Jervois Mining USA Limited

FINANCIAL STATEMENTS

For the year ended 31 December 2021

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JERVOIS MINING USA LIMITED

Director's Report

The Director presents their report, together with the financial statements, of Jervois Mining USA Limited (the "Company") for the year ended 31 December 2021.

1. Director

The sole Director of the Company during the whole of the financial period and up to the date of this report was:

Name	Role
Bryce Crocker	Chief Executive Officer

2. Principal activity

The principal activity of the Company during the year was mine construction.

3. Principal address

1309 S Challis St,
Salmon, Idaho,
83467-5453,
United States of America ("United States")

4. Dividends paid or recommended

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

5. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company.

6. Review of operations

The net loss after tax of the Company for the year ended 31 December 2021 was US$6.3 million (31 December 2020: loss of US$0.1 million).

During the period, operations have focussed on the ongoing development of the Idaho Cobalt Operations ("ICO") cobalt-copper-gold mine located outside the town of Salmon, Idaho, United States.

The following are identified as the principal risk factors affecting the Company.

Geology:

Geological interpretation – sub-surface modelling of geological characteristics is based on drilling information, surface mapping and ore deposit models. This carries data accuracy and interpretation risk.

To minimise this risk, factors such as nearby mine knowledge, drillhole core analysis and structural models have been used to develop the resource model. The ore deposit is stratiform with mineralisation confined to the BTE rock unit which has been identified from drillhole logging. By their nature, stratiform deposits display a high continuity.

Drill spacing – the orebody has been drilled on a nominal 200ft sectional spacing, however the central zone which is the first to be mined has been infilled to a 100ft spacing. Establishing surface drilling platforms is difficult due to the steep terrain, as such we are executing an infill drilling programme from underground. Initial planned stopes will be infill drilled to 50ft spacing for ore definition and grade control.

Assay data – pre-2009 assay data is incomplete with respect to arsenic assays. Examination of drill ore intercepts with QEMScan reveals that arsenic is mostly associated with cobalt as the mineral Cobaltite. Therefore, arsenic is mainly contained within the orebody and has a close direct relationship to cobalt.

Oxidation – oxidized ore shows poor recoveries. This ore is identified by low sulphur content and is excluded from the reserve.

Faulting displacement – a detailed 3D structural model has been formed of the major faults occurring in the orebody area. These have been shown to be subparallel to the orebody strike and only minor displacements of the orebody occur. There may be minor fault splays which remain unknown in extent and orientation however the occurrence of these will be defined by close spaced underground drilling.

Grade estimation – the selected method of grade estimation is ID2. This method was chosen over other statistical methods for preservation of the high-grade components of the ore intercepts which is appropriate to the selective mining method to be employed. Indicator and ordinary kriging were found to smear grades on a local scale which is not acceptable for selective mining. As the drill intercept density increases via underground drilling, conditional simulation methods will be employed to further enhance grade definition.

Calculation of mineral resources and mineral reserves and limitations on mineral resource estimates:

There is a degree of uncertainty attributable to the calculation of mineral reserves, mineral resources and corresponding grades being mined or dedicated to future production. Until mineral reserves or mineral resources are actually mined and processed, the quantity of mineral reserves or mineral resources and grades must be considered as estimates only. In addition, the quantity of mineral reserves or mineral resources may vary depending on metal prices.

Any material changes in the quantity of mineral reserves, mineral resources, grade, or dilution ratio may affect the economic viability of the ICO project. In addition, there can be no assurance that mineral recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

No assurance can be given that any particular level of recovery of minerals will in fact be realised or that identified mineral resources will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralisation which may ultimately be mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. The estimated mineral resources at ICO should not be interpreted as assurances of commercial viability or of the profitability of any future operations.

Moreover, certain sections of the mineral resources are reported at an "inferred" level. Inferred mineral resources have a substantial degree of uncertainty as to their existence, and economic and legal feasibility. Accordingly, there is no assurance that inferred mineral resources reported herein will ever be upgraded to a higher category. Investors are cautioned not to assume that part or all of an inferred mineral resource exists or is economically or legally mineable.

The Company engaged independent consulting firms to both prepare (Orix Geosciences) and audit (CSA Global) the ICO mineral resource model. RPM Global were engaged by the Company as Independent Engineer for lenders, and part of their scope was to also review the mineral resource estimate. RPM Global's recommendation was that the resource classification must be solely based on drillhole spacing and, as a result, Measured resource tonnes should be changed to Indicated, and Indicated tonnes changed to Inferred tonnes. No change to the Inferred resource was recommended. The Company and Orix Geosciences disagree with RPM Global's opinion, which is also inconsistent with prior mineral resource estimates at ICO from Micon.

However, if the recommendation by RPM Global is accepted, the Company will be required to undertake additional infill drilling at ICO in order to increase the confidence in the mineral resource and mineral reserve estimates. The outcome of the drilling may result in an updated mine plan being prepared to take into account any changes to classification, tonnes and metal grades and may result in the operations at ICO reaching commercial production later than currently expected.

Mining:

Contractor performance – Currently the Company has opted for a contract miner option and operation of the mine is reliant on contractor performance. The mine plan, mining method and contractor performance can be impacted by ground conditions, updates in geological information, such as faults and structures, resource definition and the presence of water.

Geological interpretation – The mine schedule is based on resource estimation and any scheduling is based on geological interpretation.

Infrastructure, logistics and transportation:

The Company's business depends on adequate infrastructure, including reliable power sources, water supply, roads, and other infrastructure. Water shortages, power outages, sabotage, community, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's business, financial condition, and results of operations.

Significant current infrastructure is already in place. Risks such as adverse weather, forest fires and other climatic risks may impact this infrastructure.

Future infrastructure development that may be required could be impacted by climatic risks.

Site access and road usage – limiting road traffic and access to the site is an environmental and safety risk which will be mitigated during operations by completing construction of the camp which will accommodate the bulk of mining resources or labour. Material and equipment deliveries will be managed or controlled through the Salmon warehouse to ensure deliveries to site are coordinated.

