



**EMETALS**  
— LIMITED —

**ABN 71 142 411 390**

**Interim Financial Report**

**31 December 2020**

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Your directors submit the financial report of eMetals Limited ("the Company"), and its controlled entities (Group) for the half-year ended 31 December 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names of directors who held office during or since the end of the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

|               |                        |
|---------------|------------------------|
| Mathew Walker | Executive Director     |
| Gary Lyons    | Non-executive Chairman |
| Teck Wong     | Non-executive Director |

## Review and Results of Operations

### Principal Activities

The principal activity of the Group during the financial period was mineral exploration within Australia.

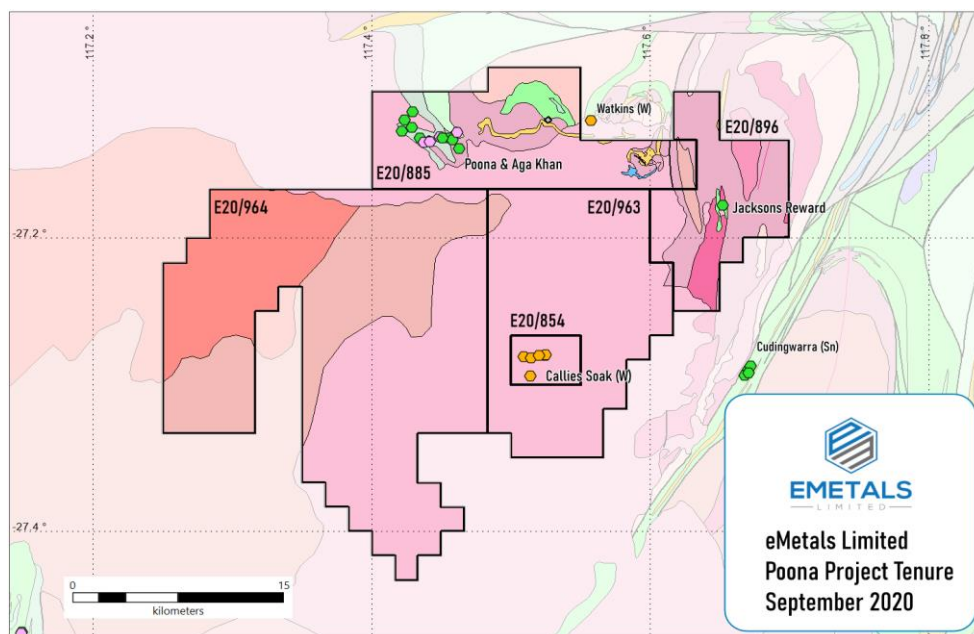
No significant change in the nature of these activities occurred during the financial period.

### Review of Operations

Highlights during the period and since the end of the period include:

#### POONA RARE METALS PROJECT

The Poona Project is prospective for lithium-caesium-tantalum "LCT type" pegmatite mineralisation hosted within the greenstone belts of the Weld Range where they are intruded by the younger Telegoothera Monzogranite and its various intrusive units. The Company acquired E20/896 and E20/885 (90%) on 18 June 2020 and Callies Soak E20/854 in August 2020. It also has two substantial exploration license applications (E20/963 and E20/964).



**Figure 1: eMetals expanded tenure position at Poona Project.**

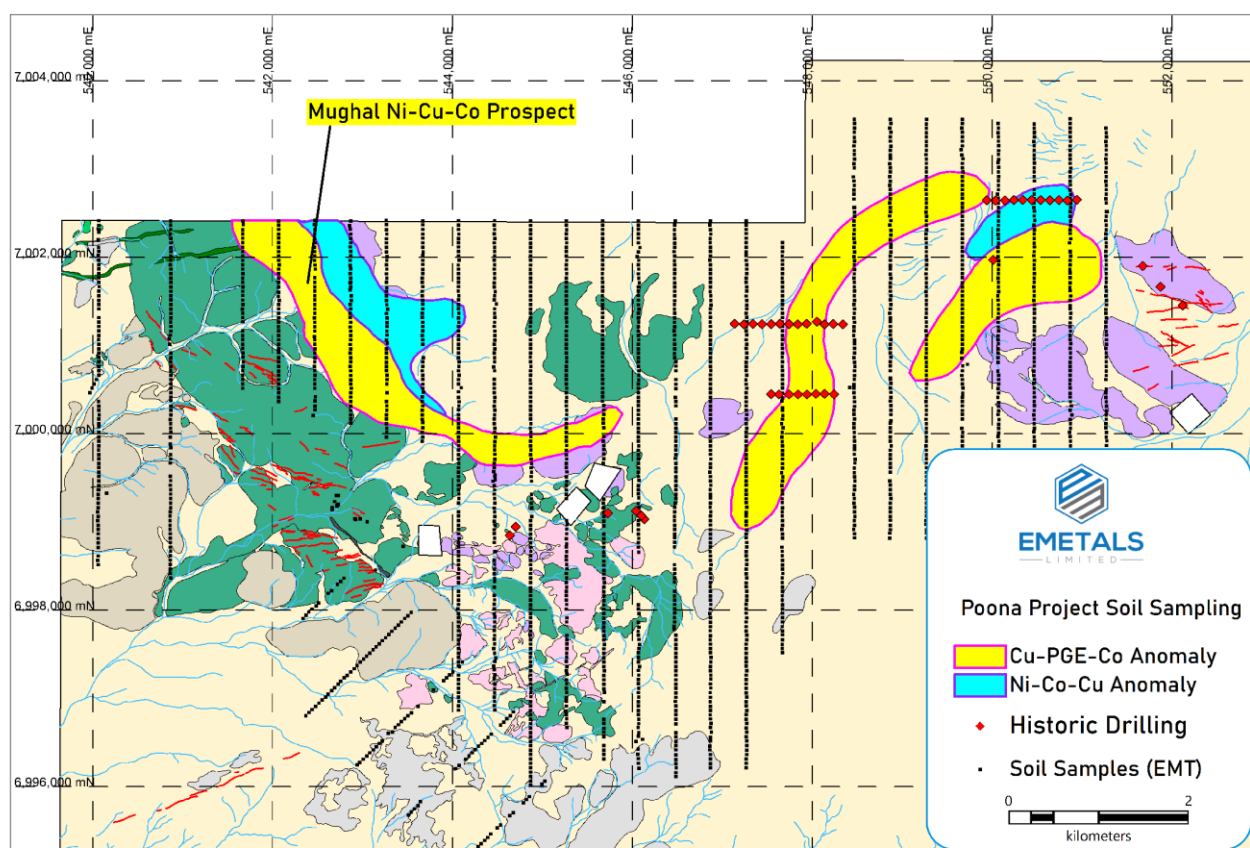
During the period infill soil sampling was conducted on tenement E20/885 to bring the sampling density up to 400m x 50m across the Ni-Cu-PGE prospective stratigraphy of the **Mughal Prospect** and extensions. This involved the collection of an additional 1,950 soil samples and 50 rock chip samples during the period. eMetals exploration of the Poona Project has now totalled the collection of 280 rock chip samples and 2,600 soil samples.

