelor of Engineering (majoring in Mechanical Engineering) and has completed the Owner/President Management program at Harvard Business School. Mr Swick was appointed as a Director of the Company in October 2020.
Interest in shares at the date of this report	12,350,873 Shares
Directorships held in other listed entities during the three years prior to the current year	Swick Mining Services Ltd (October 2006 – February 2022)
Stuart Carmichael	Non-executive director
Qualifications	B.Com, CA
Experience	Mr Carmichael is a Chartered Accountant with over 20 years experience across various industry sectors and jurisdictions including Australia, USA, United Kingdom and the Middle East. Mr Carmichael is a principal and director of Ventnor Capital and Ventnor Securities which specialises in the provision of corporate finance and equity capital markets advice to small and mid cap ASX listed companies including initial public offerings, capital raisings, corporate restructures and mergers and acquisitions. Mr Carmichael was appointed as a Director of the Company in February 2021.
Interest in shares at the date of this report	Nil
Directorships held in other listed entities during the three years prior to the current year	Swick Mining Services Ltd (August 2019 – February 2022) Harvest Technology Group Limited non-executive director – 8 July 2021 to present ClearVue Technologies Limited non-executive director - 19 January 2018 to present Schrole Group Limited non-executive chairman - 10 August 2017 to present K-TIG Limited non-executive chairman - 30 June 2017 to present De.mem Limited non-executive director - 21 November 2016 to present Osteopore Limited non-executive director – 11 December 2018 to 8 October 2021

DIRECTORS' REPORT

Stefan Sädbom	Non-executive director
Qualifications	BSc (Geology)
Experience	<p>Mr Sädbom is a senior exploration geologist with over 35 years' experience in exploration and underground mining in highly deformed and metamorphosed Proterozoic terrains and has significant experience in a wide range of commodities and processes including geological mapping, field work, sampling procedures, mine planning, monitoring and logging.</p> <p>Mr Sädbom has previously been active as exploration geologist with Geological Survey of Sweden (SGU) 1978-1981, Swedish Geological AB (SGAB) 1981-1989, as exploration mine geologist with Vieille Montagne 1990-1996, as exploration geologist with North Limited, Parkes, Australia 1997-1998, as senior exploration geologist with North Mining Exploration Sweden AB 1999-2000, Zinkgruvan Mining AB/ Rio Tinto / Lundin Mining AB 2000-2005, Bergskraft 2005-2009 and consulting senior exploration geologist with Bergskraft Bergslagen AB since 2009.</p> <p>Mr Sädbom was appointed as a director of the Company in October 2021.</p>
Interest in shares at the date of this report	Nil
Directorships held in other listed entities during the three years prior to the current year	<p>Orexlore AB sole director 2021 – present (and previously chairman 2014 – 2021)</p> <p>Lovisagruvan AB non-executive chairman – 2017 to present (and previously director from 2009 – 2017)</p> <p>Bergskraft Bergslagen AB – non-executive chairman - 2010 to present</p> <p>Bergskraft Bergslagen Economic Association director – 2010 to present</p> <p>Svenska Sandprodukter AB director – 2018 to present</p> <p>Lovisagruvan Utveckling AB director – 2009 to present</p>

Jason Marinko held the position of Managing Director of the Company from 29 October 2020 until his resignation on 24 February 2021. Mr Marinko is an experienced public company director, with expertise in the technology and investment banking industries and in leading technologies to commercialisation. Mr Marinko holds an MBA from INSEAD Business School in France and is a graduate of the Australian Institute of Company Directors (AICD).

Company Secretary

Frank Campagna	Company secretary
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Mr Campagna has held the position of company secretary since October 2020.

Qualifications	B.Bus (Acc), CPA
Experience	<p>Mr Campagna is a Certified Practicing Accountant with over 25 years' experience as Company Secretary, Chief Financial Officer and Commercial Manager for listed resources and industrial companies. He presently operates a corporate consultancy practice which provides corporate secretarial and advisory services to both listed and unlisted companies.</p>

Board committees

At the date of this report, there are no separate committees of the Board. The Board as a whole acts in the capacity of the Audit Committee and the Remuneration and Nomination committee. Matters typically dealt with by these Board committees are dealt with by the full Board. Separate Board committees will be established once the size and scale of operations of the Company warrants such committees.

DIRECTORS' REPORT

Meetings of directors

The number of meetings of the Board of Directors held during the year ended 31 December 2021 and the number of meetings attended by each Director whilst in office are as follows:

	Directors' meetings	
	Number eligible to attend	Number attended
Alan Bye	15	14
Brett Giroud	9	9
Kent Swick	15	15
Stuart Carmichael	14	14
Stefan Sädbom	8	6
Jason Marinko	1	1

Principal activities

The principal activity of the Group during the 2021 financial year was the research, development, sale, and provision of core scanning services using its proprietary GeoCore X10® hardware product and its associated interface software Orexplore Insight®. The GeoCore X10® is a portable device that uses x-ray rock mass scanning technology to convert drill core samples into three-dimensional datasets that provide an image of the internal structure and texture of the core, in addition to elemental detections, and density.

Review of Operations

The 2021 year was transformational for the Company highlighted by a significant reconfiguration of the business to accelerate the commercialisation of the Orexplore Technology Platform. The Company's Technology Platform consists of the GeoCore GX10® hardware product and Orexplore Insight® user interface software. This was advanced through implementing elements of a full strategic review, including a change in the leadership team and forming an industry seasoned delivery team in the Perth Corporate headquarters, whilst also maintaining disciplined cost-management across the year as the Technology Platform was advanced.

Brett Giroud was appointed as the Managing Director of the company in July, after commencing in the role of General Manager – Global in May. Additionally, the new Orexplore Board was formed in the second half of the year, compiled of well-respected senior business and technology leaders.

Core scanning continued at both the Stockholm and Perth laboratories, including small-scale commercial engagements and strategic development projects with a range of customers focused on accelerating the market adoption of the current Technology Platform. This was advanced by refining and extending the potential family of Value Propositions as the Platform's capabilities mature, enabling the creation of additional value for customers and the ability to address industry pain points across the mining value chain.

A larger scale commercial engagement of over 1000m of scanning was commenced with a customer through the Perth laboratory. The Company's consulting geologists worked collaboratively with the customer to extract new insight from the core scanning, whilst further advancing the Platform and exploration decision support Value Proposition.

A full-scale field trial was commenced on a large international mining company's operational site in October featuring three GeoCore X10® units in a single deployment. This in-kind trial further illustrated and advanced the Company's ability to reliably operate and remotely support the system at speed in a fully operational environment. The trial demonstrated the Platform's reliability and availability and enabled the further advancement of its functionality and performance. In collaboration with the customer, the Value Propositions best suited to potentially add value and save time to the operations and broader processes, were further refined and tested. The field-based trial remained active as of the end of the 2021 year.

As part of the demerger process from Swick, the Company published a Prospectus on the 22 November 2021. This document presents a detailed description of the transformation strategy, commercial direction, business and operating models, and mechanics of positioning the Group to become a truly globally-focused technology business.

DIRECTORS' REPORT

A professional site-experienced Geology team was formed with Dr Stephen Coward and Dr Dianne Valente employed to deliver a step-change in customer engagement and solution definition. The Geology team adopts a “seller doer” value-selling process that balances the technology development strategy with commercial engagements to validate and refine the delivery of value to customers and identify additional addressable industry requirements.

The creation of an Engineering group, which saw the appointment of Thomas Drage as Engineering Manager, advanced the Technology Platform and commercialisation of the products developed by the Company's Research & Development (“R&D”) team. This function continues to drive a deep integration with the Stockholm R&D group, resulting in improvements in quality assurance and quality control across the systems; fleet operational readiness; and a focusing of effort to accelerate the delivery of customer facing product and solutions balanced with advancing the R&D portfolio.

The Group's overall operations readiness was increased through customer engagements, including through the field-trial that tested and increased the internal capability and capacity to deploy and operate the equipment in the field, and provide technical support and maintenance through a combined local and remote team.

The Group's R&D team in Stockholm, Sweden continued to advance the technology platform and rolled out tangible speed and functionality improvements through the successful delivery of the soft-x-ray, new sample holders and spiral scanning projects over the current fleet, in addition to improvements in functionality and performance across the Orexplore Insight® software platform. The R&D team also continued to undertake collaborative research projects and deliver work into the European 730270 - X-MINE project. This saw Orexplore make valuable contributions across technology development, customer engagement and successfully collaborate with partners across the consortium.

The final months of the year delivered the successful completion of the demerger process and advanced the organisation's capabilities in preparation for becoming a listed entity. The demerger process included a well subscribed priority offer undertaken in preparation for listing on the ASX in January 2022.

The customer site deployment and scanning operations across both laboratories continued to increase the Group's operational capability and breadth of customer collaboration. These activities directly advance the suite of Value Propositions as they are refined for customers and further developed, and support the customer focused sales strategy, and strengthened the focus of efforts going forward as our Group heads into an exciting 2022.

Corporate

Orexplore was demerged from Swick on 7 January 2022 via an in-specie distribution under the terms of the Demerger Implementation Deed dated 12 November 2021, under which Swick sold its fully owned Orexplore entities Orexplore AB and Orexplore Australia Pty Ltd to Orexplore on 23 December 2021. The substance of the transaction has been evaluated in accordance with applicable accounting standards and it has been determined that the Orexplore Group represents the continuation of Orexplore AB which acquires Orexplore Australia Pty Ltd and its subsidiaries, and Orexplore via a common control transaction.

As the acquisition date of Orexplore Australia Pty Ltd and Orexplore is 23 December 2021, the profit and loss of the acquired entities for the eight days to 31 December 2021 has been determined as immaterial and therefore the business acquisition was based on the 31 December 2021 balance sheets of the acquired entities. The consolidated statement of profit or loss and consolidated statement of cash flows for the Orexplore Group for the year ended 31 December 2021 therefore only include the statement of profit or loss and statement of cash flows of Orexplore AB. The Orexplore Group consolidated statement of financial position as at 31 December 2021 includes the full consolidated balance sheets of all Orexplore entities.

Financial results

Orexplore Group reported a statutory net loss after tax of \$3.78 million for the year ended 31 December 2021 (2020: net loss after tax of \$3.93 million).

In line with the basis of preparation of the historical combined accounts of the Orexplore Group in the Prospectus dated 22 November 2021, the Orexplore Group's underlying financial results (unaudited non-IFRS) including the full year results of the acquired entities Orexplore Australia Pty Ltd and Orexplore are set out below.

DIRECTORS' REPORT

2021 FINANCIAL RESULTS (UNAUDITED NON-IFRS)	2021	2020	Change
Orexplre Underlying Combined Group (excluding one-off demerger and listing costs)	\$000	\$000	%
Profit & Loss			
Revenue	64	241	(73.4%)
Underlying EBITDA Loss	(3,265)	(4,422)	26.2%
Underlying EBIT Loss	(4,874)	(6,053)	19.5%
Underlying Net Loss After Tax	(4,882)	(6,073)	19.6%
Cash Flow			
Underlying cash decrease excluding Swick equity injections and one-off demerger and listing costs	(5,098)	(4,264)	(19.6%)

On 28 February 2022, the Company lodged its Appendix 4E – Preliminary Final Report which was based on unaudited results for the year 2021. Completion of the 2021 audit resulted in the loss after tax and loss per share for 2021 being different from the results announced in the Appendix 4E.

The loss after tax for the 2021 year in the audited results include a share based payment expense of \$1,136,889 which was not included in the Appendix 4E results. This expense relates to listing costs of Orexplore Technologies Limited which were paid by Swick, recorded as an intercompany loan between Swick and Orexplore Australia Pty Ltd, then subsequently converted to equity prior to the restructure of the Orexplore Group. Orexplore AB is seen as the accounting acquirer of Orexplore Technologies Limited, and a portion of the consideration given in exchange for the conditional listing status. This was considered a share based payment and the value of the listing status has been recognised and expensed by Orexplore AB. The cash impact of this expense is nil.

The basic and diluted loss per share reported in the Appendix 4E for 2021 and 2020 was based on weighted average shares on issue of 93,914,196 being the total shares on issue of Orexplore Technologies Limited. The audited results have factored a weighting on shares based on the relative fair values of the acquired entities Orexplore Australia Pty Ltd and Orexplore Technologies Limited at the date of acquisition and therefore differ from the values used in the Appendix 4E results. The loss for the 2021 year has also increased due to the above shared based payment expense. Refer to Note 2.6 to the accounts for details of the weighted average number of shares on issue used to calculate the basic and diluted loss per share.

COVID-19

The pandemic has not had a significant impact to our business in 2021.

Significant changes in state of affairs

Orexplre was demerged from Swick via an in-specie distribution under the terms of the Demerger Implementation Deed dated 12 November 2021, under which Swick sold its fully owned Orexplore entities Orexplore AB and Orexplore Australia Pty Ltd to Orexplore on 23 December 2021.

There have been no other significant changes in the state of affairs of the Company and/or Group during the financial year.

Dividends paid or recommended

No dividends were proposed, declared or issued for the year ended 31 December 2021 (2020: nil).

Significant events after balance date

On 7 January 2022, Orexplore raised \$2,437,500 under a priority offer to existing Swick shareholders as part of the demerger from Swick.

On 19 January 2022, Orexplore was admitted to the official list of the ASX and its shares commenced trading on 21 January 2022.

Other than noted above, the Directors are not aware of any significant events that have arisen after balance date.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is uncertain and therefore not appropriate to disclose. Therefore, this information has not been presented in this report. The Orexplore Group's Prospectus document dated 22 November 2021 outlines the operating and business models for the Group and potential development pathways.

DIRECTORS' REPORT

Environmental regulation

In the course of its activities, the Group is required to adhere to environmental regulations imposed on it by various regulatory authorities. The Group has not received any notification from any regulatory authority or client of any breaches of environmental regulations and to the best of its knowledge has complied with all material environmental requirements up to the date of this report.