Permitting:

Permitting risks include demonstrating the effectiveness of the pump-back system/groundwater capture zone prior to initiating mining activities below the water table, the ability of the water treatment plant to meet agency compliance, and the submittal and approval of various plans to the relevant agencies and the uncertainty in obtaining the necessary approval by these agencies.

In addition, there is risk around the outcome of the Point of Compliance issued by the State of Idaho regarding groundwater quality threshold levels for the project. There is risk around the uncertainty of regulatory or rule changes by the State of Idaho or the United States federal government during construction and/or operations that may apply to the site.

Procurement, construction and execution:

As part of project development risks associated with supply chain, sourcing of materials and equipment and deliveries can impact project cost and schedule.

Construction activities can be impacted by sourcing of contractors and workforce, site conditions and weather, delivery of materials and equipment and site productivity

Construction of environmental systems – environmental systems and early works include completion of the portal bench, miners' dry and mining infrastructure, commissioning of the water treatment plant and pump-back systems. Certain aspects of this work are affected by seasonal construction access.

Commissioning:

Catastrophic failure of equipment in the initial start-up and commissioning phase, technical difficulties in achieving expected recoveries and concentrate qualities expected in the concentrate flowsheet during start-up activities, and the ability to attract and retain adequate workforce through the start-up commissioning and operations phase of the project could impact project cost and schedule.

Marketing:

The cobalt at ICO is contained within cobaltite, a mineral composed of cobalt, arsenic, and sulphur. The ICO cobalt concentrate therefore contains elevated arsenic, as the arsenic cannot be separated from cobalt using conventional sulphide flotation methods. The marketability of the ICO concentrate is more limited due to the arsenic which requires specialised and safe extraction.

Arsenic will also deport to the copper concentrate, in quantities likely sufficient to trigger penalties from customers (which were incorporated into the ICO BFS marketing assumptions), but not in adequate volumes to affect the marketability of the concentrate or to render it a "complex" material for global copper smelters.

Coronavirus (COVID-19) and global health crisis:

The COVID-19 global pandemic and efforts to contain it may have an impact on the Company's business. These may extend to local impacts at the operational level, international travel restrictions, together with the broader global economic fallout. The Company continues to monitor the situation and the impact COVID-19 may have on the Company's mineral properties and refinery assets. Should the virus spread, travel bans remain in place or should one or more of the Company's executives become seriously ill, the Company's ability to advance its mineral properties or refinery assets may be impacted. Similarly, the Company's ability to obtain financing and the ability of the Company's vendors, suppliers, consultants, and partners to meet obligations may be impacted as a result of COVID-19 and efforts to contain the virus.

Global operating footprint and Russian Federation invasion of Ukraine:

The recent invasion by the Russian Federation of Ukraine, the resulting economic sanctions and the potential escalation or expansion of the invasion and the global response to it may have an impact on the Company's business. It may result from a broader global economic fallout and its impact on commodity prices including their price discovery mechanisms, credit markets and commercial counterparty risk or have more local impacts at the operational level. The Company continues to monitor the situation and the impact the invasion, resulting sanctions and potential escalation or expansion may have on the Company. The Company's ability to obtain financing and the ability of the Company's vendors, suppliers, customers, and partners to meet obligations may be impacted as a result of the invasion, the resulting sanctions and potential escalation or expansion. Similarly, the Company's ability to advance our stated strategy and business plan and commodity prices may be impacted.

The Director confirms that they have considered all currently known impacts related to the conflict and related sanctions in Ukraine, Russia and/or Belarus when preparing the financial statements and no material adverse impacts on the operations of the Company were identified.

Commodity prices:

The Company is not currently a producing entity so is not directly exposed to fluctuations in commodity prices although these will affect equity market sentiment, the value of its securities and its ability to raise further capital on desired terms. As the Company transitions to become a producer this risk will become the most material factor affecting its financial results.

The development of the Company's properties is dependent on the future prices of cobalt and copper. Once the Company's properties enter commercial production, the Company's profitability will be significantly affected by changes in the market prices of cobalt and copper.

Metal prices are subject to volatile price movements, which can be material and occur over short periods of time and which are affected by numerous factors, all of which are beyond the Company's control. Such factors include, but are not limited to, interest and exchange rates, inflation or deflation, fluctuations in the value of the United States dollar and foreign currencies, global and regional supply and demand, speculative trading, the costs of and levels of metal production, and political and economic conditions.

Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems, the strength of and confidence in the United States dollar (the currency in which the prices of metals are generally quoted) and political developments. The effect of these factors on the prices of precious metals, and therefore the economic viability of the Company's mineral properties, cannot be accurately determined. The prices of cobalt and copper have historically fluctuated widely, and future price declines could cause the development of (and any future commercial production from) the Company's mineral properties to be impracticable or uneconomic. As such, the Company may determine that it is not economically feasible to commence commercial production, which could have a material adverse impact on the Company's financial performance and results of operations. In such a circumstance, the Company may also curtail or suspend some or all of its exploration activities.

Reliance on management:

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its Director, officers or other qualified personnel required to operate its business, however, it does have a short-term incentive plan and long-term incentive plan in place to assist in the retention of its senior management.

Financing Risks:

The Company may require financing in the future to continue to develop its business and there can be no assurance that such financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares, control of the Company may change, and investors may suffer additional dilution. To the extent financing is not available, lease payments, work commitments and rental payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

Environmental risks and other regulatory requirements:

The activities of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining operations, such as seepage from tailings disposal areas, which would result in environmental pollution.

A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations, including the development of the Company's mineral property, may require the submission and approval of environmental impact assessments. Environmental legislation is evolving to stricter standards, and enforcement, fines and penalties for noncompliance are more stringent.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and Directors, officers, and employees. The cost of compliance with changes in governmental regulations has potential to reduce the profitability of operations.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining and mineral processing activities may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current environmental laws, regulations and permits governing operations and activities of mining and metallurgical processing companies may change. Regulatory requirements surrounding site reclamation and remediation activities, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of operational production, or require abandonment or delays in the development of new sites. There are no current amendments that the Company is aware of that may impact the assets of the Company.

