



## Half Year Financial Statements

Eagle Mountain Mining Limited (ASX:EM2) (“Eagle” or “the Company”) is pleased to attach the Consolidated Financial Statements for the half year ended 31 December 2020.

For further information please contact:

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*This Announcement has been approved for release by the Board of Eagle Mountain Mining Limited*

### EAGLE MOUNTAIN MINING LIMITED

Eagle Mountain is a copper-gold explorer focused on the strategic exploration and development of the Oracle Ridge Copper Mine and the highly-prospective greenfield (Silver Mountain) project, both located in Arizona, USA.

Arizona is at the heart of America’s mining industry and home to some of the world’s largest copper discoveries such as Bagdad, Miami and Resolution, one of the largest undeveloped copper deposits in the world.

Follow the Company developments through our website and social media channels



Website <https://eaglemountain.com.au/>



Twitter [https://twitter.com/eagle\\_mining](https://twitter.com/eagle_mining)



LinkedIn <https://www.linkedin.com/company/eagle-mountain-mining-ltd/>

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**EAGLE MOUNTAIN MINING LIMITED | ACN 621 541 204**

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# **EAGLE MOUNTAIN MINING**

**EAGLE MOUNTAIN MINING LIMITED**

ABN 34 621 541 204

## **FINANCIAL REPORT**

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**FOR THE HALF YEAR ENDED  
31 DECEMBER 2020**

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## **CORPORATE DIRECTORY**

### **DIRECTORS**

Rick Crabb (Non-Executive Chairman)  
Charles Bass (Managing Director)  
Roger Port (Non-Executive Director)

### **ALTERNATE DIRECTOR**

Brett Rowe  
(Alternate Director for Charles Bass)

### **CHIEF EXECUTIVE OFFICER**

Tim Mason

### **COMPANY SECRETARY**

Mark Pitts

### **REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Ground Floor  
22 Stirling Highway  
Nedlands WA 6009

Email: [info@eaglemountain.com.au](mailto:info@eaglemountain.com.au)  
Website: [eaglemountain.com.au](http://eaglemountain.com.au)

### **AUDITORS**

William Buck Audit (WA) Pty Ltd  
Level 3  
15 Labouchere Road  
South Perth WA 6151

### **SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth WA 6000



## DIRECTORS' REPORT

The Directors present the consolidated financial statements of Eagle Mountain Mining Limited ("Eagle Mountain" or the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2020.

### DIRECTORS

The following persons were Directors of Eagle Mountain during the whole of the half year and up to the date of this report, unless stated otherwise:

Rick Crabb	<i>(Non-Executive Chairman)</i>
Charles Bass	<i>(Managing Director)</i>
Roger Port	<i>(Non-Executive Director)</i>
Brett Rowe	<i>(Alternate Director for Charles Bass)</i>

### CHIEF EXECUTIVE OFFICER

Tim Mason

### COMPANY SECRETARY

Mark Pitts

### REVIEW OF OPERATIONS

The operating loss after income tax of the Group for the half year was \$6,526,596 (31 December 2019: \$1,931,823), which includes exploration and evaluation costs of \$3,341,412 (31 December 2019: \$1,110,775) and a fair value loss on convertible notes of \$2,224,299 (31 December 2019: \$nil).

As at 31 December 2020, the Group had cash assets of \$2,352,201 (30 June 2020: \$507,750).

During the reporting period, a surface diamond drilling program commenced targeting high grade extensions to existing mineralisation with a total of 14 holes being drilled which returned promising results. A maiden JORC Mineral Resource Estimate was completed during the period.

Activities of a corporate nature included capital raising activities which raised \$4.5 million (before costs), with the funds being used towards the drilling program at the Oracle Ridge Copper Mine.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the reporting period, the Company raised \$4.5 million (before costs) from the following placements to institutional and professional investors:

- 23,076,923 ordinary shares issued at \$0.13 per share, raising a total of \$3.0 million (before costs)
- 5,000,000 ordinary shares issued at \$0.30 per share, raising a total of \$1.5 million (before costs)

In addition, the Company received a further \$1.35 million from the exercise of 4,500,000 unlisted options by Silver Mountain Nominee Pty Ltd.

Global drilling company, Boart Longyear Limited, commenced a maiden surface diamond drilling program at the Oracle Ridge Copper Mine in September 2020.

Other than the matters above, there were no significant changes in the Group's state of affairs during the half year.