### Mughal Prospect

Results for soil sampling across the Mughal Prospect have defined a >3.4km strike of Ni-Cu-Co-PGE enrichment. The anomalous zones are depicted in Figure 2.

Soil anomalism at Mughal shows a substantial PGE and Cu enrichment associated with a stratigraphic contact between mafic and ultramafic schist. A substantial nickel and cobalt anomalous zone overlies the ultramafic schist, with a peak geochemical value of **0.15% Ni, 240ppm Cu and 380ppm Co**. EMT's interpretation is that this may represent a nickel sulphide mineralised intrusion within the ultramafic schist, underlying a Cu-PGE enriched mafic intrusive zone. This may represent a similar arrangement of rock types and geochemistry to the Parkes Reef (Gnangooragoo Intrusion) where Podium Minerals has identified a 1.3M ounce platinum-palladium resource and attendant Ni-Cu sulphides.

EMT is planning a moving loop EM program to be undertaken during the second half of the year seeking to define conductive bodies or zones within the ultramafic schists which can then be tested by drilling. The Company has engaged geophysical consultants to plan and execute this work and will update the market as work progresses.



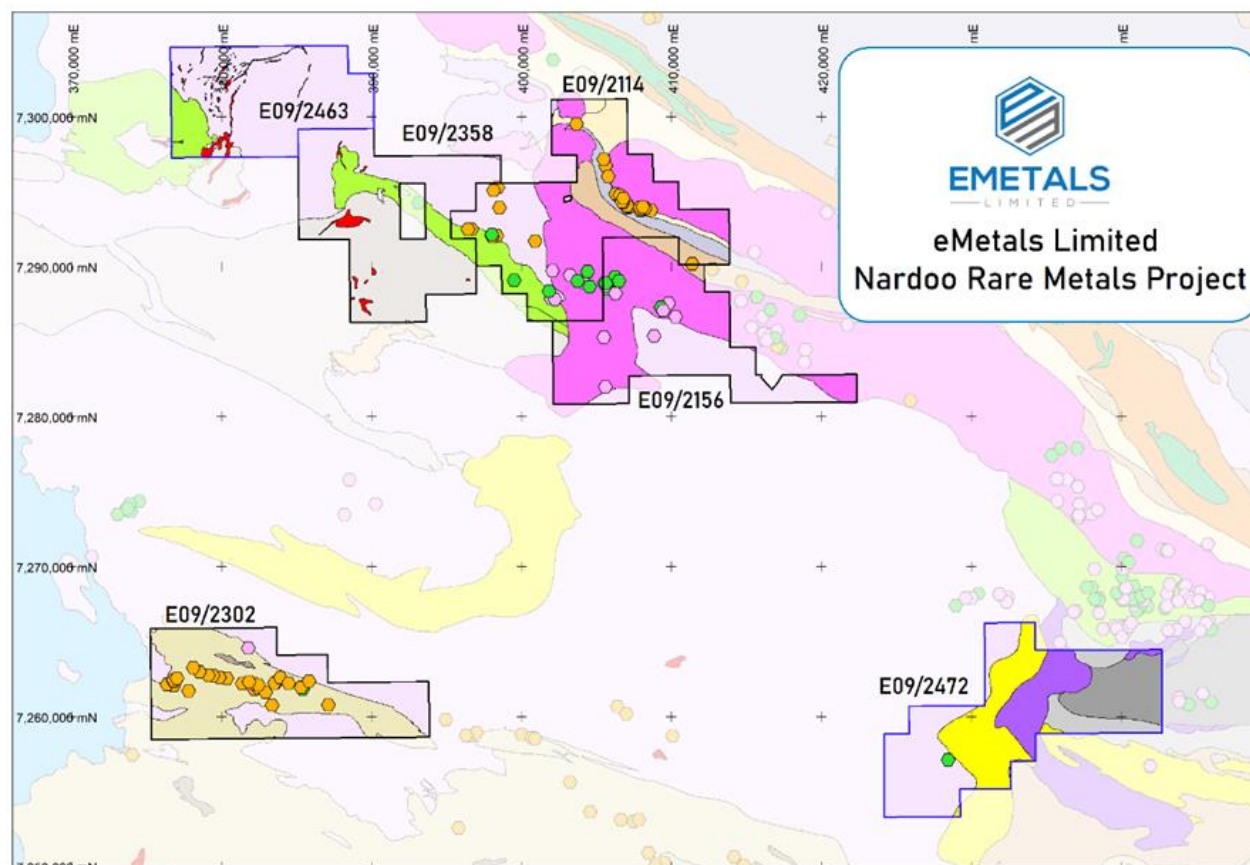
**Figure 2: Ni-Cu-PGE soil geochemical anomalies E20/885**