Influence of third-party stakeholders:

Assets in which the Company holds an interest, including fixed assets and infrastructure / utilities, which the Company intends to utilise in carrying out its general business mandates, may be subject to interests or claims by third-party individuals, groups, or companies. If such third parties assert any claims, the Company's' activities may be delayed even if such claims are not meritorious. Such claims may result in significant financial loss and loss of opportunity for the Company.

Insurance:

Exploration, development, and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, ground or slope failures, fires, environmental occurrences and natural or climate change related phenomena such as prolonged periods of inclement weather conditions, floods and wildfires.

It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage to the Company's' properties or the properties of others, delays in exploration, development or mining operations, supply chain disruptions, monetary losses, and possible legal liability.

Should such liabilities arise, they could reduce or eliminate future profitability and result in increasing costs and a decline in the value of the securities of the Company. If the Company is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter costly interim compliance measures pending completion of a permanent remedy. The lack of, or insufficiency of, insurance coverage could adversely affect the Company's future cash flow and overall profitability.

Competition risk in the market in which the Company operates:

The Company may be unable to acquire additional attractive mining assets on terms it considers acceptable. In addition, the Company's ability to consummate and to effectively integrate any future acquisitions on terms that are favourable to the Company may be limited by the number of attractive acquisition targets, internal demands on resources, competition from other companies and, to the extent necessary, the Company's ability to obtain financing on satisfactory terms, if at all.

Community and stakeholder relations:

The Company's relationships with the community in which it operates are critical to ensure the future success of its existing operations and the construction and development of its project. The future success of the Company is reliant on a healthy relationship with local communities in which the Company operates. While the Company is committed to operating in a socially responsible manner, there is no guarantee that its efforts will be successful, in which case interventions by third parties could have a material adverse effect on the Company's business, financial position and operations.

Climate change risks:

The main climate change risks are associated with changes in the frequency, intensity, spatial extent, duration, and timing of weather and climate events and conditions. Potential effects, such as those related to flooding, droughts, forest fires, insect outbreaks, erosion, landslides, and others, may pose risks to operations and their safety, environmental, social and financial performance.

Potential adverse effects may occur in terms of geotechnical stability, water supply systems and water balance, working conditions (humidity, heat stress), construction schedules, site access, reclamation as well as supply chain disruptions (e.g., access to inputs, shipping of products), among others.

Economic implications of climate change may pose additional risks through reduced global demand for products and increased costs of inputs, among others. Although, through its expanding ESG regime, the Company is taking steps to mitigate its carbon emissions and assess and respond to climate change risks within its business and management processes, the nature and intensity of potential adverse impacts of climate change cannot be precisely ascertained.

Operations are subject to human error:

Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage the Company's interests, and even when those efforts are successful, people are fallible and human error could result in significant uninsured losses to the Company. These could include loss or forfeiture of mineral claims or other assets for non-payment of fees or taxes, significant tax liabilities in connection with any tax planning effort the Company might undertake and legal claims for errors or mistakes by Company personnel.

Calculation of mineral resources and mineral reserves:

There is a degree of uncertainty attributable to the calculation of mineral reserves, mineral resources and corresponding grades being mined or dedicated to future production. Until mineral reserves or mineral resources are actually mined and processed, the quantity of mineral reserves or mineral resources and grades must be considered as estimates only. In addition, the quantity of mineral reserves or mineral resources may vary depending on mineral prices. Any material changes in the quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the Company's property. In addition, there can be no assurance that mineral recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Pre-existing environmental liabilities:

Pre-existing environmental liabilities may exist on the property in which the Company currently holds an interest or on properties that may be subsequently acquired by the Company which are unknown to the Company and which have been caused by previous or existing owners or operators of the properties. In such event, the Company may be required to remediate these properties and the costs of remediation could be substantial. Further, in such circumstances, the Company may not be able to claim indemnification or contribution from other parties. In the event the Company was required to undertake and fund significant remediation work, such event could have a material adverse effect upon the Company.

Project delay:

The Company has a significant investment planned to complete construction at ICO. There are a number of risks inside and outside its control, such as availability of suitable financing, technical risk, infrastructure and logistics constraints, construction delays, cost overruns, insufficient labour skills or resources, delays in confirmatory permitting to move into construction then the commissioning and operating phases, or any other regulatory matters. Once complete given the risks outlined previously, there is no guarantee the results of ICO will be sufficient to offset such capital expenditures and generate adequate investor return.

Licenses, permits and titles:

The Company holds permits for the operation of the ICO project. Each of these have certain requirements and obligations attached to them which, if not met, will result in the Company losing the rights to operate in these land areas and the resulting negative impact to the future prospects of the Company.

There is no guarantee that title to the Company's mining leases, exploration licenses, environmental licenses and other tenure of property will not be challenged or impugned. The Company's tenure, permits and licenses may be subject to prior unregistered agreements, transfers, leases or native land claims and title may be affected by such unidentified or unknown claims or defects.

Furthermore, any concession, permit or license may be withdrawn or the terms and conditions thereof be changed by the relevant authority if the Company does not comply with its obligations under applicable laws or such specific concession, permit or license or if there otherwise are compelling reasons, (e.g., effects of the operations that could not have been foreseen at the time of authorization of such concessions, permits and licenses).

Mining tenements are subject to expenditure and work commitments which must be complied with in order to keep the tenements in good standing. In certain circumstances, these commitments may be varied at the discretion of the relevant mining authority. Failure to meet these commitments could lead to forfeiture of the tenement.

Where tenement expenditures and work commitments or other regulatory requirements are not complied with, regulatory exemptions may need to be applied for within specified periods. Should exemptions not be applied for in time or are applied for in time but are not ultimately granted, fines may be payable to avoid the tenements being forfeited or, in extreme cases, the tenements may be forfeited.

Obtaining the necessary governmental licenses or permits is a complex and time-consuming process. There can be no assurance that the Company will be able to maintain or obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations or refinery activities at its projects.

This could materially and adversely affect its business, results of operations, financial conditions, or prospects. The ICO project will require certain permits through construction and commissioning.