## DIRECTORS' REPORT

### EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to the reporting period, drilling continued at Oracle Ridge with some significant assay results being returned. Strong copper intercepts demonstrate the potential for future expansion of the mineral resources estimate. In addition, the Company engaged a world-renowned skarn expert to assist with exploration activities at Oracle Ridge.

During February 2021, the Company announced that it had received firm commitments from sophisticated, institutional and professional investors to raise \$11 million (before costs) through the issue of 31,428,571 ordinary shares at an issue price of \$0.35 per share. In addition, the Company received a total of \$2.1 million from the exercise of unlisted options by the Directors and their associates and other parties.

The Company appointed Mr Manuel Ramos, effective 24 February 2021, as Chief Executive Officer of wholly-owned US subsidiary, Silver Mountain Mining Operations Inc, the operator of the Oracle Ridge Copper Project. Mr Ramos has extensive experience in the Arizona copper industry and a key objective for him will be to take the Oracle Ridge Project from exploration through to feasibility and potentially operations.

The impact of the COVID-19 pandemic is ongoing. The situation is dependent on measures imposed by the governments of Australia, the United States and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. It is not practicable to estimate the potential impact, positive or negative, after the reporting date.

Other than as stated above, there has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

### AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, William Buck Audit (WA) Pty Ltd, to provide the Directors of the Group with an Independence Declaration. This Independence Declaration is set out on the following page and forms part of this Directors' Report for the half year ended 31 December 2020.

This report has been made in accordance with a resolution of the Board of Directors.

**Rick Crabb**  
Chairman

Dated at Perth this 8<sup>th</sup> day of March 2021

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF EAGLE MOUNTAIN MINING  
LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2020 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

**William Buck Audit (WA) Pty Ltd**  
ABN 67 125 012 124

CM

**Conley Manifis**

Director

Dated this 8<sup>th</sup> day of March 2021

**ACCOUNTANTS & ADVISORS**

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## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half Year Ended 31 December 2020

	Notes	31 December 2020 A\$	31 December 2019 A\$
<b>Operations</b>			
Other income		50,000	-
Interest revenue		432	601
Forgiveness of loan – Paycheck Protection Program	9	147,921	-
Administration and other costs		(351,407)	(435,572)
Employee expenses – non-exploration		(291,206)	(100,509)
Employee expenses – equity based		(242,555)	(130,025)
Finance costs		(193,222)	(64,573)
Depreciation expense		(225,036)	(130,379)
Exploration and evaluation costs		(3,341,412)	(1,110,775)
Net change in fair value of convertible notes	9	(2,224,299)	-
Gain on foreign currency exchange		144,188	39,409
<b>Loss before income tax</b>		<b>(6,526,596)</b>	<b>(1,931,823)</b>
Income tax expense		-	-
<b>Loss after income tax from operations</b>		<b>(6,526,596)</b>	<b>(1,931,823)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Other comprehensive income to be re-classified to profit or loss in subsequent periods</i>			
Loss on foreign currency exchange		(141,762)	(24,554)
<b>Total comprehensive loss for the period</b>		<b>(6,668,358)</b>	<b>(1,956,377)</b>
<b>Loss attributable to:</b>			
Owners of the parent		(5,381,668)	(1,859,061)
Non-controlling interests		(1,144,928)	(72,762)
		<b>(6,526,596)</b>	<b>(1,931,823)</b>
<b>Total comprehensive loss attributable to:</b>			
Owners of the parent		(5,538,812)	(1,878,406)
Non-controlling interests		(1,129,546)	(77,971)
		<b>(6,668,358)</b>	<b>(1,956,377)</b>
		Cents	Cents
<b>Basic and diluted loss per share</b>		<b>(3.8)</b>	<b>(1.8)</b>

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





## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### As at 31 December 2020

