



ESSENTIALMETALS

for a sustainable future

ABN 44 103 423 981

HALF YEAR REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2020

DIRECTORS

Craig McGown	Independent Non-Executive Chairman
Timothy Spencer	Managing Director
Paul Payne	Independent Non-Executive Director
Warren Hallam	Independent Non-Executive Director

COMPANY SECRETARY

Carl Travaglini

PRINCIPAL REGISTERED OFFICE

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AUDITOR

Deloitte Touche Tohmatsu

Brookfield Place, Tower 2, 123 St Georges Terrace, Perth, Western Australia, 6000

SHARE REGISTRY

Automic Group

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SECURITIES EXCHANGE LISTING

The Company's shares are quoted on the Australian Securities Exchange.

The Home Exchange is Perth.

ASX CODE

ESS - ordinary shares

ESSO - quoted share options over ESS ordinary shares

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Your directors present their report on Essential Metals Limited ("Company") and the entities it controlled ("Group") at the end of and during the half year ended 31 December 2020.

DIRECTORS

The following persons were directors of Essential Metals Limited during the whole of the half year ended 31 December 2020 and up to the date of this report unless otherwise stated.

Craig McGown	Non-executive Chairman
Timothy Spencer	Managing Director
Paul Payne	Non-executive Director
Warren Hallam	Non-executive Director Appointed 1 August 2020

COMPANY SECRETARY

Carl Travaglini

REVIEW OF OPERATIONS

The Group recorded a net loss of \$1,076,781 for the half-year ended 31 December 2020, compared to a net profit of \$1,473,403 for the comparative half-year ended 31 December 2019. The transition from a net profit in the comparative period to a net loss in the current period was due to completion of crushed pollucite ore sales in the previous financial year. Sales of \$105,708 were recorded in the current half-year ended 31 December 2020 (Half-year ended 31 December 2019: \$7,774,747)

During the half-year ended 31 December 2020 the Group incurred \$1,537,763 (2019: \$2,576,529) on exploration and evaluation expenditure, of which \$1,458,388 was capitalised. During the period, the Group's exploration and evaluation efforts were focussed on the Group's West Australian projects, as follows:

- The Pioneer Dome Project including the reporting of an updated Mineral Resource Estimate for the Dome North deposit of 11.2Mt @ 1.21% Li₂O and completion of a scoping study level metallurgical test work programme on the Cade Deposit.
- Exploring for extensions of caesium mineralisation at the Sinclair Mine, including a drill programme undertaken in September 2020.
- Commencement of exploration at the Juglah Dome Gold Project following granting of the Project's underlying tenement, including a drill programme in December 2020 that tested four priority prospects.
- Negotiation of a farmin joint venture for the Blair-Golden Ridge Gold & Nickel Project whereby the farminee will spend \$4 million to earn a 75% interest in nickel rights with Essential free-carried to a Decision to Mine with agreement reached subsequent to the period end.
- Joint venture partners Northern Star Resources Ltd, Novo Resources Corp and Black Cat Syndicate Ltd, were active in the Acra, Kangan and Balagundi joint ventures, respectively.

Exploration write-downs totalled \$523,511 (2019: \$7,757) which related to the write-down of capitalised costs on tenements surrendered and tenements in application during the year.

Impacts of COVID-19

Management continued to monitor the impacts of Government restrictions in response to the COVID-19 pandemic throughout the current half-year reporting period and has taken measures to ensure minimal disruption on the Company's operations and employees. The Company has continued to operate largely unaffected by border closures and other government measures in place from time to time throughout the period.

During the period management completed a review of all state and federal Government assistance measures available to assist small and medium enterprises in Australia and was deemed eligible to receive the cash flow boost and JobKeeper payments.

There were no other significant operations undertaken by the Group during the current half-year period.

COMPETENT PERSONS STATEMENTS & MINERAL RESOURCE ESTIMATES

Dome North Lithium Project						
Project area	Category	Tonnes (Mt)	Grade (Li₂O %)	Contained Li₂O (T)	Ta₂O₅ ppm	Fe₂O₃ %
Cade Deposit	Indicated	5.4	1.30	70,000	33	0.55
	Inferred	2.8	1.18	33,000	33	0.63
Davy Deposit	Inferred	2.3	1.13	25,000	53	0.68
Heller Deposit	Inferred	0.7	1.02	8,000	76	0.72
Total		11.2	1.21	136,000	40	0.61

Blair – Golden Ridge Project				
Project area	Category	Tonnes (t)	Grade (Ni %)	Ni metal (t)
Blair Nickel Mine	Indicated	75,560	4.37	3,300
Blair Nickel Mine	Inferred	147,150	2.18	3,210
Total		222,710	2.92	6,510

Glossary

Li₂O – Lithium Oxide

Ni – Nickel Sulphide

Ta₂O₅ – Tantalum Pentoxide

Fe₂O₃ – Ferric Oxide

Dome North: Mineral Resource Estimate

The information in this Report is based on and fairly represents information compiled by Mr Stuart Kerr and Mr Lauritz Barnes. This information was originally reported to ASX on 29 September 2020 (JORC 2012) entitled: “*Dome North Lithium Project – Resource Upgrade*”. The Company confirms that it is not aware of any new information or data that materially affects the information included in the aforementioned announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Company also confirms that the form and context in which the Competent Persons’ findings are presented have not been materially modified.

Blair Nickel Mine: Mineral Resource Estimate

The information in this Report was based on information supplied to and compiled by the Competent Persons Mr David Crook, Mr Don Huntly and Mr Lauritz Barnes. This information was originally reported to ASX on 28 November 2013 (JORC 2012) entitled: “*Mineral Resource estimate completed for the Blair Nickel Mine*”. The Company confirms that it is not aware of any new information or data that materially affects the information included in the aforementioned announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Company also confirms that the form and context in which the Competent Persons’ findings are presented have not been materially modified.

CORPORATE STRUCTURE

Essential Metals Limited (ACN 103 423 981) is a company limited by shares that was incorporated on 17 January 2003 and is domiciled in Australia. The Company has prepared this consolidated financial report including the entities it controlled during the financial year. The controlled entities were:

- Western Copper Pty Ltd (ACN 114 863 928) (Australia)
- Golden Ridge North Kambalda Pty Ltd (ACN 159 539 983) (Australia)
- Pioneer Canada Lithium Corp. (BC1082452) (British Columbia, Canada).