Indemnification of officers

During the financial year, the Company paid a premium of \$1,216 (2020: Nil) to insure all the Directors and officers against liabilities for any costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors and officers of the Company, other than conduct which might be a wilful breach of duty in relation to the Company.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Performance rights

At the date of this report, the unvested Performance Rights of Orexplora Technologies Limited are as follows:

Grant date	Vesting date	Expiry date	Number of rights
22 December 2021	22 December 2025	22 December 2025	2,767,834
22 December 2021	22 December 2026	22 December 2026	5,525,302
			8,293,136

Performance right holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-audit services provided by Auditor

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in Note 5.6 to the financial statements.

The Board is satisfied that the provision of non-audit services, when provided, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors use the principles set out below to judge whether the external auditor's independence is compromised:

- All non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Auditor's Independence Declaration

The lead auditor's Independence Declaration for the year ended 31 December 2021 has been received. A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is included on page 18 of this report.

ASIC Corporations Instrument 2016/191

The company is of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

Parts of this remuneration report and tables are split to show remuneration details of Key Management Personnel (KMP) for the period 1 January 2021 to 22 December 2021 (period before the Group Restructure) and the period 23 December 2021 to 31 December 2021 (period post Group Restructure). The remuneration information related to the period prior to the Group Restructure pertain to the accounting parent entity Orexplore AB and the remuneration information related to the period post the Group Restructure pertain to the Orexplore Group. There are no prior period comparisons provided as the Group was not listed in the prior period.

Remuneration policy

The remuneration policy of the Group is designed to align the interests of directors and management with the interests of shareholders and the Company's objectives by providing a fixed remuneration component and, where appropriate, offering specific short-term (cash bonuses) and long-term (equity schemes) incentives linked to performance. The Board considers that the remuneration policy is appropriate and effective in its ability to attract, retain and motivate suitably qualified and experienced directors and management to direct and manage the Group's business and corporate activities, as well as to create goal congruence with the Company's shareholders.

Specifically, the remuneration policy has been put in place with the following aims in mind:

- remuneration practices and systems should support the Company's wider objectives and strategies;
- remuneration of directors and management should be aligned to the long-term interests of shareholders within an appropriate control framework;
- remuneration of directors and management should reflect their duties and responsibilities;
- remuneration of directors and management should be comparative and competitive, thereby allowing the Company to attract, retain and motivate suitably qualified and experienced people; and
- there should be a clear relationship between performance and remuneration.

Relationship between remuneration policy and Company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators (KPI's), and the second being the issue of performance rights to the Chairman and Key Management Personnel to encourage the alignment of personal and shareholder interests, as well as a longer-term retention strategy. The Company believes this policy will be effective in increasing shareholder wealth over time.

Remuneration and Nomination Committee

The Board has not established a Remuneration and Nomination Committee due to the size of the business. The whole Board is tasked with the responsibilities to develop and assess the Group's remuneration policies to ensure that remuneration is sufficient and reasonable and that its relationship to performance is clear. The primary objective of the Board is to develop remuneration policies for the Group that are appropriate to the organisation with respect to its size, peers and market conditions, and to recommend remuneration packages and incentive schemes for directors and management that motivate and reward performance, attract and retain quality people, and align interests with those of shareholders.

Remuneration structure - non-executive directors

Objective

The Board seeks to set remuneration for non-executive directors at a level which provides the Company with the ability to attract and retain suitably qualified and experienced directors, whilst incurring a cost which is acceptable to shareholders. Non-executive directors should be adequately remunerated for their time and effort and the risks inherently involved with holding such a position.

Structure

Remuneration levels for non-executive directors are reviewed at least annually by the Board. The maximum aggregate fee pool for non-executive directors is \$350,000 pursuant to the Company's constitution. The Board ratifies the remuneration of non-executive directors, including the Chairman. As at the date of this report, remuneration for non-executive directors was set at \$50,000 per annum exclusive of statutory superannuation, with remuneration for the non-executive chairman set at \$100,000 per annum exclusive of statutory superannuation.

Variable remuneration – non-executive chairman

The Non-executive Chairman is entitled to long term incentives in the form of performance rights as the Board have determined the position is crucial to the development of the Company's technology and eventually the success of the Company. Award of the performance rights aligns the remuneration outcome of the Non-executive Chairman to that of shareholders.

DIRECTORS' REPORT

Remuneration structure - executive directors & management

Objective

The remuneration for executive directors and management is designed to promote superior performance and long-term commitment to the Company. The Board aims to reward executive directors and management with a level and mix of remuneration commensurate with their position and responsibilities within the Group.

The Company's remuneration policy for executive directors and management reflects its commitment to align remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Group.

The principles of the policy are:

- to provide rewards that reflect the competitive market in which the Company operates;
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

Structure

Remuneration for executive directors and management may comprise fixed and variable remuneration components. Remuneration is reviewed at least annually by the Board. Remuneration packages for executive directors and management currently comprise a base salary and superannuation (fixed components) and may also include cash bonuses and securities (variable, performance-based components).

In determining individual remuneration packages, the Board reviews the individual's annual performance, specific roles and responsibilities, and remuneration relative to their position within the Group and with positions in comparable companies through the use of market data and surveys. Where appropriate, a package may be adjusted to reflect the role, responsibilities and importance of that position and to keep pace with market trends and ensure continued remuneration competitiveness. In conducting a comparative analysis, the Group's expected performance for the year is considered in the context of the Group's capacity to fund remuneration budgets. From time to time, a review of the total remuneration package by an independent remuneration consultant may be undertaken to provide an independent reference point.

Fixed remuneration

The components of the fixed remuneration of executive directors and management are determined individually and may include:

- cash remuneration;
- superannuation;
- accommodation and travel benefits; and
- other benefits.

Variable remuneration

The components of the variable remuneration of executive directors and management are determined individually and may include:

- Short term incentives (non-salary cash-based incentives) – executive directors and management are eligible to participate in a cash bonus if so determined by the Board; and
- Long term incentives – executive directors and management are eligible to receive performance rights if so determined by the Board.

Director and senior management details – period 1 January 2021 to 22 December 2021 (period prior to Group Restructure) – Orexlore AB

The following table provides employment details of persons who were Directors or Key Management Personnel (KMP) of Orexlore AB during the financial year:

Directors	
Stefan Sadbom	Non-executive director
Magnus Rehn	Non-executive director– resigned on 28 June 2021
Kevin Rebenius	Managing director - resigned on 28 February 2021
Executive	
Mikael Bergqvist	Chief Technology Officer

DIRECTORS' REPORT

Director and senior management details – period 23 December 2021 to 31 December 2021 (period post Group Restructure) – Orexplora Group (legal parent Orexplora Technologies Limited)

The following table provides employment details of persons who were Directors or Key Management Personnel (KMP) of the Group during the financial year:

Directors	
Alan Bye	Non-executive chairman
Kent Swick	Non-executive director
Stuart Carmichael	Non-executive director
Stefan Sadbom	Non-executive director
Brett Giroud	Managing Director
Executive	
Mikael Bergqvist	Chief Technology Officer

Employment contracts

As at the date of this report, the Group had entered into employment contracts with the following executive directors and management personnel:

Brett Giroud - Managing Director

- The service arrangement commenced on 1 July 2021 and continues until terminated.
- Base salary of \$350,000 plus superannuation per annum.
- Short term incentive: annually, subject to agreed key performance indicators being met and Board approval, Mr Giroud will be entitled to a performance-based bonus up to a maximum of 40% of his base salary.
- Long term incentive: Mr Giroud is eligible to participate in incentive arrangements offered by the Company from time to time.
- Termination: either party may terminate the agreement on 3 months' notice or payment in lieu. The Company may also terminate the appointment at any time without notice if Mr Giroud engages in serious misconduct.
- Restraint: from the commencement of the executive services agreement until 24 months after employment ends, Mr Giroud will be restrained from engaging in a business or activity in competition with the business of the Company and from soliciting customers or employees of Orexplora within Australia.
- In addition, the Company will issue Mr Giroud (or his permitted nominee) director performance rights up to 5% of the total shares on issue immediately after completion of the priority offer and in-specie distribution as part of the demerger from Swick.

There are no other contracts to which a director is a party or under which a director is entitled to a benefit other than as disclosed in the Directors' Report.

Executive service contracts

Remuneration and terms of employment for Executives are formalised in employment contracts.

Mikael Bergqvist – Chief Technology Officer

- Appointed on 1 November 2011.
- Contract is ongoing and has no fixed term.
- Base salary of SEK 1,140,000 plus pension per annum.
- Termination: either party may terminate the agreement on 3 months' notice; and
- Restraint: from the commencement of the executive service contract until 12 months after employment ends, Mr Bergqvist will be restrained from engaging in a business or activity in competition with the business of the Company.

All contracts contain redundancy/severance benefits in accordance with the applicable legislation.

Director performance rights plan – Orexplora Group (Orexplora Technologies Limited) – post Group Restructure

The Company has adopted a Director Performance Rights Plan (DPRP). The objective of the DPRP is to provide the Company with a remuneration mechanism through the granting of rights for securities in the capital of the Company to motivate and retain the Executive Chairman and Managing Director.

Details of performance rights issued during the year can be found under the performance rights heading in the remuneration details for year ended 31 December 2021.

DIRECTORS' REPORT

Relationship between remuneration policy and Company performance

Orexplora AB and Orexplore Group is a research and development company working on developing world first core scanning technology. The Company has generated little revenue and no profits over the historical periods as it continues to develop the technology. The remuneration policy of KMP is therefore based on market factors to ensure the Company can attract, retain and motivate suitably qualified directors and management to direct and manage the Group's business and corporate activities, as well as to create goal congruence with the Company's shareholders.

The historical financial information of the Group is provided below. This historical financial information is predominantly for Orexplore AB (accounting parent entity) as the consolidated group was only formed at the end of 2021.

	2021	2020	2019	2018
	\$000	\$000	\$000	\$000
Revenue and other income	8	179	14	-
Net profit/(loss) before tax	(3,780)	(3,929)	(3,635)	(2,811)
Net profit/(loss) after tax	(3,780)	(3,929)	(3,635)	(2,811)
Share price at start of year	n/a	n/a	n/a	n/a
Share price at end of year	n/a	n/a	n/a	n/a
Basic earnings/(loss) per share	(5.15)	(5.38)	n/a	n/a
Dividends declared	nil	nil	nil	nil

Remuneration details for the year ended 31 December 2021

The following tables of benefits and payments detail, in respect to the financial year, the components of remuneration for the Key Management Personnel of the Group:

Table of benefits and payments for Orexplore AB for the period 1 January 2021 to 22 December 2021 (prior to Group Restructure)

	Short-term benefits			Long-term benefits	Post-employment benefits		Equity-settled share-based payments		
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Long service leave	Pension and superannuation	Termination benefits	Performance rights	Total	Performance based
2021	\$	\$	\$	\$	\$	\$	\$	\$	%
Stefan Sadbom	22,954	-	-	-	-	-	-	22,954	0%
Magnus Rehn ¹	7,403	-	-	-	-	-	-	7,403	0%
Total non-executive directors	30,357	-	-	-	-	-	-	30,357	0%
Kevin Rebenius ²	43,530	-	-	-	5,959	-	-	49,489	0%
Mikael Bergqvist	212,952	-	-	-	35,640	-	-	248,592	0%
Total executives	256,482	-	-	-	41,599	-	-	298,081	0%
Total payments and benefits	286,839	-	-	-	41,599	-	-	328,438	0%

Note 1: Resigned on 28 June 2021.

Note 2: Resigned on 28 February 2021.

DIRECTORS' REPORT

Table of benefits and payments for Orexplore Group (legal parent Orexplore Technologies Limited) for the period 23 December 2021 to 31 December 2021 (post Group Restructure)

	Short-term benefits			Long-term benefits	Post-employment benefits		Equity-settled share-based payments		
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Long service leave	Pension and superannuation	Termination benefits	Performance rights	Total	Performance based
2021	\$	\$	\$	\$	\$	\$	\$	\$	%
Alan Bye	2,192	-	-	-	219	-	1,092	3,503	31%
Kent Swick	1,096	-	-	-	110	-	-	1,206	0%
Stuart Carmichael	1,096	-	-	-	110	-	-	1,206	0%
Stefan Sadbom	1,206	-	-	-	-	-	-	1,206	0%
Total non-executive directors	5,590	-	-	-	439	-	1,092	7,121	15%
Brett Giroud	7,671	-	-	-	767	-	1,821	10,259	18%
Total executives	7,671	-	-	-	767	-	1,821	10,259	18%
Total payments and benefits	13,261	-	-	-	1,206	-	2,913	17,380	17%

Bonuses

The Company did not pay any bonuses during the year.

Performance rights – Orexplore Technologies Limited

During the year the following share-based payment arrangements were made:

Director	Performance Rights Plan	Performance rights granted	Grant date	Expiry date	Grant date fair value	Exercise price	Vesting date
	Issued 2021						
	Tranche 1	2,767,834	22 December 2021	22 December 2025	\$0.071	-	22 December 2025
	Tranche 2	2,767,834	22 December 2021	22 December 2026	\$0.065	-	22 December 2026
	Tranche 3	2,757,468	22 December 2021	22 December 2026	\$0.060	-	22 December 2026

The terms and conditions relating to Performance Rights in operation during the year for KMP are as follows:

	Grant date	Performance rights granted during the year	Vesting conditions	Vested/paid during year	Value on grant date	Remaining as unvested	Vesting date
Director							
Alan Bye	22 December 2021	1,036,642	Note 1	-	\$73,602	100%	Note 1
Alan Bye	22 December 2021	1,036,642	Note 2	-	\$67,382	100%	Note 2
Alan Bye	22 December 2021	1,036,642	Note 3	-	\$62,199	100%	Note 3
Brett Giroud	22 December 2021	1,731,192	Note 1	-	\$122,915	100%	Note 1
Brett Giroud	22 December 2021	1,731,192	Note 2	-	\$112,527	100%	Note 2
Brett Giroud	22 December 2021	1,720,826	Note 3	-	\$103,250	100%	Note 3

Note 1: The performance rights with Orexplore Technologies Limited vest 100% on or before 22 December 2025 upon the 20-day VWAP equalling or exceeding \$0.375 as long as the director is still employed by the Company.