Rock chip sampling during the period has involved reconnaissance traversing of the Kyarra exploration license applications (E20/963 and E20/964), including investigation of a ~23 kilometre long Proterozoic pyroxenite intrusion which is enriched in Ni, Cu, Co and PGE. The intrusion was confirmed to be ultramafic in character in the western portions, with rock chip sample assays awaited.

Mapping, rock chip sampling and traversing of the Callies Soak tungsten occurrence (E20/854) was undertaken during the second quarter. The Company has identified significant extensions of the host shear zones, tungsten-prospective greisen alteration and pegmatitic structures along strike of the known tungsten occurrences. This includes a significant pegmatite swarm at the western end of the pyroxenite intrusion. Several rock chip samples were taken to test these zones for anomalous geochemistry and assay results are awaited.

### NARDOO RARE METALS PROJECT

The Nardoo Rare Metals Project consists of four granted tenements (E09/2358, E09/2302, E09/2114 and E09/2156) and four tenement applications (E08/3285, E09/2464, E09/2463 and E09/2472) and is prospective for a range of strategic metal and REE mineralisation styles including tungsten and Rare Earth Element bearing skarns.



**Figure 3: Nardoo Rare Metals Project, Tenements at December 2020**

During the period the company withdrew its Camel Hill E09/2407 exploration license application. This tenement was downgraded in prospectivity from Company project generative work and WAMEX data compilation. However, this process identified the Codra Creek E09/2442 area as containing extremely strong REE anomalism in recently released WAMEX geochemical data and an application was placed over the prospective monzogranites.

## Codra Creek E09/2472

The Codra Creek E09/2442 exploration license application contains stream sediment anomalies of up to 0.16% La and >500ppm Ce (Figure 6). The assay method used by the previous explorer had an upper detection limit of 500ppm Ce and no other REE's were assayed for under the laboratory method. Therefore, the true anomaly tenor and REE composition is unknown at this stage. The Company will undertake confirmatory sampling at the first opportunity and attempt to trace the stream anomalies back to a bedrock source.

The Codra Creek EL application also contains a 2.5 kilometre by 1.3 kilometre swarm of pegmatites as interpreted from high-quality aerial photography. These pegmatites have never been sampled. Pegmatites within the vicinity (eg, Wabli Creek) are REE mineralized and this pegmatite swarm is an exciting target.