Land title:

No assurances can be given that there are no title defects affecting the property in which the Company has an interest. The Company's mineral property may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects.

Other parties may dispute title to the property, or the property may be subject to prior unregistered agreements and transfers or land claims by Indigenous people. Title may also be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of the Company's properties and the precise area and location of claims and other mineral rights may be challenged.

The Company may not be able to register rights and interests it acquires against title to applicable mineral properties. An inability to register such rights and interests may limit or severely restrict the Company's ability to enforce such acquired rights and interests against third parties or may render certain agreements entered into by the Company invalid, unenforceable, uneconomic, unsatisfied or ambiguous, the effect of which may cause financial results yielded to differ materially from those anticipated. Although the Company believes it has taken reasonable measures to ensure proper title to its mineral properties, there is no guarantee that such title will not be challenged or impaired.

7. Events subsequent to reporting date

On 7 February 2022, the Company completed the first US$50.0 million drawdown of the US$100.0 million senior secured bond facility, with these funds being used exclusively for ongoing construction of ICO.

The Directors of the Company have not identified any other subsequent events in the interval between the end of the financial period and the date of this report, which would be material or unusual in nature, and likely to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

8. Likely developments and expected results of operations

The Company will continue to complete the construction of ICO and transition toward commercial production. There are no significant changes in the nature or size of operations expected.

9. Indemnity and insurance of officers

The Company has indemnified the Director of the Company for costs incurred, in their capacity as a Director, for which they may be held personally liable, except where there is a lack of good faith.

10. Going concern basis of accounting

The Company holds a Letter of Comfort issued by Jervois Global Limited ("Jervois"), the ultimate parent of the Company, under the approval of the Board of Directors, that states that Jervois accepts the responsibility for arranging to provide sufficient financial assistance to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations for a period of not less than one year from the date of signing of these financial reports

11. Indemnity of auditor

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 Australia during or since the financial year.

Signed in accordance with a resolution of the Director:

Dated at Melbourne this 1st day of April 2022.

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Bryce Crocker
Director

JERVOIS MINING USA LIMITED

Statement of Financial Position

As at 31 December 2021

	Note	31 December 2021 US$'000	31 December 2020 US$'000	1 January 2020 US$'000
Current assets				
Cash and cash equivalents	7	779	188	43
Funds held in escrow	11	113,500	-	-
Prepayments		761	298	55
Receivables with other group entities	17	316	-	-
Inventories		15	60	60
Financial assets at fair value through profit or loss	11	1,834	-	-
Total current assets		117,205	546	158
Non-current assets				
Property, plant, and equipment	9	115,116	85,154	50,162
Exploration and evaluation		-	-	32,933
Intangible assets		219	323	273
Receivables with other group entities	17	-	5,090	1,240
Total non-current assets		115,335	90,567	84,608
Total assets		232,540	91,113	84,766
Current liabilities				
Trade and other payables	10	10,631	152	425
Employee benefits		-	10	88
Payables with other group entities	17	200	-	-
Borrowings	11	96,084	80	110
Total current liabilities		106,915	242	623
Non-current liabilities				
Payables with other group entities	17	101,508	119,047	111,760
Asset retirement obligation	12	7,727	7,562	8,036
Total non-current liabilities		109,235	126,609	119,796
Total liabilities		216,150	126,851	120,419
Net assets/liabilities		16,390	(35,738)	(35,653)
Equity				
Share capital	13	122,708	39,513	39,513
Reserve		(24,813)	-	-
Accumulated losses	14	(81,505)	(75,251)	(75,166)
Total equity attributable to equity holders of the Company		16,390	(35,738)	(35,653)

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

JERVOIS MINING USA LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	31 December 2021 US$'000	31 December 2020 US$'000
Other income		89	44
Other gains	4	901	-
		990	44
Administrative expenses		(151)	-
Communication expenses		(95)	-
Employee benefits expenses		(1,215)	-
Share-based payments	15	(183)	-
Professional fees		(50)	(26)
Securities quotation fees		(79)	(13)
Other expenses		(486)	(7)
Depreciation and amortisation		(208)	(156)
Asset write-down	9	(5,852)	-
Gain/(loss) on sale of property, plant, and equipment	5	655	(13)
Net foreign exchange (loss)/gain		(11)	7
Interest expense		(56)	(920)
Interest income		487	999
Loss before income tax expense		(6,254)	(85)
Income tax expense		-	-
Loss for the period		(6,254)	(85)

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

JERVOIS MINING USA LIMITED
Statement of Changes in Equity
For the year ended 31 December 2021

	Share capital US$'000	Accumulated losses US$'000	Group re-organisation reserve	Total US$'000
Balance as at 1 January 2021	39,513	(75,251)	-	(35,738)
Loss for the period	-	(6,254)	-	(6,254)
Loss on novation of receivables with other group entities	-	-	(24,813)	(24,813)
Increase of capital account	83,195	-	-	83,195
Balance as at 31 December 2021	122,708	(81,505)	(24,813)	16,390

	Share capital US$'000	Accumulated losses US$'000	Total US$'000
Balance as at 1 January 2020	39,513	(75,166)	(35,653)
Loss for the period	-	(85)	(85)
Balance as at 31 December 2020	39,513	(75,251)	(35,738)

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

JERVOIS MINING USA LIMITED
Statement of Cash Flows
For the year ended 31 December 2021

	Note	31 December 2021 US$'000	31 December 2020 US$'000
Cash flows from operating activities			
Other income		89	44
Payments to suppliers and employees		(1,806)	(91)
Interest paid		-	(25)
Net cash outflow from operating activities	8	(1,717)	(72)
Cash flows from investing activities			
Payments for property, plant, and equipment		(25,983)	(3,280)
Payments for software		-	(117)
Proceeds from sale of fixed assets	5	655	374
Net cash outflow from investing activities		(25,328)	(3,023)
Cash flows from financing activities			
Additions to payables with other group entities		46,066	3,270
Repayment of borrowings		(80)	(30)
Transfer to funds held in escrow		(15,500)	-
Transaction costs related to loans and borrowings		(2,850)	-
Net cash inflow from financing activities		27,636	3,240
Net increase in cash and cash equivalents		591	145
Cash and cash equivalents at the beginning of the period		188	43
Cash and cash equivalents at the end of the period		779	188

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

1. Corporate information

The financial statements cover Jervois Mining USA Limited (the "Company") at the end of, or during, the twelve months ended 31 December 2021 (the "period"). The financial statements are presented in United States dollars, which is Company's functional and presentation currency. The financial statements were authorised for issue on 1 April 2022 accordance with a resolution of the Director.

