

Tolu Minerals Limited

Financial Report

For the year ended 31 December 2022

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TOLU MINERALS LIMITED

DIRECTORS' REPORT

The directors present their report together with the financial report of Tolu Minerals Limited (formerly Lole Mining Limited), the "company", for the year ended 31 December 2022 and auditor's report thereon.

Company Information

The registered office of Tolu Minerals Limited ('the Company') is:

Papua New Guinea Office

PO Box 507
Waterfront
National Capital District
Papua New Guinea

Australian Office

Ground Floor, Lihir House
488 Queen Street
Brisbane QLD 4000
Australia

Directors names

The names of the directors in office at any time during or since the end of the year are:

John Anderson (Chairman)

Larry Andagali

Howard Lole

John Macpherson

Brian Moller (appointed 24 February 2022)

Naime O'ome (Company Secretary)

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Results

The loss of the company for the year after providing for income tax amounted to \$2,862,941 (2021: \$810,374).

Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

Principal activities

The principal activity of the company during the year was mine acquisition and evaluation activities.

No significant change in the nature of these activities occurred during the year.

TOLU MINERALS LIMITED

DIRECTORS' REPORT

After balance date events

Particulars of matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years are as follows:

On 24 May 2023, the Company has entered into a binding term sheet (Term Sheet) with Tunnel Engineering (PNG) Ltd, Reg: 1-86659 (Contractor) for the completion of the main access service road to the Tolukuma Gold Mine, including repairs to the existing section of the road. The Contractor will receive the following consideration for this work:

- (a) A\$1,800,000 will be paid in cash in the following tranches:
 - (1) A\$90,000 upon completion of the Offer;
 - (2) A\$270,000 upon mobilisation; and
 - (3) A\$1,440,000 in five equal tranches on completion of the main access service road to the Tolukuma Gold Mine; and
- (b) 4,400,000 shares will be issued to the Contractor (or its nominee) in the following tranches:
 - (1) 880,000 shares upon mobilisation; and
 - (2) 3,520,000 Shares in five equal tranches on completion of the main access road to the Tolukuma Gold Mine.

Signed on behalf of the board of directors.

J Macpherson
Director: J Macpherson (Jun 9, 2023 12:18 GMT+8)
John Macpherson (MD & CEO)

John Anderson
Director: John Anderson (Jun 9, 2023 14:20 GMT+10)
John Anderson (Chairman)

Dated this 9 day of June 2023

TOLU MINERALS LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
Revenue and other income			
Other revenue	6	99,562	180,347
Other income	6	<u>-</u>	<u>878</u>
		<u>99,562</u>	<u>181,225</u>
Less: expenses			
Evaluation expenditure		(115,529)	(128,657)
Depreciation and amortisation expense	4	(21,789)	(618)
Employee benefits expense		(26,679)	-
Finance costs	4	(533,485)	(81,990)
Legal and professional fees		(1,502,835)	(726,480)
Travel expenses		(442,359)	(14,980)
Foreign exchange losses		(222,560)	-
Other expenses		<u>(97,267)</u>	<u>(38,874)</u>
		<u>(2,962,503)</u>	<u>(991,599)</u>
Loss before income tax expense		(2,862,941)	(810,374)
Income tax expense	7	<u>-</u>	<u>-</u>
Loss for the year		<u>(2,862,941)</u>	<u>(810,374)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		<u>275,918</u>	<u>(282)</u>
Other comprehensive income for the year		<u>275,918</u>	<u>(282)</u>
Total comprehensive income		<u>(2,587,023)</u>	<u>(810,656)</u>

The accompanying notes form part of these financial statements.

TOLU MINERALS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	8	1,461,638	1,189,704
Receivables		<u>79,104</u>	<u>38,379</u>
Total current assets		<u>1,540,742</u>	<u>1,228,083</u>
Non-current assets			
Property, plant and equipment	10	11,715	12,569
Mine tenements, information and other assets	11	8,355,899	-
Lease assets	12	41,273	-
Other assets	9	<u>-</u>	<u>196,387</u>
Total non-current assets		<u>8,408,887</u>	<u>208,956</u>
Total assets		<u>9,949,629</u>	<u>1,437,039</u>
Current liabilities			
Payables	13	481,238	361,713
Lease liabilities	12	20,569	-
Borrowings	14	<u>-</u>	<u>1,264,706</u>
Total current liabilities		<u>501,807</u>	<u>1,626,419</u>
Non-current liabilities			
Lease liabilities	12	22,699	-
Borrowings	14	<u>4,300,080</u>	<u>-</u>
Total non-current liabilities		<u>4,322,779</u>	<u>-</u>
Total liabilities		<u>4,824,586</u>	<u>1,626,419</u>
Net assets		<u>5,125,043</u>	<u>(189,380)</u>
Equity			
Share capital	15	8,337,859	436,413
Reserves	16	460,512	184,594
Retained earnings / (Accumulated losses)		<u>(3,673,328)</u>	<u>(810,387)</u>
Total equity		<u>5,125,043</u>	<u>(189,380)</u>