	Note	31 December 2020 A\$	30 June 2020 A\$
<b>Current Assets</b>			
Cash and cash equivalents		2,352,201	507,750
Trade and other receivables		178,784	138,309
<b>Total Current Assets</b>		<b>2,530,985</b>	<b>646,059</b>
<b>Non-Current Assets</b>			
Exploration and evaluation expenditure	6	9,247,938	10,378,496
Property, plant and equipment		987,253	1,265,634
Right-of-use assets	7	146,953	208,493
Bonds and deposits		254,237	132,945
<b>Total Non-Current Assets</b>		<b>10,636,381</b>	<b>11,985,568</b>
<b>TOTAL ASSETS</b>		<b>13,167,366</b>	<b>12,631,627</b>
<b>Current Liabilities</b>			
Trade and other payables		507,829	179,444
Employee leave liabilities		58,723	58,923
Lease liabilities	8	85,557	111,315
Borrowings	9	1,308,278	1,636,325
<b>Total Current Liabilities</b>		<b>1,960,387</b>	<b>1,986,007</b>
<b>Non-Current Liabilities</b>			
Lease liabilities	8	81,658	117,895
Borrowings	9	10,629,985	9,290,293
<b>Total Non-Current Liabilities</b>		<b>10,711,643</b>	<b>9,408,188</b>
<b>TOTAL LIABILITIES</b>		<b>12,672,030</b>	<b>11,394,195</b>
<b>NET ASSETS</b>		<b>495,336</b>	<b>1,237,432</b>
<b>Equity</b>			
Issued capital	11	20,730,940	15,322,265
Option capital		4,500	4,500
Reserves	12	(1,157,586)	(1,518,029)
Accumulated losses		(17,763,043)	(12,381,375)
Equity attributable to owners of the parent		1,814,811	1,427,361
Non-controlling interest		(1,319,475)	(189,929)
<b>TOTAL EQUITY</b>		<b>495,336</b>	<b>1,237,432</b>

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



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half Year Ended 31 December 2020

	Issued capital A\$	Option capital A\$	Foreign currency translation reserve A\$	Share based payment reserve A\$	Common control reserve A\$	Accumulated losses A\$	Non- controlling interest A\$	Total A\$
Balance at 1 July 2019	13,579,949	4,500	297,069	888,625	(3,014,276)	(8,412,337)	-	3,343,530
Loss for the period	-	-	-	-	-	(1,859,061)	(72,762)	(1,931,823)
Other comprehensive income for the period net of income tax	-	-	(19,345)	-	-	-	(5,209)	(24,554)
Total comprehensive loss for the period	-	-	(19,345)	-	-	(1,859,061)	(77,971)	(1,956,377)
Non-controlling interest recognised on asset acquisition	-	-	-	-	-	-	183,904	183,904
Capital raising costs	(727)	-	-	-	-	-	-	(727)
Vesting of options/performance rights	-	-	-	130,025	-	-	-	130,025
Exercise of performance rights	12,682	-	-	(12,682)	-	-	-	-
Balance at 31 December 2019	13,591,904	4,500	277,724	1,005,968	(3,014,276)	(10,271,398)	105,933	1,700,355
Balance at 1 July 2020	15,322,265	4,500	390,899	1,105,348	(3,014,276)	(12,381,375)	(189,929)	1,237,432
Loss for the period	-	-	-	-	-	(5,381,668)	(1,144,928)	(6,526,596)
Other comprehensive income for the period net of income tax	-	-	(157,144)	-	-	-	15,382	(141,762)
Total comprehensive loss for the period	-	-	(157,144)	-	-	(5,381,668)	(1,129,546)	(6,668,358)
Issue of shares	5,850,000	-	-	-	-	-	-	5,850,000
Capital raising costs	(585,325)	-	-	-	-	-	-	(585,325)
Vesting of options/performance rights	-	-	-	661,587	-	-	-	661,587
Exercise of options	144,000	-	-	(144,000)	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>20,730,940</b>	<b>4,500</b>	<b>233,755</b>	<b>1,622,935</b>	<b>(3,014,276)</b>	<b>(17,763,043)</b>	<b>(1,319,475)</b>	<b>495,336</b>

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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

### For the Half Year Ended 31 December 2020

	31 December 2020	31 December 2019
Note	A\$	A\$
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers and employees	(623,509)	(614,385)
Payments for exploration and evaluation	(2,938,400)	(1,052,112)
Payments for interest and other financing costs	(17,664)	(34,812)
Interest received	-	601
Government assistance received	50,000	-
Net cash used in operating activities	<u>(3,529,573)</u>	<u>(1,700,708)</u>
<b>Cash Flows from Investing Activities</b>		
Payments for bonds and deposits	(144,701)	-
Payments for acquisition of exploration assets	-	(735,618)
Payments for purchase of fixed assets	-	(8,122)
Net cash used in investing activities	<u>(144,701)</u>	<u>(743,740)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from the issue of shares and options	5,850,000	-
Payments for the issue of shares and options	(317,248)	(727)
Proceeds from borrowings	144,701	1,427,348
Repayment of borrowings	(5,283)	(6,014)
Repayment of lease liabilities	(58,970)	(38,679)
Net cash generated by financing activities	<u>5,613,200</u>	<u>1,381,928</u>
Net increase/(decrease) in cash held	1,938,926	(1,062,520)
Cash and cash equivalents at the beginning of the period	507,750	1,879,883
Effect of foreign currency exchange on cash and cash equivalents	(94,475)	37,367
<b>Cash and cash equivalents at the end of the period</b>	<u>2,352,201</u>	<u>854,730</u>