CAPITAL STRUCTURE

Quoted shares and options on issue

On 20 July 2020 the Company announced the completion of a capital consolidation on a basis that every 10 shares be consolidated into 1 share, every 10 options be consolidated into 1 option and every 10 performance rights be consolidated into 1 performance right, as approved at a General Meeting of shareholders held on 7 July 2020.

On 18 November 2020 the Company announced a \$2,048,779 placement of new fully paid ordinary shares to sophisticated and professional investors through the issue of 24,103,288 new fully paid ordinary shares at an issue price of \$0.085 per new share. Participants in the placement also received one free quoted option exercisable at \$0.15 on or before 30 November 2022 for every two placement shares subscribed for and issued, resulting in 12,051,639 options being issued.

In conjunction with the placement, the Company also announced that it would offer existing eligible shareholders the opportunity to participate in a Securities Purchase Plan (SPP) also priced at \$0.085 per new share with SPP subscribers also receiving one free quoted option exercisable at \$0.15 on or before 30 November 2022 for every two SPP shares subscribed for and issued. On 16 December 2020 the Company announced the completion of the SPP which was scaled back based on director discretion to raise a total of \$2,140,000 before costs resulting in 25,176,342 shares being issued on 16 December 2020 and 12,558,659 free options being issued to SPP participants after the end of the current half-year reporting period on 14 January 2021.

As at the date of signing this directors' report, the Group had 200,817,300 fully paid ordinary shares on issue (ASX:ESS) and 24,610,298 quoted share options on issue (ASX:ESSO).

Unquoted options and performance rights on issue

Details of unquoted options and performance rights on issue as at the date of signing this directors' report are:

Issuing entity	Security type	Number	Class of shares	Exercise price of option	Expiry date of option/right
Essential Metals Limited	Quoted Share Option	24,610,298	Ordinary	\$0.15	22-Nov-2022
Essential Metals Limited	Share Option	894,446	Ordinary	\$0.35	30-Nov-2021
Essential Metals Limited	Share Option	894,446	Ordinary	\$0.45	30-Nov-2022
Essential Metals Limited	Share Option	500,000	Ordinary	\$0.25	31-Jan-2024
Essential Metals Limited	Share Option	500,000	Ordinary	\$0.35	31-Jan-2024
Essential Metals Limited	Share Option	500,000	Ordinary	\$0.45	31-Jan-2024
Essential Metals Limited	Share Option	533,334	Ordinary	\$0.25	30-Jun-2024
Essential Metals Limited	Share Option	533,334	Ordinary	\$0.35	30-Jun-2024
Essential Metals Limited	Share Option	533,334	Ordinary	\$0.45	30-Jun-2024
Essential Metals Limited	Share Option	200,000	Ordinary	\$0.125	30-Sep-2024
Essential Metals Limited	Share Option	200,000	Ordinary	\$0.175	30-Sep-2024
Essential Metals Limited	Share Option	200,000	Ordinary	\$0.225	30-Sep-2024
Essential Metals Limited	Performance Right	100,000	Ordinary	N/A	31-Dec-2023
Essential Metals Limited	Performance Right	500,000	Ordinary	N/A	31-Jan-2024
Essential Metals Limited	Performance Right	826,692	Ordinary	N/A	30-Jun-2024
Essential Metals Limited	Performance Right	826,686	Ordinary	N/A	30-Jun-2024

The holders of these share options and performance rights do not have the right, by virtue of the option or right, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

ROUNDING OFF OF AMOUNTS

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Deloitte Touche Tohmatsu, to provide the Directors of the Company with an Independence Declaration in relation to the review of the Half-Year Report. This Independence Declaration is set out on page 8 and forms part of the Director's Report for the half-year ended 31 December 2020.

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

On behalf of the Directors



Craig McGown

Chairman of the Board

Perth, Western Australia, 11 March 2021

The Board of Directors
Essential Metals Limited
72 Kings Park Road
West Perth WA 6005

11 March 2021

Dear Board Members

Auditor's Independence Declaration to Essential Metals Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Essential Metals Limited.

As lead audit partner for the review of the financial statements of Essential Metals Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Penelope Pink
Partner
Chartered Accountants

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020



	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
CONTINUING OPERATIONS			
Revenue from sale of goods		106	7,774
Cost of sales		(1)	(4,638)
GROSS PROFIT		105	3,136
Exploration expenditure		(79)	(49)
Selling costs		-	(623)
Employee benefits expense (incl. director fees)		(353)	(571)
Compliance & regulatory expenses		(92)	(90)
Consultancy expenses		(49)	(47)
Business development & investor relations		(40)	(143)
Administration costs		(50)	(45)
Interest income		26	30
Other income	5	230	-
Interest expense		-	(16)
Depreciation – Right-of-use assets	8	(50)	(33)
Depreciation – Plant, equipment and motor vehicles		(12)	(13)
Exploration and evaluation expenditure written off	7	(524)	(8)
Foreign exchange differences		(24)	(26)
Share based payments		(165)	(29)
(LOSS)/PROFIT BEFORE TAX		(1,077)	1,473
Income tax		-	-
(LOSS)/PROFIT FOR THE PERIOD FOR CONTINUING OPERATIONS		(1,077)	1,473
OTHER COMPREHENSIVE (LOSS)/INCOME			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(47)	1
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in the fair value of financial assets	6	(183)	166
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME		(230)	167
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX		(1,307)	1,640
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic and diluted net (loss)/profit per share attributable to ordinary equity holders		(\$0.0070)	\$0.0098

