



ESSENTIALMETALS

for a sustainable future

HALF YEAR REPORT

FOR THE HALF YEAR ENDED

31 December 2021

ABN 44 103 423 981



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	
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AUDITOR	
BDO Audit (WA) Pty Ltd	
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SHARE REGISTRY	
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SECURITIES EXCHANGE LISTING	
The Company's shares and listed share options are quoted on the Australian Securities Exchange.	
ASX CODE	
ESS - ordinary shares	
ESSO - listed share options	

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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 2021.

DIRECTORS

The following persons were directors of Essential Metals Limited during the whole of the half year 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

COMPANY SECRETARY

Carl Travaglini

REVIEW OF OPERATIONS

During the half year the Group recorded a net loss of \$590,000 (2020: \$1,077,000) and a total expenditure of \$1,076,000 (2020: \$1,538,000) on exploration and evaluation. This includes \$1,073,000 (2020: \$1,458,000) of exploration and evaluation expenditure capitalised to the Statement of Financial Position and \$3,000 (2020: \$80,000) of exploration and evaluation expenditure expensed to the Statement of Profit and Loss and Other Comprehensive Income where the Group does not yet hold the rights to tenure. The Group’s exploration and evaluation efforts were focussed during the reporting period on:

- The Pioneer Dome Lithium Project in Western Australia.
- The Blair-Golden Ridge Gold Project in Western Australia.
- The Juglah Dome Gold Project located in Western Australia.
- The following joint venture partners were active, as follows:
 - Northern Star Resources Limited: Acra Gold JV (The Group is 25% free-carried to mining approval)
 - Novo Resources Corp: Kangan Gold JV (The Group is 30% free-carried to a decision to mine)
 - Black Cat Syndicate Limited: Balagundi Gold and Base Metals Farmin/JV (The Group is 25% free-carried to a decision to mine)
 - Maximus Resources Limited: Wattle Dam Nickel JV (The Group is 20% free-carried to a decision to mine)
 - Maximus Resources Limited: Larkinville Gold JV (The Group is 25% free-carried to a decision to mine)
 - Australian Nickel Company Limited: Blair – Golden Ridge Farmin/JV (The Group is 25% free-carried to a decision to mine).

During the half year the Group reclassified \$1,566,000 within the Statement of Financial Position from non-current capitalised exploration expenditure to current assets held for sale. This reclassification related to the Binding Share Purchase Agreement signed with Critical Resources Limited (ASX:CRR) during the half year for the sale of 100% of the shares in 100% owned subsidiary Pioneer Canada Lithium Corp. The sale option was exercised by CRR subsequent to the current reporting period on 4 January 2022.

Exploration write-downs totalled \$113,000 (2020: \$477,000) during the current half year period which related to the write-down of capitalised costs on a tenement that was relinquished subsequent to the current reporting date but before the date of this report.

During the half year BDO (Audit) WA Pty Ltd was appointed as auditor of the Group replacing Deloitte Touche Tohmatsu as approved by Shareholders at the Company’s Annual General Meeting held on 23 November 2021.

Impacts of COVID-19

Management continued to monitor the impact 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 to the Company’s operations and employees. The Company has continued to operate largely unaffected by border closures and other Government measures that were required from time to time throughout the period.

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

CORPORATE STRUCTURE

Essential Metals Limited (ACN 103 423 981) is a company limited by shares, 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 half year reporting period. 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) (Subsidiary disposal completed after the end of the current half year period on 4 January 2022. Refer to Note 5 for more information).

CAPITAL STRUCTURE

Listed shares and options on issue

On 4 August 2021 the Company announced a \$5,000,000 placement of new fully paid ordinary shares to sophisticated and professional investors through the issue of 40,000,000 new fully paid ordinary shares at an issue price of \$0.125 per new share. Tranche 1 totalling 36,780,000 shares were issued on 11 August 2021. Tranche 2 totalling 3,220,000 shares were issued on 22 September 2021 including 1,200,000 shares issued to Directors of the Company.