2. Basis of preparation

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASB"), adopted by the Australian Accounting Standards Board. The financial statements comply with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board. These financial statements have been rounded to the nearest thousands.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are recognised at fair value. Cost is based on the fair values of the consideration given in exchange for assets. Where necessary, comparative figures have been reclassified and repositioned for consistency with the current year disclosures.

(c) Going concern basis of accounting

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

The Company holds a Letter of Comfort issued by Jervois Global Limited ("Jervois"), the ultimate parent of the Company, under the approval of the Board of Directors, that states that Jervois accepts the responsibility for arranging to provide sufficient financial assistance to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations for a period of not less than one year from the date of signing of these financial reports

The Director confirms that they have considered all currently known impacts related to the conflict and related sanctions in Ukraine, Russia and/or Belarus when preparing the financial statements and no material adverse impacts on the operations of the Company were identified.

At the date of this report, and having considered the above factors, the Director is confident of the Company's ability to continue as a going concern and the commitment of the parent entity to provide ongoing financial support.

(d) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues, and expenses. Management bases its judgements, estimates and assumptions on historical experience and other factors, including expectations of future events management believes to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial period and that have the most significant effect on the amounts recognised in the financial statements are described below:

Property, plant, and equipment

Expenditures for new facilities or equipment that extend the useful lives of existing facilities or equipment are capitalised and recorded at cost. Facilities and equipment acquired as part of a lease, build-to-suit or other financing arrangements are capitalised and recorded based on the contractual lease terms. The facilities and equipment are depreciated using the straight-line method at rates sufficient to depreciate capitalised costs over the estimated productive lives of such facilities. These estimated productive lives do not exceed the related estimated mine lives, which are based upon proven and probable reserves.

Asset retirement obligation

The Company records a provision for the estimated future costs of site reclamation and closure of operating projects, which are discounted to net present value using the risk-free interest rate applicable to the future cash outflows. Judgement is used to estimate future costs which incorporate assumptions on the effects of inflation on those future costs, movements in foreign exchange rates, and other specific risks associated with the related liabilities.

Taxation

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to profit or loss.

(e) New or amended Accounting Standards and Interpretations adopted

The Company has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. A summary of significant standards follows:

Amendments to AASB 9, AASB 7, AASB 4, AASB 16 and AASB 139 – Interest Rate Benchmark Reform – Phase 2

The amendment addresses issues that may affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in the standards relating to changes in the basis for determining contractual cash flows of financial assets, liabilities and lease liability and hedge accounting. The Company adopted this amendment to AASB effective 1 January 2021, and the impact is not material.

Apart from the above, other accounting standards, amendments and interpretations that have been issued and will be applicable in future periods have been considered, however their impact is not considered material.

(f) Accounting Standards issued but not yet effective

A number of new and amended accounting standards and interpretations have been recently issued by the Australian Accounting Standards Board but not yet effective at 31 December 2021. These new or amended accounting standards and interpretations have not been early adopted and the Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures. These new and amended accounting standards will be adopted by the Company when they become effective.

3. Summary of significant accounting policies

The accounting policies have been consistently applied by the Company and are consistent with those applied in the prior year.

Other income

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Asset retirement obligation

The Company records a provision for the estimated future costs of site reclamation and closure of operating projects, which are discounted to net present value using the risk-free interest rate applicable to the future cash outflows. Estimates of future costs represent management's best estimate which incorporate assumptions on the effects of inflation for those future costs, movements in foreign exchange rates, other specific risks associated with the related liabilities. A provision for reclamation and closure is re-measured at the end of each reporting period for changes in estimates and circumstances. Changes in estimates and circumstances include changes in legal or regulatory requirements, increased obligations arising from additional mining activities, changes to cost estimates and changes to the risk-free interest rate. A provision for site reclamation and closure cost obligations is accreted over time to reflect the unwinding of the discount with the accretion expense included in finance costs. Reclamation and closure cost obligations relating to mine development projects are initially recorded with a corresponding increase to the carrying amounts of related mining properties.

Trade, other and inter-group receivables

Trade, other and inter-group receivables represent outstanding customer and inter-group balances less any provision for impairment at the end of a reporting period and are recorded when revenue is recognised. An assessment of the business model for managing the receivables is required to determine the appropriate classification and measurement. The business model pertaining to those receivables that do not contain provisional pricing features is to hold the assets to collect the contractual cash flows and as such, these financial assets are classified as at amortised cost. Other receivables are recognised at amortised cost, less any provision for impairment.

Financial assets other than receivables

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the Company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Property, plant, and equipment

All classes of property, plant, and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant, and equipment (excluding land) over their expected useful lives as follows:

Buildings	5-30 years
Motor vehicles	5 years
Office equipment	4-20 years
Plant and equipment	4-20 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. An item of property, plant, and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Assets under construction
Expenditure is transferred from exploration and evaluation assets to assets under construction, which is a sub-category of property, plant, and equipment, once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in assets under construction. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in profit or loss and other comprehensive income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Software	5 years

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. These assets are classified as tangible assets in the statement of financial position. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

The carrying value relating to an area of interest is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

The value of research and development tax incentives received in relation to exploration assets is recognised by deducting the grant when arriving at the carrying value of the asset. As any site moves into operational mode, exploration and evaluation assets are reclassified as mine properties and accordingly amortised using units of production method over the life of mine.

As site operations transition from the exploration stage to development of mining operations (i.e. construction stage), exploration and evaluation expenditures are reclassified as assets under construction. These exploration and evaluation assets are assessed for impairment prior to reclassification as assets under construction. Assets under construction are considered a subset of property, plant, and equipment and are depreciated accordingly as commercial production commences.

