



EAGLE MOUNTAIN MINING LIMITED

ABN 34 621 541 204

FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
31 DECEMBER 2019**



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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

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AUDITORS

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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 2019.

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 \$1,931,823 (31 December 2018: \$3,538,989), which includes exploration and evaluation costs of \$1,110,775 (31 December 2018: \$3,216,072).

As at 31 December 2019 the Group had cash assets of \$854,730 (30 June 2019: \$1,879,883).

Activities for the period have been focussed on a review of the initial exploration program completed on the Group's Silver Mountain Project in Arizona and on due diligence and the subsequent acquisition of the Oracle Ridge Copper Mine which was completed on 28 November 2019.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the period the Group acquired a controlling interest in the Oracle Ridge Copper Mine. The mine and its assets are held 100% within Wedgetail Operations LLC ("WTO"), which in turn is held 80% by Wedgetail Holdings LLC, a wholly owned subsidiary of Eagle Mountain. The remaining 20% is held by Vincere Resource Holdings LLC ("Vincere"). The consideration paid consisted of an upfront cash payment of US\$500,000, the issue to Vincere of a US\$6,423,000 10 year secured note and the issue of a 20% interest in the issued capital of WTO.

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

EVENTS SUBSEQUENT TO THE REPORTING DATE

Other than as listed below, there has not arisen in the interval between the end of the financial 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.

- On 15 January 2020, Mr Tim Mason was appointed as Chief Executive Officer of the Company.



DIRECTORS' REPORT

EVENTS SUBSEQUENT TO THE REPORTING DATE (continued)

- On 21 January 2020, the Company issued 25,000 ordinary shares, 2,150,000 unlisted options and 150,000 performance rights to employees pursuant to the Company's Employee Incentive Plan.
- On 24 January 2020 the Company announced that it had received firm commitments from institutional and sophisticated investors to raise \$1.8 million (before costs) through the issue of 12,000,000 ordinary shares at an issue price of 15 cents per fully paid ordinary share. Proceeds from the placement will fund the exploration and evaluation work at the Oracle Ridge Copper Project. The Company received shareholder approval to issue these new ordinary shares at a general meeting on 5 March 2020.

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 2019.

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

Charles Bass
Managing Director

Dated at Perth this 12th day of March 2020

**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 2019 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 12th day of March 2020

ACCOUNTANTS & ADVISORS

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half Year Ended 31 December 2019

	Notes	31 December 2019 A\$	31 December 2018 A\$
Operations			
Interest revenue		601	20,924
Administration and other costs		(435,572)	(256,568)
Employee expenses		(100,509)	(128,185)
Employee expenses - equity based		(130,025)	(7,301)
Finance costs		(64,573)	-
Depreciation expense		(130,379)	(72,127)
Realised gain on foreign exchange		39,409	120,340
Exploration and evaluation costs		(1,110,775)	(3,216,072)
Loss before income tax	5	(1,931,823)	(3,538,989)
Income tax expense		-	-
Loss after income tax from operations		(1,931,823)	(3,538,989)
Other comprehensive income (loss)			
<i>Other comprehensive income to be re-classified to profit or loss in subsequent periods</i>			
Gain/(loss) on foreign currency exchange		(24,554)	69,630
Total comprehensive loss for the period		(1,956,377)	(3,469,359)
Loss attributable to:			
Owners of the parent		(1,859,061)	(3,538,989)
Non-controlling interests		(72,762)	-
		(1,931,823)	(3,538,989)
Total comprehensive loss attributable to:			
Owners of the parent		(1,878,406)	(3,469,359)
Non-controlling interests		(77,971)	-
		(1,956,377)	(3,469,359)
Basic and diluted loss per share		Cents (1.8)	Cents (3.8)