*The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.*



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the Half Year Ended 31 December 2020

#### NOTE 1 BASIS OF PREPARATION OF HALF YEAR REPORT

##### Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* ("AASB 134"). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 30 June 2020 annual financial statements and any public announcements made by the Group during the half year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

##### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

These accounting policies are consistent with those previously disclosed in the 30 June 2020 annual financial statements unless otherwise stated.

The half year financial report was approved by the Board of Directors on 8 March 2021.

##### Going concern basis for the preparation of financial statements

The Group has incurred a loss after income tax of \$6,526,596 and a net operating cash outflow of \$3,529,573 during the half year ended 31 December 2020. The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

During the reporting period, the Group successfully raised \$4.5 million (before costs) pursuant to placements to institutional and sophisticated investors. A further \$1.35 million was received on the exercise of options. Subsequent to the end of the reporting period, the Group raised a further \$11 million (before costs) from a capital raising.

The Directors will continue to manage the Group's activities with due regard to current and future funding requirements. The Directors reasonably expect that the Company will be able to raise sufficient capital to fund the Group's exploration and working capital requirements, and that the Group will be able to settle debts as and when they become due and payable. On this basis, the Directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

##### Adoption of new and revised Accounting Standards

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Group for the reporting period ended 31 December 2020.

##### Critical accounting estimates

The preparation of financial statements in conformity with Australian equivalents to International Financial Reporting Standards ("AIFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

##### Principles of consolidation

The financial statements of subsidiary companies are included in the consolidated financial statements from the date control commences until the date control ceases. The financial statements of subsidiary companies are prepared for the same reporting period as the parent company, using consistent accounting policies.

Inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation. Investments in subsidiary companies are accounted for at cost in the individual financial statements of the Company.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the Half Year Ended 31 December 2020

#### NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The estimates, judgements and assumptions disclosed at 30 June 2020 are still valid for this half year reporting period. In addition, the following key judgements, estimates and assumptions apply to this reporting period:

##### Valuation of derivative liability

As part of the acquisition of the Oracle Ridge Copper Mine, a US\$6,423,000 secured note was issued to Vincere Resource Holdings LLC. Up to US\$3,000,000 of the secured note can be converted into shares of the Company upon the occurrence of various conversion trigger events at variable conversion prices. At each reporting period, the fair value of the embedded derivative liability component of the secured note is derived and a number of assumptions have been made at the reporting date. These assumptions are outlined in note 9.

#### NOTE 3 SEGMENT INFORMATION

AASB 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group operates in one segment, being exploration for mineral resources. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

Following the acquisition of Silver Mountain Mining Pty Ltd in December 2017, and the Oracle Ridge Copper Mine in November 2019, the Group operates in Australia and the United States of America.

Information regarding the non-current assets by geographical location is reported below. No geographical location segment information is provided in relation to revenue and profit or loss for the half year ended 31 December 2020 or the year ended 30 June 2020.

##### Reconciliation of Non-Current Assets by Geographical Location

	<b>31 December 2020 A\$</b>	30 June 2020 A\$
Australia	<b>263,337</b>	329,533
United States of America	<b>10,373,044</b>	11,656,035
	<b>10,636,381</b>	11,985,568

#### NOTE 4 DIVIDENDS

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2020.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the Half Year Ended 31 December 2020

#### NOTE 5 LOSS FROM ORDINARY ACTIVITIES

	31 December 2020 A\$	31 December 2019 A\$
Included in the loss before income tax are the following specific items of income/(expenses):		
Forgiveness of loan (note 9)	147,921	-
Fair value loss on derivative liability (note 9)	(2,224,299)	-
Interest and finance costs paid/payable on borrowings	(178,074)	(29,515)
Interest paid/payable on leases	(15,148)	(35,058)
Share based payments expense	(242,555)	(130,025)
Project assessment/due diligence costs	-	(196,260)

#### NOTE 6 EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2020 A\$	30 June 2020 A\$
<b>Movement during the period</b>		
Carrying value – beginning of the period	10,378,496	1,164,027
Recognised on acquisition of Oracle Ridge Copper Mine <sup>1</sup>	-	9,281,112
Effect of movement in foreign currency exchange rates	(1,130,558)	(66,643)
<b>Carrying value – end of the period</b>	<b>9,247,938</b>	10,378,496

<sup>1</sup>Capitalised exploration asset acquisition costs recognised on acquisition of the Oracle Ridge Copper Mine. Exploration and evaluation expenditure is held by Wedgetail Operations LLC, which is an 80% owned US based subsidiary of Wedgetail Holdings LLC, a wholly owned subsidiary in the Group.