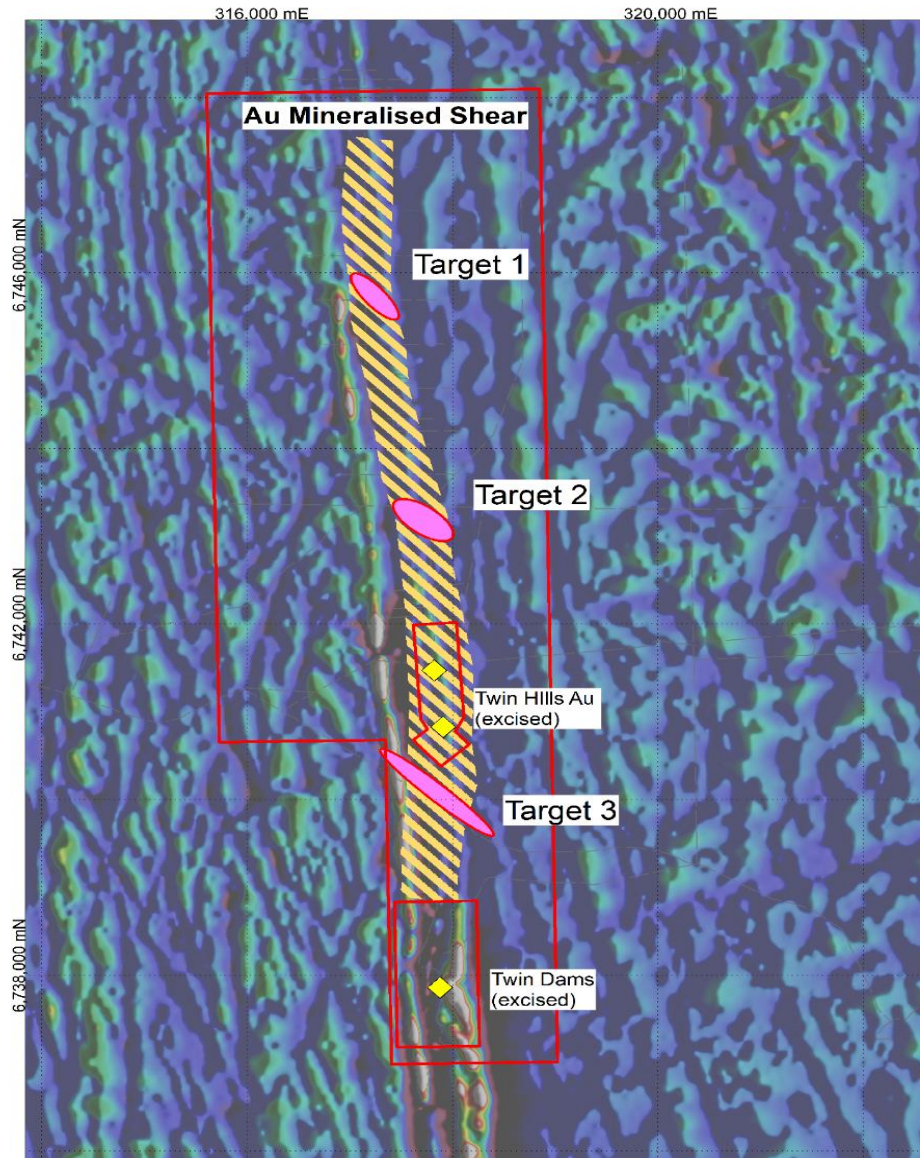
## TWIN HILLS GOLD PROJECT

The Twin Hills Project consists of a single granted exploration license (E29/950) located approximately 30 km north east of Menzies and 150km north of Kalgoorlie in the Eastern Goldfields of Western Australia. The tenement covers an area of approximately 30 km<sup>2</sup> and extends over about 10 km of strike of the greenstone sequence that hosts the excised historical Twin Hills gold mine. The tenement covers the north and south extension of the shear zone which is the interpreted host of mineralisation at Twin Hills.

At Twin Hills the geology is interpreted to be a narrow north-northwest striking Archaean greenstone belt of amphibolite facies chert, metabasalt and ultramafic schist and felsic porphyry dykes, sandwiched between later intrusive granites. Three main fault sets crosscut both greenstones and granites.

Auger drilling at the Project completed in 2020 has defined three target areas associated with gold enrichments lying over structural intersections that are interpreted as prospective for lode gold. The anomalies are defined by auger results forming a coherent cluster at greater than 3 ppb Au against a background of results below the detection limit of 1ppb Au. Please refer Figure 4.





**Figure 4: EMT's second phase auger drilling on E29/950**

These combined target areas defined from both phase one and phase two auger drilling programs are in proximity to north-west trending de-magnetisation zones where they cross the north striking magnetic lineament that defines the Twin Hills Shear. The structures and anomalies are interpreted to potentially represent favorable structural intersections with gold anomalism potentially related to shoots of auriferous quartz lode.

A slimline RC drilling rig has been mobilized by the Company and has begun drilling 15 holes for 1,200m to test the three priority target areas. Results will be announced once assays are received from the laboratory, expected in early March 2021.

## COOKES CREEK PROJECT

The Cookes Creek Project is located in the Pilbara region of Western Australia and is prospective for tungsten mineralization hosted in veins and skarns surrounding the Cookes Creek Granite. The Company has progressed plans to drill the McLeod's Vein prospect and has an approved Program of Works for three RC holes which the Company intends to drill upon heritage clearance.

The Company engaged an appropriately qualified indigenous anthropological consultancy to undertake a heritage and ethnographic survey of the proposed drill sites and access tracks at Cookes Creek. This survey has been completed. The Company continues to consult with the traditional owner groups to finalise the heritage survey report and gain permission to drill McLeod's Vein.

### Tenement schedule

| Tenements | Projects     | No of Shares | Granted    | Expires    | Area (Blocks) |
|-----------|--------------|--------------|------------|------------|---------------|
| E09/2114  | NARDOO WELL  | 100          | 28/08/2015 | 27/08/2025 | 42            |
| E09/2156  | YINNETHARRA  | 100          | 6/02/2017  | 5/02/2022  | 35            |
| E09/2302  | PYRAMID HILL | 100          | 18/05/2020 | 17/5/2025  | 34            |
| E09/2358  | NARDOO WEST  | 100          | 13/03/2019 | 12/03/2024 | 35            |
| E20/0885  | POONA        | 90           | 26/07/2016 | 25/07/2021 | 50            |
| E20/0896  | POONA        | 100          | 9/10/2017  | 8/10/2022  | 32            |
| E20/854   | CALLIES SOAK | 100          | 9/9/2016   | 6/9/2021   | 6             |
| E20/0963  | KYARRA       | 100          | -          | -          | 67            |
| E20/0964  | KYARRA       | 100          | -          | -          | 148           |
| E29/0950  | TWIN HILLS   | 100          | 23/09/2015 | 22/09/2025 | 10            |
| E46/1095  | COOKES CREEK | 100          | 5/04/2017  | 4/04/2022  | 13            |
| E46/1163  | COOKES CREEK | 100          | 8/02/2018  | 7/02/2023  | 3             |
| E09/2464  | WILLI CREEK  | 100          | -          | -          | 69            |
| E09/2463  | EUDAMULLAH   | 100          | -          | -          | 28            |
| E08/3285  | KIMBER WELL  | 100          |            |            | 15            |

### Ordinary shares under option

At the date of this report, there are 20,000,000 options over ordinary shares on issue.