The above 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



	Notes	31 Dec 2020 \$'000	30 Jun 2020 \$'000
CURRENT ASSETS			
Cash and cash equivalents		6,656	4,391
Trade and other receivables		169	397
Investments	6	300	568
Prepayments		12	14
TOTAL CURRENT ASSETS		7,137	5,370
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	7	14,548	13,666
Right-of-use assets	8	27	275
Plant, equipment and motor vehicles		180	210
TOTAL NON-CURRENT ASSETS		14,755	14,151
TOTAL ASSETS		21,892	19,521
CURRENT LIABILITIES			
Trade payables		297	365
Other payables		162	286
Provisions		752	752
Lease Liabilities	9	29	64
TOTAL CURRENT LIABILITIES		1,240	1,467
NON-CURRENT LIABILITIES			
Lease liabilities	9	-	225
TOTAL NON-CURRENT LIABILITIES		-	225
TOTAL LIABILITIES		1,240	1,692
NET ASSETS		20,652	17,829
EQUITY			
Contributed equity	10	44,497	41,184
Reserves		1,084	489
Accumulated losses		(24,929)	(23,844)
TOTAL EQUITY		20,652	17,829

The above 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



	Contributed equity	Equity instrument reserve	Fair value reserve	Foreign exchange translation reserve	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	41,184	308	(209)	107	(25,288)	16,102
Profit for the half-year	-	-	-	-	1,473	1,473
Other comprehensive income:						
Fair value adjustment of financial assets	-	-	166	-	-	166
Exchange differences on foreign operations	-	-	-	1	-	1
Total comprehensive income	-	-	166	1	1,473	1,640
Share based payments	-	29	-	-	-	29
Balance at 31 December 2019	41,184	337	(43)	108	(23,815)	17,771
Balance at 1 July 2020	41,184	405	10	74	(23,844)	17,829
Loss for the half-year	-	-	-	-	(1,077)	(1,077)
Other comprehensive loss:						
Fair value adjustment of financial assets	-	-	(183)	-	-	(183)
Exchange differences on foreign operations	-	-	-	(47)	-	(47)
Total comprehensive loss	-	-	(183)	(47)	(1,077)	(1,307)
Sale of financial assets	-	-	37	-	(37)	-
Share based payments	-	165	-	-	-	165
Shares issued for cash (net of transaction costs)	3,313	-	-	-	-	3,313
Share placement option valuation	-	338	-	-	-	338
Share purchase plan option valuation	-	314	-	-	-	314
Transfer of lapsed options to accumulated losses	-	(29)	-	-	29	-
Balance at 31 December 2020	44,497	1,193	(136)	27	(24,929)	20,652

The above 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



	Notes	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash from operating activities			
Receipts from customers		365	6,959
Payments to suppliers and employees		(621)	(2,276)
Interest received		17	24
Other income received		18	-
Government incentives received	5	127	-
Net cash (used in)/from operating activities		(94)	4,707
Investing activities			
Payments for exploration and evaluation		(1,648)	(2,034)
Payments for plant and equipment		(2)	(156)
Proceeds from the relinquishment of tenement rights		100	-
Proceeds from the sale of listed investments		85	-
Payments for the purchase of royalty rights		(137)	-
Net cash used in investing activities		(1,602)	(2,190)
Financing activities			
Repayment of lease liabilities		(44)	(44)
Proceeds from the issue of shares net of transaction costs		4,005	-
Net cash from/(used in) financing activities		3,961	(44)
Net increase in cash and cash equivalents		2,265	2,473
Cash and cash equivalents at the beginning of the half-year		4,391	2,713
Effect of foreign exchange rate changes		-	-
Cash and cash equivalents at the end of the half-year		6,656	5,186

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



1. GENERAL INFORMATION

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*. 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 most recent annual financial report.

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 stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2020 Annual Financial Report for the financial year ended 30 June 2020. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Rounding off of amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

2. ADOPTION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

(a) New and amended Accounting Standards that are effective for the current period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group are:

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
- AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions*.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



Impact of the initial application of other news and amended Standards that are effective for the current period

Amending Standard	Description
AASB 2020-4 <i>Amendments to Australia Accounting Standards – COVID-19-Related Rent Concessions</i>	<p>The amendments introduce a practical expedient into AASB 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election does account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying AASB 16 if the change were not a lease modification.</p> <p>The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:</p> <ul style="list-style-type: none">▪ The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change▪ Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021)▪ There is no substantive change to other terms and conditions of the lease. <p>Impact:</p> <p>The directors of the Company do not anticipate that the application of this Amending Standard will have an impact on the Group's consolidated financial statements, as the amendment does not apply to situations, transactions and events that the Group currently undertakes.</p>

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



<p>AASB 2018-6 <i>Amendments to Australian Accounting Standards - Definition of a Business</i></p>	<p>This Standard amends AASB 3 <i>Business Combinations</i>. The Group has adopted the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.</p> <p>The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.</p> <p>The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.</p> <p>Impact: The directors of the Company do not anticipate that the application of this Amending Standard will have an impact on the Group's consolidated financial statements.</p>
<p>AASB 2018-7 <i>Amendments to Australian Accounting Standards - Definition of Material</i></p>	<p>This Standard amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, and makes consequential amendments to several other pronouncements and publications. The Group has adopted these amendments for the first time in the current year. The amendments make the definition of material in AASB 101 easier to understand and are not intended to alter the underlying concept of materiality in Australian Accounting Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.</p> <p>The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in AASB 108 has been replaced by a reference to the definition of material in AASB 101. In addition, the Standard also amends other Australian Accounting Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.</p> <p>Impact: The directors of the Company do not anticipate that the application of this Amending Standard will have an impact on the Group's consolidated financial statements.</p>

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



<p>AASB 2019-1 <i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i></p>	<p>The Group has adopted the amendments included in AASB 2019-1 for the first time in the current year. The amendments include consequential amendments to affected Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the <i>Conceptual Framework for Financial Reporting</i> (Conceptual Framework) by the AASB.</p> <p>The amendments:</p> <ul style="list-style-type: none">▪ Update numerous pronouncements to refer to the new Conceptual Framework for Financial Reporting or to clarify which version of the Framework is being referenced. These amendments apply to for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the new Conceptual Framework▪ Permit other entities to continue using the Framework for the Preparation and Presentation of Financial Statements adopted by the AASB in 2004. <p>Impact: The directors of the Company do not anticipate that the application of this Amending Standard will have a material impact on the Group's consolidated financial statements.</p>
<p>AASB 2019-5 <i>Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia</i></p>	<p>This Standard makes amendments to AASB 1054 <i>Additional Australian Disclosures</i> by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose the information specified in paragraphs 30 and 31 of AASB 108 on the potential effect of an IFRS Standard that has not yet been issued by the AASB. The Group has adopted these amendments for the first time in the current year.</p> <p>Impact: The directors of the Company do not anticipate that the application of this Amending Standard will have a material impact on the Group's consolidated financial statements.</p>

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



3. SIGNIFICANT CHANGES FROM THE ANNUAL FINANCIAL STATEMENTS

Impacts of COVID-19

Management continues to consider the impacts of Government restrictions in response to the COVID-19 pandemic and has taken measures to ensure minimal impact on the Company's operations and employees. The Company has continued to operate largely unaffected by border closures and other government measures in place from time to time throughout the half-year period. Refer to Note 5 for details of Government grant income received during the current half year-period.

Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Exploration related government grants are offset against exploration expenditure incurred and capitalised.

Revenue recognition

The Group recognises revenue from the sale of product to customers. For all sales, revenue is recognised when control has transferred, being when the product is delivered to the customer.

Costs directly attributable to the recognition of revenue are recognised within cost of sales in the corresponding reporting period to which the related revenue is recognised.

All revenue is stated net of the amount of goods and services tax (GST).

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



4. OPERATING SEGMENTS

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. For the purposes of segment reporting the chief operating decision maker has been determined as the Board of Directors.

Based upon the operations of the Group during the current and comparative financial periods, the Board has identified three operating segments; being the Sinclair Mine, exploration in Australia and Canada and corporate and unallocated expenditure. Assets are allocated to a segment based on the operations of the segment and the physical location of the asset.

(b) Measurement of segment information

All information presented below is measured in a matter consistent with that in the financial statements.

(c) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments is as follows:

	Sinclair Mine ¹	Exploration	Corporate	Total
Half-year ended 31 December 2020	\$'000	\$'000	\$'000	\$'000
Revenue	-	106	-	106
Loss before tax	-	(502)	(575)	(1,077)
Income tax	-	-	-	-
Loss after tax	-	(502)	(575)	(1,077)
Segment assets	-	14,652	7,240	21,892
Segment liabilities	(696)	(257)	(287)	(1,240)
	Sinclair Mine	Exploration	Corporate	Total
Comparative periods	\$'000	\$'000	\$'000	\$'000
<u>Half-year ended 31 December 2019</u>				
Revenue	7,775	-	-	7,775
Profit/(loss) before tax	2,513	(57)	(983)	1,473
Income tax	-	-	-	-
Profit/(loss) after tax	2,513	(57)	(983)	1,473
<u>30 June 2020</u>				
Segment assets	297	14,151	5,073	19,521
Segment liabilities	(696)	(550)	(446)	(1,692)

Note:

¹ The Sinclair mine was not a separately reported segment during the current half-year reporting period and has been included to align with the comparative period disclosure.

The revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the half-year. The accounting policies of the reportable segments are the same as the Group's accounting policies.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



Segment profit represents the profit earned by each segment without allocation of the share of profits of associates and joint ventures, central administration costs including directors' salaries, finance income, non-operating gains and losses in respect of financial instruments and finance costs, and income tax expense. This is the measure reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance.

5. OTHER INCOME

	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Government grants ¹	21	-
Income received for the cancellation of tenement applications ²	200	-
Other income	9	-
Total other income	230	-

Note:

¹ \$122,500 in JobKeeper government grants were recognised during the current reporting period. \$118,950 of JobKeeper payments was offset during the current half-year reporting period against the capitalised exploration expenditure to which it related with the balance classified as other income in line with the Group's accounting policies. The Group is eligible for JobKeeper 2.0 government grants extending to 31 March 2021. A cash boost payment of \$22,500 was received from the WA State Government during the current reporting period.

² Received as compensation for withdrawing contested tenement applications.

6. INVESTMENTS

(a) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
(b) Equity Investments at fair value through other comprehensive income		
Equity investments at FVOCI comprise the following individual investments:		
ASX listed entities	1	100
Canadian listed entities	299	468
Current investments – Equity instruments	300	568
(c) Amounts recognised in other comprehensive income		
During the half-year, the following (losses)/gains were recognised in other comprehensive income:		
Changes in fair values of investments	(183)	166
(Losses)/gains recognised in other comprehensive income	(183)	166

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



7. EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2020 6 month movement \$'000	30 Jun 2020 12 month movement \$'000
Non-current – In the exploration and evaluation phase		
Opening balance	13,666	10,393
Expenditure for the period	1,588	3,890
R&D incentives received during the period	-	(34)
JobKeeper payments offset against related capitalised exploration expenditure	(119)	-
Foreign currency translation – Mavis Lake	(63)	(25)
Farmin arrangement for Balagundi JV – carrying value transferred to profit/(loss)	-	(40)
Exploration expenditure written off	(524)	(518)
Closing balance	14,548	13,666

The ongoing carrying value of the Group's interest in exploration and evaluation expenditure is dependent upon the continuance of the Group's rights to tenure of the areas of interest and the results of future exploration and the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to indigenous people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims. Exploration write-downs totalled \$523,511 which related primarily to the write-down of costs pertaining to tenements surrendered during the year.

8. RIGHT-OF-USE (ROU) ASSETS

	31 Dec 2020 6 month movement \$'000	30 Jun 2020 12 month movement \$'000
Non-current		
Cost		
Opening balance	347	-
Additions	-	347
Reassessment of ROU lease asset term	(198)	-
Closing balance	149	347
Accumulated depreciation		
Opening balance	(72)	-
Depreciation charges	(50)	(72)
Closing balance	(122)	(72)
Carrying amount – Opening balance	275	-
Carrying amount – Closing balance	27	275

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



As at 31 December 2020 the Company held a non-cancellable office operating lease for a three-year period up to 30 April 2021, including an option to extend the lease for an additional three year period to 30 April 2024. It was previously estimated that the Company would make the election to extend the lease term for the additional 3 year period but following the end of the current half-year reporting period the Company decided against extending the lease term. As such the current lease term will expire on 30 April 2021 resulting in a remeasurement of the associated ROU lease asset and liability.

