

Supplementary Prospectus

Austral Resources Australia Ltd ACN 142 485 470 (**Company**)

Supplementary Prospectus

Supplementary Prospectus to a Prospectus dated 10 September 2021

Important Information

This supplementary prospectus is dated 22 October 2021 and was lodged with the ASIC pursuant to Section 719(1) of the *Corporations Act* on that date (**Supplementary Prospectus**).

This Supplementary Prospectus supplements and is intended to be read together with prospectus dated 10 September 2021 (**Prospectus**) which was issued by Austral Resources Australia Ltd ACN 142 485 470 (**Company**). This document is important and should be read in its entirety in conjunction with the Prospectus. If you are in any doubt as to the contents of this document, you should consult your professional advisers without delay.

ASIC, ASX Limited (**ASX**), and their officers take no responsibility as to the contents of this Supplementary Prospectus.

The Company has issued in both a printed and electronic version of this Supplementary Prospectus and the Prospectus. Electronic versions of both may be accessed at <https://www.australres.com/>

Other than as set out below, all details in relation to the Prospectus remain unchanged. Unless otherwise indicated, terms used in this Supplementary Prospectus have the same meaning as ascribed to them in the Prospectus. To the extent of any inconsistency between this Supplementary Prospectus and the Prospectus, the provisions of this Supplementary Prospectus will prevail.

1. Background

This Supplementary Prospectus has been prepared to provide additional disclosure around the Company's Performance Rights on issue and the terms of the Company's Performance Rights Plan.

The Company makes the amendments to the Prospectus as set out in Section 2 below.

2. Updates to Prospectus

2.1 Section 10.8

On pages 291 through 294 of the Prospectus, section 10.8 is deleted in its entirety and replaced with the following:

10.8 Employee Incentive Plans

The Company has adopted the following two Employee Incentive Plans:

- an Employee Share Option Plan (**Option Plan**); and
- an Employee Performance Share Plan (**Rights Plan**),

(separately referred to as **Plan** or together the **Plans** as the context requires).

Pursuant to the applicable Plan, the Board may, in its absolute discretion offer to grant:

- employee share options (**Options**) to an "Eligible Employee" pursuant to the Option Plan; and/or
- performance rights (**Rights**) to an "Eligible Employee" pursuant to the Rights Plan,

having regard, in each case, to the Eligible Employee's contribution (or potential contribution) to the Company, period of employment and any other matters the Board considers in its absolute discretion to be relevant.

In the following summary of the Plans the Options and Rights shall be referred to collectively as Awards, unless referred to specifically.

(a) Eligibility

An "Eligible Employee" is a director, senior executive or full or part time employee or consultant of the Company or its associated body corporate (including a nominee of those persons), who is invited by the Board to participate in either the Option Plan or the Rights Plan, or both.

(b) Terms of Awards

Each Option will be granted to eligible employees under the Option Plan for no more than nominal consideration. No amount is payable for the grant of a Right under the Rights Plan unless otherwise determined by the Board.

Each Award will entitle its holder to subscribe for and be issued one Share (on vesting and exercise of that Award).

The exercise price for each Option will be determined by the Board in its discretion, on or before the grant of the Option, and shall in any event be no less than the weighted average sale price of Shares sold on ASX during the five Business Days prior to the grant date or such other period as determined by the Board (in its discretion). Upon grant of Rights, the Board may determine performance conditions that must be satisfied before the Rights can vest, but no "exercise price" is applicable unless the Board has determined that an amount is payable upon satisfaction of performance conditions and vesting of the Right.

Awards will not be listed for quotation on ASX. However the Company will apply for Official Quotation of Shares issued upon the exercise of any vested Award.

A participant is not entitled to a legal or beneficial interest in any Shares by virtue of holding an Award and in particular a participant is not entitled to participate in or receive any dividend or other shareholder benefits until its Awards have vested and been exercised and Shares have been allocated to the participant as a result of the exercise of those Awards.