J Macpherson
Director: J Macpherson (Jun 9, 2023 12:18 GMT+8)
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John Anderson
Director: John Anderson (Jun 9, 2023 14:20 GMT+10)
John Anderson (Chairman)

Dated this 9 day of June 2023

The accompanying notes form part of these financial statements.

TOLU MINERALS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Contributed equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance as at 1 January 2021	48	(11)	(13)	24
Loss for the year	-	-	(810,374)	(810,374)
Other comprehensive income for the year	-	(282)	-	(282)
Total comprehensive income for the year	-	(282)	(810,374)	(810,656)
Transactions with owners in their capacity as owners:				
Contributions	436,365	-	-	436,365
Gain on convertible loans held by shareholders	-	184,887	-	184,887
Total transactions with owners in their capacity as owners	436,365	184,887	-	621,252
Balance as at 31 December 2021	<u>436,413</u>	<u>184,594</u>	<u>(810,387)</u>	<u>(189,380)</u>
Balance as at 1 January 2022	436,413	184,594	(810,387)	(189,380)
Loss for the year	-	-	(2,862,941)	(2,862,941)
Other comprehensive income for the year	-	275,918	-	275,918
Total comprehensive income for the year	-	275,918	(2,862,941)	(2,587,023)
Transactions with owners in their capacity as owners:				
Contributions	7,901,446	-	-	7,901,446
Total transactions with owners in their capacity as owners	7,901,446	-	-	7,901,446
Balance as at 31 December 2022	<u>8,337,859</u>	<u>460,512</u>	<u>(3,673,328)</u>	<u>5,125,043</u>

The accompanying notes form part of these financial statements.

TOLU MINERALS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$	2021 \$
Cash flow from operating activities			
Payments to suppliers and employees		(2,112,137)	(585,657)
Finance costs		<u>(6,267)</u>	<u>-</u>
Net cash used in operating activities	17(a)	<u>(2,118,404)</u>	<u>(585,657)</u>
Cash flow from investing activities			
Payment for property, plant and equipment		-	(13,208)
Payment for other non current assets		<u>(8,159,512)</u>	<u>(196,387)</u>
Net cash provided by / (used in) investing activities		<u>(8,159,512)</u>	<u>(209,595)</u>
Cash flow from financing activities			
Proceeds from share issue		5,921,445	417,864
Proceeds from borrowings		4,174,668	-
Principal portion of lease payments		(20,419)	-
Proceeds from converting loans		<u>417,467</u>	<u>1,551,453</u>
Net cash provided by financing activities		<u>10,493,161</u>	<u>1,969,317</u>
Reconciliation of cash			
Cash at beginning of the financial year		1,189,704	18,525
Net increase in cash held		215,245	1,174,065
Foreign exchange differences on cash holdings		<u>56,689</u>	<u>(2,886)</u>
Cash at end of financial year	8	<u><u>1,461,638</u></u>	<u><u>1,189,704</u></u>

The accompanying notes form part of these financial statements.

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial information is in compliance with the recognition and measurement requirements of International Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') and International Financial Reporting Interpretations Committee ('IFRIC') respectively, in substantial equivalence to Chapter 2M.3 of the Corporations Act 2001. They are presented in Australian dollars.

The financial report covers Tolu Minerals Limited as an individual entity. Tolu Minerals Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors at the date of the directors' report.

The following are the significant accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the company's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the financial statements.

(b) Foreign currency transactions and balances

Functional and presentation currency

The financial statements are presented in Australian dollars which is the company's presentation currency. The company's functional currency is Papua New Guinea Kina.

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency transactions and balances (Continued)

Transactions and Balances

Transactions undertaken in foreign currencies are recognised in the company's functional currency, using the spot rate at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are restated to the spot rate at the reporting date.

Except for certain foreign currency hedges, all exchange gains or losses are recognised in profit or loss for the period in which they arise.