The Group has recognised the remaining lease based on the application of AASB 16. Further to the above-mentioned lease the Group has two separate month-to-month rolling leases, equating to \$4,500, in respect of houses located close to the Group's projects. These leases contain clauses where either the Company or the lessor can terminate the lease agreements on short notice and these leases are treated as short-term leases. The lease expenditure on these two leases are included as capitalised exploration expenditure on the statement of financial position.

9. LEASE LIABILITIES

The Group's head office in Western Australia is recognised as a right-of-use ("ROU") asset. Refer to Note 8 for assets recognised in line with the adoption of *AASB 16 Leases* and amortisation expensed to the Consolidated Statement of Profit or Loss and Other Comprehensive Income during the current financial year.

	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Maturity Analysis		
Year 1	29	64
Year 2	-	64
Year 3	-	64
Year 4	-	64
Year 5	-	33
Onwards	-	-
	29	289
Less unearned interest	-	-
Analysed as:		
Current	29	64
Non-current	-	225
Total lease liabilities	29	289

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are measured as part of the Group's financial risk management. Refer to Note 8 for details of the remeasurement of head office ROU lease liabilities.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



10. CONTRIBUTED EQUITY

(a) Ordinary shares on issue – fully paid

	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	Shares	Shares	\$'000	\$'000
Total contributed equity	200,156,057	1,508,758,765	44,497	41,184

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value. Ordinary shares have no par value and entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

On 20 July 2020 the Company announced completion of the consolidation of the Company's issued capital on the basis that every ten shares be consolidated into one share, every ten options be consolidated into one option and every ten performance rights be consolidated into one performance right, as approved at the General Meeting of shareholders held on 7 July 2020.

On 18 November 2020 the Company announced a \$2,048,779 placement of new fully paid ordinary shares to sophisticated and professional investors through the issue of 24,103,288 new fully paid ordinary shares at an issue price of \$0.085 per new share. Participants in the placement also received one free quoted option exercisable at \$0.15 on or before 30 November 2022 for every two placement shares subscribed for and issued, resulting in 12,051,639 options being issued.

In conjunction with the placement, the Company also announced that it would offer existing eligible shareholders the opportunity to participate in a Securities Purchase Plan (SPP) also priced at \$0.085 per new share with the SPP subscribers also receiving one free quoted option exercisable at \$0.15 on or before 30 November 2022 for every two SPP shares subscribed for and issued. On 16 December 2020 the Company announced the completion of the SPP which was scaled back based on director discretion to raise a total of \$2,140,000 before costs resulting in 25,176,342 shares being issued on 16 December 2020 and 12,558,659 free options being issued to SPP participants after the end of the current half-year reporting period on 14 January 2021.

(b) Share movements during the period

	Date	Number of shares	Issue price	\$'000
Opening Balance 1 July 2020		1,508,758,765		41,184
10:1 Share Consolidation	17 Jul 2020	(1,357,882,338)	-	-
Placement share issue	23 Nov 2020	24,103,288	\$0.085	2,049
Placement share issue costs		-	-	(166)
Placement option valuation		-	-	(337)
Share Purchase Plan share issue	16 Dec 2020	25,176,342	\$0.085	2,140
Share Purchase Plan share issue costs		-	-	(59)
Share Purchase Plan option valuation		-	-	(314)
Closing balance 31 December 2020		200,156,057		44,497

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



11. EQUITY INSTRUMENTS

Set out below are movements in equity incentives on a post-consolidation basis in the current reporting period:

2020	Opening balance 1 Jul	Granted	Exercised	Expired/ cancelled	Closing balance 31 Dec
Unlisted options					
Exercisable at 26 cents on or before 27/10/20	223,334	-	-	(223,334)	-
Exercisable at 50 cents on or before 27/10/20	223,334	-	-	(223,334)	-
Exercisable at 75 cents on or before 27/10/20	223,334	-	-	(223,334)	-
Exercisable at 35 cents on or before 30/11/21	1,200,002	-	-	(305,556)	894,446
Exercisable at 45 cents on or before 30/11/22	1,200,002	-	-	(305,556)	894,446
Exercisable at 25 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 35 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 45 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 25 cents on or before 30/06/24	-	533,334	-	-	533,334
Exercisable at 35 cents on or before 30/06/24	-	533,334	-	-	533,334
Exercisable at 45 cents on or before 30/06/24	-	533,334	-	-	533,334
Exercisable at 12.5 cents on or before 30/09/24	-	200,000	-	-	200,000
Exercisable at 17.5 cents on or before 30/09/24	-	200,000	-	-	200,000
Exercisable at 22.5 cents on or before 30/09/24	-	200,000	-	-	200,000
Listed options					
Exercisable at 15 cents on or before 30/11/22	-	12,051,639	-	-	12,051,639
Total options	4,570,006	14,251,641	-	(1,281,114)	17,540,533
Performance rights					
Exercisable on or before 25/09/24	819,548	-	-	(204,546)	615,002
Exercisable on or before 31/01/24	500,000	-	-	-	500,000
Exercisable on or before 31/12/23	100,000	-	-	-	100,000
Exercisable on or before 30/06/24	-	1,653,378	-	-	1,653,378
Total unlisted performance rights	1,419,548	1,653,378	-	(204,546)	2,868,380
Total equity instruments	5,989,554	15,905,019	-	(1,485,660)	20,408,913

12. SHARE BASED PAYMENTS

The Company has in place an Equity Incentive Plan (last approved by shareholders on 15 December 2020) which is a long-term incentive plan ("LTIP") and under the LTIP the Board may issue performance rights and options to employees and directors. A performance right is a right to be issued an ordinary share upon the satisfaction of certain performance conditions that are attached to the performance right, the conditions of which are determined by the Board. An option can be converted into an ordinary share of the Company by the option holder paying the exercise price per share to the Company before the option expiry date.

(a) Unlisted share options

On 7 July 2020 and 15 December 2020, 1,600,002 and 600,000 respectively, post-consolidation share options were issued to non-executive directors following shareholder approval at a General Meeting of shareholders and the Company's Annual General Meeting of Shareholders.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



The fair value of unlisted options issued has been determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the impact of dilution, the non-tradeable nature of the options, the share price at grant date and expected price volatility of the underlying shares, the expected dividend yield and the risk-free interest rate for the term of the options.