There are no participating rights or entitlements inherent in the Awards and participants will not be entitled to participate in new issues of securities offered to shareholders of the Company during the currency of the Awards. This includes, for example, bonus issues and entitlement issues. However the Company will ensure that adequate notice is given to participants in order for participants to have the opportunity to exercise vested Awards which they are entitled to exercise before the record date for determining entitlements to any such issue.

A participant is not entitled to participate in a return of capital, whether in a winding up of the Company, upon a reduction of capital or otherwise. Likewise, a participant is not entitled to participate in the surplus profits or assets of the Company upon a winding up of the Company.

Following the issue of Shares following the exercise of vested Awards, participants will be entitled to exercise all rights of a Shareholder attaching to the Shares, subject to any disposal restrictions advised to the participant at the time of the grant of the Awards.

If there is a reconstruction of the issued capital of the Company prior to the expiry of any Awards, the number of Awards to which each participant is entitled or the exercise price of his or her Awards or any other terms will be reconstructed in a manner determined by the Board which complies with the provisions of the ASX Listing Rules.

(c) Performance Conditions

When granting Awards, the Board may make their vesting conditional on the satisfaction of a performance condition within a specified period. The Board may at any time waive or change a performance condition or performance period in accordance with the applicable Plan rules if the Board (acting reasonably) considers it appropriate to do so.

(d) Vesting

Options will vest following satisfaction of the performance conditions, if any, or such other date as determined by the Board in its discretion. A Right granted under the Rights Plan will only vest upon satisfaction of the applicable performance conditions. The Board will in its absolute discretion determine whether, and if so, to what extent each performance condition has been satisfied and must advise the participant in writing of its determination.

Subject to the relevant Plan rules, the Board may declare that all or a specified number of any unvested Awards granted to a participant which have not lapsed immediately vest if, in the opinion of the Board a change of control in the Company, or a person acquires a relevant interest in more than 90% of the shares in the Company, has or is likely to occur, having regard to the participant's pro rata performance in relation to the applicable performance conditions up to that date.

Subject to the rules of each Plan, the Board may in its absolute discretion, declare the vesting of an Award where the Company is wound up or passes a resolution to dispose of its main undertaking.

If there is any internal reconstruction or acquisition of the Company which does not involve a significant change in the identity of the ultimate shareholders of the Company, the Board may declare in its sole discretion whether and to what extent Awards, which have not vested by the date the reconstruction takes place, will vest, and may amend (or waive) any performance condition as it considers appropriate, subject to all applicable laws.

(e) Exercise of Awards

The exercise of any Option granted under the Option Plan must be effected in the form and manner described in the Plan rules.

Options will become exercisable if any performance conditions set by the Board at the time of the grant are met, the Options have vested, the expiry date has not passed, and the Option has not lapsed under the Option Plan rules.

A Right can be exercised if the applicable performance condition is satisfied, in the form and manner determined by the Board, and if the Board has determined an amount is also payable on the satisfaction of the performance condition, that amount must also be paid to the Company at the time of exercise.

(f) Lapse and Forfeiture

An Award will immediately lapse upon the first to occur:

- (1) (in respect of an unvested Award) upon the passing of the vesting date (as determined by the Board) without the Option having vested;
- (2) its expiry date;
- (3) the performance conditions (if any) not being satisfied prior to the date specified by the Board;
- (4) the transfer or purported transfer of the Awards without the prior consent of the Board in accordance with the Plan rules;
- (5) the day that is 3 months following the date the participant (or the nominating participant if applicable) ceases to be employed or engaged by the Company or its associated body corporate;
- (6) termination of the participant's (or the nominating participant's) employment or engagement with the Company or its associated body corporate on the basis that the participant acted fraudulently, dishonestly, in breach of the participant's obligations or otherwise for cause; and
- (7) the day which is 6 months after any event giving rise to vesting under the rules of the Plan.

A Share issued on the exercise of an Award will be forfeited upon the holder perpetrating fraud against, acting dishonestly, or committing a breach of its obligations to, the Company or any of its associated bodies corporate.

(g) Restrictions

Notwithstanding anything else in the Plan, an Award may not be offered, granted or exercised if to do so would contravene the Corporations Act, the ASX Listing Rules, or any other law, and to the extent that the Plan rules are inconsistent with the ASX Listing Rules, the ASX Listing Rules shall prevail.