Capitalised exploration and evaluation expenditure carried forward represents the exploration asset acquisition costs recognised on the acquisition of Silver Mountain Mining Pty Ltd and the acquisition of the Oracle Ridge Copper Mine.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### NOTE 7 RIGHT-OF-USE ASSETS

	31 December 2020 A\$	30 June 2020 A\$
Opening balance	208,493	322,131
Depreciation expense	(58,783)	(121,386)
Foreign currency differences	(2,757)	7,748
	<b>146,953</b>	208,493

The Group leases land and buildings for its offices in Perth, Australia and Arizona, USA under agreements with terms of up to 5 years.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the Half Year Ended 31 December 2020

#### NOTE 8 LEASE LIABILITIES

	31 December 2020 A\$	30 June 2020 A\$
Current liability	85,557	111,315
Non-current liability	81,658	117,895
	<b>167,215</b>	<b>229,210</b>
<b>Movement in lease liabilities</b>		
Opening balance	229,210	322,131
Principal repayments	(58,970)	(100,590)
Foreign currency differences	(3,025)	7,669
Balance at the end of the period	<b>167,215</b>	<b>229,210</b>

At the beginning of, and during the reporting period, the Group did not have any short term leases or leases of low value assets.

#### NOTE 9 BORROWINGS

	31 December 2020 A\$	30 June 2020 A\$
<b>Current</b>		
Vehicle loan amounts due within one year <sup>1</sup>	9,914	11,126
Loan – Paycheck Protection Program <sup>2</sup>	-	155,763
Loans from related parties <sup>3</sup>	1,298,364	1,469,436
	<b>1,308,278</b>	<b>1,636,325</b>
<b>Non-current</b>		
Loan – derivative liability	3,098,120	1,134,644
Loan – debt liability	7,387,739	8,140,713
Subtotal loan <sup>4</sup>	<b>10,485,859</b>	<b>9,275,357</b>
Loan – Vincere Bonding Agreement <sup>5</sup>	135,774	-
Vehicle loan amounts due after one year	8,352	14,936
	<b>10,629,985</b>	<b>9,290,293</b>

<sup>1</sup> Vehicle loan amounts are secured over assets with a net book value of A\$56,411 (2019: A\$72,352) held by Silver Mountain Mining Operations Inc.

<sup>2</sup> A wholly owned US subsidiary of the Company qualified for a US\$106,900 loan under the US Government's Paycheck Protection Program, an initiative intended to incentivise employers to retain workers during the COVID crisis. The loan attracted interest at a rate of 1% per annum. In December 2020, the Small Business Administration reviewed the Company's eligibility for loan forgiveness and approved the forgiveness of entire loan balance.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the Half Year Ended 31 December 2020

#### NOTE 9 BORROWINGS (continued)

<sup>3</sup> The Company entered into an unsecured loan agreement with a Director-related entity, Quartz Mountain Mining Pty Ltd (Quartz) as trustee for the Bass Family Trust. The principal of US\$1,000,000 attracts interest at 2% per annum with the first three months being interest free. The loan was deferred from 27 October 2020 to 31 December 2021. During the reporting period, shareholders approved the issue of 950,000 options to Quartz as satisfaction of interest owing to 31 December 2021 (see note 10). The balance outstanding in borrowings at balance date represents the principal of US\$1,000,000 translated at the exchange rate at the end of the reporting period.

<sup>4</sup> In November 2019, the Group acquired an 80% interest in the Oracle Ridge Copper Mine in Arizona in the United States of America. Under the terms of the purchase agreement, Wedgetail Operations LLC, a subsidiary in which the Company has an 80% interest, entered into a US\$6,423,000 secured loan with Vincere Resource Holdings LLC. The loan is secured over all of the assets of Wedgetail Operations LLC, has a ten year term and accrues interest at 3.15% per annum for the first five years with no interest accruing thereafter.