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 2019

	Note	31 December 2019 A\$	30 June 2019 A\$
Current Assets			
Cash and cash equivalents		854,730	1,879,883
Trade and other receivables		20,272	54,626
Total Current Assets		875,002	1,934,509
Non-Current Assets			
Exploration and evaluation expenditure	6	10,169,432	1,164,027
Property, plant and equipment		1,429,886	435,324
Right-of-use assets	7	267,257	-
Bonds and deposits		130,231	130,101
Total Non-Current Assets		11,996,806	1,729,452
TOTAL ASSETS		12,871,808	3,663,961
Current Liabilities			
Trade and other payables		175,357	224,648
Employee leave liabilities		52,895	59,391
Lease liabilities	8	119,636	-
Borrowings	9	1,438,246	10,908
Total Current Liabilities		1,786,134	294,947
Non-Current Liabilities			
Lease liabilities	8	168,514	-
Borrowings	9	9,216,805	25,484
Total Non-Current Liabilities		9,385,319	25,484
TOTAL LIABILITIES		11,171,453	320,431
NET ASSETS		1,700,355	3,343,530
Equity			
Issued capital	11	13,591,904	13,579,949
Option capital		4,500	4,500
Reserves	12	(1,730,584)	(1,828,582)
Accumulated losses		(10,271,398)	(8,412,337)
Equity attributable to owners of the parent		1,594,422	3,343,530
Non-controlling interest		105,933	-
TOTAL EQUITY		1,700,355	3,343,530

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 2019

	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 2018	11,952,582	4,500	219,494	843,131	(3,014,276)	(1,681,900)	-	8,323,531
Loss for the period	-	-	-	-	-	(3,538,989)	-	(3,538,989)
Other comprehensive income for the period net of income tax	-	-	69,630	-	-	-	-	69,630
Total comprehensive loss for the period	-	-	69,630	-	-	(3,538,989)	-	(3,469,359)
Issue of shares	10,640	-	-	-	-	-	-	10,640
Capital raising costs	(8,356)	(71,221)	-	-	-	-	-	(79,577)
Vesting of performance rights	-	-	-	7,301	-	-	-	7,301
Issue of options	-	231,250	-	-	-	-	-	231,250
Transfer of option capital on cancellation of options	-	(160,029)	-	-	-	160,029	-	-
Balance at 31 December 2018	11,954,866	4,500	289,124	850,432	(3,014,276)	(5,060,860)	-	5,023,786
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 (note 13)	-	-	-	-	-	-	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

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 2019

	31 December 2019	31 December 2018
Note	A\$	A\$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(614,385)	(359,442)
Payments for exploration and evaluation	(1,052,112)	(3,171,519)
Payments for interest and other financing costs	(34,812)	-
Interest received	601	32,423
Net cash used in operating activities	(1,700,708)	(3,498,538)
Cash Flows from Investing Activities		
Payments for bonds and deposits	-	(105,202)
Payments for acquisition of exploration assets	(735,618)	-
Payments for purchase of fixed assets	(8,122)	(114,498)
Net cash used in investing activities	(743,740)	(219,700)
Cash Flows from Financing Activities		
Proceeds from the issue of shares and options	-	231,250
Payments for the issue of shares and options	(727)	(79,577)
Proceeds from borrowings	1,427,348	-
Repayment of borrowings	(6,014)	(5,682)
Repayment of lease liabilities	(38,679)	-
Net cash generated by financing activities	1,381,928	145,991
Net decrease in cash held	(1,062,520)	(3,572,247)
Cash and cash equivalents at the beginning of the period	1,879,883	6,795,421
Effect of foreign exchange on cash and cash equivalents	37,367	127,522
Cash and cash equivalents at the end of the period	854,730	3,350,696

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 2019

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 2019 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 2019 annual financial statements unless otherwise stated.

The half year financial report was approved by the Board of Directors on 12th March 2020.

Going concern basis for the preparation of financial statements

The Group has incurred a loss after income tax of \$1,931,823 and a net operating cash outflow of \$1,700,708 during the half year ended 31 December 2019. 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.

In January 2020, the Group successfully raised \$1.8 million (before costs) pursuant to a placement to institutional and sophisticated investors. The ability of the Group to continue to adopt the going concern assumption will depend on future successful capital raisings, the successful exploration and subsequent exploitation of the Group's mining licences and permits, and/or sale of non-core assets.

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.

Should the Company be unable to raise additional funding when required, there is a material uncertainty that may cast significant doubt on whether the Company will be able to continue as a going concern and therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

The Group has adopted AASB 16 with effect from 1 July 2019. The standard replaces AASB 117 '*Leases*' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease,



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2019

the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Reconciliation of operating lease commitments

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated.

Below is a reconciliation of total operating lease commitments as at 30 June 2019, as disclosed in the annual financial statements for the year ended 30 June 2019, and the lease liabilities recognised on 1 July 2019.