(c) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(d) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Evaluation expenditure

Evaluation costs, including the costs of acquiring licenses, are capitalised as evaluation assets on an area of interest basis. Costs incurred before the Company has obtained legal rights to evaluate / develop an area are expensed in the profit or loss.

Evaluation assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
- activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and the facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. The cash generation unit shall not be larger than the area of interest.

Once technical feasibility and commercial viability of the area of interest are demonstrable, evaluation assets attributable to that area are first tested for impairment and then reclassified from evaluation assets to property and development

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

assets within property, plant and equipment.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(g) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the company's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the company for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the company are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the company's transactions with its customers and are normally settled within 30 days.

Consistent with both the company's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Trade payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Australian dollars using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

Each class of plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of all other property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Class of fixed asset	Useful lives	Depreciation basis
Plant and equipment at cost	10-20 yrs	Diminishing value
Office equipment at cost	3-15 yrs	Diminishing value
Furniture, fixtures and fittings at cost	10-20 yrs	Diminishing value

(i) Exploration and evaluation costs

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the company has obtained legal rights to explore an area are expensed in the profit or loss.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

1. the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
2. activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and the facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cashgenerating units to which the exploration activity relates. The cash-generating unit shall not be larger than the area of interest.

Once technical feasibility and commercial viability of the area of interest are demonstrable, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified from exploration and evaluation assets to property and development assets within property, plant, and equipment or intangible, as applicable.

TOLU MINERALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use (where 'value in use' is determined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit).

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is measured at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and is recognised in other comprehensive income to the extent that it does not exceed the amount in the revaluation surplus for the same asset. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

A reversal of an impairment loss for an asset measured at cost is recognised in profit or loss. A reversal of an impairment loss for an asset measured at a revalued amount is treated as a revaluation increase and is recognised in other comprehensive income, except to the extent that an impairment loss on the same asset was previously recognised in profit or loss, in which case a reversal of that impairment loss is also recognised in profit or loss.

(k) Going concern

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

The company incurred a loss from ordinary activities of \$2,862,941 during the year ended 31 December 2022.

The company is currently undertaking a capital raising of approximately A\$15 million to A\$20 million by way of IPO on the ASX in order too:

- Upgrading the existing Mineral Resource Estimate (MRE) that is centred on the historically operated Tolukuma Gold Mine;
- Expanding the existing MRE, by utilising the infrastructure afforded by the Tolukuma Gold Mine to actively explore the area of the mine that remains underexplored despite a number of highly prospective targets being previously identified;
- Exploring a number exploration licences across the broader Tolukuma mineralized structure currently covering some 2,000 km² of highly prospective ground with historical gold/silver/copper mineralization, including those held by Frontier; and
- Exploring the Mt Penck Tenement.

On this basis no adjustments have been made to the financial report relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities that might be necessary should the company not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

Should the company be unsuccessful with the capital raisings there is a material uncertainty which may cast doubt over the company's ability to continue as a going concern, and the company may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statements.

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the company's accounting policies, management makes various judgements that can significantly affect the amounts recognised in the financial statements. In addition, the determination of carrying amounts of some assets and liabilities require estimation of the effects of uncertain future events. Outcomes within the next financial year that are different from the assumptions made could require a material adjustment to the carrying amounts of those assets and liabilities affected by the assumption.

The following outlines the major judgements made by management in applying the company's accounting policies and/or the major sources of estimation uncertainty, that have the most significant effect on the amounts recognised in the financial statements and/or have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(a) Borrowings - convertible loans

During the current financial year the company entered into Converting Loan Agreements ('convertible loans' or 'agreements') with various parties, denominated in Papua New Guinea Kina. The convertible loans are unsecured and interest free, with repayment in 2 years from the execution date of the agreements, or earlier at the sole discretion of the company. Repayment can be in the form of shares or cash, or a combination at the discretion of the company.

The convertible loans are recognised as financial liabilities, as they do not meet the definition of equity. The liabilities are measured at amortised cost adopting an effective interest rate of 15% which is based on comparable data for a similar instrument.

(b) Impairment of exploration and evaluation expenditure

Exploration and evaluation assets are assessed for impairment in accordance with the accounting policy disclosed in Note 1(i). The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances. These estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the accounting policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be expensed in the statement of profit or loss and other comprehensive income.