## Significant events after the balance date

On 4 February 2021, the Company announced that it has entered into an agreement to acquire 100% of the fully paid ordinary shares in the capital of SOC Resources Pty Ltd (SOC), the legal and beneficial owner of the three projects, from Pennyweight Minerals Pty Ltd (ACN 641 738 141). SOC is the legal and beneficial holder of three (3) granted exploration licences and one (1) exploration licence application, each located in Western Australia.

In consideration for the acquisition the Company has agreed to issue the Vendor:

- 5,000,000 fully paid ordinary shares in the capital of the Company; and
- 5,000,000 options to acquire fully paid ordinary shares in the capital of the Company, exercisable at \$0.05 on or before 31 December 2022.

The Company also announced the issue of 10,000,000 unlisted options to a Director of the Company with an exercise price of \$0.05 expiring 31 December 2022.

On 5 February 2021, the Company announced that it has issued 9,800,000 fully paid ordinary shares pursuant to the Binding Term Sheet to acquire 100% of the issued capital of Iron Clad Prospecting Pty Ltd (ICP), the 100% legal and beneficial holder of 2 granted exploration licences (E09/2302 (Pyramid Hill) and E09/2358 (Nardoo West)) located in the Gascoyne region of Western Australia in the vicinity of the Company's Nardoo Rare Metals Project.

## Significant changes in the state of affairs

There have not been any further significant changes in the state of affairs during the half year ended 31 December 2020, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company.

## Financial position

The cash balance as at 31 December 2020 was \$2,151,564.

## Operating results

The loss of the Company for the period was \$419,385 (31 December 2019: \$384,403).

## Auditor Independence and Non-Audit Services

Section 307C of the Corporation Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 10 and forms part of this directors' report for the half-year ended 31 December 2020.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Gary Lyons  
Non-Executive Chairman  
Perth, Western Australia; Dated this 2<sup>nd</sup> day of March 2021

**AUDITOR'S INDEPENDENCE DECLARATION**

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

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

**Perth, Western Australia**  
**2 March 2021**



**N G Neill**  
**Partner**

**hlb.com.au**

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

# CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

|   | Notes | 31 Dec 2020<br>\$ | 31 Dec 2019<br>\$ |
|---|-------|-------------------|-------------------|
| Other income  | 2     | 32,847            | 144               |
| Administration expenses                                   | 2     | (157,498)         | (202,075)         |
| Director and Executive fees                               |       | (164,220)         | (74,220)          |
| Exploration expenditure expensed                          |       | (108,293)         | (82,577)          |
| Share-based payment expenses                              | 3     | (160,471)         | -                 |
| Fair value gain/(loss) on financial assets                |       | 138,250           | (25,675)          |
| <b>Loss before income tax expense</b>                     |       | <b>(419,385)</b>  | <b>(384,403)</b>  |
| Income tax expense  |       | -                 | -                 |
| <b>Loss after tax from continuing operations</b>          |       | <b>(419,385)</b>  | <b>(384,403)</b>  |
| <b>Net loss for the period</b>                            |       | <b>(419,385)</b>  | <b>(384,403)</b>  |
| Other comprehensive income                                |       | -                 | -                 |
| Items that may be reclassified to Profit or Loss:         |       |                   |                   |
| Exchange differences on translation of foreign operations |       | -                 | -                 |
| <b>Total comprehensive loss for the period</b>            |       | <b>(419,385)</b>  | <b>(384,403)</b>  |
|   |       |                   |                   |
| Basic and diluted loss per share (cents per share)        |       | (0.10)            | (0.24)            |

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes, which form an integral part of the interim financial report.

# CONDENSED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2020

|  | NOTES | 31 Dec 2020<br>\$ | 30 Jun 2020<br>\$ |
|--|-------|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                              |       |                   |                   |
| Cash   |       | 2,151,564         | 3,026,450         |
| Trade and other receivables                        |       | 86,062            | 160,431           |
| <b>Total Current Assets</b>                        |       | <u>2,237,626</u>  | <u>3,186,881</u>  |
| <b>NON-CURRENT ASSETS</b>                          |       |                   |                   |
| Deferred exploration expenditure                   | 4     | 1,091,076         | 575,250           |
| Financial assets                                   | 5     | 227,125           | 88,875            |
| <b>Total Non-Current Assets</b>                    |       | <u>1,318,201</u>  | <u>664,125</u>    |
| <b>TOTAL ASSETS</b>                                |       | <u>3,555,827</u>  | <u>3,851,006</u>  |
| <b>CURRENT LIABILITIES</b>                         |       |                   |                   |
| Trade and other payables                           |       | 153,258           | 189,523           |
| <b>Total Current Liabilities</b>                   |       | <u>153,258</u>    | <u>189,523</u>    |
| <b>TOTAL LIABILITIES</b>                           |       | <u>153,258</u>    | <u>189,523</u>    |
| <b>NET ASSETS</b>                                  |       | <u>3,402,569</u>  | <u>3,661,483</u>  |
| <b>SHAREHOLDERS' EQUITY</b>                        |       |                   |                   |
| Share capital                                      | 3     | 14,245,155        | 14,245,155        |
| Share based payments reserve                       | 3     | 957,115           | 796,644           |
| Accumulated losses                                 |       | (11,799,701)      | (11,380,316)      |
| <b>Equity attributable to owners of the parent</b> |       | <u>3,402,569</u>  | <u>3,661,483</u>  |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes, which form an integral part of the interim financial report.