Financial liabilities

Financial liabilities are initially recognised at fair value, net of directly attributable transaction costs incurred. Financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Goods and Services Tax ("GST") and other similar taxes

Revenues, expenses, and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the tax authority are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered, or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

First-time adoption of Australian Accounting Standards

These financial statements, for the year ended 31 December 2021, are the first the Company has prepared in accordance with AASB.

Accordingly, the Company has prepared financial statements that comply with AASB applicable as at 31 December 2021, together with the comparative period data for the year ended 31 December 2020, as described in the summary of significant accounting policies. In preparing the financial statements, the Company’s opening statement of financial position was prepared as at 1 January 2020.

As the Company has become a first-time adopter later than its parent, the Company has measured its assets and liabilities at the carrying amounts required by the rest of AASB 1 *First-time Adoption of Australian Accounting Standards*, based on the Company's date of transition to AASB. In adopting this approach, the Company has elected to apply the Deemed Cost exemption to measure property, plant, and equipment at the date of transition to AASB at its carrying amount and use that carrying amount as its deemed cost at that date.

4. Other gains

	31 December 2021 US$’000	31 December 2020 US$’000
Net fair value gain on financial assets at fair value through profit or loss (note 11)	901	-
Total other gains	901	-

5. Gain/(loss) on sale of property, plant, and equipment

	31 December 2021 US$’000	31 December 2020 US$’000
Gain/(loss) on sale of property, plant, and equipment	655	(13)

During the current year, the Company sold a portable crusher which was written off in prior years.

6. Auditors' remuneration

	31 December 2021 US$'000	31 December 2020 US$'000
Fees to Ernst & Young (Australia)		
Fees for other services:		
- Tax compliance	22	-
Total fees to Ernst & Young (Australia)	22	-

Fees for auditing the statutory financial report are still under discussion and will be paid by Jervois, the ultimate parent of the Company, on behalf of the Company when the fees are finalised.

7. Cash and cash equivalents

	31 December 2021 US$'000	31 December 2020 US$'000
Bank balances	779	188
Total cash and cash equivalents	779	188

8. Reconciliation of cash flows from operating activities

	31 December 2021 US$'000	31 December 2020 US$'000
Cash flows from operating activities		
Loss for the period	(6,254)	(85)
Adjustments for:		
Share-based payments	183	-
Depreciation and amortisation	208	156
Asset write-down	5,852	-
(Gain)/loss on sale of fixed assets	(655)	12
Fair value gain on financial assets at fair value through profit or loss	(901)	-
Other	(432)	(78)
Changes in working capital		
Decrease in inventories	45	-
Increase in trade and other payables that relate to operating activities	247	-
Decrease in provisions	(10)	(77)
Net cash outflow from operating activities	(1,717)	(72)

9. Property, plant, and equipment

	Property, plant, & equipment US$'000	Office equipment, furniture & fittings US$'000	Motor vehicles US$'000	Assets under construction US$'000	Total US$'000
31 December 2021					
Cost					
As at 1 January 2021	1,194	202	182	84,356	85,934
Additions for the period	-	-	423	35,495	35,918
Asset write-down	-	-	-	(5,852)	(5,852)
As at 31 December 2021	1,194	202	605	113,999	116,000
Depreciation and impairment					
As at 1 January 2021	(527)	(154)	(99)	-	(780)
Depreciation charge for the period	(35)	(21)	(48)	-	(104)
Asset write-down	-	-	-	-	-
As at 31 December 2021	(562)	(175)	(147)	-	(884)
Net book value:					
As at 31 December 2021	632	27	458	113,999	115,116
31 December 2020					
Cost					
As at 1 January 2020	1,618	202	182	48,889	50,891
Additions for the period				-	-
Transfer from exploration and evaluation				35,467	35,467
Disposals for the period	(424)	-	-	-	(424)
Asset write-down	-	-	-	-	-
As at 31 December 2020	1,194	202	182	84,356	85,934
Depreciation and impairment					
As at 1 January 2020	(524)	(133)	(72)	-	(729)
Depreciation charge for the period	(40)	(21)	(27)	-	(88)
Disposals for the period	37	-	-	-	37
As at 31 December 2020	(527)	(154)	(99)	-	(780)
Net book value:					
As at 31 December 2020	667	48	83	84,356	85,154

10. Trade and other payables

	31 December 2021 US$'000	31 December 2020 US $'000
Trade payables	510	34
Other payable	5,849	-
Accruals (i)	4,022	118
Deferred revenue	250	-
Total trade and other payables	10,631	152

(i) Accruals consist primarily of items relating to the development of ICO.

11. Borrowings

	Interest rate	Maturity date	Principal US$'000	31 December 2021 Carrying amount US$'000
Senior secured bonds	12.5%	20-Jul-26	100,000	96,084
Total borrowings				96,084

	1 January 2021 Carrying amount US$'000	Cash flows US$'000	Non-cash flows US$'000	31 December 2021 Carrying amount US$'000 US$'000
Senior secured bonds	-	-	96,084	96,084
Total borrowings	-	-	96,084	96,084

(i) On 20 July 2021 (the "Issue Date"), the Company completed settlement of a US$100.0 million senior secured bond (the "Bonds"). The Bonds were issued by the Company (the "Issuer"), and are administered by the bond trustee, Nordic Trustee AS. The coupon rate is 12.5% per annum, with interest payable bi-annually in arrears.

Upon settlement, the proceeds of the Bonds were deposited into an escrow account, whilst the first year's interest payment of US$12.5 million was deposited into a debt service account, both pursuant to the terms and conditions of the bond facility (the "Bond Terms"). These have been classified as "funds held in escrow" in the statement of financial position as at 31 December 2021.

Following the satisfaction of certain pre-disbursement conditions precedent, the proceeds are to be applied towards capital expenditures, operating costs and other costs associated with the construction of ICO and bringing it into production. The Bonds have been classified as a current liability in the statement of financial position until satisfaction of the pre-disbursement conditions precedent results in drawdown of the proceeds from the escrow account.