Under the terms of the agreement, the lender has the right to convert up to US\$1,000,000 of the secured loan into ordinary shares of the Company upon each of the following three conversion trigger events:

- i. The completion of a preliminary feasibility study;
- ii. A commitment is made to proceed with a bankable feasibility study; and
- iii. A commitment is made to commission the financing of the project as evidenced by a feasibility study sufficient to obtain third party financing.

The terms of the agreement prevent the issue of ordinary shares to the lender where the cumulative number of shares held as a result of exercising the conversion rights would exceed 10% of the Company's ordinary shares on issue.

The conversion price of each conversion right held by the lender is an amount equal to a 20% discount to the 30 day volume weighted average price of the Company's shares for the 30 days immediately after the date of public announcement of the applicable conversion trigger event.

On initial recognition, the face value of US\$6,423,000 is deemed to comprise of the value of the derivative liability (or conversion right), with the residual being the debt liability component. Subsequently, the derivative liability component is revalued at each reporting date over the life of the secured loan. The debt liability component of the secured loan is amortised at each reporting period using the effective interest method. Interest capitalised on the debt liability is approximately US\$103,000 for the six months to 31 December 2020.

#### Fair Value Measurement

The derivative liability component of the US\$6,423,000 loan is measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore the category in which the asset or liability is placed can be subjective.

The derivative liability has been categorised as Level 3 in the fair value hierarchy and the fair value at the end of the reporting period was A\$3,098,120.

There were no transfers between levels during the reporting period.

An independent valuation of the derivative liability has been undertaken at 31 December 2020 using a Monte Carlo simulation model with the following assumptions:

Assumptions	Conversion Event 1	Conversion Event 2	Conversion Event 3
Valuation date	31 December 2020	31 December 2020	31 December 2020
Spot price (A\$) <sup>1</sup>	\$0.455	\$0.455	\$0.455
Exercise price <sup>2</sup>	0.365	0.367	0.368
Risk free rate	0.10%	0.10%	0.10%
Expected future volatility	100%	100%	100%
Expiry date <sup>3</sup>	25 November 2022	25 November 2023	25 November 2024

<sup>1</sup> The last traded price of the Company's shares on the ASX on 31 December 2020.

<sup>2</sup> Exercise price is equal to a 20% discount to the estimated volume weighted average price of the Company's shares for the 30 days immediately after the public announcement of the applicable conversion trigger event.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the Half Year Ended 31 December 2020

#### NOTE 9 BORROWINGS (continued)

<sup>3</sup> The expiry date is the estimated date on which the conversion right will be exercised for each tranche of conversion rights. The expiry date is reviewed at each reporting date.

Based on the above assumptions, the revaluation of the derivative liability resulted in a fair value loss of A\$2,224,299 which has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

In relation to the restriction of conversion rights up to 10% of the ordinary shares on issue, the valuation is based on the number of shares on issue at the valuation date.

	31 December 2020 A\$	30 June 2020 A\$
<b>Reconciliation of movement in Level 3 derivative liability</b>		
Balance at the start of the period	1,134,644	-
Fair value on acquisition	-	1,365,785
Loss/(gain) recognised in profit or loss	2,224,299	(268,872)
Effect of movement in foreign currency exchange rates	(260,823)	37,731
	<b>3,098,120</b>	<b>1,134,644</b>

#### Unobservable inputs for fair value measurement

In determining the fair value measurement of the derivative liability, certain observable inputs including the share price and exercise price of the conversion rights are used, together with unobservable inputs.

The unobservable inputs used in the valuation of the derivative liability are deemed to be:

1. Issued capital – as the conversion rights are restricted to not more than 10% of the ordinary shares on issue, any increase in issued shares may impact the number of conversion rights that can be exercised; and
2. Timing of the three milestones to be achieved (conversion trigger events).

The Level 3 unobservable inputs and sensitivity are as follows:

Unobservable Input	Change in input	Sensitivity
Shares on Issue	+15%	A 15% increase in share capital has no impact on the fair value as the number of shares to be issued upon the exercise of the conversion rights remains unchanged.
Date of conversion trigger event	+1 year	An increase of 1 year in achieving the first and subsequent milestones will result in an increase in fair value of approximately \$319,650.