The following table illustrates the weighted average inputs used to calculate the fair value of unlisted share options issued during the half-year period and their resulting valuations on a post-consolidation basis:

Item	6 months to 31 Dec 2020
Share price at grant date (weighted average)	\$0.102
Exercise price (weighted average)	\$0.302
Expected volatility (weighted average)	93.9%
Risk-free interest rate (weighted average)	0.23%
Expiry life (expressed as weighted average used in the modelling under Black Scholes options pricing model)	3.93 years
Vesting period (weighted average)	Vest on grant

The fair value of unlisted options issued during the half-year period totalled \$103,600 (2019: Nil). The fair value of unlisted options expensed to the statement of profit or loss and other comprehensive income during the current half-year period also totalled \$103,600 (2019: nil).

(b) Performance rights

Refer to Note 11 for movements in performance rights during the half-year period. Performance rights are exercisable for nil consideration. The fair value of performance rights issued during the half-year period totalled \$107,637 (2019: \$28,841). The fair value of performance rights expensed to the statement of profit or loss and other comprehensive income during the current half-year period totalled \$61,593 (2019: \$28,841).

Performance rights are granted for no consideration and the term of the performance rights are determined by the Board in its absolute discretion but will ordinarily have a three year vesting period and a term up to a maximum of five years. Performance rights are subject to lapsing if performance conditions are not met by the relevant measurement date or expiry date (if no other measurement date is specified) or if employment is terminated. There is no ability to re-test performance under the LTIP after the performance period. The fair value of performance rights has been calculated at the grant date and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of fair value of the rights allocated to this reporting period.

The terms of performance rights issued to eligible employees during the current half-year include:

- (i) The value and resulting number of rights issued is based on a maximum threshold applied to each employee expressed as a percentage of their fixed remuneration depending on their role and seniority within the Company;
- (ii) Performance will be measured over a three year period from grant date; and
- (iii) Rights will be granted at the discretion of the Board, but must be demonstrably linked to:
 - a. 50% of the granted performance rights will be subject to a vesting condition, whereby the Absolute Total Shareholder Return (Absolute TSR) must exceed 25%.
 - b. 50% of the granted performance rights will be subject to a vesting condition based on Relative Total Shareholder Return (Relative TSR), whereby the Company's TSR must be greater than TSRs of 7 of the 10 peer group of companies over the performance period. This vesting condition can only be met if the Company's absolute TSR is positive.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



13. RELATED PARTIES

Parent entity and subsidiaries

The ultimate parent entity of the Group is Essential Metals Limited. Interests in other entities are set out in note 16.

Related party share based payments

During the half-year ended 31 December 2020 the following equity incentives in the Company were issued to Directors and Key Management Personnel on a post-consolidation basis:

Key Management Personnel	Grant date	Type of incentive	# of incentives	Total value of incentives	Share based payment Jul-Dec 2020
Craig McGown	7-Jul-2020	Options	1,000,000	\$50,000	\$50,000
Paul Payne	7-Jul-2020	Options	600,000	\$30,000	\$30,000
Carl Travaglini	26-Oct-2020	Performance Rights	293,182	\$20,376	\$3,408
Andrew Dunn	26-Oct-2020	Performance Rights	245,455	\$17,059	\$2,854
Timothy Spencer	15-Dec-2020	Performance Rights	454,545	\$24,318	\$4,068
Warren Hallam	15-Dec-2020	Options	600,000	\$23,600	\$23,600

Other director related party transactions

There were no other transactions with related parties during or outstanding at the end of the current reporting period.

14. CONTINGENT LIABILITIES

There were no material contingent liabilities not disclosed in the financial statements of the Group as at 31 December 2020 (31 December 2019: Nil).

15. COMMITMENTS, CONTINGENT LIABILITIES AND ASSETS

Since the last reporting date of 30 June 2020, there has been no material change in any commitments, contingent liabilities or contingent assets.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



16. GROUP COMPOSITION

(a) List of subsidiaries

			Ownership percentage	
	Place of incorporation	Principal activities	2020	2019
Golden Ridge North Kambalda Pty Ltd	Australia	Exploration	100%	100%
Western Copper Pty Ltd	Australia	Exploration	100%	100%
Pioneer Canada Lithium Corp.	Canada	Exploration	100%	100%

(b) Third party interests

Project	Third party partner or third party holder	Third party participating equity At 31 December 2020
Acra (Gold)	Northern Star Limited ("NST")	NST hold a 75% interest. Ardea Resources Limited retains 100% of the nickel laterite rights on E27/278, E27/520, E28/1746.
Kangan (Gold)	Novo Resources Corp. ("NVO")	NVO holds 70% of gold and precious metals rights.
Balogundi (Gold)	Black Cat Syndicate Limited ("BC8")	BC8 may earn a 75% interest.
Larkinville (Gold/Nickel)	Maximus Resources Limited ("MXR")	MXR holds 75% of gold rights and 80% of nickel rights
Wattle Dam (Gold/Nickel)	Maximus Resources Limited ("MXR")	MXR holds 100% of gold minerals and 80% of nickel rights
Maggie Hays Hill (Nickel)	Poseidon Nickel Ltd ("POS")	POS holds 80% all mineral rights.
Fairwater (Nickel) ¹	National Minerals Pty Ltd ("NM")	NM holds a 25% free carried interest
Ravensthorpe (Royalty)	ACH Minerals Pty Ltd ("ACH")	100% (Group retains a royalty)
Ravensthorpe (Royalty)	Galaxy Lithium Australia Limited ("GXY")	GXY 100% lithium & tantalum on E74/379, E74/399 & E74/406. ACH all other minerals. Group retains a royalty.

Note:

¹ On 17 February 2021 the Company provided National Minerals Pty Ltd with a withdrawal notice in relation to the Company's interest in the Fairwater Project Joint Venture.

17. SUBSEQUENT EVENTS

On 4 January 2021 615,002 unlisted performance rights issued to management and employees were cancelled due to vesting conditions not being met at 31 December 2020.