# CONDENSED STATEMENT OF CHANGES IN EQUITY

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

|   | Issued Capital<br>\$ | Accumulated Losses<br>\$ | Share Based<br>Payments Reserve<br>\$ | Total Equity<br>\$ |
|---|----------------------|--------------------------|---------------------------------------|--------------------|
| <b>Balance at 1 July 2019</b>           | 9,844,618            | (10,235,157)             | 796,644                               | (406,105)          |
| Loss for the year                       | -                    | (384,403)                | -                                     | (384,403)          |
| Total comprehensive loss for the period | -                    | (384,403)                | -                                     | (384,403)          |
| <b>Balance at 31 December 2019</b>      | 9,844,618            | (10,619,560)             | 796,644                               | (21,702)           |
| <b>Balance at 1 July 2020</b>           | 14,245,155           | (11,380,316)             | 796,644                               | 3,661,483          |
| Loss for the year                       | -                    | (419,385)                | -                                     | (419,385)          |
| Total comprehensive loss for the period | -                    | (419,385)                | -                                     | (419,385)          |
| Options issued during the period        | -                    | -                        | 160,471                               | 160,471            |
| <b>Balance at 31 December 2020</b>      | 14,245,155           | (11,799,701)             | 957,115                               | 3,402,569          |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes, which form an integral part of the interim financial report.

# CONDENSED STATEMENT OF CASH FLOWS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

|   | 31 Dec 2020<br>\$<br>Inflows/<br>(Outflows) | 31 Dec 2019<br>\$<br>Inflows/<br>(Outflows) |
|---|---|---|
| <b>Cash flows from operating activities</b>                         |   |   |
| Payments to suppliers and employees                                 | (391,907)                                   | (257,020)                                   |
| Other receipts from customers                                       | 7,918                                       | -   |
| Government grants   | 19,463                                      | -   |
| Interest received   | 5,466                                       | 144   |
| <b>Net cash used in operating activities</b>                        | <b>(359,060)</b>                            | <b>(256,876)</b>                            |
| <b>Cash flows from investing activities</b>                         |   |   |
| Payments for exploration and evaluation                             | (515,826)                                   | -   |
| <b>Net cash used in investing activities</b>                        | <b>(515,826)</b>                            | <b>-</b>                                    |
| Net decrease in cash held   | (874,886)                                   | (256,876)                                   |
| Cash and cash equivalents at the beginning of the period            | 3,026,450                                   | 268,493                                     |
| <b>Cash and cash equivalents at the end of the financial period</b> | <b>2,151,564</b>                            | <b>11,617</b>                               |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes, which form an integral part of the interim financial report.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### **(a) Statement of compliance**

The half-year financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by EMetals Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year.

### **(b) Basis of preparation**

The interim report has been prepared on a historical cost basis except for the revaluation of selected financial assets. Cost is based on the fair value of the consideration given in exchange for assets.

The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete financial reporting period.

### **Accounting policies and methods of computation**

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of the new Standards and Interpretations effective 1 July 2020 disclosed in section (d) to this note. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### **(c) Significant accounting judgements and key estimates**

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Company's accounting policies and the key estimates of uncertainty were the same as those applied for the year ended 30 June 2020.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

### (d) Adoption of new and revised Accounting Standards

#### *Standards and Interpretations applicable to 31 December 2020*

In the period ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

#### *Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2020. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

### (e) Going Concern

The interim financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

## NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

The following revenue and expense items are relevant in explaining the performance for the half-year from continuing operations:

|   | 31 Dec 2020<br>\$ | 31 Dec 2019<br>\$ |
|---|-------------------|-------------------|
| Income                                    |                   |                   |
| Government grant and subsidies            | 19,463            | -                 |
| Interest income                           | 5,466             | 144               |
| Other income                              | 7,918             | -                 |
| Administration expenses                   |                   |                   |
| Marketing and investor relations expenses | 64,382            | -                 |
| Legal                                     | 14,151            | 77,748            |
| Accounting and audit                      | 14,147            | 39,952            |
| Corporate fees                            | 36,000            | 24,000            |
| ASX and registry fees                     | 21,242            | 10,754            |
| Other administration expenses             | 7,576             | 49,621            |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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## NOTE 3: ISSUED CAPITAL AND RESERVES

|   | Half-Year to<br>31 Dec 2020 |            | Year to<br>30 Jun 2020 |            |
|---|-----------------------------|------------|------------------------|------------|
|   | No.                         | \$         | No.                    | \$         |
| Ordinary shares   |                             |            |                        |            |
| <i>Movement in number of fully paid ordinary shares</i> |                             |            |                        |            |
| Opening balance   | 410,200,000                 | 14,245,155 | 157,500,000            | 9,844,618  |
| Shares issued   | -                           | -          | 217,700,000            | 4,354,000  |
| Shares issued for acquisition of RWG                    | -                           | -          | 10,000,000             | 200,000    |
| Shares issued for acquisition of tenements              | -                           | -          | 25,000,000             | 200,000    |
| Transaction costs arising from issue of shares          | -                           | -          | -                      | (353,463)  |
| Closing balance   | 410,200,000                 | 14,245,155 | 410,200,000            | 14,245,155 |
| Company options   |                             |            |                        |            |
| <i>Movement in number of options</i>                    |                             |            |                        |            |
| Opening balance   | -                           | 796,644    | -                      | 796,644    |
| Options issued  | 20,000,000                  | 160,471    | -                      | -          |
| Closing balance   | 20,000,000                  | 957,115    | -                      | 796,644    |