The Bond Terms contain an option for the Issuer to call the Bonds from year three (defined in the Bond Terms as the "First Call Date") until maturity. The Issuer may redeem all or some of the outstanding Bonds on any business day from and including: (i) the Issue Date to, but not including, the First Call Date at a price equal to the "Make Whole Amount" (see below); (ii) the First Call Date to, but not including, the interest payment date in January 2025 at a price equal to 107.81% of the nominal amount for each redeemed Bond; (iii) the interest payment date in January 2025 to, but not including, the interest payment date in July 2025 at a price equal to 104.69% of the nominal amount for each redeemed Bond; (iv) the interest payment date in July 2025 to, but not including, the interest payment date in January 2026 at a price equal to 101.56% of the nominal amount for each redeemed Bond; and (v) the interest payment date in January 2026 to, but not including, the maturity date at a price equal to 100% of the nominal amount for each redeemed Bond.

In addition, the Issuer has the option of calling the Bonds between the Issue Date and the First Call Date for an amount defined in the Bond Terms as the "Make Whole Amount". The Make Whole Amount means an amount equal to the sum of the present value on the call option repayment date of: (a) 107.81% of the nominal amount of the redeemed Bonds as if such payment originally had taken place on the First Call Date; and (b) the remaining interest payments of the redeemed Bonds, less any accrued and unpaid interest on the redeemed Bonds as at the call option repayment date, to the First Call Date, where the present value shall be calculated by using a discount rate of 0.97%.

This call option gives rise to an embedded derivative, which has been separately valued from the Bonds as the call option was not considered "closely related" to the host instrument. This resulted in the recognition of a separate asset in the statement of financial position as at 31 December 2021, classified as "financial assets at fair value through profit or loss".

(ii) Borrowing costs relating to ICO of US$5.8 million have been capitalised in "Assets under construction" (note 9) during the period at an effective interest rate of 14.1%.

(iii) Fees paid on the establishment of the Bonds (US$2.8 million) are recognised as transaction costs of the facility. These fees are capitalised and amortised over the period of the facility to which they relate.

12. Asset retirement obligation

	31 December 2021 US$'000	31 December 2020 US$'000
Opening reclamation and closure cost balance	7,562	7,562
Movements in economic assumptions and timing of cash flows	165	-
Closing reclamation and closure cost balance	7,727	7,562

The Company's provision for site reclamation and closure relates to ICO and is for disturbance due to construction activity to date. Once mining activity has been advanced, a provision for legal obligations for environmental remediation, reclamation, and decommissioning at the end of the mine life will be established. The undiscounted cash flows of the disturbance due to construction as at 31 December 2021 were US$7.7 million. The discount used to determine the present value of the obligation was nil, based on a US Treasury Bond rate of 1.75% and an inflation rate which exceeded the US Treasury Bond rate. Reclamation activities will primarily be initiated at cessation of mining activities; however, some reclamation will happen concurrently where possible on areas no longer required for the mining operation.

13. Share capital

	31 December 2021 US$'000	31 December 2020 US$'000
Share Capital	122,708	39,513

(i) Movements in fully paid ordinary shares on issue:

	No of shares '000	US$'000
Opening balance at 1 January 2020	400	39,513
Closing share capital balance at 31 December 2020	400	39,513
Movements in 2021		
Increase of capital account	-	83,195
Closing share capital balance at 31 December 2021	400	122,708

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

14. Accumulated losses

	31 December 2021 US$'000	31 December 2020 US$'000
Accumulated losses at the beginning of the year	(75,251)	(75,166)
Loss attributable to the Company	(6,254)	(85)
Accumulated losses at the end of the period	(81,505)	(75,251)

15. Share-based payments

Recognised share-based payment expense

	31 December 2021 US$'000	31 December 2020 US$'000
Expense arising from equity settled share-based payment transactions	183	-

Movements in share-based payment options on issue:

	31 December 2021 Number of options	31 December 2020 Number of options
Balance at the beginning of the period	1,250,000	2,500,000
Granted	3,750,000	2,250,000
Forfeited	(1,750,000)	(3,500,000)
Exercised	-	-
Balance at the end of the period	3,250,000	1,250,000
Vested and exercisable at the end of the period	-	-

Employee options granted

The option plan is administered by Jervois, the ultimate parent of the Company. The principal focus of the option plan is to provide incentivised compensation aligned with creating shareholder value. The option plan offers individuals the opportunity to acquire options over fully paid ordinary shares in Jervois. Share options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share in Jervois subject to satisfying vesting conditions and performance criteria. The shares, when issued, rank pari passu in all respects with previously issued fully paid ordinary shares of Jervois. Option holders cannot participate in new issues of capital which may be offered to shareholders prior to exercise.

During the period, an additional 3,750,000 options were issued to employees as part of the option plan, with 1,750,000 options forfeited and nil options exercised, thus bringing the options issued over ordinary shares in Jervois to 3,250,000 as at 31 December 2021.

Unissued shares under options to employees

As at 31 December 2021 unissued shares of Jervois under option are:

Expiry date	Exercise price (A$)	Number of shares
08/08/2029	0.57	3,250,000

Once exercised, the option holder will be issued ordinary shares in Jervois. The options do not entitle the holder to participate in any share issue of Jervois.

The fair value of the options is estimated at the date of grant using the Black-Scholes model, considering the terms and conditions upon which the options were granted. For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date (A$)	Exercise price (A$)	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
12/07/2021	08/08/2029	0.57	0.57	69.0%	Nil	0.96%	1,273

The expected volatility is based on historical data and reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

16. Financial instruments

Risk management is carried out by the Board of Directors. These policies include identification and analysis of the risk exposure of the Company and appropriate procedures, controls, and risk limits.