On 16 December 2020 the Company announced the completion of the Company's Share Purchase Plan (SPP). 12,558,659 free options were issued to SPP participants after the end of the current half-year reporting period on 14 January 2021.

On 14 January 2021 the Company issued 661,243 shares to Milford Resources for the provision of tenement pegging and administration services.

After the end of the current half-year reporting period and up to and including 2 February 2021 the Company sold its entire shareholding in Novo Resources Corp. (TSX:NVO) for total net proceeds of CAD\$233,930.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020



On 9 February 2021 the Company announced that it had entered into a nickel Farmin/Joint Venture with a subsidiary of Crest Investment Group Limited ("Crest") over the Group's Blair – Golden Ridge Project (Project) in Western Australia. The agreement is subject to Crest completing due diligence by 15 March 2021 and subsequently paying an option exercise fee to proceed to the farmin stage by 29 March 2021.

Key terms of the Farmin/Joint Venture include:

- Within nine months following commencement of the Farmin, Essential Metals is entitled to receive a further \$400,000 in cash or, upon a listing event, can elect to receive listed shares to an equivalent value.
- Crest will spend \$4 million within four years to earn a 75% interest in the nickel rights at the Project, spending no less than \$750,000 per annum. Crest can withdraw from the Farmin in the first year provided it has incurred no less than \$750,000 in eligible expenditure or at any time provided it has incurred no less than \$1 million in cumulative eligible expenditure.
- Upon Crest earning its 75% interest in the nickel rights, a Joint Venture shall be formed whereby Crest will fully fund the Joint Venture activities with Essential Metals retaining a 25% interest and no obligation to fund the Joint Venture up until a Decision to Mine is reached. Thereafter, both parties shall fund the Joint Venture proportional to their respective interest. Essential Metals can elect to convert its interest to a 1.5% net smelter royalty.

On 17 February 2021 the Company provided National Minerals Pty Ltd with a withdrawal notice in relation to the Company's interest in the Fairwater Project Joint Venture. This has been treated as an adjusting subsequent event at 31 December 2020.

The Group recognises that COVID-19 is a rapidly evolving situation impacting us all. Whilst acknowledging the disruption to global commerce, the Group finds itself well placed to continue to progress its projects and will continue to monitor any impacts the pandemic may have on its projects. At this point in time the Group is experiencing minor delays in project timelines as a result of the pandemic. These delays are not expected to be significant.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

For the year ended 31 December 2020



The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Board of Directors

Timothy Spencer
Managing Director

11 March 2021

Independent Auditor's Report to the members of Essential Metals Limited

Conclusion

We have reviewed the half-year financial report of Essential Metals Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity 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 the Group is not in accordance with the *Corporations Act 2001*, including:

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group 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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities 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. 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 Group'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*.

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.



DELOITTE TOUCHE TOHMATSU



Penelope Pink

Partner

Chartered Accountants

Perth, 11 March 2021

Forward Looking Statements

As at 31 December 2020



This document may contain “forward-looking statements” and other forward-looking information based on the Group’s expectations, estimates and projections as of the date on which the statements were made. This forward-looking information includes, among other things, statements with respect to the Group’s business strategy, plan, development, objectives, performance, outlook, growth, cash flow, projections, targets and expectations, Mineral Resources and results of exploration. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as ‘outlook’, ‘anticipate’, ‘project’, ‘target’, ‘likely’, ‘believe’, ‘estimate’, ‘expect’, ‘intend’, ‘may’, ‘would’, ‘could’, ‘should’, ‘scheduled’, ‘will’, ‘plan’, ‘forecast’, ‘evolve’ and similar expressions. Persons reading this document are cautioned that such statements are only predictions, and that the Group’s actual future results or performance may be materially different. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Group’s actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Forward-looking information is developed based on assumptions about such risks, uncertainties and other factors, including but not limited to general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future commodity prices; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accident, labour disputes and other risks of the mining industry; and delays in obtaining governmental approvals or financing or in the completion of development or construction activities. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place reliance on such forward-looking information. Recipients of this document must make their own investigations and inquiries regarding all assumptions, risks, uncertainties and contingencies which may affect the future operations of the Group and the Group’s securities. The Group disclaims any intent or obligations to or revise any forward-looking statements whether as a result of new information, estimates, or options, future events or results or otherwise, unless required to do so by law.

Tenement Register

As at 31 December 2020



Tenement Register (Consolidated Basis)

Tenement	Holder	Notes	Status
Golden Ridge Nickel Project Located 30km SE of Kalgoorlie, WA			
E26/186	Golden Ridge North Kambalda Pty Ltd	1	Granted
E26/211	Golden Ridge North Kambalda Pty Ltd	1	Granted
E26/212	Golden Ridge North Kambalda Pty Ltd	1	Granted
M26/220	Golden Ridge North Kambalda Pty Ltd	1	Granted
M26/222	Golden Ridge North Kambalda Pty Ltd	1	Granted
M26/284	Golden Ridge North Kambalda Pty Ltd	1	Granted
M26/285	Golden Ridge North Kambalda Pty Ltd	1	Granted
L26/272	Golden Ridge North Kambalda Pty Ltd	1	Granted
Juglah Dome Project			
E25/585	Western Copper Pty Ltd	19	Granted
Pioneer Dome Project Located 133km SSE of Kalgoorlie, WA			
E15/1515	Essential Metals Limited		Granted
E15/1522	Essential Metals Limited		Granted
E15/1725	Essential Metals Limited		Under application
E63/1669	Essential Metals Limited		Granted
E63/1782	Essential Metals Limited		Granted
E63/1783	Essential Metals Limited		Granted
E63/1785	Essential Metals Limited		Granted
E63/1825	Essential Metals Limited		Granted
L63/77	Essential Metals Limited		Granted
M63/665	Essential Metals Limited		Granted
Kangan Lithium Project Located 80km S of Port Hedland, (Wodgina) WA			
E45/4948	Essential Metals Limited	16	Granted
E47/3318-I	Essential Metals Limited	14, 16	Granted
E47/3321-I	Essential Metals Limited	14, 16	Granted
E47/3945	Essential Metals Limited	16	Granted
Fairwater Nickel Project Located 220km SE of Kalgoorlie, WA			
E63/1665	Essential Metals Limited/ National Minerals Pty Ltd	10	Granted
E63/1714	Essential Metals Limited/ National Minerals Pty Ltd	10	Under application
E63/2040	Essential Metals Limited/ National Minerals Pty Ltd	10	Under application
Regional Projects, Located in WA			
E15/1710	Essential Metals Limited		Granted
E63/1959	Essential Metals Limited		Granted
Balagundi			
E27/558	Essential Metals Limited	17	Granted