<sup>5</sup> During the reporting period, Wedgetail Operations LLC obtained an amended Aquifer Protection Permit from the Arizona Department of Environmental Quality (“ADEQ”). Vincere Resource Holdings LLC (“Vincere”) provided US\$104,574 to satisfy ADEQ financial assurance requirements for the permit. The loan with Vincere is unsecured, interest free and is repayable on 28 November 2022.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the Half Year Ended 31 December 2020

#### NOTE 10 SHARE BASED PAYMENTS

##### Options

During the period, the Company issued 6,496,154 unlisted options to employees, Directors and suppliers on the following terms:

Number of Options	Vesting Date	Expiry Date	Value of Options
1,923,077 <sup>1</sup>	28 Jul 2020	30 Jun 2021	\$124,615
1,923,077 <sup>1</sup>	28 Jul 2020	1 Jul 2022	\$143,462
1,325,000	7 Aug 2020	1 Jul 2022	\$82,415
1,325,000 <sup>2</sup>	25 Sep 2020	1 Jul 2022	\$210,543
			\$561,035

<sup>1</sup> Lead manager options issued in relation to the capital raising in July 2020. The fair value of these options has been treated as a share issue cost deducted from issued capital.

<sup>2</sup> Included in this tranche of options is 950,000 options issued to Quartz Mountain Mining Pty Ltd in satisfaction of interest on the loan with Quartz (refer note 9). The fair value of the 950,000 options of \$150,955 has been applied in the first instance against interest accrued to balance date, with the balance of \$130,824 being treated as prepaid interest and finance costs which will be expensed over the remaining term of the Quartz loan.

The options were valued using the Black-Scholes option valuation methodology, as follows:

Grant Date	Number of options granted	Expiry date	Risk free interest rate used	Volatility applied	Value per Option (cents)
28 Jul 2020	1,923,077	30 Jun 2021	0.28%	102%	6.48
28 Jul 2020	1,923,077	1 Jul 2022	0.28%	102%	7.46
16 Jul 2020	1,325,000	1 Jul 2022	0.28%	102%	6.22
25 Sep 2020	1,325,000	1 Jul 2022	0.21%	97%	15.89

An expense of \$240,148 has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2020 in respect of options vesting during the period.

During the reporting period, 7,312,154 options vested and 4,500,000 options were exercised. There were no options cancelled during the reporting period.

Subsequent to the end of the reporting period, 771,666 options vested, 8,241,411 options were exercised and 5,300,000 unlisted options were issued with an exercise price of \$0.52 per option and an expiry date of 1 July 2024. In addition, it was announced that a further 6,000,000 unlisted Director options were proposed to be issued, subject to shareholder approval, at an exercise price of \$0.55 per option and an expiry date of 1 July 2024. No options were cancelled subsequent to the reporting period.

##### Performance Rights

During the period, 60,000 performance rights vested as shown below:

Grant Date	Number of Performance Rights	Vesting Date	Expiry Date
15 Jan 2018	25,000	1 Dec 2020	1 Dec 2027
29 Aug 2018	35,000	1 Jul 2020	1 Jul 2027

An expense of \$2,407 has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2020 in respect of performance rights vesting during the period.

No performance rights were granted, issued, cancelled or exercised during the reporting period.

Subsequent to the end of the reporting period, 210,000 performance rights were exercised. No performance rights were granted, issued or cancelled.

##### Ordinary Shares

Subsequent to the end of the reporting period, 100,000 fully paid ordinary shares were issued to the Chief Executive Officer of wholly-owned US subsidiary, Silver Mountain Mining Operations Inc, on commencement of his employment.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the Half Year Ended 31 December 2020

#### NOTE 11 ISSUED CAPITAL

6 Months to 31 December 2020

	Shares	A\$
Balance at 1 July 2020	115,901,045	15,322,265
Placement shares issued at \$0.13	23,076,923	3,000,000
Placement shares issued at \$0.30	5,000,000	1,500,000
Shares issued on exercise of options (note 10)	4,500,000	1,494,000
Less: share issue costs	-	(585,325)
Balance at 31 December 2020	148,477,968	20,730,940

#### NOTE 12 RESERVES

As at 31 December  
2020  
A\$

Foreign currency translation reserve	233,755
Share based payments reserve	1,622,935
Common control reserve	(3,014,276)
	(1,157,586)

Movements:

Period ended 31  
December 2020  
A\$

<b>a) Foreign currency translation reserve</b>	
Balance at 1 July 2020	390,899
Net exchange losses for the period	(141,762)
Non-controlling interest in translation differences	(15,382)
Balance at 31 December 2020	233,755

##### Foreign currency translation reserve

The foreign currency translation reserve records unrealised exchange gains and losses on translation of controlled entities' accounts during the period.