The company believes it has complied with all licence conditions, including minimum expenditure requirements, and is not aware of any matters or circumstances that have arisen that would result in the company's application for renewal of the exploration licences not being granted in the ordinary course of business. The company has determined that no impairment of the capitalised exploration and evaluation expenditure relating to these exploration licences is necessary as it is considered that there is a reasonable basis to expect that the renewal applications will be granted and that the company is otherwise proceeding with exploration and development activities on the exploration licences. Should any of the exploration licences not be renewed, the relevant capitalised amount as at 31 December 2022 will be expensed in the statement of profit or loss and other comprehensive income.

NOTE 3: OPERATING SEGMENTS

The company's operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')), in assessing performance and in determining the allocation of resources.

The Directors are of the opinion that there is one reportable segment as the CODM reviews results, assesses performance and allocates resources at a company level.

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 \$	2021 \$
NOTE 4: OPERATING PROFIT		
Losses before income tax has been determined after:		
Finance costs		
- Lease liabilities - finance charges	6,267	-
- Convertible notes	122,651	-
- Convertible loans	<u>404,567</u>	<u>81,990</u>
	533,485	81,990
Depreciation		
- plant and equipment	335	241
- leased plant and equipment	20,182	-
- office furniture and equipment	485	240
- furniture and fittings	<u>787</u>	<u>137</u>
	21,789	618
Foreign currency transaction losses / (gains)	222,560	(878)

NOTE 5: REMUNERATION OF AUDITORS

<i>Pitcher Partners (Brisbane)</i>		
- Audit or review of the financial report	25,000	45,000
<i>Kowas Chartered Accountants</i>		
- Audit or review of the financial report	<u>16,331</u>	<u>-</u>
Total remuneration of auditors	<u>41,331</u>	<u>45,000</u>

NOTE 6: OTHER INCOME

Other revenue		
Gain on interest-free debt instruments (i)	99,562	180,347
<i>Other Income</i>		
Foreign currency transaction gains	-	878
(i) Represents the initial recognition and measurement of the convertible loans (which are interest-free) under the effective interest rate method for loan holders other than shareholders.		

NOTE 7: INCOME TAX

Income tax reconciliation

The prima facie tax payable on profit / (loss) before income tax is reconciled to the income tax expense as follows:

Prima facie income tax payable on profit / (loss) before income tax at 30% (2021: 30%)	(858,882)	(243,112)
Add tax effect of:		
Deferred tax assets not recognised	<u>858,882</u>	<u>243,112</u>
Income tax expense attributable to profit / (loss)	<u>-</u>	<u>-</u>

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 \$	2021 \$
NOTE 8: CASH AND CASH EQUIVALENTS		
Cash at bank	<u>1,461,638</u>	<u>1,189,704</u>

NOTE 9: OTHER ASSETS

NON CURRENT

Other deposits	<u>-</u>	<u>196,387</u>
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Other deposits

Other deposits comprise an initial K500,000 deposit paid following the execution of the binding Term Sheet dated 17 February 2021 to acquire the assets from Tolukuma Gold Mines Limited (in liquidation). The Sale and Assets Agreement ('the agreement') was executed on 27 April 2021 and was subject to completion conditions required under the agreement.

On 1 September 2021 ML 104 was renewed for a further 10 years to August 2032.

On 30 September 2022 the conditions of the SAA were fully met and Tolu completed the acquisition of the former assets of Tolukuma Gold Mines Ltd., namely the Tolukuma Gold Project, in PNG including five exploration permits surrounding the Tolukuma mine providing a dominant landholding of 1,600 km² across the highly productive Tolukuma gold structure. Refer note 12 for further details.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Plant and equipment at cost	3,237	3,046
Accumulated depreciation	<u>(608)</u>	<u>(249)</u>
	2,629	2,797
Office equipment at cost	3,077	2,895
Accumulated depreciation	<u>(689)</u>	<u>(249)</u>
	2,388	2,646
Furniture, fixtures and fittings at cost	7,725	7,268
Accumulated depreciation	<u>(1,027)</u>	<u>(142)</u>
	6,698	7,126
Total property, plant and equipment	<u>11,715</u>	<u>12,569</u>

Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

Plant and equipment

Opening carrying amount	2,797	-
Additions	-	3,045
Depreciation expense	(333)	(241)
Net foreign currency exchange movements	165	(7)
Closing carrying amount	<u>2,629</u>	<u>2,797</u>

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 \$	2021 \$
NOTE 10: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Reconciliations (Continued)		
<i>Office equipment</i>		
Opening carrying amount	2,646	-
Additions	-	2,895
Depreciation expense	(415)	(240)
Net foreign currency exchange movements	157	(9)
Closing carrying amount	<u>2,388</u>	<u>2,646</u>
<i>Furniture, fixtures and fittings</i>		
Opening carrying amount	7,126	-
Additions	-	7,268
Depreciation expense	(857)	(137)
Net foreign currency exchange movements	429	(5)
Closing carrying amount	<u>6,698</u>	<u>7,126</u>