	1 July 2019
	A\$
Operating lease commitments as disclosed at 30 June 2019	395,947
Additional operating lease	15,515
Discounted using the lessee's weighted average incremental borrowing rate of 10.6% at 1 July 2019	(92,485)
Foreign currency differences	3,154
Lease liabilities as at 1 July 2019	<u>322,131</u>

New accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2019. The accounting policies described below were adopted for the first time during this reporting period:

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2019

Convertible Note – Debt Liability

The liability component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The embedded derivative component is recognised initially at fair value and the debt liability component is calculated as the difference between the financial instrument as a whole and the value of the derivative liability at inception. Any directly attributable transaction costs are allocated to the convertible note debt liability and convertible note derivative liability in proportion to their initial carrying amounts. Subsequent to initial recognition, the debt liability component of the convertible note is measured at amortised cost using the effective interest method.

Convertible Note – Derivative Liability

Derivative financial instruments are stated at fair value. The fair value of the derivative has been valued using a valuation technique, including inputs that include reference to similar instruments and option pricing models, which is updated each period. Gains and losses arising out of changes in fair value of these instruments together with settlements in the period are accounted for through the consolidated statement of profit or loss and other comprehensive income through net finance costs. The convertible note liability and derivative are removed from the statement of financial position when the obligations specified in the contract are discharged, cancelled or expired.

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.

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 2019 are still valid for this half year reporting period. In addition, the following key judgements, estimates and assumptions apply to this reporting period:

Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Determination of incremental borrowing rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used.

To determine the incremental borrowing rate, where possible recent third party financing received by the individual lessee is used as a starting point and adjusted to reflect changes in financing conditions since third party financing was received. If there was no recent third party financing agreement, a build-up approach is used that starts with a risk-free interest rate adjusted for credit risk for the lessee and any further relevant adjustments specific to the lease (such as term, country, currency and security).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2019

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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. To derive the fair value of the embedded derivative liability component of the secured note, a number of assumptions have been made. 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 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 2019 or year ended 30 June 2019.

Reconciliation of Non-Current Assets by Geographical Location

	31 December 2019 A\$	30 June 2019 A\$
Australia	398,412	225,536
United States of America	11,598,394	1,503,916
	11,996,806	1,729,452

NOTE 4 DIVIDENDS

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2019.

NOTE 5 LOSS FROM ORDINARY ACTIVITIES

	31 December 2019 A\$	31 December 2018 A\$
Included in the loss before income tax are the following specific items of income/(expenses):		
Interest paid/payable on borrowings	29,515	-
Interest paid/payable on leases	35,058	-
Share based payments expense	130,025	7,301
Project assessment/due diligence costs	196,260	-



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2019

NOTE 6 EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2019 A\$	30 June 2019 A\$
Movement during the period		
Carrying value – beginning of the period	1,164,027	1,104,495
Recognised on acquisition of Oracle Ridge Copper Mine (note 13) ¹	9,281,112	-
Effect of movement in foreign exchange rates	(275,707)	59,532
Carrying value – end of the period	10,169,432	1,164,027

¹Capitalised 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 2019 A\$	30 June 2019 A\$
Right-of-use assets at 1 July 2019 on adoption of AASB 16 (notes 1 and 8)	322,131	-
Depreciation expense	(60,172)	-
Foreign currency differences	5,298	-
	267,257	-

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

NOTE 8 LEASE LIABILITIES

	31 December 2019 A\$	30 June 2019 A\$
Current liability	119,636	-
Non-current liability	168,514	-
	288,150	-



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2019

NOTE 8 LEASE LIABILITIES (continued)

	1 July 2019 A\$
Recognised on 1 July 2019 on adoption of AASB 16 (notes 1 and 7)	322,131
Principal repayments	(38,679)
Foreign currency differences	4,698
Lease liabilities as at 31 December 2019	<u>288,150</u>

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

NOTE 9 BORROWINGS

	31 December 2019 A\$	30 June 2019 A\$
Current		
Vehicle loan amounts due within one year	10,898	10,908
Loans from related parties	<u>1,427,348</u>	-
	<u>1,438,246</u>	<u>10,908</u>
Non-current		
Loan – derivative liability	1,365,785	-
Loan – debt liability	<u>7,830,939</u>	-
Subtotal loan ¹	<u>9,196,724</u>	-
Vehicle loan amounts due after one year	<u>20,081</u>	25,484
	<u>9,216,805</u>	<u>25,484</u>

¹ The loan balance at 31 December 2019 is US\$6,443,225, which includes accrued interest of US\$20,225. This amount is translated to Australian dollars using the exchange rate at 31 December 2019.