Period ended 31  
December 2020  
A\$

<b>b) Share based payments reserve</b>	
Balance at 1 July 2020	1,105,348
Fair value of options and performance rights vesting during the period (note 10)	661,587
Fair value of options exercised during the period (note 10)	(144,000)
Balance at 31 December 2020	1,622,935

##### Share based payments reserve

The share based payments reserve has been used to recognise the fair value of options and performance rights issued and vested but not exercised as at the end of the reporting period.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the Half Year Ended 31 December 2020

#### NOTE 12 RESERVES (continued)

	Period ended 31 December 2020 A\$
<b>c) Common control reserve</b>	
Balance at 1 July 2020	(3,014,276)
Common control transactions during the period	-
Balance at 31 December 2020	<u>(3,014,276)</u>

#### **Common control reserve**

The amount recognised in the common control reserve represents the excess in fair value consideration given over the net assets acquired on the acquisition of Silver Mountain Mining Pty Ltd from Silver Mountain Mining Nominee Pty Ltd on 7 December 2017.

#### NOTE 13 SUBSEQUENT EVENTS

Subsequent to the reporting period, drilling continued at Oracle Ridge with some significant assay results being returned. Strong copper intercepts demonstrate the potential for future expansion of the mineral resources estimate. In addition, the Company engaged a world-renowned skarn expert to assist with exploration activities at Oracle Ridge.

During February 2021, the Company announced that it had received firm commitments from sophisticated, institutional and professional investors to raise \$11 million (before costs) through the issue of 31,428,571 ordinary shares at an issue price of \$0.35 per share. In addition, the Company received a total of \$2.1 million from the exercise of unlisted options by the Directors and their associates and other parties.

The Company appointed Mr Manuel Ramos, effective 24 February 2021, as Chief Executive Officer of wholly-owned US subsidiary, Silver Mountain Mining Operations Inc, the operator of the Oracle Ridge Copper Project. Mr Ramos has extensive experience in the Arizona copper industry and a key objective for him will be to take the Oracle Ridge Project from exploration through to feasibility and potentially operations.

The impact of the COVID-19 pandemic is ongoing. The situation is dependent on measures imposed by the governments of Australia, the United States and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. It is not practicable to estimate the potential impact, positive or negative, after the reporting date.

Other than as stated above, there has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

#### NOTE 14 CONTINGENT ASSETS AND LIABILITIES

There has been no material change to the contingent assets or liabilities of the Group since 30 June 2020.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### For the Half Year Ended 31 December 2020

#### NOTE 15 CONTRACTUAL COMMITMENT

##### Exploration Expenditure

In order to maintain the current tenure status of its exploration assets, the Group has certain obligations and minimum expenditure requirements with respect to unpatented claims and Arizona state exploration permits located in Arizona in the United States of America, as follows:

	<b>31 December 2020 A\$</b>	30 June 2020 A\$
Within 1 year	<b>438,912</b>	464,192
After 1 year but not more than 5 years	<b>1,817,969</b>	1,943,611
Total	<b>2,256,881</b>	2,407,803

##### Other Commitments

A 30-day notice period is required under the drilling contract with Boart Longyear during which time Boart Longyear is entitled to claim standby rates. The estimated commitment, should the contract be terminated, is approximately US\$108,000.



## DIRECTORS' DECLARATION

The Directors of Eagle Mountain Mining Limited declare that:

- (a) the attached interim financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
  - (i) complying with Australian Accounting Standard AASB 134 – *Interim Financial Reporting*, and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the financial position as at 31 December 2020 and of the performance for the period ended on that date of the Group.
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Signed at Perth this 8<sup>th</sup> day of March 2021.

**Rick Crabb**  
Chairman

## Eagle Mountain Mining Limited

### Independent auditor's review report

## Report on the Review of the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Eagle Mountain Mining Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), 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, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 Eagle Mountain Mining Limited is not in accordance 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 Australian Accounting Standard 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 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 Management 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 Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company'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*.

#### ACCOUNTANTS & ADVISORS

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## Independent auditor's review report to members (cont.)

A review of a half-year 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.

*William Buck*

**William Buck Audit (WA) Pty Ltd**

ABN: 67 125 012 124

*CM*

**Conley Manifis**

Director

Dated this 8<sup>th</sup> day of March 2021