NOTE 11: MINE TENEMENTS, INFORMATION AND OTHER ASSETS

<i>Mine tenements, information and other assets at cost</i>		
At cost	<u>8,355,899</u>	-
<i>Reconciliation of mine tenements, information and other assets at cost</i>		
Opening carrying amount	-	-
Balance of acquisition price (note 10)	8,140,603	-
Transfer from other assets (deposit) (note 10)	196,387	-
Additions - subsequent expenditure	6,563	-
Net foreign exchange differences	12,346	-
Closing carrying amount	<u>8,355,899</u>	-

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

NOTE 12: LEASE ASSETS AND LEASE LIABILITIES

(a) Lease assets

<i>Premises</i>		
Under lease	61,909	-
Accumulated depreciation	(20,636)	-
Total carrying amount of lease assets	<u>41,273</u>	-

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 \$	2021 \$
NOTE 12: LEASE ASSETS AND LEASE LIABILITIES (CONTINUED)		
Reconciliations		
Reconciliation of the carry amount of lease assets at the beginning and end of the financial year:		
<i>Premises</i>		
Opening carrying amount	-	-
Additions	61,909	-
Depreciation	(20,182)	-
Net foreign exchange differences	(454)	-
Closing carrying amount	<u>41,273</u>	<u>-</u>
(b) Lease liabilities		
CURRENT		
Lease liabilities	<u>20,569</u>	<u>-</u>
NON CURRENT		
Lease liabilities	<u>22,699</u>	<u>-</u>
Total carrying amount of lease liabilities	<u>43,268</u>	<u>-</u>
NOTE 13: PAYABLES		
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	256,705	131,103
Capital raised to be refunded	52,131	-
Other payables	<u>172,402</u>	<u>230,610</u>
	<u>481,238</u>	<u>361,713</u>
NOTE 14: BORROWINGS		
CURRENT		
<i>Unsecured liabilities</i>		
Convertible loans	-	1,551,453
Unexpired finance charges	<u>-</u>	<u>(286,747)</u>
	<u>-</u>	<u>1,264,706</u>
NON CURRENT		
<i>Secured liabilities</i>		
Convertible notes	<u>4,300,080</u>	<u>-</u>

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2022 **2021**
\$ **\$**

NOTE 14: BORROWINGS (CONTINUED)

(a) Convertible notes

On 24 August 2022, the Company entered into a Convertible Note Deed with Petroleum Resources Kutubu Limited (PRK), a subsidiary of Mineral Development Resource Company for an amount of 10,000,000 Papua New Guinea Kina. The Company has granted a registered first ranking security interest over ML 104 and all the assets situated upon ML 104 pursuant to a general security deed. The notes issued to PRK have a 5 year maturity date expiring on 24 August 2027 and will bear interest at the rate of 8.5% p.a.

In the event of an IPO, the Noteholder is entitled to convert the notes into shares at a conversion price being the 15-day VWAP for trading of the Company's shares on ASX immediately prior to the issue of the conversion notice.

PRK may exercise their right to convert the notes at any time and the Company must redeem the notes at face value on the maturity date.

The Company has an early redemption right exercisable at any time over the 5-year period at 103% of the face value of the notes.

Interest shall be capitalised annually in arrears and repaid on the earlier of;

- (a) the conversion date;
- (b) the maturity date; or
- (c) the early redemption date.

Reconciliation:	2022
	\$
Opening balance	-
Convertible note proceeds	4,174,668
Accrued interest	122,651
Changes in foreign currency translation	2,761
Closing balance	<u>4,300,080</u>

(b) Convertible loans

During the financial year ended 31 December 2021, the company entered into Converting Loan Agreements with various parties, denominated in Papua New Guinea Kina. The convertible loans totalling K3,950,000 as at 31 December 2021 are unsecured and interest free, with repayment in 2 years from the execution date of the agreements, or earlier at the sole discretion of the company. Repayment can be in the form of shares or cash, or a combination at the discretion of the company.

On 14 February 2022 a new convertible loan agreement for K1,000,000 was entered into by the company taking the total to K4,950,000.

On 27 October 2022, the convertible loans totalling were converted for 5,351,351 shares in the Company at a conversion price of A\$0.37 per share.