During the period, the purchase of the Oracle Ridge Copper Mine was completed (see note 13). 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 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:

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2019

NOTE 9 BORROWINGS (continued)

The terms of the agreement prevent the issue of ordinary shares to the lender where the cumulative amount 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 ("VWAP") of the Company's shares for the 30 days immediately after the date of public announcement of the applicable conversion trigger event.

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. The debt liability component of the secured loan is amortised at each reporting period using the effective interest method. The derivative liability component is revalued at each reporting date over the life of the secured loan.

An independent valuation of the derivative liability has been undertaken at 31 December 2019 using a Monte Carlo simulation model with the following assumptions:

Assumptions	Conversion Event 1	Conversion Event 2	Conversion Event 3
Valuation date	31 December 2019	31 December 2019	31 December 2019
Spot price (A\$) ¹	\$0.18	\$0.18	\$0.18
Exercise price ²	0.136	0.137	0.139
Risk free rate	0.92%	0.92%	1.04%
Expected future volatility	95%	95%	95%
Expiry date ³	25 November 2022	25 November 2023	25 November 2024

¹ The share price of an EM2 share traded on the ASX to market close on 30 December 2019, the day immediately preceding the valuation date.

² 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.

³ The expiry date is the estimated date on which the conversion right will be exercised, for each tranche of conversion rights and is estimated from the date of the agreement.

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 valuation date.

NOTE 10 SHARE BASED PAYMENTS

Options

During the period, the Company issued 1,800,000 unlisted options to employees on the following terms:

Number of Options	Vesting Date	Expiry Date	Value of Options
600,000	1 July 2020	1 July 2023	\$62,131
600,000	1 July 2021	1 July 2023	\$62,131
600,000	1 July 2022	1 July 2023	\$62,131
			\$186,393

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)
30 August 2019	1,800,000	1 Jul 2023	1.25%	99.88%	10.36

An expense of \$125,183 has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2019 in respect of options vesting during the period.

On 15 December 2019, 26,599 unlisted options were cancelled in accordance with their terms. No options were exercised during the period.

Subsequent to the end of the reporting period, the Company issued 2,150,000 unlisted options to employees under the Company's Employee Incentive Plan.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2019

NOTE 10 SHARE BASED PAYMENTS (continued)

Performance Rights

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

Grant Date	Number of performance rights exercised	Vesting Date	Expiry Date
15 January 2018	25,000	1 December 2018	1 December 2025
29 August 2018	35,000	1 July 2019	1 July 2026

An expense of \$4,842 has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2019 in respect of performance rights vesting during the period.

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

Subsequent to the end of the reporting period, the Company issued 150,000 unlisted performance rights.

NOTE 11 ISSUED CAPITAL

6 Months to 31 December
2019

	Shares	A\$
Balance at 1 July 2019	103,816,039	13,579,949
Shares issued on exercise of Performance Rights (note 10)	60,000	12,682
Less: share issue costs	-	(727)
Balance at 31 December 2019	103,876,039	13,591,904

NOTE 12 RESERVES

As at 31 December
2019
A\$

Foreign currency translation reserve	277,724
Share based payments reserve	1,005,968
Common control reserve	(3,014,276)
	(1,730,584)

Movements:

Period ended 31
December 2019
A\$

a) Foreign currency translation reserve

Balance at 1 July 2019	297,069
Exchange gains/(losses) for the period	(19,345)
Balance at 31 December 2019	277,724

Foreign currency translation reserve

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2019

NOTE 12 RESERVES (continued)

	Period ended 31 December 2019 A\$
b) Share based payments reserve	
Balance at 1 July 2019	888,625
Fair value of options and performance rights vesting during the period (note 10)	130,025
Fair value of performance rights exercised during the period (note 10)	(12,682)
Balance at 31 December 2019	1,005,968

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.

	Period ended 31 December 2019 A\$
c) Common control reserve	
Balance at 1 July 2018	(3,014,276)
Common control transactions during the period	-
Balance at 31 December 2019	(3,014,276)

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.