Note 2: The performance rights with Orexplore Technologies Limited vest 100% on or before 22 December 2026 upon the 20-day VWAP equalling or exceeding \$0.50 as long as the director is still employed by the Company.

Note 3: The performance rights with Orexplore Technologies Limited vest 100% on or before 22 December 2026 upon the 20-day VWAP equalling or exceeding \$0.625 as long as the director is still employed by the Company.

VWAP – volume weighted average share price.

DIRECTORS' REPORT

The performance rights were issued as units in the employee share trust and entitle the holder to one ordinary share in Orexplore Technologies Limited upon vesting.

KMP rights holdings – Orexplore Technologies Limited

The number of performance rights over ordinary shares held during the financial year by each KMP of the Group is as follows:

	Balance at beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of year	Exercisable	Not exercisable
Non-executive directors							
Alan Bye	-	3,109,926	-	-	3,109,926	-	3,109,926
Kent Swick	-	-	-	-	-	-	-
Stuart Carmichael	-	-	-	-	-	-	-
Stefan Sadbom	-	-	-	-	-	-	-
Other executives							
Brett Giroud	-	5,183,210	-	-	5,183,210	-	5,183,210
Mikael Bergqvist	-	-	-	-	-	-	-
	-	8,293,136	-	-	8,293,136	-	8,293,136

KMP shareholdings – Orexplore Technologies Limited

The number of ordinary shares in Orexplore Technologies Limited held by each KMP of the Group during the financial year is as follows:

	Balance at beginning of year	Issued on exercise of rights during the year	Other changes during the year	Balance at end of year
Non-executive directors				
Alan Bye	-	-	-	-
Kent Swick ¹	-	-	11,150,873	11,150,873
Stuart Carmichael	-	-	-	-
Stefan Sadbom	-	-	-	-
Other executives				
Brett Giroud	-	-	-	-
Mikael Bergqvist	-	-	-	-
	-	-	11,150,873	11,150,873

Note 1: Mr Swick held 11,150,873 Orexplore Technologies Limited shares as at 31 December 2021 and subscribed for an additional 1,200,000 shares under the Company's priority offer in January 2022 for a total holding of 12,350,873 shares as at the date of this report.

Other key management personnel transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

Brett Giroud

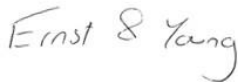
Dated: 31 March 2022

Auditor's independence declaration to the directors of Orexlore Technologies Limited

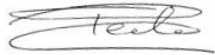
As lead auditor for the audit of the financial report of Orexplore Technologies Limited for the financial year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Orexplore Technologies Limited and the entities it controlled during the financial year.



Ernst & Young



Philip Teale
Partner
31 March 2022

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	2021 \$000	2020 \$000
Revenue	2.2	8	179
Other income	2.2	368	338
Stores, spares and consumables used		(208)	(206)
Employee benefits expense		(1,368)	(1,928)
Depreciation and amortisation expense	3.4, 3.5, 3.6	(1,013)	(1,205)
Finance costs	3.10	(5)	(12)
Other expenses	2.3	(1,562)	(1,095)
Loss before income tax		(3,780)	(3,929)
Income tax benefit	2.4	-	-
Net loss after tax		(3,780)	(3,929)
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(245)	227
Other comprehensive (loss) / income for the year, net of tax		(245)	227
Total comprehensive loss for the year		(4,025)	(3,702)
Basic and diluted loss per share (cents)	2.6	(5.15)	(5.38)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

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

Consolidated Statement of Financial Position

As at 31 December 2021

		2021	2020	As at 1 January 2020
	Note	\$000	\$000	\$000
Assets				
Current assets				
Cash	3.1	12,644	304	19
Restricted cash	3.1	-	291	262
Trade and other receivables	3.2	809	441	197
Inventories	3.3	1,198	1,259	801
Prepayments		118	121	111
Total current assets		14,769	2,416	1,390
Non-current assets				
Property, plant and equipment	3.4	1,798	1,074	929
Intangible assets	3.5	6,080	5,834	5,372
Right-of-use assets	3.6	508	705	933
Deferred tax assets	3.7	-	-	-
Total non-current assets		8,386	7,613	7,234
Total assets		23,155	10,029	8,624
Liabilities				
Current liabilities				
Trade and other payables	3.8	1,565	426	584
Deferred income	3.9	-	291	262
Lease liabilities	3.10	408	312	292
Provisions	3.11	102	96	49
Total current liabilities		2,075	1,125	1,187
Non-current liabilities				
Lease liabilities	3.10	156	476	746
Other financial liabilities		-	-	16
Total non-current liabilities		156	476	762
Total liabilities		2,231	1,601	1,949
Net assets		20,924	8,428	6,675
Equity				
Issued capital	4.1, 3.12	36,716	21,332	15,876
Foreign exchange reserve	4.3	(18)	227	-
Share based payment reserve	4.4	1,137	-	-
Accumulated losses		(16,911)	(13,131)	(9,201)
Total equity		20,924	8,428	6,675

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2021

		Contributed Equity	Foreign Exchange Reserve	Share Based Payment Reserve	Accumul ated Losses	Total
	Note	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2020		15,876	-	-	(9,201)	6,675
Loss for the year		-	-	-	(3,930)	(3,930)
Other comprehensive gain for the year	4.3	-	227	-	-	227
Total comprehensive loss for the year			227	-	(3,930)	(3,703)
Capital contributions	4.1	5,456	-	-	-	5,456
Balance at 31 December 2020		21,332	227	-	(13,131)	8,428
Loss for the year		-	-	-	(3,780)	(3,780)
Other comprehensive loss for the year	4.3	-	(245)	-	-	(245)
Total comprehensive loss for the year		-	(245)	-	(3,780)	(4,025)
Acquisition of subsidiaries	3.12	12,243	-	-	-	12,243
Share based payment	4.4	-	-	1,137	-	1,137
Contributed equity	4.1	3,141	-	-	-	3,141
Balance at 31 December 2021		36,716	(18)	1,137	(16,911)	20,924

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 \$000	2020 \$000
Cash flows from operating activities			
Receipts from customers		8	179
Receipts of government grants		-	56
Payments to suppliers and employees		(2,224)	(3,766)
Interest paid		(5)	(12)
Net cash used in operating activities	3.1	(2,221)	(3,543)
Cash flows from investing activities			
Purchase of property, plant and equipment	3.4	(101)	(313)
Payments for development costs	3.5	(860)	(969)
Acquisition of subsidiaries, net of cash acquired	3.12	12,452	-
Net cash from / (used in) investing activities		11,491	(1,282)
Cash flows from financing activities			
Capital contributions from parent	4.1	3,141	5,456
Repayment of lease liabilities	3.10	(306)	(306)
Net cash provided by financing activities		2,835	5,150
Net increase in cash and restricted cash		12,105	325
Cash and restricted cash at beginning of financial year		595	281
Effects of exchange rate changes on cash		(56)	(11)
Cash and restricted cash at end of financial year	3.1	12,644	595

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 General Notes

1.1 General information

Orexlore Technologies Limited (the “Company”) is a public company listed on the Australian Securities Exchange (“ASX”) subsequent to year end on 21 January 2022, and is incorporated in Australia. Orexlore Technologies Limited and its subsidiaries, collectively referred to as “Orexlore” or the “Group” operates in Perth, Australia; Stockholm, Sweden; and internationally.

Orexlore was demerged from Swick Mining Services Ltd (Swick) on 7 January 2022 via an in-specie distribution under the terms of the Demerger Implementation Deed dated 12 November 2021, under which Swick sold its fully owned Orexlore entities Orexlore AB and Orexlore Australia Pty Ltd to Orexlore Technologies Limited on 23 December 2021 (Group Restructure). The substance of the transaction has been evaluated in accordance with applicable accounting standards and it has been determined that the Orexlore Group represents the continuation of Orexlore AB which acquires Orexlore Australia Pty Ltd and its subsidiaries, and Orexlore via a common control transaction.

The address for the Company’s registered office and principal place of business is as follows:

75 McDonald Crescent,
Bassendean, Western Australia, 6054, Australia

The principal activity of the Group during the 2021 financial year was the research, development, sale, and provision of core scanning services using its proprietary GeoCore X10® hardware product and its associated interface software Orexlore Insight®. The GeoCore X10® is a portable device that uses x-ray rock mass scanning technology to convert drill core samples into three-dimensional data-sets that provide an image of the internal structure and texture of the core, in addition to elemental detections, and density.

The financial report of the Company and its controlled entities for the year ended 31 December 2021 was authorised for issue on 31 March 2022 by the Directors of the Company.

1.2 Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2021, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. Compliance with Australian Accounting Standards ensures that the financial statements and notes of Orexlore comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements comprise the consolidated financial statements of the Group. The Company is a for-profit entity.

The Consolidated Financial Reports have been prepared on the historical cost basis and have been prepared on a going concern basis. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is of the kind referred to in ASIC Corporations (Rounding in Financials / Directors’ Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The principal accounting policies of Orexlore are provided throughout the notes to the Consolidated Financial Reports. The accounting policies have been applied consistently for all periods presented and across all entities of the Group.

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

The Company has not previously prepared standalone General Purpose Financial statements. Refer section 1.11 First time adoption of IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1.3 Principles of Consolidation

Accounting for Common Control business combination and Pooling of Interest

AASB 3 Business Combination (AASB 3) establishes principles and requirements for how an acquirer accounts for a business combination, which is defined as *'a transaction or other event in which an acquirer obtains control of one or more businesses'*. AASB 3 however excludes from its scope a combination of entities or businesses under common control. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group, provided the transaction meets the definition of a business combination in AASB 3.

The combining businesses (Orexplare AB and Orexplore Australia) existed before the combination and were under the common control of Swick, prior to and immediately after the Group Restructure (before the In-specie Distribution). There is no loss of control by Swick. Orexplore Technology is the vehicle that brings together the Orexplore businesses for the purpose of the listing on the ASX.

AASB 3 scopes out business combinations under common control and is not prescriptive otherwise as to the method of accounting for such transactions. Orexplore has developed an accounting policy that results in relevant and reliable information by applying the hierarchy of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. Applying that hierarchy, the Group considered the most recent pronouncements of other standard-setting bodies having a similar framework to IFRS, other accounting literature and accepted industry practices, to the extent that these do not conflict with any AAS or the Conceptual Framework for Financial Reporting (Conceptual Framework). Several standard-setting bodies have issued guidance and some allow or require a pooling of interests method to account for business combinations under common control.

The Company has adopted the "Pooling of Interest" method of accounting for a business combination under common control. Under this method the assets and liabilities of the combining parties are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination. No 'new' goodwill is recognised as a result of the combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining parties. Any difference between the consideration transferred and the acquired net assets is reflected within equity under the "Common Control Business Combination Reserve" account. The carrying amounts recognised reflect balances recognised in the controlling party's general ledger.

Prior periods have not been restated to reflect the state of the business prior to the common control (prospective approach).

Identifying the Controlling Entity

The consolidated financial statements incorporate the financial statements of Orexplore Technologies Ltd and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. There is a general presumption that the Company has control when they have majority voting rights. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

1.4 Accounting Acquirer

The Accounting parent entity is determined to be Orexlore AB. Determination of the Parent Entity has been undertaken with due consideration of the facts regarding the Group structure, Group business activities, the demerger transaction, and the Accounting Standards.

Facts and Background considered in Determination of the Accounting Acquirer

Orexlore group was demerged from the Swick group via an in-specie distribution under the terms of the Demerger Implementation Deed (DID) dated 12 November 2021. Swick incorporated the fully owned subsidiary Orexlore Technologies Ltd on the 29 October 2020. Under the DID, Swick sold the fully owned subsidiaries Orexlore AB and Orexlore Australia Pty Ltd to Orexlore Technologies on the 23 December 2021. Swick distributed 100% of the shares in Orexlore Technologies Ltd to Swick shareholders via an in-specie distribution on 7 January 2022 effecting the demerger of the Orexlore group from Swick. Orexlore Technologies was admitted to the ASX, and its shares commenced trading on 21 January 2022.

Identification of the Accounting Acquirer

Settlement of the demerger transaction pursuant to the DID on 23 December 2021 included the transfer of the Orexlore business by Swick of all of the shares in the capital of Orexlore AB and Orexlore Australia Pty Ltd (including Orexlore USA Inc and Orexlore Canada Inc that are wholly owned subsidiaries of Orexlore Australia Pty Ltd) to Orexlore Technologies Ltd.

The substance of the transaction has been evaluated in accordance with AASB 3 *Business Combinations* and it has been determined that under this standard, the Orexlore Group represents the continuation of Orexlore AB, being the larger entity based on net assets.

Orexlore AB, for accounting purposes, is then considered to be the acquirer of Orexlore Australia Pty Ltd and its subsidiaries via a common control transaction at the transaction date of 23 December 2021. Refer below regarding Common Control.

Orexlore AB has elected to account for the purchase of subsidiaries at book value rather than fair value as per AASB 3.

Orexlore AB is therefore considered to be the Accounting Acquirer for the combination of the Orexlore Group.

Orexlore Technologies Ltd remains the legal parent of the group structure. The parent entity disclosures required by the Corporations Act 2001 are provided for Orexlore Technologies in Note 5.2

Orexlore Consolidated Financial Statements Presentation

The consolidated financial statements of the Orexlore Group have been prepared on the above basis. Given the acquisition date of Orexlore Australia & Orexlore Technologies Ltd is 23 December 2021, the profit and loss of Orexlore Australia Pty Ltd for the seven days to 31 December 2021 has been determined as immaterial and therefore the business acquisition is based on the 31 December 2021 balance sheets of the acquired entities Orexlore Australia and Orexlore Technologies Ltd.