Reconciliation:		
Opening balance	1,264,706	-
Convertible loan proceeds	417,467	1,551,453
Less: Unexpired interest - shareholders (equity)	-	(184,887)
Less: Unexpired interest - other loan holders	(108,894)	(186,771)
Accrued interest	404,567	81,990
Conversion	(1,980,001)	-
Changes in foreign currency translation	<u>2,155</u>	<u>2,921</u>
	<u>-</u>	<u>1,264,706</u>

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022		2021	
	\$		\$	
NOTE 15: SHARE CAPITAL				
Issued and paid-up capital				
77,291,857 (2021: 52,936,600) Ordinary shares		<u>8,337,859</u>		<u>436,413</u>
	2022		2021	
	Number	\$	Number	\$
Ordinary shares				
Opening balance	52,936,600	436,413	50,000	48
Shares issued:				
1 April 2021 (i)	-	-	15,466,150	-
1 April 2021 (ii)	-	-	364,830	36,481
28 April 2021 (iii)	-	-	33,000,000	-
28 April 2021 (iv)	-	-	4,055,620	399,884
25 February 2022 (v)	3,000,000	-	-	-
27 October 2022 (vi)	19,843,906	7,342,246	-	-
25 November 2022 (vii)	1,646,351	609,150	-	-
25 November 2022 (viii)	(135,000)	(49,950)	-	-
	<u>24,355,257</u>	<u>7,901,446</u>	<u>52,886,600</u>	<u>436,365</u>
	-	-	-	-
At reporting date	<u>77,291,857</u>	<u>8,337,859</u>	<u>52,936,600</u>	<u>436,413</u>

(i) Ordinary shares issued for 0.00 cents per share.

(ii) Ordinary shares issued for 9.99 cents per share, which includes the conversion of the director related party loan - Mr Howard Lole of K50,000.

(iii) Ordinary shares issued for 0.00 cents per share.

(iv) Ordinary shares issued for 9.86 cents per share.

(v) Ordinary shares issued for 0.00 cents per share.

(vi) Ordinary shares issued for consideration of A\$0.37 per share as part of the Pre-IPO raise. This included the conversion of the convertible loans of K4,950,000 and payment of amounts owing to a director for A\$100,000.

(vii) Ordinary shares issued a further 1,646,351 shares for consideration of A\$0.37 per share as part of the Pre IPO raise.

(viii) Ordinary shares redeemed 135,000 shares for consideration of A\$0.37 per share.

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital management

When managing capital, management's objective is to ensure the company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	\$	\$
NOTE 16: RESERVES		
Foreign currency translation reserve	275,625	(293)
Other reserves	<u>184,887</u>	<u>184,887</u>
	<u>460,512</u>	<u>184,594</u>

The foreign currency translation reserve is used to record the exchange differences arising on translation of a foreign entity.

The other reserve is used to record the initial recognition and measurement of the converting loans (which are interest free) under the effective interest rate method for loan holders who are shareholders.

NOTE 17: CASH FLOW INFORMATION

(a) Reconciliation of cash flow from operations with profit after income tax

Profit / (loss) from ordinary activities after income tax	(2,862,941)	(810,374)
Adjustments and non-cash items		
Depreciation	21,789	618
Net foreign exchange differences	222,560	(878)
Gain on convertible loans	(99,562)	(180,347)
Interest expense on convertible loans	404,567	81,990
Interest expense on convertible notes	122,562	-
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	(40,724)	(38,379)
Increase / (decrease) in payables	<u>113,345</u>	<u>361,713</u>
Cash flows from operating activities	<u>(2,118,404)</u>	<u>(585,657)</u>

(b) Non-cash financing and investing activities

There were no non-cash financing and investing activities during the year (2021: nil).

(c) Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows are, or will be, classified as 'cash flows from financing activities' in the statement of cash flows. Changes in the carrying amount of such liabilities, which comprise borrowings (convertible loans), are summarised below.

Balance at the beginning of the year	1,264,706	-
Proceeds from financing activities	4,592,135	1,551,453
Foreign currency movements	4,916	2,921
Unexpired interest - recognised in borrowings	(108,894)	(186,771)
Unexpired interest - recognised within equity	-	(184,887)
Interest accrued	527,218	81,990
Conversion	<u>(1,980,001)</u>	<u>-</u>
Balance at the end of the year	<u>4,300,080</u>	<u>1,264,706</u>

TOLU MINERALS LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 \$	2021 \$
NOTE 18: RELATED PARTY TRANSACTIONS		
(a) Transactions with key management personnel of the entity or its parent and their personally related entities		
Consultancy fees are paid to a related entity of Iain Macpherson and legal fees paid to a related entity of Brian Moller. These transactions are at arms length.		
Payments to related entities of Iain Macpherson (CEO)	227,196	112,136
Payments to related entities of Brian Moller (Director)	322,801	-
At 31 December 2022, \$252,302 remains payable to related parties (2021: \$nil). In October 2022 \$100,000 of the amounts owing to Ian Macpherson were paid by way of share issue.		