The maximum number of Options that can be issued under the Option Plan, and the maximum number of Rights that can be issued under the Rights Plan, is that number which equals 5% of the total number of issued Shares in existence from time-to-time subject to the Corporations Act, the ASX Listing Rules or any other statutory or regulatory requirements. For example and for the purposes of Listing Rule 7.2 Exception 13, based on the number of issued Shares at completion of the Offer, the maximum number of Options proposed to be issued under the Option Plan is 22,268,750 Options and the maximum number of rights to be issued under the Rights Plan is 22,268,750 Rights.

Participants in the Plans are prohibited from transferring Awards (as well as any Shares issued under the Option Plan on exercise of Options), except during a takeover Options (but not Rights) may be transferred (subject to the Option Plan rules) to the bidder or the bidder's nominee during the takeover period.

2.2 **Section 13.4**

On pages 333 and 334 of the Prospectus, section 13.4 is deleted in its entirety and replaced with the following:

13.4 Performance Rights

The Company has issued Performance Rights to Directors and certain senior executives (**Holder**) to remunerate and incentivise those individuals. The Company considers it is necessary and desirable to issue the Performance Rights to the Holders to better align their interests with those of the Company's shareholders and incentive them to achieve the Company's stated business objectives.

In determining the allocation of Performance Rights to each Holder, the Company considered the Holder's contribution (and potential contribution) to the Company, period of employment and any other matters the Board considered relevant. In determining an appropriate and equitable number of Performance Rights to issue as at the date of the Prospectus, the Company adopted a total amount equivalent to 10% of the post-IPO issued capital of the Company. The Directors, in conjunction with the Company's corporate advisors, considered this number appropriate as it represents in aggregate a substantial interest in the Company, without having a material impact on control (should all relevant Performance Rights vest and be exercised).

Each Holder is expected to diligently perform their respective role and business function (be it strategy, governance, financial, technical, operations or exploration) to contribute to the overall success of the Company and achievement of its business objectives (which the Vesting Conditions described below are tied to). Details of the existing remuneration packages for Directors and senior management, along with the interests of Directors are set out in section 10 of the Prospectus.

As at the date of this Prospectus, the Company has 44,537,500 Performance Rights over Shares on issue as follows:

Holder	Number	Exercise Price	Vesting Conditions
Mr Phil Thomas	1,603,350	Nil	
Mr Jeff Innes	1,603,350	Nil	
Mr Dan Jauncey	22,268,750	Nil	
Mr Jaroslaw Kopias	1,157,975	Nil	As set out below.
Mr Steven Tambanis	3,117,625	Nil	
Mr Shane O'Connell	7,393,225	Nil	
Mr Luke Johnstone	7,393,225	Nil	
Total	44,537,500		

The Performance Rights set out above will vest on satisfaction of the below mentioned performance hurdles:

#	Key Performance Indicator	Performance Right %	Performance Right #	Vesting Date ¹	Expiry Date ¹
1	First material ore production from Anthill deposit	25	11,134,375	See Note 3 below	30 Jun 25
2	Production of 20kt tonnes of Copper cathode from Anthill Project	10	4,453,750	30 Jun 24	30 Jun 26
3	Generate 20kt inferred resource 1 ²	25	11,134,375	30 Jun 25	30 Jun 26
4	Share price target of \$0.50	20	8,907,500	30 Jun 25	30 Jun 26
5	Health Safety Security Environment and Quality (HSSEQ) and Indigenous Affairs – FY 2022	5	2,226,875	30 Jun 22	30 Jun 25
6	HSSEQ and Indigenous Affairs – FY 2023	5	2,226,875	30 Jun 23	30 Jun 26
7	Generate 20kt inferred resource 2 ²	10	4,453,750	30 Jun 25	30 Jun 26
Total		100	44,537,500		

1. Unless otherwise specified, the Vesting Date represents the last possible date by which the relevant KPI must be met in order for the relevant Performance Rights to vest.
2. Expiry date applies where the KPI has been met by the relevant Vesting Date. Where a KPI is not met, the Performance Rights will lapse no later than 3 months after the Vesting Date.
3. The Vesting Date will be the date which is six months following the commencement

of overburden mining at the Anthill Project.