The income and cash flow statements for the Group for the year ended 31 December 2021 includes the full year income and cash flow statements of Orexlore AB but no income or cash flows for Orexlore Australia Pty Ltd and Orexlore Technologies Ltd. The Group balance sheet as at 31 December 2021 includes the full consolidated balance sheets of the three entities, Orexlore AB, Orexlore Australia Pty Ltd and Orexlore Technologies Ltd. The consolidated equity of the Group therefore represents the equity of Orexlore AB and not the legal parent, Orexlore Technologies Ltd.

The comparatives for the Group reflect only the trading results of Orexlore AB (the Accounting Acquirer) for the year ended 31 December 2020 with no restatement of historical equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1.5 Foreign currency

Transactions and balances

Each entity within the Group determines its own functional currency based on the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are translated into Australian dollars, which is the presentation currency for the consolidated financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's international operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the monthly foreign exchange rate. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Determination of Functional Currency

The Accounting Parent entity of the Group is Orexlore AB, the Swedish legal entity. The functional currency of Orexlore AB is the Swedish Krona. The functional currency of entities within the Group are as follows:

Name	Country of Incorporation	Functional currency
Orexlore Technologies Ltd	Australia	Australian Dollar
Orexlore Australia Pty Ltd	Australia	Australian Dollar
Orexlore AB	Sweden	Swedish Krona
Orexlore Canada Inc	Canada	Canadian Dollar
Orexlore USA Inc	USA	US Dollar

The presentation currency of these financial statements is Australian Dollars, given subsequent to year end the Group is listed in Australia.

1.6 Changes to accounting standards and interpretations

New and revised accounting standards and interpretations adopted

The consolidated entity has adopted all new standards and amended standards issued by the Australian Accounting Standards Board ('AASB') with a date of initial application of 1 January 2020 or later depending on release of the standard. These include:

AASB 2018-6	Amendments - Definition of a Business
AASB 2019-1	Amendments - References to the Conceptual Framework
AASB 2018-7	Amendments - Definition of Material
AASB 2019-5	Amendments – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
AASB 2020-3	Amendments – Annual Improvements (IAS 37 – Onerous Contracts)
AASB 2021-7	Amendments – Effective Date of Amendments to AASB 10 and AASB 128
AASB 2020-8	Amendments – Interest Rate Benchmark Reform – Phase 2
AASB 2014-10	Amendments – Sale or Contribution of Assets between an Investor and its Associate or JV
AASB 2020-5	Amendments – Insurance Contracts
AASB 2020-4	Amendments – Related Rent Concessions
AASB 2021-3	Amendments – Related Rent Concessions beyond 30 June 2021
AASB 2020-9	Amendments – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments
AASB 2020-7	Amendments – COVID-19-Related Rent Concessions: Tier 2 Disclosures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The application of the new standards and these amendments did not have a material impact on the amounts recognised in the financial statements nor result in any additional disclosures upon adoption.

New standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. The standards and interpretations that were issued but not yet effective are set out below. The Group has not considered the impact of the new standards.

	Application date for Group
AASB 2020-3 Amendments to AASs –Annual Improvements2018–2020 and Other Amendments	1 January 2022
▶ Amendment to AASB 1, Subsidiary as a First-time Adopter	
▶ Amendments to AASB 3, Reference to the Conceptual Framework	
▶ Amendment to AASB 9, Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities	
▶ Amendments to AASB 116, Property, Plant and Equipment: Proceeds before Intended Use	
▶ Amendments to AASB 137, Onerous Contracts –Cost of Fulfilling a Contract	
▶ Amendment to AASB 141, Taxation in Fair Value Measurements	
AASB 2014-10 Amendments to AASs –Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2022
AASB 17 Insurance Contracts	1 January 2023
AASB 2020-1 Amendments to AASs –Classification of Liabilities as Current or Non-	1 January 2023
AASB 2021-2 Amendments to AASs –Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
▶ Amendments to AASB 7, AASB 101, AASB 134 and AASB Practice Statement 2	1 January 2023
▶ Amendments to AASB 108 1 January2023 14 18	
AASB 2021-5 Amendments to AASs –Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

1.7 Critical accounting estimates and judgements

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

- Net realisable value of inventories (Note 3.3)
- Impairment of assets (Note 3.4)
- Useful lives of property, plant & equipment (Note 3.4)
- Recoverability of internally generated intangible assets (Note 3.5)
- Determination of functional currency (Note 1.5)
- Determination of lease liabilities (Note 3.10)
- Use of incremental borrowing rates (Note 3.10)

As at the 31 December 2021 the Group is not aware of any significant risk that would cause a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1.8 Going Concern

The Consolidated Financial Report for the years ended 31 December 2020 and 2021 have been prepared on a going concern basis. The Directors have reviewed the financial performance of Orexlore and have determined that the cash holdings in excess of \$12 million at 31 December 2021 are sufficient to meet the expenditure requirements for a period of at least 12 months from the date of this financial report.

The financial reports have been prepared on a going concern basis, which assumes continuity of normal business activities and the settlement of liabilities in the ordinary course of business.

1.9 COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. Although the pandemic has not had a significant impact to business to date, the following minor impacts were managed by the Company:

- Travel restrictions on employees.
- Social distancing at office.
- Isolation practices.

The scale and duration of these developments are uncertain as at the date of this report, however they may have an impact on earnings, cash flow and financial condition. It is not possible to estimate the impact of the near-term and longer effects of Governments' varying efforts to combat the outbreak and support businesses. The financial reports have been prepared based upon conditions existing at 31 December 2021, including those which are evidenced by events occurring after that date.

1.10 Disclosure of interest in other entities

Legal ownership and control of the Orexlore Group as at the 31 December 2021 was held by Swick Mining Services Ltd, being 100% owner of all shares and interest (directly and indirectly) in all entities within the Orexlore Group.

On the 7 January 2022, there was an in-specie distribution of Orexlore shares to Swick shareholders.

The change in legal control from Swick to Orexlore Technologies Ltd (post Group Restructure and In-Specie Distribution) has not had a material impact upon the financial position or performance of the Orexlore Group, with the exception of the one-off cash seed funding of \$12,000,000 received by Orexlore Australia from Swick prior to the Group Restructure. This seed funding was included in the \$12,451,833 received by the Orexlore Group as part of the Group Restructure.

Control is identified by the following factors:

- The entity has the power to direct the activities of all subsidiaries via a 100% ownership of all subsidiaries.
- The entity is entitled to the returns of all subsidiaries.
- The entity acts as the principal to all subsidiaries.

The relationship between each of the entities within the group is summarised as follows:

Swick Mining Services Ltd – legal holding company of the Orexlore Group until 7 January 2022; 100% ownership of all Group subsidiaries; listed on ASX; non-trading; provides funding and investment in the continuing operations of the Orexlore Group.

Orexlore Technologies Ltd – legal holding company of the Orexlore Group after 7 January 2022; 100% owner of all Group subsidiaries; listed on ASX; non-trading; holds funds from capital raising; provided intercompany funding of \$12,000,000 in the form of cash to Orexlore Australia Pty Ltd.

Orexlore AB – privately held company in Sweden; owned 100% by Orexlore Technologies Ltd; predominantly research based activities; some commercial trading in technologies; reliant upon funding from Orexlore Australia Pty Ltd to facilitate operations and cash flows in the short term.

Orexlore Australia Pty Ltd – privately held company in Australia; owned 100% by Orexlore Technologies Ltd; payroll employer of Group KMP who set Group strategy; undertakes the groups administrative, business development, marketing, and technical functions; undertakes scanning activities; forecast to be the primary income generating entity; funds the research and operations of Orexlore AB; holds an intercompany loan from Orexlore Technologies Ltd of \$12,000,000.

Orexlore Canada Inc – privately held company in Canada; owned 100% by Orexlore Australia Pty Ltd; dormant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Orexplora USA Inc – privately held company in USA; owned 100% by Orexplore Australia Pty Ltd; dormant.

There are no significant restrictions within the group to prevent the use or access to assets or settle liabilities between members.

The financial support provided between members is undertaken on the basis it will further strengthen the technology and quality of the Group's core products and services which will in turn improved returns. The Group operates under a detailed business plan and forecast that outlines the control and management of funding between members.

The business combination has not resulted in additional commitments or contingent liabilities for the Parent or Subsidiaries of the Group.

1.11 First-time adoption of IFRS

The financial statements presented for the year ended 31 December 2021, are presented for the first time under the newly formed Orexplore Group structure, and thus for the first time in accordance with IFRS. For periods up to and including the year ended 31 December 2020, the Group prepared its financial statements in accordance with IFRS under the reporting obligations of the Swick Group.

The Group has prepared financial statements that comply with IFRS applicable as at 31 December 2021, together with the comparative period data for the year ended 31 December 2020. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2020, the Group's first reporting date as a stand-alone Group separate from Swick, and therefore its date of transition to IFRS. This note explains the principal adjustments made by the Group in preparing IFRS compliant statements, including the statement of financial position as at 1 January 2020 and the financial statements as of, and for, the year ended 31 December 2020.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the exemption to deem the cumulative currency translation differences for all foreign operations as at 1 January 2020 to be zero.

Estimates and GAAP differences

The estimates at 1 January 2020 and at 31 December 2020 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies) and are explained in the notes provided after the adjustment tables below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Group reconciliation of equity as at 1 January 2020 (date of transition to IFRS)

		Local GAAP	Reclassification and Remeasurements	IFRS as at 1 January 2020
	Notes	\$000	\$000	\$000
Assets				
Current assets				
Cash		19	-	19
Restricted cash		262	-	262
Trade and other receivables		197	-	197
Inventories		801	-	801
Prepayments		111	-	111
Total current assets		1,390	-	1,390
Non-current assets				
Property, plant and equipment		929	-	929
Intangible assets	A	4,238	1,134	5,372
Right-of-use assets	B	-	933	933
Total non-current assets		5,167	2,067	7,234
Total assets		6,557	2,067	8,624
Liabilities				
Current liabilities				
Trade and other payables		584	-	584
Deferred income		262	-	262
Lease liabilities	B	-	292	292
Provisions		49	-	49
Total current liabilities		895	292	1,187
Non-current liabilities				
Lease liabilities	B	-	746	746
Other financial liabilities		16	-	16
Total non-current liabilities		16	746	762
Total liabilities		911	1,038	1,949
Net assets		5,646	1,029	6,675
Equity				
Issued capital		15,876	-	15,876
Foreign exchange reserve	C	64	(64)	-
Accumulated losses	A,B,C	(10,294)	1,093	(9,201)
Total equity		5,646	1,029	6,675

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Group reconciliation of equity as at 31 December 2020

		Local GAAP	Reclassification and Remeasurements	IFRS as at 31 December 2020
	Note	\$000	\$000	\$000
Assets				
Current assets				
Cash		304	-	304
Restricted cash		291	-	291
Trade and other receivables		441	-	441
Inventories		1,259	-	1,259
Prepayments		121	-	121
Total current assets		2,416	-	2,416
Non-current assets				
Property, plant and equipment		1,074	-	1,074
Intangible assets	A	4,906	928	5,834
Right-of-use assets	B	-	705	705
Total non-current assets		5,980	1,633	7,613
Total assets		8,396	1,633	10,029
Liabilities				
Current liabilities				
Trade and other payables		426	-	426
Deferred income		291	-	291
Lease liabilities	B	-	312	312
Provisions		96	-	96
Total current liabilities		813	312	1,125
Non-current liabilities				
Lease liabilities	B	-	476	476
Total non-current liabilities		-	476	476
Total liabilities		813	788	1,601
Net assets		7,583	845	8,428
Equity				
Issued capital		21,332	-	21,332
Foreign exchange reserve	C	183	44	227
Accumulated losses	A,B,C	(13,932)	801	(13,131)
Total equity		7,583	845	8,428

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Group reconciliation of total comprehensive income for the year ended 31 December 2020

		Local GAAP	Remeasurements	IFRS for the year ended 31 December 2020
	Note	\$000	\$000	\$000
Revenue		179	-	179
Other income		338	-	338
Stores, spares and consumables used		(206)	-	(206)
Employee benefits expense		(1,928)	-	(1,928)
Depreciation and amortisation expense	A	(681)	(524)	(1,205)
Finance costs	B	-	(12)	(12)
Other expenses	B	(1,412)	317	(1,095)
Loss before income tax		(3,710)	(219)	(3,929)
Income tax benefit		-	-	-
Net loss after tax		(3,710)	(219)	(3,929)
Other comprehensive (loss) / income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	C	154	73	227
Other comprehensive (loss) / income for the year, net of tax		154	73	227
Total comprehensive loss for the year		(3,556)	(146)	(3,702)

A Intangible assets

Under Local GAAP, the Group amortised all intangible assets including intangibles assets related to development projects-in-work. Under IFRS, the Group does not amortise intangibles assets related to development projects-in-work until such time the project is completed.

B Leases

Under Local GAAP, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. Under IFRS, as explained in Notes 3.6 and 3.10, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At the date of transition to IFRS, the Group applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments.

C Foreign exchange reserve

Under local GAAP, the group had a foreign exchange reserve balance of \$73,000. As per Note 1.11 "exemptions applied", the cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2020 as a result of first time adoption of IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2 Financial performance

2.1 Operating segments

Identification of reportable segments

The Group have considered the nature and operations of the business and determined that there were no separately distinguishable reporting segments during the reporting period.