The Group granted the following options during the half-year ended 31 December 2020:

| Number of Options Issued | Grant Date  | Expiry Date | Exercise Price | Total Value | Underlying share price | Expected volatility | Risk free rate |
|--------------------------|-------------|-------------|----------------|-------------|------------------------|---------------------|----------------|
| 20,000,000               | 27 Nov 2020 | 31 Dec 2022 | \$0.05         | \$160,471   | \$0.02                 | 100%                | 0.105%         |

The fair value of the options at grant date was determined using a Black Scholes pricing method that took into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The table above lists the inputs to the model used for valuation of the unlisted options.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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### NOTE 4: DEFERRED EXPLORATION EXPENDITURE

|  | Half-Year to<br>31 Dec 2020<br>\$ | Year to<br>30 Jun 2020<br>\$ |
|--|-----------------------------------|------------------------------|
| Expenditure brought forward  | 575,250                           | -                            |
| Purchase of tenements  | 50,000                            | -                            |
| Expenditure incurred during year                                     | 465,826                           | 250                          |
| Exploration assets recognised upon acquisition of RWG (refer note 8) | -                                 | 200,000                      |
| Ordinary shares issued for acquisition of tenements (refer note 8)   | -                                 | 200,000                      |
| Cash consideration on acquisition of tenements (refer note 8)        | -                                 | 175,000                      |
| Expenditure carried forward  | 1,091,076                         | 575,250                      |

The recoupment of cost carried forward in relation to the above area of interest in the exploration phase is dependent on the successful development and commercial exploitation or sale of the respective area.

### NOTE 5: FINANCIAL ASSETS

|                               | 31 Dec 2020<br>\$ | 30 Jun 2020<br>\$ |
|-------------------------------|-------------------|-------------------|
| Listed shares – at fair value | 227,125           | 88,875            |

This balance represents the company's shareholding of 1,975,000 shares in Noronex (formerly Limited Lustrum Minerals Limited) (ASX: NRX).

This note provides information about how the Company determines fair values of various financial assets and liabilities.

*Fair value of the Company's financial assets and liabilities that are measured at fair value on a recurring basis*

The Company's financial assets are measured at fair value through Profit or Loss at the end of the reporting period based on Level 1 inputs in the fair value hierarchy.

*Measurement of fair value of financial instruments*

There have been no transfers between the levels of fair value hierarchy during the half-year.

*Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The Company did not measure any financial asset or financial liabilities at fair value on a non-recurring basis as at 31 December 2020.

*Fair value of other financial assets and financial liabilities*

The Company also has a number of financial instruments which are not measured at fair value in the statement of financial position.

The carrying amounts of the current receivables and current payables are considered to be a reasonable approximation of their fair value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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## NOTE 6: DIVIDENDS

The directors of the Company have not declared an interim dividend.

## NOTE 7: CONTINGENT LIABILITIES

The Company has a contingent liability under the Acquisition Agreement entered with Venus Metals Corporation Limited (**VMC**) (ACN 123 250 582) signed in June 2020 to acquire a 100% legal and beneficial right, title and interest in Western Australian mineral tenement E20/896 and a 90% legal and beneficial right, title and interest in Western Australian mineral tenement E20/885 (**Tenements**). Contingent payments remaining at year end are:

- A royalty of A\$0.50 per tonne of ore extracted for mining purposes (ie not waste product) from E20/896, payable only on and from commercial mining on that tenement;
- Two royalties which together aggregate to a 1.5% net smelter royalty to historical explorers and prospectors on E20/885, payable only on and from commercial mining on that tenement;
- Performance payments of up to A\$100,000 subject to and conditional upon the achievement of the following performance milestones:
  - (i) A\$50,000 payable upon the definition of an inferred mineral resource of not less than 200,000 tonnes of Li<sub>2</sub>O or equivalent at 1% on either Tenement; and
  - (ii) A\$50,000 payable upon the definition of a probable mineral ore reserve of not less than not less than 200,000 tonnes of Li<sub>2</sub>O or equivalent at 1% on either Tenement.

There are no further material contingent liabilities outstanding at the end of the year.