Tenement Register

As at 31 December 2020



Tenement	Holder	Notes	Status
Mavis Lake Project, Located 10km East of Dryden, Ontario, Canada			
4208712	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4208713	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4208714	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4251131	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4251132	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4251133	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4251134	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4251135	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4251136	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4251137	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4251138	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4251139	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
4251140	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
K489140	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
K498288	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
K498289	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
K498290	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
K498292	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
K498308	Pioneer Canada Lithium Corp 51%/International Lithium Corporation 49%	12	Granted
Acra Gold Project Located 60km NE of Kalgoorlie, WA			
E27/278	Essential Metals Limited / Northern Star Resources Limited	2, 8	Granted
E27/438	Essential Metals Limited / Northern Star Resources Limited	2, 8	Granted
E27/491	Essential Metals Limited / Northern Star Resources Limited	8	Granted
E27/520	Essential Metals Limited / Northern Star Resources Limited	2, 8	Granted
E27/548	Essential Metals Limited / Northern Star Resources Limited	8	Granted
E27/579	Essential Metals Limited / Northern Star Resources Limited	2, 8	Granted
E28/1746	Essential Metals Limited / Northern Star Resources Limited	2, 8	Granted
E28/2483	Essential Metals Limited / Northern Star Resources Limited	8	Granted
Wattle Dam Nickel Project Located 65km S of Kalgoorlie, WA			
M15/1101	Maximus Resources Limited	3, 5	Granted
M15/1263	Maximus Resources Limited	3, 5	Granted
M15/1264	Maximus Resources Limited	3, 5	Granted
M15/1323	Maximus Resources Limited	3, 5	Granted
M15/1338	Maximus Resources Limited	3, 5	Granted
M15/1769	Maximus Resources Limited	3, 5	Granted
M15/1770	Maximus Resources Limited	3, 5	Granted
M15/1771	Maximus Resources Limited	3, 5	Granted
M15/1772	Maximus Resources Limited	3, 5	Granted
M15/1773	Maximus Resources Limited	3, 5	Granted
Larkinvile Lithium, Nickel Project Located 75km S of Kalgoorlie, WA			
M15/1449	Essential Metals Limited / Maximus Resources Limited	6, 7	Granted
P15/5912	Essential Metals Limited / Maximus Resources Limited	6, 7	Granted
Maggie Hays Hill JV, Located 140km SE of Southern Cross			
E63/1784	Essential Metals Limited / Poseidon Nickel Limited	13	Granted

Tenement Register

As at 31 December 2020



Tenement	Holder	Notes	Status
Ravensthorpe Copper-Gold Project Located 340km SW of Kalgoorlie, WA			
E74/311	Medallion Metals Limited	9	Granted
E74/379-I	Galaxy Lithium Australia Limited	15	Granted
E74/399	Galaxy Lithium Australia Limited	15	Granted
E74/406	Galaxy Lithium Australia Limited	15	Granted
E74/486	Medallion Metals Limited	9	Granted
E74/558	Medallion Metals Limited	9	Granted
E74/559	Medallion Metals Limited	9	Granted
E74/560	Medallion Metals Limited	9	Granted
M74/163	Medallion Metals Limited	9	Granted
P74/349	Medallion Metals Limited	9	Granted
Katanning Gold Project			
E70/5040	Ausgold Exploration Pty Ltd	18	Granted
E70/5042	Ausgold Exploration Pty Ltd	18	Granted
E70/5043	Ausgold Exploration Pty Ltd	18	Granted
E70/5044	Ausgold Exploration Pty Ltd	18	Granted

Note	
1	Golden Ridge North Kambalda P/L is a wholly-owned subsidiary of Essential Metals Limited. Refer Note 16.
2	Heron Resources Limited retains nickel laterite ore.
3	Heron Resources Limited retains pre-emptive right to purchase Nickel Laterite Ore.
5	Wattle Dam JV Agreement: Title, Mineral Rights held by Maximus Resources Limited, except nickel. Essential Metals 20% free carried interest in NiS minerals.
6	Larkinville JV Agreement: Maximus Resources Limited 75% in Gold and Tantalite; Essential Metals 25% interest free carried to a Decision to Mine.
7	Larkinville JV Agreement: Maximus has an 80% interest in nickel rights; Essential Metals 20% interest free carried.
8	Acra JV Agreement Northern Star Resources Limited 75% interest; Essential Metals 20% interest free carried to lodgement of a Mining Approval application.
9	Ravensthorpe: Title and rights to all minerals held by Medallion Metals Limited. Essential Metals 1.5% NSR.
10	Fairwater JV Agreement: Essential Metals 75% Interest, National Minerals P/L 25% free carried interest.
11	ESS elected to withdraw from an Option Agreement with P Askins.
12	Subject to a Joint Venture with International Lithium Corp. Pioneer Canada Lithium Corporation is a 100% owned subsidiary of Essential Metals Limited.
13	Maggie Hays Lake JV Agreement: Poseidon Nickel Limited 80%, Essential Metals 20% & free carried interest to commencement of mining.
14	FMG Pilbara Pty Ltd 1.5% NSR royalty.
15	Ravensthorpe: Title and lithium/tantalum rights held by Galaxy Lithium Australia Limited. All other mineral rights held by ACH Minerals Pty Limited. Essential Metals 1.5% NSR.
16	Kangan Farmin Agreement: Novo Resources Corp. may earn a 70% Project Interest (excluding lithium and related minerals).
17	Balagundi Farmin Agreement: Black Cat Syndicate Limited may earn a 75% Project interest.
18	Katanning Gold Project: Essential Metals 1.5% NSR.
19	Western Copper Pty Ltd is a 100% owned subsidiary of Essential Metals.