2.2 Revenue and other income

	2021 \$000	2020 \$000
Revenue from contracts with customers		
Sales revenue	8	179
Total sales revenue from contracts with customers	8	179
Other income		
Government grants	357	332
Intersegment income	11	6
Total other income	368	338

The revenues and expenses of Orexplore Australia Pty Ltd for the year ended 31 December 2021 and 2020 are nil as per Note 1.4 Accounting Acquirer. It is noted that the reporting period between the Group demerger date of 23 of December 2021 and 31 of December 2021 consisted of 4 business days. During this period the office of Orexplore Australia Pty Ltd was closed. Consequently, the activity in this period is considered immaterial for reporting purposes and are not presented.

Other income is predominantly made up of grant revenues recognised by Orexplore AB.

Sales revenue of \$8,000 in 2021 was generated from three separate clients in three single transactions (\$2,000, \$1,000 and \$5,000). Sales revenue of \$179,000 in 2020 was generated from three clients (\$156,000, \$22,000, and \$1,000). No other single customer contributed 10% or more to the Group's revenue for 2021 or 2020.

All property, plant and equipment is held in the geographical region in which each segment is domiciled.

Geographical information

The geographical information below analyses the Group's revenue by location of the operations. Revenue is attributable to each region on the basis of end client primary location of business.

	2021 \$000	2020 \$000
Europe	8	179
Australia	-	-
Total	8	179

Recognition and measurement

Revenue from provision of services and sale of products

Revenue is recognised upon the satisfaction of performance obligations, which occurs when control of the service transfers to the customer when services are rendered, or ownership of products are transferred to the buyer.

Orexplore generates revenue from providing mineral analysis services to the mining industry. The Group's main revenue stream was through laboratory -based scanning. Revenue is chargeable by meter of core scanned and is recognised upon completion of the scan results.

Revenue is recognised at point in time. Payment terms are usually within 30 - 60 days. A customer is deemed to have gained control of the promised goods / services upon receipt of delivery of goods or scan results.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Government Grants

Government grants are benefits received in respect of specific qualifying expenditure in respect of qualifying activities. The grant is recognised only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and the grant will be received. The grant is recognised initially as a liability classed as “deferred income”. This is released to the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the period necessary to match income with the related grant costs for which they are intended to compensate, on a systematic basis.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major services and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group’s reportable segments (see note 2.1).

For the year ended 31 December 2021 \$’000	Orexlore AB – Sweden	Orexlore Australia Pty Ltd – Australia	Total
Primary geographical markets based on location of customers			
Europe	8	-	8
Total revenue	8	-	8
Major services			
Mineral analysis	8	-	8
Timing of revenue recognition			
Revenue recognised at point in time	8	-	8
For the year ended 31 December 2020 \$’000	Orexlore AB – Sweden	Orexlore Australia Pty Ltd – Australia	Total
Primary geographical markets based on location of customers			
Europe	179	-	179
Total revenue	179	-	179
Major services			
Mineral analysis	179	-	179
Timing of revenue recognition			
Revenue recognised at point in time	179	-	179

2.3 Other expenses

	2021 \$000	2020 \$000
Other expenses		
Administration costs	264	748
Consultancy	76	260
Insurance	6	6
Recruitment and training	16	12
Lease related expenses	63	69
Share based payment expense	1,137	-
Total other expenses	1,562	1,095

Share based payment expense of \$1,137,000 (2020: nil) is discussed further in note 4.4.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2.4 Income tax

	2021 \$000	2020 \$000
a) Income tax recognised in profit or loss:		
<i>Current tax</i>		
Current year tax benefit	-	-
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	-	-
Net income tax (expense)/benefit reported in profit or loss	-	-
b) The expense for the year can be reconciled to accounting profit as follows:		
Accounting loss before income tax	(3,780)	(3,929)
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	1,134	1,179
- Other permanent differences	-	-
- Effect of foreign tax rate	-	-
- Carry forward tax losses not recognised	(1,134)	(1,179)
Income tax (expense)/benefit	-	-

- (i) The tax rate used for the reconciliations above is the corporate tax rate of 30% (2020: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

See Note 3.7 for deferred tax balances.

Recognition and measurement:

Income tax

Tax effect accounting by Orexplore Australian entities

As at the 31 December 2021, both Orexplore Technologies Ltd and Orexplore Australia Pty Ltd were part of the Swick tax consolidated group with effect from their respective incorporation. Swick Mining Services Limited is the head entity of the Swick tax consolidated group. Members of the group have entered into a tax sharing agreement, which provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is considered remote.

Current tax, deferred tax liabilities and deferred tax assets arising from temporary differences are allocated to members of the tax consolidated group using the "separate tax payer within a Group" approach. In this regard temporary differences are measured with reference to the carrying amount of assets and liabilities in the separate financial statements of each entity in the tax consolidated group and the tax values within the tax consolidated group. Any current tax liabilities or assets and unused tax losses of the member entity are assumed by the head entity of the tax consolidated group. Assets or liabilities arising under tax funding agreement with the head entity are recognised as amounts payable to / (receivable from) the head entity in accordance with the tax funding arrangement in place. Any difference in these amounts is recognised by the member entity as an equity contribution from or distribution to the head entity.

Tax effect accounting by entities outside the tax consolidated group

Orexplore AB, Orexplore Canada Inc and Orexplore USA Inc are outside the Swick tax consolidated Group.

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Current tax is the expected tax recoverable from or payable to the taxation authorities based on the current period's taxable income, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Exit from tax group

Orexplora Technologies Ltd and Orexplore Australia Pty Ltd provided notice under the "Leaving Contribution Amount Notice" and the "Leaving Funding Amount Notice" dated 23 December 2021 that they would be exiting the Swick tax consolidated group effective the 7 January 2022.

Goods and services tax (GST / VAT)

Revenues, expenses and assets are recognised net of the amount of GST / VAT, except where the amount of GST / VAT incurred is not recoverable from the relevant tax authority. In these circumstances the GST / VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST / VAT. The net amount of GST / VAT recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the statement of financial position.

2.5 Dividends

No dividends were proposed, declared or issued for the year ended 31 December 2021 (2020: NIL).

In the instance of dividend issuance in the future, a provision will be made for the amount of the dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2.6 Basic and diluted loss per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share (EPS) are as follows:

	2021 \$000	2020 \$000
Loss used to calculate basic loss per share		
Net loss after tax	(3,780)	(3,929)
Loss used to determine diluted loss per share	(3,780)	(3,929)
	2021 No.	2020 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share ⁽ⁱ⁾	73,469,354	73,009,841
Weighted average number of ordinary shares outstanding during the year used in calculating diluted loss per share ⁽ⁱⁱ⁾	73,469,354	73,009,841
Basic loss per share (cents)	(5.15)	(5.38)
Diluted loss per share (cents)	(5.15)	(5.38)

(i) The weighted average number of ordinary shares outstanding are those of Orexplare Technologies Limited as at the 31 December 2021.

The weighted average number of performance rights not included in diluted earnings per share calculation for 2021 were 8,293,136 (2020: nil). The performance rights are excluded as they are contingently issuable securities.

Basic loss per share

Basic loss per share is calculated as net loss after tax, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share

There is no dilutive effect of outstanding performance rights as the Company made a loss after tax and the performance rights are contingently issued securities.

3 Assets and Liabilities

3.1 Cash and restricted cash

	2021 \$000	2020 \$000
Cash at bank and on hand	192	304
Restricted cash	-	291
Acquisition of cash in a subsidiary	12,452	-
	12,644	595

The restricted cash represents restriction on the use of the government grant monies received for the X-Mine Euro Project. Cash may only be spent on eligible expenses such as direct personnel costs, direct costs of subcontracting and other direct costs incurred for the X-Mine Project.

Cash at bank and on hand has significantly increased between 2020 to 2021 due to the demerger from Swick which, under the DID, resulted in a \$12,000,000 cash injection into Orexplare Technologies Limited.

Cash funding of the Orexplare Group has historically been provided by Swick. Following the demerger, funding will no longer be provided by Swick and the Group will use the existing cash together with proceeds from share capital raising to fund activities until profitability is achieved.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

Recognition and measurement

Cash and cash equivalents comprise cash balances and deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Gross carrying amount by credit risk rating:

	2021	2020
	\$000	\$000
With credit ratings (Moody's):		
-Aa3	12,664	595
	12,664	595

	2021	2020
	\$000	\$000
Reconciliation of cash flow from operations with loss after income tax		
Loss after income tax	(3,780)	(3,929)

Non-cash flows in profit and loss:

Depreciation and amortisation	1,013	1,205
Government grant recognised through deferred income	(291)	(35)
Share based payment expense	1,137	-

Change in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:

(Increase)/decrease in trade and other receivables	(187)	(244)
(Increase)/decrease in inventories	72	(458)
(Increase) /decrease in prepayments	15	(10)
Increase in trade payables	(164)	(158)
Increase in deferred income	-	56
Decrease in other long-term liability	-	(16)
(Decrease)/increase in provisions	(36)	46

Cash flow from operations	(2,221)	(3,543)
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Cash flows are included in the statement of cash flows on a gross basis and the GST / VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

3.2 Trade and other receivables

	2021	2020
	\$000	\$000
CURRENT		
Trade receivables at amortised cost	181	-
Other receivables	628	441
Total current trade and other receivables	809	441

Trade and other receivables are classified as financial assets at initial recognition, and subsequently measured at amortised cost determined under AASB 9. Trade debtors are non-interest bearing and generally on 30-60 day terms.

Other receivables include government grants in Sweden, predominantly the X-mine Euro project of \$542,000 (2020: \$332,000) and GST / VAT receivable \$86,000 (2020: \$108,000). Acquisition of trade and other receivables of a subsidiary comprise intersegment sundry receivables of \$144,000 from Swick (2020: nil) and contracts with customers of \$35,000 (2020: \$5,000).

Government Grants receivable have increased from the previous year due to payment of the X-mine project's final instalment requiring a review by the Grant Provider of the full audited financial statements for 2021 to ensure costs incurred in fulfilling the grant obligations are in accordance with the grant eligibility rules. Payment is estimated to be in May 2022. The Group are not aware of any reason that funds will not be received in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Fair values and credit risk

Due to the short-term nature of the above receivables, their carrying value is assumed to approximate their fair values.

As at 31 December, the ageing analysis of trade and other receivables is as follows:

	2021 \$000	2020 \$000
Current	809	441
Past due 0 to 30 days	-	-
Past due 31+ days	-	-
	809	441

The Group has not incurred material cost related to the establishment of contracts with its customers during the reporting period.

Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The outstanding balance relate to customers with a good credit standing and as those balances remain in the initial trade terms are considered to be of high credit quality. Management has considered the impact of COVID-19 in their expected credit loss model and have concluded no impact to the assessment.

Based on review at the date of reporting, expected credit loss rate is 0% (2020: 0%) and no impairment allowance is required as at 31 December 2021 (2020: nil).

Recognition and measurement

Receivables are classified, at initial recognition, and subsequently measured at amortised cost.

The classification of receivables at initial recognition depends on the receivable's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component, the Group initially measures a receivable at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component, are measured at the transaction price determined under the revenue accounting policy.

In order for a receivable to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its receivables in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the receivable, or both.

Receivables at amortised cost

The Group measures trade and other receivables at amortised cost if both of the following conditions are met:

- the receivable is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the receivable give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Receivables at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's trade and other receivables at amortised cost include GST/VAT receivables and government grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Impairment of receivables

The Group recognises an allowance for expected credit losses ("ECL's") for all receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables due in less than 12 months, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The expected credit loss is based on its historical credit loss experience, current financial difficulties of the debtor and is adjusted for forward-looking factors specific to the debtor and the economic environment.

The allowance for impairment of receivables is calculated by comparing the carrying amount of the receivable to the present value of estimated future cash flows, discounted at the original effective interest rate. Where the Group recognises an impairment loss this is recognised in profit and loss. The Group does not hold any collateral in relation to receivables.

The Group considers a receivable in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.3 Inventories

	2021	2020
	\$000	\$000
CURRENT		
Stores, spares and consumables at cost	1,198	1,259
Allowance for obsolescence	-	-
	1,198	1,259

Recognition and measurement

The Group maintains an inventory of parts and spares for use in Research and Development (R&D) activities, construction of mineral analysis machines and for rendering of mineral analysis services. Inventory is measured at the lower of cost and net realisable value. Costs incurred in bringing inventory to its present location and condition are accounted for as part of the cost on a first-in/first-out basis. An on-going review is conducted in order to ascertain whether items are obsolete or damaged, and if so determined, the carrying amount of the item is written down to its net realisable value.

All costs considered necessary to make the sale of the inventories are factored into the net realisable value in order to avoid inventories being carried in excess of amounts expected to be realised from their sale. The Group has not identified any material costs related to the selling of the inventories outside of their initial cost and delivery.

Significant accounting estimates and judgements

Net realisable value of inventories

The Group reviews the net realisable value of inventory at the end of each reporting period. These inventories represent stores and critical parts used in R&D activities, repairs and construction of the mineral analysis machines. On the basis that these items are consumed within 12 months, costs reflect net realisable value at balance date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3.4 Property, plant and equipment

	2021 \$000	2020 \$000
Plant and equipment		
Gross carrying value – at cost	2,883	1,156
Accumulated depreciation	(1,234)	(269)
Net carrying value – plant and equipment	1,649	887
Leasehold improvements		
Gross carrying value – at cost	66	68
Accumulated amortisation	(31)	(18)
Net carrying value – leasehold improvements	35	50
Office furniture and equipment		
Gross carrying value – at cost	515	297
Accumulated depreciation	(401)	(160)
Net carrying value – office furniture and equipment	114	137
Net carrying value – total property, plant and equipment	1,798	1,074

	Plant and equipment \$000	Leasehold improvements \$000	Office furniture and equipment \$000	Total \$000
Consolidated group				
Balance at 1 January 2020	722	32	174	928
Additions	271	28	14	313
Foreign exchange rate difference	30	2	7	39
Depreciation expense	(136)	(12)	(58)	(206)
Balance at 31 December 2020	887	50	137	1,074
Additions	97	-	4	101
Acquisition of Subsidiaries	901	-	34	935
Foreign exchange rate difference	(25)	(1)	(4)	(29)
Depreciation expense	(212)	(13)	(57)	(283)
Balance at 31 December 2021	1,648	36	114	1,798

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment. Cost includes acquisition costs, being the fair value of the consideration provided, plus incidental costs directly attributable to the acquisition.