The table below provides an overview of the Key Performance Indicators.

No. KPI	Overview
1 5,000 tonnes of ore moved from the Anthill deposit within 6 months of commencement of overburden mining at the Anthill Project	This KPI will be considered satisfied on the movement of 5,000 tonnes of ROM ore from the Anthill pit to the crusher. This is defined as removing overburden and transporting ore from the Anthill pit within 6 months of commencement of overburden mining at the Anthill Project.
2 Production of at least 20,000 tonnes of Copper cathode.	This KPI will be considered satisfied if the Company produces 20,000 tonnes of LME grade Copper cathode by the relevant Vesting Date.
3 Generate a JORC compliant Inferred Mineral Resource estimate of 20,000t of contained Cu through the exploration program within 70km of the Mt Kelly processing facility	This KPI represents an exploration target for the exploration team to either continue more detailed exploration work on the top 12 prospects or explore and drill a new Mineral Resource estimate so that collectively an Inferred Mineral Resource estimate of 20,000 tonnes of contained Cu at a cut-off grade of 0.2% is achieved. This represents approximately half the resource at Anthill and must be within 70km of the Mt Kelly facility.
4 Share price target of \$0.50	This KPI will be considered satisfied where the volume weighted price average of the Company's Shares trades at or above \$0.50 for 20 consecutive Trading Days (as that term is defined in the Listing Rules).
5 Health, Safety, Security, Environment, Quality (HSSEQ) and Indigenous Affairs – to 30 June 2022	<p>This KPI will be considered satisfied where both of the following criteria are met during the relevant period:</p> <p>(a) the Company's published Lost Time Injury Frequency Rate (LTIFR) is no more than 10% higher than the twelve month rolling average LTIFR for surface minerals mines as reported in the Queensland Government 'Mines and Quarries Safety Performance and Health Reports' (adjusted on a pro-rata basis for any period prior to first production at the Anthill Project); and</p> <p>(b) the Company (or its relevant subsidiary) is not in material breach or in material dispute with any counter-party to any indigenous land use agreement (ILUA) (including for example the agreements set out in section 12.7 of the Prospectus).</p>
6 HSSEQ and Indigenous Affairs – from 1 July 2022 to 30 June 2023	<p>This KPI will be considered satisfied where both of the following criteria are met during the relevant period:</p> <p>(c) the Company's published LTIFR is no more than 10% higher than the twelve month rolling average LTIFR for surface minerals mines as reported in the Queensland Government 'Mines and Quarries Safety Performance and Health Reports'; and</p> <p>(d) the Company (or its relevant subsidiary) is not in material breach or in material dispute with any counter-party to any ILUA (including for example the agreements set out in section 12.7 of the Prospectus).</p>

7 Generate a JORC compliant Inferred Mineral Resource estimate measuring 20,000 tonnes contained Cu in sulphide mineralisation	This KPI represents an exploration target for the exploration team to develop a more detailed exploration work on the sulphides (from existing pits, existing targets and drill a new Mineral Resource so that collectively an Inferred Mineral Resource estimate generating 20,000 tonnes of contained Cu in the sulphides at a cut-off grade of 0.2%.
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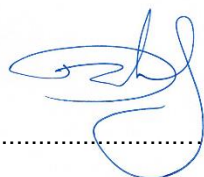
3. Other Material Information

The Directors of the Company are not aware of any acts, matter or thing (not already described in the Prospectus) which may be material to the making of and informed assessment of:

- (a) the effect of the Offer on the Company; or
- (b) the rights attaching to the Shares.

The Company confirms that as at the date of this Supplementary Prospectus, the Company has received applications for in excess of 150,000,000 Shares.

This Supplementary Prospectus has been signed by a Director of **Austral Resources Australia Ltd ACN 142 485 470** with the authority of each of the Directors and is dated 22 October 2021. Each Director has consented to the lodgement of this Supplementary Prospectus with ASIC.



Daniel Jauncey
Director