The Company holds the following financial instruments:

	31 December 2021 US$'000	31 December 2020 US$'000
Financial assets at amortised cost		
Cash and cash equivalents	779	188
Funds held in escrow	113,500	-
Receivables with other group entities	316	5,090
Total financial assets at amortised cost	114,595	5,278
Financial assets at fair value through profit or loss		
Call options	1,834	-
Total financial assets	116,429	5,278
Financial liabilities at amortised cost		
Trade and other payables	10,631	152
Payables with other group entities	101,708	119,047
Senior secured bonds	96,084	-
Other borrowings	-	80
Total financial liabilities	208,423	119,279

Fair value hierarchy

The Company uses various methods in estimating the fair value of a financial instrument. The different levels are as follows:

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices), or indirectly (i.e., derived from prices)
Level 3	inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Fair value measurement

The categories within the fair value hierarchy of the Company's financial instruments carried at fair value are as follows:

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Call option	-	-	1,834	1,834

The call option relates to the Bonds (see note 11) and was valued using a Bermudan option pricing model, relying on a bond price of US$106.376 as at 31 December 2021, with this price being sourced from Bloomberg. The credit spread was solved such that this resulted in a modelled fair value in line with the issuance of the Bonds as of 31 December 2021. A US$ risk-free rate curve was relied upon as at 31 December 2021, with this curve constructed from market observable quotes including LIBOR-based futures and swap rates. The call frequency assumes the bond can be called at a semi-annual interval which is aligned to the interest payment dates.

The valuation of the call option is not materially sensitive to the underlying valuation inputs.

There were no transfers during the period between any of the levels.

Market risk

Foreign currency risk

Foreign currency risk involves the risk that the fair value or future cash flows of a financial instrument (asset or liability) will fluctuate because of changes in foreign exchange rates. The Company operates primarily within the United States, and the Company is not exposed to material foreign exchange risk.

Price risk

The Company does not currently hold any investments in other listed entities.

Interest rate risk

The Company is exposed to interest rate risk as the Company borrow funds. The Company's exposure to interest rates on financial assets and financial liabilities are detailed below in the liquidity risk management section of this note.

Credit risk

The Company's receivables are made up of receivables from other Group entities and therefore the Company is not exposed to significant credit risk.

Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's other financial liabilities based on contractual undiscounted payments:

31 December 2021	**Less than one year**	**Between one and five years**	**More than five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade and other payables	10,631	-	-	10,631
Payables with other group entities	200	-	101,508	101,708
Senior secured bonds	109,333	-	-	109,333

31 December 2020	**Less than one year**	**Between one and five years**	**More than five years**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Trade and other payables	152	-	-	152
Payables with other group entities	-	-	119,047	119,047
Other borrowings	80	-	-	80

Fair value of financial instruments

The fair value of the senior secured bonds is US$96.1 million as at 31 December 2021.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

17. Related parties

	31 December 2021 US$'000	31 December 2020 US$'000
Current assets		
Receivables from Jervois(i)	316	-
Non-current assets		
Receivables from related parties(ii)	-	2,828
Receivables from a subsidiary(ii)	-	2,262
Current liabilities		
Payables to related parties(i)	200	-
Non-current liabilities		
Payables to parent(ii)	101,508	119,047

(i) The balances are interest free.
(ii) The balances bear interest at a rate of SOFR plus 4% per annum (31 December 2020: LIBOR plus 4 bps) and will mature in 2042.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Related party transactions	31 December 2021 US$'000	31 December 2020 US$'000
Interest expense	(56)	(895)
Interest income	487	999

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Jervois has provided guarantees in relation to the senior secured bonds of the Company.

Compensation of key management personnel of the Company

	31 December 2021 US$'000	31 December 2020 US$'000
Short-term employee benefits	179	33
Post-employment benefits	6	-
Share-based payments	183	1
Total key management personnel compensation	368	34

18. Commitments

31 December 2021	Less than one year US$'000	Between one and five years US$'000	More than five years US$'000	Total US$'000
Property, plant, and equipment	47,404	-	-	47,404

31 December 2020	Less than one year US$'000	Between one and five years US$'000	More than five years US$'000	Total US$'000
Property, plant, and equipment	-	62	-	62

19. Contingencies

The Company had no contingent liabilities as at 31 December 2021 and 31 December 2020.

20. Interest in subsidiaries

Subsidiary	Country of incorporation	31 December 2021	31 December 2020
Essential Metals Corporation	United States	-	100%

21. Events after reporting period

On 7 February 2022, the Company completed the first US$50.0 million drawdown of the US$100.0 million senior secured bond facility, with these funds being used exclusively for ongoing construction of ICO.

The Directors of the Company have not identified any other subsequent events in the interval between the end of the financial period and the date of this report, which would be material or unusual in nature, and likely to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Director's Declaration

1. In the opinion of the Director of Jervois Mining USA Limited ("the Company"):

   a) the financial statements and notes that are set out on pages 9 to 28:

      (i) giving a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the financial period ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

   b) 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. The Director draws attention to note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

3. The Director confirms that the financial statements for the period 1 January up to and including 31 December 2021 have, to the best of the Director's knowledge, been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and that the Director's Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties the Company faces.

Signed in accordance with a resolution of the Director:

Dated at Melbourne this 1st day of April 2022.

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Bryce Crocker

Director

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Melbourne VIC 3000 Australia
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Independent auditor's report to the Director of Jervois Mining USA Limited

Opinion

We have audited the financial report of Jervois Mining USA Limited (the Company), which comprises the statement of financial position as at 31 December 2021 and 31 December 2020, the statement of profit and loss and comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, notes to the financial statements, including a summary of significant accounting policies, and the Director's declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Company as at 31 December 2021 and 31 December 2020 and its financial performance and its cash flows for the years then ended in accordance with Australian Accounting Standards.

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 Company in accordance with 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.

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

The Director is responsible for the other information. The other information is the Director's report accompanying the financial 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.

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

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

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Responsibilities of the Director for the financial report

The Director of the Company is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the Director determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Director is responsible for assessing the Company'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 Director either intends to liquidate the Company 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director.

- Conclude on the appropriateness of the Director's 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 Company'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 Company to cease to continue as a going concern.

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► 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.

We communicate with the Director 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.

Ernst & Young

Ernst & Young

Matthew A. Honey
Partner
Melbourne
1 April 2022