Subsequent costs directly related to an item of plant and equipment, which enhances the functionality of the asset, are recognised in the carrying amount of that item of property, plant and equipment only when it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs, including repairs and maintenance, are recognised in the statement of profit or loss and other comprehensive income as an expense.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit and loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Depreciation

Depreciation is recognised in profit and loss on a straight-line or usage basis over the estimated useful life of each part of an item of property, plant and equipment. The depreciation method reflects the pattern in which the future economic benefit is expected to be consumed for each asset giving consideration to the estimated working life of each asset. The estimated working life and idle time for each asset is assessed annually. Those items of property, plant and equipment undertaking construction are not depreciated.

The following are the estimated useful lives for each class of property, plant and equipment:

Class of fixed asset	Useful life
Plant and equipment	5 - 20 years
Leasehold improvements	2 - 5 years
Office furniture & equipment	5 – 10 years

Significant accounting estimates and assumptions

Useful lives and residual values

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. No changes to useful lives have been made for the financial year ended 31 December 2021.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

The carrying value of intangible assets not yet available for use are tested for impairment annually or more frequently when an indication of impairment arises during the reporting period.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the cash generating unit (or group of cash generating units) is less than the carrying amount of the cash generating unit (or groups of cash generating units), the impairment loss is allocated to the assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash generating unit (or groups of cash generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

In assessing any potential impairment of intangible assets, management have identified one cash generating unit ("CGU") being the Group as a whole.

The 31 December 2021 impairment assessment for the Group was performed using estimated fair value less cost of disposal ("FVLCD") and was undertaken by an independent third party. Based on the impairment assessment performed, no impairment was recognised for the year ended 31 December 2021 (2020: nil).

Fair value less cost of disposal

Determining whether the assets of the Group are impaired under this method requires an estimation of the market value of each asset individually or CGU and adjusting this value by expected costs required to dispose of the asset or CGU. Where the calculated value is less than the book value, an impairment loss may arise. In supporting the fair value less costs of disposal, the management has performed an assessment to estimate the value of the appropriate assets.

Impairment assumptions

The impairment assessment for the Group has been performed using the fair value less cost of disposal method and was undertaken by an independent third party. The discounted cash flows calculation is based on the earnings potential of the CGU using multiple scenarios with a range of discount rates between 25% and 45%, inflation rate of 2% and terminal year growth rate of 2.25%.

Based on the impairment assessment, no impairment has been recognised for the Group (2020: nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3.5 Intangible assets

	2021 \$000	2020 \$000
Development amortising		
Gross carrying value – at cost	5,169	5,242
Accumulated amortisation	(2,867)	(2,482)
Acquisition of intangible assets of a subsidiary	-	-
Net carrying value – Development amortising	2,302	2,760
Net carrying value – Development non-amortising	3,778	3,074
Total intangible assets	6,080	5,834

	Development amortising \$000	Development non-amortising \$000	Total \$000
Consolidated group			
Balance at 1 January 2020	3,329	2,043	5,372
Internal development	28	941	969
Foreign exchange rate difference	123	90	213
Amortisation expense	(720)	-	(720)
Balance at 31 December 2020	2,760	3,074	5,834
Internal development	71	789	860
Foreign exchange rate difference	(75)	(85)	(161)
Amortisation expense	(454)	-	(454)
Balance at 31 December 2021	2,302	3,778	6,080

Intangible assets relate to development undertaken to develop the Company's mineral scanning technology and machines.

Non-amortising development assets pertain to intangible assets in the development phase. Amortising development assets pertain to assets that are completed and ready for use. Intangible assets transfer from the non-amortising class of asset to the amortising class of asset once constructed to the point of completion. All intangible assets are considered to have a finite useful life.

Recognition and measurement

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Once complete, any expenditure so capitalised is amortised over the period of expected benefit from the related project.

A summary of the policies applied to the Group's intangible assets – development amortising in use is as follows:

Useful life

Finite

Amortisation method used

The Group has assessed the useful life to be 10 years, amortised on a straight-line (January – June 2020: Amortised over the period of 5 years on a straight-line basis; July - December 2020: Amortised over the period of 10 years on a straight-line basis).

The impact of the change in useful life on amortisation in the 2020 financial year was to reduce the amortisation expense by \$304,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Significant accounting estimates and judgments

Impairment

The carrying value of intangible assets in development and not yet available for use are tested for impairment annually or more frequently when an indication of impairment arises during the reporting period. Intangible assets that are still in development and not yet available for use are tested for impairment as part of the Orexplore CGU. The recoverable amount of the CGU was determined based on FVLCD calculations which require the use of assumptions. Refer to note 3.4.

Intangible assets in use are tested for impairment when an indication of impairment exists at the end of the reporting period. The amortisation method is reviewed at each financial year-end.

The carrying value of intangibles assets in use are included in the Orexplore CGU (see note 3.4).

3.6 Right-of-use assets

	Land and buildings \$000
Consolidated group	
Balance at 1 January 2020	933
Cost adjustments	17
Foreign exchange rate difference	35
Depreciation expense	(280)
Balance at 31 December 2020	705
Cost adjustments	3
Acquisition of Assets in Subsidiaries	95
Foreign exchange rate difference	(19)
Depreciation expense	(276)
Balance at 31 December 2021	508

Recognition and measurement

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to note 3.4 "Impairment of non-financial assets".

Variable lease payments are the portion of payments made by a lessee to a lessor for the right to use an underlying asset during the lease term that varies because of a change in factors or circumstances occurring after the commencement date, other than the passage of time, e.g. payments based on usage. Such payments are recognised in profit or loss in the period during which the event or condition that triggers those payments occurs. Variable payments are based on usage and cannot be reliably forecasted. Variable lease payments in 2021 were \$63,000 (2020: \$69,000).

Short-term leases with lease terms of less than 12 months are not recognised as right-of-use assets and lease liabilities, as permitted by AASB 16. The group recorded no short-term lease expenses in 2021 (2020: nil).

3.7 Net deferred tax assets/(liabilities)

As at 31 December 2021 the Group had \$16,990,000 (2020: \$14,300,000) in tax losses all from Orexplore AB. There are no time limits to when the Group can use these carried forward tax losses.

Tax losses arising from Orexplore AB under Swedish tax jurisdiction may be carried forward indefinitely from the year of the loss.

Tax losses from Orexplore Australia under Australian tax jurisdiction were assumed by Swick Mining Services Limited as the head entity under the tax consolidation regime.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Significant accounting estimates and judgments

Recoverability of deferred tax assets

The Group is subject to income taxes in Australia and foreign jurisdictions, significant estimates are required in determining the recoverability of deferred tax assets in these locations. The assumptions regarding future realisation, and therefore the recognition of deferred tax assets, may change due to future operating performance and other factors.

Tax losses are recognised where they are available to be recovered and it is probable that the Company will generate future profits to use the tax losses. No deferred tax assets have been recognised for international tax losses as at 31 December 2021 (2020: nil).

3.8 Trade and other payables

	2021	2020
	\$000	\$000
CURRENT		
Trade payables	898	315
Sundry payables	667	111
	1,565	426

Trade and other payables are carried at amortised cost. They represent unsecured liabilities for goods and services procured by the Group prior to the financial period end that remain unpaid and occur when the Group becomes obligated to make future payments. The amounts are unsecured and are usually paid within 30-60 days of recognition.

Sundry payables in 2021 are comprised of employment statutory payables in Sweden of \$65,000; sundry accruals in Sweden of \$18,000; accrued demerger costs in Australia of \$422,000; statutory employment expenses payable in Australia of \$60,000; and sundry accruals in Australia of \$102,000.

Sundry payables in 2020 of \$111,000 are comprised of employment and other statutory payables in Sweden \$98,000; and sundry payables in Sweden of \$13,000.

Recognition and measurement

Trade payables are carried at amortised cost. They represent unsecured liabilities for goods and services procured by the Group prior to the financial period end that remain unpaid and occur when the Group becomes obligated to make future payments. The amounts are unsecured and are usually paid within 30-60 days of recognition.

3.9 Deferred income liability

	2021	2020
	\$000	\$000
Balance at 1 January	291	262
Government grant received during the year	-	56
Government grant released to profit or loss	(291)	(35)
Foreign exchange rate difference	-	8
Balance at 31 December	-	291
Current	-	291
Non-current	-	-
	-	291

The deferred income balance in 2020 relates to the Vinnova and Enex project grants in Sweden. The liability is reduced throughout the year as eligible expenses are incurred under the grant conditions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3.10 Lease liabilities

	2021 \$000	2020 \$000
CURRENT		
Lease liabilities related to right-of-use assets	408	312
Total current lease liabilities	408	312
NON-CURRENT		
Lease liabilities related to right-of-use assets	156	476
Total non-current lease liabilities	156	476
Total lease liabilities	564	788

Lease liabilities related to right-of-use assets generally have a term of between 3 to 5 years with the lessor retaining the underlying assets. The average interest rate is 1.6% (2020: 1.6%). Lease liabilities related to right-of-use assets are secured by the related right-of-use assets.

The Group had total cash outflows for leases of \$306,000 in 2021 (2020: \$306,000) and nil non-cash additions to Right-of-use assets and lease liabilities in 2021 (2020: \$nil).

Short-term leases with lease terms of less than 12 months are not recognised as right-of-use assets and lease liabilities, as permitted by AASB 16. The group recorded no short-term lease expenses in 2021 (2020: nil).

Significant accounting estimates and judgments

Measurement of lease liabilities

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Changes in liabilities arising from financing activities

	Non-cash changes						
	2020 \$000	Repayments \$000	New leases \$000	Adjustment \$000	Acquisition of Subsidiary Lease \$000	Foreign exchange movement \$000	
Lease liabilities related to right-of-use assets	788	(306)	-	3	100	(21)	564

	Non-cash changes						
	2019 \$000	Repayments \$000	New leases \$000	Adjustment \$000	Acquisition of Subsidiary Lease \$000	Foreign exchange movement \$000	
Lease liabilities related to right-of-use assets	1,038	(306)	-	17		39	788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Leases – Group as Lessee

The group has entered into two commercial property lease contracts, one in Sweden and one in Australia. Both leased properties contain office and laboratory space and have terms of between 3 to 5 years. All lease contracts contain clauses for yearly rental review in line with the Consumer Price Index (CPI). The Group does not have an option to purchase the leased premises at the expiry of the lease period.

The extension option for Orexplore Australia Pty Ltd lease has been exercised and is included in the lease calculation. The extension option for the Orexplore AB lease has not been included in the lease calculation. The Company intends to extend this lease before its expiry.

Upon termination of the lease held in Australia and the restoration of the property to the agreed condition, the associated bond of \$39,490 will be released, or the residual value after lessor deductions, if any.

There are no non-commercial restrictions or covenants imposed by the leases.

Recognition and measurement

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Cash payments relating to the principal portion of the lease liability are presented within the Consolidated Statement of Cash Flows as cash flows from financing activities and cash payments relating to the interest portion of the lease liability are presented within cash flows from operating activities. Total lease payments were previously recognised in cash flows from operating activities.

Interest expense on lease liabilities

	2021 \$000	2020 \$000
Interest on Lease Liabilities		
Interest expense	4	12
Total Interest on Lease Liabilities	4	12

First time adoption of IFRS 16

Refer Note 1.11. The financial impact on lease liabilities as a result of formal adoption of IFRS 16 has been incorporated in the opening balance sheet of 1 January 2020.

3.11 Provisions

	2021 \$000	2020 \$000
CURRENT		
Short-term employee benefits	102	96
Total current provisions	102	96
NON-CURRENT		
Long-term employee benefits	-	-
Acquisition of employee benefit liabilities of a subsidiary	-	-
Total non-current provisions	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 \$000	2020 \$000
Balance at 1 January	96	50
Increase/(decrease) in Annual Leave	(33)	43
Increase/(decrease) in Long Service Leave movement	-	-
Foreign exchange rate difference	(3)	3
Acquisition of Liabilities in Subsidiaries	42	-
Balance at 31 December	102	96

Recognition and measurement:

Employee benefits

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Short term benefits are the monetary value of Annual Leave time entitlements for eligible employees. These entitlements are usually utilised within 12 months of accrual.

Liabilities recognised in respect of long-term employee benefits are measured using the projected unit credit valuation method utilising the Milliman G100 Discount rate in respect of services provided by employees up to the reporting date. Long term benefits pertain to Long Service leave entitlements for eligible employees upon completion of a prescribed number of years of service set under local legislation. Unused Long Service Leave provisions are reversed upon termination of an employee who has no claim to the entitlement. Long Services Leave is generally paid upon completion of 7-10 years of employee service.

There is some uncertainty around the amount and timing of Long Service Leave outflows due to the difficulties of predicting the duration of employment and the timing of when the Long Service Leave will be taken, which is generally at the employee's discretion.

The long-term provisions are nominal (under \$500) and there is no material impact on the Group from the increase during the reporting period in the discounted amount arising from the passage of time or through changes in the discount rate.

3.12 Business combinations and acquisition

On 23 December 2021, Orexplore Technologies Pty Ltd acquired 100% of Orexplore Australia Pty Ltd and Orexplore AB. As per note 1.4 Parent Entity, the effect of this acquisition within the financial statements is to recognise the assets and liabilities of Orexplore Australia Pty Ltd at book value.

The primary reason for the business combination was to separate the drilling activities of Swick from the core scanning activities of Orexplore to enable both organisations to specialise in their respective areas.

The grouping of Orexplore in Australia and Sweden allows for shared resources and an increased distribution base of the technologies developed in Sweden. No goodwill has been recognised in the accounts as a result of the business combination.