NOTE 19: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the company		
- short-term employee benefits	31,250	-
- post-employment benefits	<u>3,281</u>	<u>-</u>
	<u><u>34,531</u></u>	<u><u>-</u></u>

NOTE 20: FINANCIAL RISK MANAGEMENT

The company is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- (a) Currency risk
(b) Liquidity risk

The board of directors have overall responsibility for identifying and managing operational and financial risks.

The company holds the following financial instruments:

Financial assets

Amortised cost

- Cash and cash equivalents	1,461,638	1,189,704
- Receivables	<u>79,104</u>	<u>38,379</u>
	<u><u>1,540,742</u></u>	<u><u>1,228,083</u></u>

Financial liabilities

Amortised cost

- Payables	554,519	361,713
- Borrowings	4,174,668	1,264,706
- Lease liabilities	<u>43,268</u>	<u>-</u>
	<u><u>4,772,455</u></u>	<u><u>1,626,419</u></u>

(a) Currency risk

The company undertakes transactions denominated in foreign currencies. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company manages its currency risk in accordance with approved policies.

TOLU MINERALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Currency risk (Continued)

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities, expressed in Australian dollars at the reporting date are:

	Monetary assets		Monetary liabilities	
	2022	2021	2022	2021
	\$	\$	\$	\$
Papua New Guinea Kina denominated	<u>1,483,393</u>	<u>1,226,960</u>	<u>4,608,916</u>	<u>1,421,293</u>

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The company manages its liquidity risk in accordance with approved policies.

The following table outlines the company's remaining contractual maturities for non-derivative financial instruments. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities, allocated to time bands based on the earliest date on which the company can be required to pay.

Year ended 31 December 2022	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
Payables	(554,519)	-	-	(554,519)	(481,238)
Borrowings	-	-	(4,791,847)	(4,791,847)	(4,300,080)
Lease liabilities	<u>(12,524)</u>	<u>(12,524)</u>	<u>(25,048)</u>	<u>(50,096)</u>	<u>(43,268)</u>
Net maturities	<u>(567,043)</u>	<u>(12,524)</u>	<u>(4,816,895)</u>	<u>(5,396,462)</u>	<u>(4,824,586)</u>

Year ended 31 December 2021	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
Payables	(180,713)	-	-	(180,713)	(361,713)
Borrowings	-	-	(1,551,493)	(1,551,493)	(1,264,706)
Net maturities	<u>(180,713)</u>	<u>-</u>	<u>(1,551,493)</u>	<u>(1,732,206)</u>	<u>(1,626,419)</u>

NOTE 21: CONTINGENT LIABILITIES

On 16 March 2022, the Company entered into a binding agreement with Frontier Resources Ltd (subsequently renamed Lanthanein Resources Limited, ASX:LNR (Lanthanein), to acquire all the shares in its wholly owned subsidiary Frontier Copper PNG Ltd, the 100% holder of the Tolukuma Exploration Licence EL2531 in close proximity to Tolukuma as well as a pending Exploration License Application for the historical Sinivit gold mine in East New Britain Province, PNG, ELA 2529.

The agreement with Lanthanein is expected to complete concurrently with completion of the IPO. On completion, Tolu shall pay A\$500,000 cash to Lanthanein and a further A\$1.5 million in either cash or more likely shares at the election of Tolu. Further consideration of A\$1 million is payable if, within the next 5 years, an aggregate minimum of 500,000oz of gold of not less than JORC (2012) Indicated category of resource is identified on EL2531.

TOLU MINERALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	\$	\$

NOTE 22: COMMITMENTS

To maintain current rights of tenure to exploration tenements, including tenements that had expired and were the subject of renewal applications by the Group as at 31 December 2022, the company is required to perform exploration work to meet minimum expenditure requirements as specified by the Papua New Guinea Mineral Resources Authority.