On 7 December 2017 the Directors determined that the acquisition was undertaken between entities which were under common control due to respective share ownership.

NOTE 13 ACQUISITION OF ORACLE RIDGE COPPER MINE

In November 2019, the purchase of the Oracle Ridge Copper Mine in Arizona in the United States of America was completed. The mine is held 100% within Wedgetail Operations LLC, which in turn is held 80% by Wedgetail Holdings LLC, a wholly owned subsidiary of the Company. The non-controlling interest of 20% is held by Vincere Resource Holdings LLC. Management have accounted for this transaction as an acquisition of assets and not as a business combination since, at the date of acquisition, the Oracle Ridge Copper Mine did not have the processes and outputs expected of an operating business.

The material transaction events in relation to the purchase are as follows:

- US\$500,000 was paid by Eagle Mountain's existing wholly owned Arizona subsidiary, Wedgetail Operations LLC ("WTO") as the purchase price for all assets of Oracle Ridge Mining LLC ("ORM") to the Receiver for the benefit of the sole secured creditor Vincere Resource Holdings LLC ("Vincere");
- Shares, comprising a 20% interest in WTO, were issued to Vincere;
- WTO assumed a 10 year note with Vincere for US\$6,423,000 which is secured over the assets of WTO;
- The Company will free-carry Vincere for the first US\$5,000,000 of relevant expenditure on the Oracle Ridge project;
- WTO assumed all ORM's leases, easements and access agreements with third parties; and
- An Operating Agreement was signed which appoints the Company's wholly owned subsidiary, Silver Mountain Mining Operations Inc as Operator of WTO.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2019

NOTE 13 ACQUISITION OF ORACLE RIDGE COPPER MINE (continued)

Consideration for the acquisition, at exchange rates applicable on the acquisition date, was:

Details	Fair value A\$
Cash – US\$500,000	735,618
Shares – 20% Interest in Wedgetail Operations LLC US\$125,000	183,905
Secured Loan – US\$6,423,000 (refer note 9) ¹	9,449,757
	<u>10,369,280</u>

The assets acquired were:

Details	Net asset value A\$
Property, plant and equipment	1,088,168
Capitalised exploration and evaluation expenditure	9,281,112
	<u>10,369,280</u>

¹ The Australian dollar amount of the secured loan is shown at acquisition date and differs from the balance shown at note 9 which is translated at the prevailing exchange rate at 31 December 2019.

NOTE 14 SUBSEQUENT EVENTS

Other than as listed below, there has not arisen in the interval between the end of the financial 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.

- On 15th January 2020, Mr Tim Mason was appointed as Chief Executive Officer of the Company.
- On 21 January 2020, the Company issued 25,000 ordinary shares, 2,150,000 unlisted options and 150,000 performance rights to employees pursuant to the Company's Employee Incentive Plan.
- On 24 January 2020 the Company announced that it had received firm commitments from institutional and sophisticated investors to raise \$1.8 million (before costs) through the issue of 12,000,000 ordinary shares at an issue price of 15 cents per fully paid ordinary share. Proceeds from the placement will fund the exploration and evaluation work at the Oracle Ridge Copper Project. The Company received shareholder approval to issue the new ordinary shares at a general meeting on 5 March 2020.

NOTE 15 CONTINGENT ASSETS AND LIABILITIES

There has been no material change to the contingent assets or liabilities of the Group since 30 June 2019.

NOTE 16 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:

	31 December 2019 A\$	30 June 2019 A\$
Within 1 year	439,159	161,685
After 1 year but not more than 5 years	1,875,250	728,892
Total	<u>2,314,409</u>	<u>890,577</u>



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 2019 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 12th day of March 2020.

Charles Bass
Managing Director

Eagle Mountain Mining Limited

Independent auditor's review report to members

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 entity) on pages 6 to 20, which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and 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.

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 on pages 6 to 20 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 2019 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred a net loss of \$1,931,823 and a net operating cash outflow of \$1,700,708 during the half-year ended 31 December 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-Year 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 Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor*

ACCOUNTANTS & ADVISORS

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

of the *Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2019 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*.

As the auditor of Eagle Mountain Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

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

William Buck

William Buck Audit (WA) Pty Ltd

ABN: 67 125 012 124

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Director

Dated this 12th day of March 2020