The deemed consideration paid to effect the Orexplore business combination was \$12,243,000 in exchange for shares issued. As per note 1.4 the combination was the result of the demerger of Orexplore from the Swick Group with a cash balance of \$12,451,833 which included \$12,000,000 of seed funding provided by Swick to Orexplore Australia Pty Ltd pre demerger.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The business combination is comprised of the following:

Orexplora Australia Pty Ltd & Orexplore Technologies Ltd	Book value recognised on acquisition \$000
Assets	
Cash and restricted cash (Note 3.1)	12,452
Trade and other receivables (Note 3.2)	181
Inventories (Note 3.3)	10
Prepayments	13
Property, plant and equipment (Note 3.4)	935
Right-of-use assets (Note 3.6)	95
	13,686
Liabilities	
Trade and other payables (Note 3.8)	(1,302)
Lease liabilities (Note 3.10)	(100)
Provisions (Note 3.11)	(41)
	(1,443)
Total identifiable net assets at book value	12,243

Trade and Other Receivables acquired in the business combination are comprised of the following:

	31 Dec 2021 \$000
Trade and Other Receivables	
Gross contractual receivables	181
Total current liabilities	181

All receivables are expected to be collected within 30-60 days.

Acquisition related costs (\$1,039,645) were borne by Swick as per the DID. The costs were reported as an intercompany loan between Swick and Orexplore Australia Pty Ltd, then subsequently converted to equity as at the date of acquisition.

Costs related to listing Orexplore Technologies Ltd on the ASX were \$1,136,889. Although these costs were paid for by Swick, they have been reflected in the Statement of Profit or Loss for the Group as Share based payment expense (refer note 4.4) as part of the reverse acquisition of the listed entity by the accounting parent entity.

The Group has no contractual arrangements outside of its standard operating property leases and ordinary activities that would require additional financial support from other members.

For the period between the date of acquisition on 24 December 2021 to the end of the reporting period on 31 December 2021, Orexplore Australia Pty Ltd recognised revenue of \$32,550, and a net loss of \$78,551.

For 2021, the combined entity revenue would have been \$64,245 if the acquisition date had been at the beginning of the year, and the combined loss after tax would have been \$5,505,632.

4 Capital Structure

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 3.1, cash and equity attributable to equity holders of the Parent, comprising issued capital as disclosed in Note 4.1, reserves as disclosed in Note 4.2, other equity and retained earnings/accumulated losses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The strategy adopted by management to control the capital of the Group is to ensure that the Group's gearing ratio (net debt/equity) remains below 30%. The gearing ratios at year end are as follows:

	Note	2021 \$000	2020 \$000
Lease liabilities related to right-of-use assets		564	788
Gross debt	3.10	564	788
Less cash and restricted cash	3.1	(12,644)	(595)
Net debt/(cash)		(12,080)	193
Total equity		20,924	8,428
Total capital		20,924	8,428
Gross gearing ratio (gross debt/equity)		2.7%	9.3%
Net gearing ratio (net debt/equity)		(57.7%)	2.3%

The Group is not subject to any externally imposed capital requirements. There has been no significant change in the way that the Group manages its capital from 2020 to 2021.

4.1 Issued capital

Capital Issued in 2020 and 2021 was via systematic monthly transfers of Swedish Krona from Swick to Orexlore AB. The amounts transferred reflect the operating cash requirements of Orexlore AB each month.

	2021 \$000	2020 \$000
Balance at 1 January	21,332	15,876
Funds transferred from Swick to Orexlore AB	3,141	5,456
Capital transferred upon acquisition of subsidiaries	12,243	-
Balance at 31 December	36,716	21,332
Movement in ordinary shares on issue	No.	\$000
Balance at 1 January 2020	100	15,876
Funds transferred from Swick to Orexlore AB	-	5,456
Balance at 31 December 2020	100	21,332
Funds transferred from Swick to Orexlore AB	-	3,141
Issue of shares through in-specie distribution	93,914,096	12,243
Balance at 31 December 2021	93,914,196	36,716

All shares are ordinary fully paid shares and carry one vote per share and the right to dividends. The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Where the Group issues new equity instruments, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Orexlore Australia Pty Ltd

The operating cash requirement of Orexlore Australia Pty Ltd were funded by Swick via intercompany lending. On the 23 December 2021 in accordance with the DID, intercompany loans between Orexlore Australia Pty Ltd and Swick were converted to equity in Orexlore Australia Pty Ltd. The equity component of Orexlore Australia Pty Ltd is not reflected in the Consolidated Statements as per item 1.4 Parent Entity.

The demerger with Swick is reflected in the local accounts of Orexlore Australia Pty Ltd as a conversion of intercompany loans payable to Swick of \$20,958,444.

4.2 Reserved Shares

The Group issued 8,293,136 performance rights on the 22 December 2021. Refer below 4.4 Share Based Payment. The group will use a Share Reserve account to report the transaction related to the performance rights.

The Share Reserve will comprise the cost (net of tax) of shares in Orexlore, held by the trustee of the consolidated entity's equity compensation plans which were purchased on-market in anticipation of vesting of share-based payment awards under the equity compensation plans.

As at the 31 December 2021 nil shares (2020: nil) were purchased by the employee share trust, and no unallocated Orexlore shares were held in trust.

4.3 Foreign Currency Reserve

The foreign currency translation reserve records exchange differences arising on translation of Orexlore AB to presentation currency.

	2021 \$000	2020 \$000
Opening Balance as at 31 December	227	-
Other comprehensive (loss) / income for the year	(245)	227
Closing Balance as at 31 December	(18)	227

4.4 Share based payments

Warrants

Unlisted Swick warrants were offered under the Orexlore shadow equity plan with a nil issue price, nil exercise price, and an ultimate expiry date of 31 December 2022.

All outstanding warrants were cancelled prior to the demerger from Swick on the 23 December 2021.

A summary of the movement of all unlisted warrants on issue is as follows:

	2021 No.	2020 No.
Balance at the beginning of the year	21	24
Granted	-	-
Vested and exercised	-	-
Forfeited	(6)	(3)
Expired	-	-
Cancelled	(15)	-
Balance at year end	-	21
Exercisable at year end	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Following the purchase of non-controlling interest shares in Orexplora AB in June 2017, employees of the company were offered warrants entitling them to Swick shares based on changes in the value of Orexplora AB over a period of up to five years. On 12 February 2018, 24 unlisted warrants (initially estimated to be 784,314 Swick ordinary shares to be received at the end of vesting period) were issued to 8 Orexplora employees with nil issue price and nil exercise price and an ultimate expiry date of 31 December 2022. The valuation was made using a Monte Carlo simulation approach. Each warrant is exercisable based on certain milestones being achieved regarding the commercialisation of Orexplora AB and entitled the holder to a number of Swick shares in accordance with a formula relating to the externally determined equity value of the Orexplora AB business unit, at the time of each milestone date in the future (i.e. the Valuation Date), multiplied by a relevant percentage (being 12.5% in aggregate for all of the Orexplora AB employees granted warrants), divided by the volume weighted average price of Swick shares for the 20 trading days prior to the relevant Valuation Date.

Forfeited warrants in 2020 and 2021 relate to employee resignations.

As part of the demerger process, 5 Orexplora AB employees were notified on the 30 September 2021 that the warrants would be cancelled. Compensation payments totalling \$29,000 were paid in accordance with the warrant termination deeds. The warrants were reported in the accounts of Orexplora Australia Pty Ltd at their full value, as if services provided by the employees had been carried out until the day of expiry on the 31 December 2022.

Performance rights plan

The Group has established an Incentive Performance Rights Plan. The rights were granted at no cost to the executives and will convert into ordinary shares on achieving the required performance and service condition. Performance rights granted are issued as units in the employee share trust.

A summary of the movements of all Company performance rights on issue is as follows:

	2021 No.	2020 No.
Balance at the beginning of the year	-	-
Granted	8,293,136	-
Vested and exercised	-	-
Forfeited	-	-
Expired	-	-
Balance at year end	8,293,136	-
Exercisable at year end	-	-

As at the 31 December 2021 no Performance Rights have vested.

The Performance Rights are issued to Management, Directors and other key talent who have an impact on the Group's performance. As at the 31 December 2021 Performance Rights have been granted to two employees.

The Performance rights have been issued in 3 Tranches linked to the 20-day volume weighted average market price ("VWAP") of Orexplora shares calculated over 20 consecutive trading days on which the Orexplora shares have traded. The first tranche vests upon the VWAP equalling or exceeding \$0.375 per share with an expiry date 4 years from the grant date. The second tranche vests upon the VWAP equalling or exceeding \$0.50 per share with an expiry date 5 years from the grant date. The third tranche vests upon the VWAP equalling or exceeding \$0.625 per share with an expiry date 5 years from the grant date.

The first tranche vesting condition reflects a 50% increase in the share price from the price offered under the Priority Offer (\$0.25 per share). The second tranche represents a 100% increase, and the third tranche represents a 150% increase.

As at the 31 December 2021 the financial impact of the Performance Rights were determined to be immaterial and are not reflected in the Consolidated Financial Statements. The Performance Right expense in 2021 is calculated as the expensing of the fair value of the Performance Rights over 9 days between the grant date of the 22 December 2021 and 31 December 2021. The cost is calculated to be \$2,913.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Details of the Performance Rights are as follows:

Employee/Director	Position	Tranche	Grant Date	No of Performance Rights Issued	Expiry Date	Fair Value
Brett Giroud	Managing Director	1	22/12/2021	1,731,192	22/12/2025	\$0.071
Brett Giroud	Managing Director	2	22/12/2021	1,731,192	22/12/2026	\$0.065
Brett Giroud	Managing Director	3	22/12/2021	1,720,826	22/12/2026	\$0.060
Alan Bye	Chairman	1	22/12/2021	1,036,642	22/12/2025	\$0.071
Alan Bye	Chairman	2	22/12/2021	1,036,642	22/12/2026	\$0.065
Alan Bye	Chairman	3	22/12/2021	1,036,642	22/12/2026	\$0.060

Share Price per share	\$0.135
Share Price Volatility	57.2061%
Interest Rate for Performance Rights Expiring in 2025	1.742%
Interest Rate for Performance Rights expiring in 2026	1.856%
Dividend Yield	N/A
Model Used	<u>Adapted Black, Scholes, Merton</u>

The Share Price reflects Fair Value as per assessment by an independent and external valuer who has determined the amount in accordance with Appendix A of AASB 2. The valuation methodology applied is the binomial model, which has been tailored specifically for use in valuing employee rights and is an amended Black, Scholes, Merton methodology with a 500,000 iteration Monte Carlo extrapolation.

The share price volatility is calculated with reference to the annualized standard deviation of daily share price returns on the underlying security over a specified period. As Orexplore Technologies Ltd has no history of share trading the volatility is based on a comparable group of companies.

No dividend yield has been factored into the valuation of the Performance Rights in line with the Groups strategy during its initial growth phase.

A tailored binomial model has been utilised to value the rights based on the assumption that the rights may be exercised. This assumption is supported by empirical evidence showing director rights are often exercised well before their expiry date.

Share-based payment reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration and the costs related to listing Orexplore Technologies Ltd on the ASX.

5 Other Notes

Orexplore Group

Details of the Group entities are as follows:

Name	Country of Incorporation	Date of Incorporation	Functional currency	Financial year end
Orexplore Technologies Ltd	Australia	29 October 2020	Australian Dollar	31 December
Orexplore AB	Sweden	26 July 2010	Swedish Krona	31 December
Orexplore Australia Pty Ltd	Australia	24 October 2017	Australian Dollar	31 December
Orexplore Canada Inc	Canada	23 October 2018	Canadian Dollar	31 December
Orexplore USA Inc	USA	23 October 2018	US Dollar	31 December

The Principal place of business is the same as the “country of incorporation” for each entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5.1 Contingent liabilities

	2021 \$000	2020 \$000
Bank guarantees	39	39

A bank Guarantee facility is in place for an amount of \$39,490 in order to secure the property leased by Orexplora Australia Pty Ltd. As at the 31 December 2021 the bank guarantee facility and corresponding contingent liability was legally held by Swick Group so is not reported in the Financial Statements. The facility has subsequently been transferred to Orexplora Australia Pty Ltd and is secured by a two year term deposit of the same amount.

5.2 Legal Parent information

As explained in Note 1.10 the Orexplora Group was demerged from Swick on 7 January 2022 with Orexplora Technologies Limited becoming the new legal parent entity of the group. Orexplora Technologies Limited was a shell company from inception and as at 31 December 2021 with cash and equity of \$100 only and no other assets or liabilities. Orexplora Technologies Limited has not guaranteed any of its subsidiaries' debts, has no contingent liabilities or contractual commitments to acquire property, plant and equipment.

5.3 Related party transactions

Ultimate parent

The ultimate parent entity that exercises control over the Group is Swick Mining Services Limited as at the 31 December 2021. Swick Mining Services Limited is incorporated in Australia.

Effective 7 January 2022, the ultimate parent entity is Orexplora Technologies Limited.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Key management personnel compensation

The total remuneration paid to key management personnel (KMP) of the Group during the year is as follows:

	2021 \$000	2020 \$000
Short-term employee benefits	287	385
Post-employment benefits	42	65
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total KMP compensation	329	450

The above reflect the remuneration for KMP based in Sweden, paid through the Orexplora AB Parent Entity (refer Note 1.4 Parent Entity). An additional \$79,000 of Share-Based payments was paid in 2021 from Orexplora Australia Pty Ltd to KMP based in Sweden.

Share-based payments of \$1,136,889 noted in the Statement of Financial Position represent the cost of listing the Group on the ASX and are not KMP compensation amounts.

The allocation of Non-Executive Director expenses between Swick and Orexplora is undertaken on a monthly basis and reflects the cost of managing the Orexplora (Mineral Technologies) Segment of Swick.