## NOTE 8: ACQUISITION OF ASSETS

- (i) On 27 March 2018, the Company announced that it had entered into a binding Term Sheet for the acquisition of 100% of the issued capital in RWG Minerals Pty Ltd (**RWG**) (ACN 601 019 112), held by GWR Group Limited (ACN 102 622 051) (**Vendor**). A summary of the consideration for and conditions precedent to the Acquisition are set out in the announcement dated 27 March 2018. RWG has 100% interests in 4 (four) granted exploration licences located in Western Australia as further described announcement dated 27 March 2018. The Company has agreed to acquire and the Vendor has agreed to sell all of its rights and interests in all of its shares in the capital of RWG (**Company Shares**) on the key terms and conditions set out in the announcement dated 27 March 2018 (**Acquisition**).

| Project      | Tenements | No of Shares | Granted    | Expires    | Area (Blocks) |
|--------------|-----------|--------------|------------|------------|---------------|
| Nardoo Well  | E09/2114  | 100/100      | 28/08/2015 | 27/08/2020 | 42            |
| Twin Hills   | E29/950   | 100/100      | 23/09/2015 | 22/09/2020 | 10            |
| Cookes Creek | E46/1095  | 100/100      | 05/04/2017 | 04/04/2022 | 13            |
| Cookes Creek | E46/1163  | 100/100      | 08/02/2018 | 07/02/2023 | 3             |

Schedule 1 – RWG Tenements

On 21 January 2020, the conditions precedent to the Company's acquisition of 100% of the issued capital in RWG held by the Vendor have been satisfied and the Company has completed its acquisition of RWG (accounted for as an asset acquisition) through the issue of 10,000,000 shares (**Consideration Shares**).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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## NOTE 8: ACQUISITION OF ASSETS (continued)

| Consideration  | Total Shares<br>No. | Cost per share<br>\$ | Total cost<br>\$ |
|----------------|---------------------|----------------------|------------------|
| Issued capital | 10,000,000          | 0.02                 | 200,000          |

| Assets Acquisition accounting is as follows:    | \$      |
|---|---------|
| Exploration and Evaluation asset on acquisition | 200,000 |

At the date of acquisition RWG has no asset other than the 4 (four) granted exploration licences and there are no liabilities outstanding.

(ii) In March 2020, the Company acquired 100% of the legal and beneficial right, title and interest in E09/ 2156 (**Tenement**) in consideration for, A\$15,000 in immediately available funds, 25,000,000 fully paid ordinary shares in the capital of the Company issued at \$0.008 per Share (total consideration \$215,000) and a royalty of A\$0.50 per tonne of ore extracted from the area within the Tenement, payable in cash.

(iii) In June 2020, the Company acquired 100% legal and beneficial right, title and interest in Western Australian mineral tenement E20/896 and a 90% legal and beneficial right, title and interest in Western Australian mineral tenement E20/885 (**Tenements**) from Venus Metals Corporation Limited (**VMC**), for the collective purchase consideration as below:

- A\$15,000 paid on the execution of the Agreement;
- A\$145,000 paid on the Settlement Date (17 June 2020);
- The assumption of VMC's existing joint venture arrangement with Bruce Legendre in relation to E20/885, which entitles Mr Legendre to a free carried 10% interest until such time as eMetals makes a decision to mine on that tenement;
- A royalty of A\$0.50 per tonne of ore extracted for mining purposes (ie not waste product) from E20/896, payable only on and from commercial mining on that tenement;
- Two royalties which together aggregate to a 1.5% net smelter royalty to historical explorers and prospectors on E20/885, payable only on and from commercial mining on that tenement;
- Performance payments of up to A\$100,000 subject to and conditional upon the achievement of the following performance milestones:
  - (iii) A\$50,000 payable upon the definition of an inferred mineral resource of not less than 200,000 tonnes of Li2O or equivalent at 1% on either Tenement; and
  - (iv) A\$50,000 payable upon the definition of a probable mineral ore reserve of not less than not less than 200,000 tonnes of Li2O or equivalent at 1% on either Tenement.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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## NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 4 February 2021, the Company announced that it has entered into an agreement to acquire 100% of the fully paid ordinary shares in the capital of SOC Resources Pty Ltd (SOC), the legal and beneficial owner of the three projects, from Pennyweight Minerals Pty Ltd (ACN 641 738 141). SOC is the legal and beneficial holder of three (3) granted exploration licences and one (1) exploration licence application, each located in Western Australia.

In consideration for the acquisition the Company has agreed to issue the Vendor:

- 5,000,000 fully paid ordinary shares in the capital of the Company; and
- 5,000,000 options to acquire fully paid ordinary shares in the capital of the Company, exercisable at \$0.05 on or before 31 December 2022.

The Company also announced the issue of 10,000,000 unlisted options to a Director of the Company with an exercise price of \$0.05 expiring 31 December 2022.

On 5 February 2021, the Company announced that it has issued 9,800,000 fully paid ordinary shares pursuant to the Binding Term Sheet to acquire 100% of the issued capital of Iron Clad Prospecting Pty Ltd (ICP), the 100% legal and beneficial holder of 2 granted exploration licences (E09/2302 (Pyramid Hill) and E09/2358 (Nardoo West)) located in the Gascoyne region of Western Australia in the vicinity of the Company's Nardoo Rare Metals Project.

There has not been any further matter or circumstance occurring subsequent to the end of the half year financial period that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## DIRECTORS' DECLARATION

In the opinion of the directors of EMetals Limited ('the Company'):

1. the financial statements and notes thereto, as set out on pages 11 to 21, are in accordance with the Corporations Act 2001 including:
  - i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - ii) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. the interim financial statements and notes there to are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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



Gary Lyons  
Non-Executive Chairman  
Dated this 2<sup>nd</sup> March 2021

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of eMetals Limited

**Report on the Condensed Half-Year Financial Report***Conclusion*

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

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

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

*Basis for conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

*Responsibility of the directors for the financial report*

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

*Auditor's responsibility for the review of the financial report*

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**2 March 2021**



**N G Neill**  
**Partner**