The following table sets out the minimum expenditure commitments:

- not later than one year	340,549	-
- later than one year and not later than five years	<u>254,876</u>	<u>-</u>
	<u>595,425</u>	<u>-</u>

NOTE 23: EVENTS SUBSEQUENT TO REPORTING DATE

Particulars of matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years are as follows:

(i). On 24 May 2023, the Company has entered into a binding term sheet (Term Sheet) with Tunnel Engineering (PNG) Ltd, Reg: 1-86659 (Contractor) for the completion of the main access service road to the Tolukuma Gold Mine, including repairs to the existing section of the road. The Contractor will receive the following consideration for this work:

(a) A\$1,800,000 will be paid in cash in the following tranches:

- (1) A\$90,000 upon completion of the Offer;
- (2) A\$270,000 upon mobilisation; and
- (3) A\$1,440,000 in five equal tranches on completion of the main access service road to the Tolukuma Gold Mine; and

(b) 4,400,000 shares will be issued to the Contractor (or its nominee) in the following tranches:

- (1) 880,000 shares upon mobilisation; and
- (2) 3,520,000 Shares in five equal tranches on completion of the main access road to the Tolukuma Gold Mine.

(ii). The company lodged its original prospectus with the Australian Securities Exchange (ASX) on 30 December 2022. The strategy as outlined in the prospectus referred to the restart of Tolukuma mine including enabling the exploration of Tolukuma, the Tolukuma structure Exploration Licenses ("ELs") and Mt. Penck.

Whilst the company has relied upon the works and reports carried out mainly by consultants AMC over a number of years, the ASX was of the opinion that the Listing Rules require that a prospectus based on restarting the Tolukuma mine contain an additional Independent Competent Person's Report regarding any restart costs and schedules which would incur significant time delays and costs not forecast.

As a result and after discussions with the ASX, the company reviewed its strategy and withdrew its prospectus on 3 March 2023, with a view to lodging a renewed prospectus to proceed on an advanced exploration objective basis. The revised strategy will focus on conversion of the existing Mineral Resource Estimate ("MRE") from an Inferred Mineral Resource category to a Measured and Indicated category, exploration of the Mining Lease ("ML") and the ELs that will enable an analysis of the structures and include testing of sample ore to determine the resource.

The Company lodged an updated Application for In-Principle Advice with the ASX on 3 June 2023 in respect of its proposed listing on the ASX.

TOLU MINERALS LIMITED
DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 - 22 presents fairly the company's financial position as at 31 December 2022 and performance for the year ended on that date of the company in accordance with International Financial Reporting Standards.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- 3.. The Board has received agreement of all shareholders for the annual report not to include the disclosures required by Section 212(1)(a) and (1)(d) to (j) of the Companies Act 1997.

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

Director: *J Macpherson*
J Macpherson (Jun 9, 2023 12:18 GMT+8)
John Macpherson (MD & CEO)

Director: *John Anderson*
John Anderson (Jun 9, 2023 14:20 GMT+10)
John Anderson (Chairman)

Dated this 9 day of June 2023



Independent Audit Report to the members of Tolu Minerals Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tolu Minerals Limited (the Company), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- (i) the accompanying financial statements of the Company give a true and fair view of the Company's financial position as at 31 December 2022 and of its financial performance for the year then ended and in accordance with the International Financial Reporting Standards (including the interpretations of the International Financial Reporting Interpretations Committee) and the Papua New Guinea Companies Act 1997; and
- (ii) proper accounting records have been kept by the Company.

Basis for Opinion

We conducted our audit in accordance with International Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *International Ethics Standards Board for Accountants* (IESBA) Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial statements. 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.

Responsibilities of Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statement that give a true and fair view in accordance with International Financial Reporting Standards (including the interpretations of the International Financial Reporting Interpretations Committee) and the *Papua New Guinea Companies Act 1997*. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. *Material Uncertainty Related to Going Concern*

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

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Public Accountants, Tax Agents, Auditors and Strategic Business Advisors

A BUSINESS OF POSSIBILITIES



Independent Audit Report to the members of Tolu Minerals Limited (cont'd)

Material Uncertainty Related to Going Concern

We draw attention to note 2(i) and note 23(ii) in the financial report, which describes events and /or conditions which indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are 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 International Standards of Auditing 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 these financial statements.

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 the audit.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2022:

1. we have obtained all the information and explanations we have required, and
2. in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restrictions on distribution or use

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Kowas Chartered Accountants

A handwritten signature in black ink, appearing to read "Fred Kowas", is written over a horizontal line.

Fred Kowas, FCPA-PNG, CA Aus. & NZ
Registered under the Accountants Act 1996

Port Moresby
Dated this 09th day of June.2023