The KMP during the reporting period are identified as follows:

- Stuart Carmichael – Non-executive Director of Swick and Orexplora.
- Alan Bye – Non-executive Director of Swick and Orexplora.
- Kent Swick - Managing Director of Swick and Non-executive Director of Orexplora.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Jitu Bhudia – Chief Financial Officer of Swick and Acting Chief Financial Officer of Orexlore.

Brett Giroud – Managing Director of Orexlore.

Kevin Rebenius – Founder and former CEO of Orexlore AB (resigned).

Mikael Bergqvist – Chief Technology Officer of Orexlore AB

Stefan Sadbom – Non-executive Director of Orexlore AB

Jason Marinko – Managing Director of Orexlore Australia Pty Ltd (resigned)

Magnus Rehn – Non-executive Director of Orexlore AB (resigned)

In addition to the above noted persons, Swick engaged additional Non-Executive Directors who held a legal obligation towards the management of Orexlore. They are not noted as their day-to-day remit was primarily on other Segments within the Swick Group.

Transactions with Swick

Related party transactions of a material amount that occurred during the reporting period and are represented in the financial statements were as follows:

- Orexlore AB received funding from Swick in the form of capital contributions. Swick waived its rights to receive repayment of these capital contributions.
- Orexlore AB sold machine parts and equipment to Orexlore Australia Pty Ltd at cost plus 10% markup. Payment between entities is made 30 – 60 days. As at the 31 December 2021 related party trade receivables were \$68,000 (2020: \$14,000).

	2021 \$	2020 \$
Capital contribution from Swick to Orexlore AB	3,141	5,456
Mark up on goods purchased from Orexlore AB by Orexlore Australia Pty Ltd	11	6
Sundry Debtor amounts owed from Swick to Orexlore Australia Pty Ltd	144	-

Material Transactions that are not reflected in the financial statements due to the Parent Entity reflecting only Orexlore AB include the following:

- KMP charges allocated to Orexlore Australia Pty Ltd from Swick as per the above note “Key management personnel compensation” in 2021 were \$256,000 (2020: 117,000). Swick waived it’s right to be reimbursed for these expenses as they formed part of the Intercompany Loan below.

The knowledge and resulting financial benefits of the research and development undertaken by the Accounting Parent entity are shared within the group without financial transfer between Grouped entities.

5.4 Financial instruments risk management objectives and policies

The Group’s principal financial liabilities comprise a related party loan and trade and other payables. The main purpose of these financial liabilities is to finance the Group’s operations. The Group’s principal financial assets include trade receivables and cash at bank.

Orexlore is exposed to market risk (foreign exchange), credit risk and liquidity risk. The Group seeks to minimise the effects of these risks, where deemed appropriate.

a) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. Orexlore has adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a small number of customers, within the mining industry across two geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Other receivables consist of grant monies receivable from European Government bodies and are assessed to be low risk of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Sales revenue of \$8,000 in 2021 was generated from three separate clients in three single transactions (\$5,000, \$2,000 and \$1,000). Sales revenue of \$179,000 in 2020 was generated from three clients (\$156,000, \$22,000 and \$1,000). No other single customer contributed 10% or more to the Group's revenue for 2021 or 2022.

Other than these three customers and the abovementioned European Government organisations, the Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents Orexplore's maximum exposure to credit risk.

Orexplore monitors all receivables and placements with financial institutions on a monthly basis to determine whether credit risk has increased significantly. An amount is deemed to be in default when payment is not received by the due date, as per the credit period stated in the contract, or when the credit rating of the financial institution deteriorates significantly. When assessing expected credit losses, receivables and cash balances are reviewed on a customer or financial institution basis. The Group have considered forward looking assumptions including the impact of COVID-19. Based on the expected credit risk assessment, there has been no expected credit loss and therefore no impairment provided for.

b) Liquidity risk and capital management

Ultimate responsibility for liquidity risk management rest with management and the Board of Directors, who have built an appropriate risk management framework for the management of Orexplore's short, medium and long term funding and liquidity management requirements.

The following tables set out the maturity analysis for financial liabilities based on contractual cash flows:

2021	Within 1 year \$000	1 to 5 years \$000	Over 5 years \$000	Total \$000
Financial liabilities				
Trade and other payables	1,565	-	-	1,565
Lease liabilities related to right-of use assets including future finance charges	413	156	-	569
Total	1,978	156	-	2,134
2020	Within 1 year \$000	1 to 5 years \$000	Over 5 years \$000	Total \$000
Financial liabilities				
Trade and other payables	426	-	-	426
Lease liabilities related to right-of use assets including future finance charges	321	482	-	803
Total	747	482	-	1,229

As noted in item 3.6 the variable component of lease outgoings cannot be reliably measured, and consequently are not included in the above analysis. Actual lease outgoings in 2021 were \$63,000 (2020: \$69,000).

5.5 Events after the reporting period

On 7 January 2022 Orexplore Australia Pty Ltd exited the Swick tax consolidated group (refer note 2.4 above).

On 7 January 2022, Swick distributed 100% of the shares in Orexplore Technologies Limited (OXT) to Swick shareholders (in-specie distribution) effecting the demerger of the Orexplore group from Swick.

On 7 January 2022, Orexplore Technologies Limited issued 9,7500,000 ordinary fully paid shares at an issue price of \$0.25 per share under a priority offer.

On 28 January 2022, Orexplore appointed Mr. David French as the Chief Financial Officer of Orexplore Technologies Limited.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The above events do not have a material effect on the Financial Statements presented. The Directors are not aware of any other significant events since the end of the reporting period.

5.6 Auditor Remuneration

The auditor of Orexlore is Ernst & Young.

	2021 \$	2020 \$
Fees to Ernst & Young (Sweden)		
• Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	19	12
• Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements	57	21
• Fees for other services		
• Tax compliance	-	-
• Tax advice	-	-
Total fees to Ernst & Young (Sweden)	76	33
The below fees are not included in the financial statements as described at item 1.4 Parent entity, however, have been reported in the accounts of Orexlore Australia Pty Ltd.		
Fees to other overseas member firms of Ernst & Young (Australia)		
• Fees for auditing the financial report of any controlled entities	-	-
• Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements	102	-
• Fees for other services		
• Tax compliance	-	-
• Tax advice	-	-
Total fees to overseas member firms of Ernst & Young (Australia)	102	-
Total auditor's remuneration	178	33

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Orexplore Technologies Limited, I state that:

1. In the opinion of the directors:
 - (a) the financial statements and notes of Orexplore Technologies Limited for the financial year ended 31 December 2021 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at the 31 December 2021 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.2; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2021.

On behalf of the Directors



Brett Giroud
Managing Director

Dated this 31 March 2022

Independent auditor's report to the members of Orexplre Technologies Limited

Report on the audit of the financial report

Opinion

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

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the year ended on that date; and
- b. 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Group restructure - business combination under common control

Why significant

On 23 December 2021, Swick Mining Services Limited ("Swick") transferred 100% of the fully paid ordinary shares of Orexlore Australia Pty Ltd and its wholly owned dormant subsidiaries Orexlore USA Inc and Orexlore Canada Inc (collectively "Orexlore Australia") as well as 100% of the fully paid ordinary shares of Orexlore AB to Orexlore Technologies Limited in consideration for Orexlore Technologies Limited issuing 93,914,096 shares to Swick (the "Group Restructure").

The acquisition of Orexlore Australia and Orexlore AB by the Company was considered to be a business combination under common control and Orexlore AB was determined to be the accounting acquirer. As such, the consolidated financial statements of Orexlore Technologies Limited represents the continuation of the business and operations of Orexlore AB. Refer to Notes 1.3, 1.4 and 3.12 to the financial report.

We have considered the accounting for the business combination to be a key audit matter due to the judgement required in identifying the accounting acquirer and complexities in accounting for the Group Restructure.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Read the Demerger Implementation Deed to gain understanding of the key terms.
- ▶ In conjunction with our technical accounting specialists, assessed the appropriateness of the accounting applied to the business combination under common control.
- ▶ Evaluated the adequacy of the disclosures in the consolidated financial statements relating to the Group Restructure.

Recognition and recoverability of the mineral analysis technology assets

Why significant

As at 31 December 2021 the Group has non-current intangible assets totalling \$6,080,000 relating to the development of the mineral analysis technology. Refer to Note 3.5 of the financial report for further details.

The analysis of the recognition and recoverability of internally developed intangible assets was significant to our audit because it is judgmental and is based on assumptions and estimates that are affected by expected future performance and market conditions. The costs of development are capitalised as intangible where the investment they represent has demonstrable value and the technical and commercial feasibility is probable. The Group exercises judgment in determining which costs meet the Australian Accounting Standards' criteria for capitalisation as well as when considering the recoverability of these assets.

The recoverability of these assets are assessed at a Cash Generating Unit level being the Group as a whole. The Group engaged an independent third party to determine the current fair market value of the Group. The independent valuer has assessed the equity value of the Group to be in excess of the Group's non-current assets. The Director's concluded based on this valuation that no impairment was required at 31 December 2021.

How our audit addressed the key audit matter

Our audit procedures to assess the appropriateness of the capitalisation of costs included the following:

- ▶ Selecting a sample of expenditure and determining whether it was directly attributable to the development of the mineral analysis technology assets.
- ▶ We considered the intention and ability of the Group to complete the development through enquiries, inspection of project plans, budgets and cash flow forecasts.
- ▶ We read external analysis prepared by independent specialists to consider the probability of the Group generating future economic benefits.

We assessed the appropriateness of the impairment assessment and methodology for the mineral analysis technology assets determined by the Group. This included the following:

- ▶ We examined the third-party valuation report obtained by the Group to assess whether the valuation supported the carrying value of the asset.
- ▶ With the involvement of our valuation specialists we evaluated the appropriateness of the assumptions and methodologies used by the Group's external valuation experts to test the impairment of the Orexlore technology asset.
- ▶ We assessed the qualifications, competence and objectivity of the external valuation experts which included considering their experience.
- ▶ We reviewed the Board of Directors minutes, the Managing Director's reports and the Group's strategic plan in order to understand the future plans for the technology assets and whether there was any potential contradictory information contained within these reports.
- ▶ We assessed the adequacy of the related disclosures in Note 3.5 of the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Orexlore Technologies Limited for the year ended 31 December 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in dark ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in dark ink that appears to read 'Teale'.

Philip Teale
Partner
Perth
31 March 2022

ASX ADDITIONAL INFORMATION

The following information was reflected in the records of the Company as at 6 April 2022.

Distribution of equity security holders

	Number of holders	
	Fully paid shares	Performance rights
1 - 1,000	452	-
1,001 - 5,000	369	-
5,001 - 10,000	181	-
10,001 - 100,000	378	-
100,001 and over	102	2
	<u>1,482</u>	<u>2</u>

There are 790 shareholders holding less than a marketable parcel of ordinary shares (based on a market price of \$0.11 per share).

Substantial shareholders

The following shareholders have lodged a notice of substantial shareholding in the Company.

Shareholder	Number of shares	%
Kent Jason Swick and Tanya Michelle Swick	12,350,873	11.91
Circle 5 Management Pty Ltd	11,337,729	10.94
Perennial Value Management Limited	10,818,614	10.44
Castle Point Funds Management Ltd	8,872,463	8.56
Salter Brothers Emerging Companies Limited	7,650,000	7.38

Twenty largest holders of fully paid shares

Shareholder	Shares	%
1. National Nominees Limited	19,767,890	19.07
2. Circle 5 Management Pty Ltd	11,891,194	11.47
3. Bond Street Custodians Limited	8,000,000	7.72
4. Zero Nominees Pty Ltd	4,700,000	4.53
5. Kent Jason Swick	4,394,137	4.24
6. Tanya Michelle Swick	4,394,137	4.24
7. Kent Jason Swick & Tanya Michelle Swick	3,159,711	3.05
8. Rosanne Thelma Swick	2,324,842	2.24
9. Kenneth Joseph Hall	1,637,898	1.58
10. Justin O'Neil Malouf	1,583,334	1.53
11. HSBC Custody Nominees (Australia) Limited	1,500,443	1.45
12. Mounts Bay Investments Pty Ltd	1,403,000	1.35
13. Katherine Helen Zaccaria	1,051,979	1.01
14. Bond Street Custodians Limited	923,334	0.89
15. Bond Street Custodians Limited	764,667	0.74
16. Citicorp Nominees Pty Ltd	685,230	0.66
17. GTT Global Opportunities Pty Ltd	600,000	0.58
18. BNP Paribas Noms (NZ) Limited	592,571	0.57
19. Spaceface Pty Ltd	580,667	0.56
20. BNP Paribas Nominees Pty Ltd	565,660	0.55
	<u>70,520,694</u>	<u>68.03</u>

ASX ADDITIONAL INFORMATION

Unquoted securities

The following classes of unquoted securities are on issue:

Security	Number on issue	Holders of greater than 20% of each class of security		
		Name of holder	Number	%
Performance rights	8,293,136	Steelpoint Pty Ltd	5,183,210	62.50
		Megan Bye	3,109,926	37.50

Restricted securities

	Number
Performance rights subject to escrow until 21 January 2024	8,293,136

Classes of shares and voting rights

At meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or attorney or representative. On a show of hands every holder of ordinary shares present in person or by proxy is entitled to one vote, and on a poll, every person present in person or by proxy has one vote for each ordinary share held.

Register of securities

The register of securities is kept at the office of the Company's share registry, Automic Pty Ltd at Level 5, 191 St Georges Terrace, Perth, Western Australia.

Stock Exchange listing

The Company's securities are quoted on the Australian Securities Exchange (Trading code: OXT).

On-market buy-back

No on-market share buy-back is currently being undertaken by the Company.

Use of funds

The Company has used and is continuing to use its cash resources at the time of admission to the official list of the Australian Securities Exchange in a manner which is consistent with the Company's business objectives as outlined in the prospectus dated 22 November 2021.

Corporate governance statement

The Company's 2021 corporate governance statement can be viewed at <https://www.orexplorer.com/corporate-governance/>



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