On 24 November 2021 the Company issued 100,000 fully paid ordinary shares to a member of the key management personnel upon conversion of vested performance rights.

On 22 August 2021, 24 November 2021 and 24 December 2021 the Company issued a total of 628,556 fully paid ordinary shares upon the conversion of ESSO listed options expiring 30 November 2022 by shareholders at an exercise price of \$0.15 per option.

As at the date of this report, the Group had 244,258,736 fully paid ordinary shares on issue (ASX:ESS), 22,768,862 quoted share options on issue (ASX:ESSO) and 8,807,660 unlisted options and performance rights on issue.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Security type	Number	Class of shares	Exercise price of option	Expiry date of option/right
Essential Metals Limited	Listed Share Option	22,768,862	Ordinary	\$0.15	30-Nov-2022
Essential Metals Limited	Unlisted Share Option	894,446	Ordinary	\$0.45	30-Nov-2022
Essential Metals Limited	Unlisted Share Option	500,000	Ordinary	\$0.20	10-Aug-2023
Essential Metals Limited	Unlisted Share Option	500,000	Ordinary	\$0.25	31-Jan-2024
Essential Metals Limited	Unlisted Share Option	500,000	Ordinary	\$0.35	31-Jan-2024
Essential Metals Limited	Unlisted Share Option	500,000	Ordinary	\$0.45	31-Jan-2024
Essential Metals Limited	Unlisted Share Option	533,334	Ordinary	\$0.25	30-Jun-2024
Essential Metals Limited	Unlisted Share Option	533,334	Ordinary	\$0.35	30-Jun-2024
Essential Metals Limited	Unlisted Share Option	533,334	Ordinary	\$0.25	30-Jun-2024
Essential Metals Limited	Unlisted Share Option	200,000	Ordinary	\$0.125	30-Sep-2024
Essential Metals Limited	Unlisted Share Option	200,000	Ordinary	\$0.175	30-Sep-2024
Essential Metals Limited	Unlisted Share Option	200,000	Ordinary	\$0.225	30-Sep-2024
Essential Metals Limited	Unlisted Performance Right	500,000	Ordinary	N/A	31-Jan-2024
Essential Metals Limited	Unlisted Performance Right	1,145,610	Ordinary	N/A	30-Jun-2024
Essential Metals Limited	Unlisted Performance Right	2,067,602	Ordinary	N/A	30-Jun-2025

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.

Share options exercised

During the half year ended 31 December 2021, 628,556 share options expiring 30 November 2022 were exercised at a price of \$0.15 (2020: Nil).

Performance rights converted

On 24 November 2021 the Company issued 100,000 fully paid ordinary shares to a member of the key management personnel upon conversion of vested performance rights. (2020: Nil).

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 stated.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd, 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 7 and forms part of the Director's Report for the half year ended 31 December 2021.

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

On behalf of the directors



Craig McGown

Chairman of the Board

Perth, Western Australia, 4 March 2022

Auditor's Independence Declaration

For the half year ended 31 December 2021



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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF ESSENTIAL METALS LIMITED

As lead auditor for the review of Essential Metals Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Essential Metals Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 4 March 2022

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2021



	Notes	31 Dec 2021 \$'000	31 Dec 2020 \$'000
CONTINUING OPERATIONS			
Revenue from sale of goods		-	106
Cost of sales		-	(1)
GROSS PROFIT		-	105
Exploration expenditure		(3)	(79)
Employee benefits expense (incl. director fees)		(360)	(353)
Compliance & regulatory expenses		(109)	(92)
Consultancy expenses		(163)	(49)
Business development & investor relations		(96)	(40)
Administration costs		(72)	(50)
Interest income		9	26
Other income	4	520	230
Finance expense		(5)	-
Exploration and evaluation expenditure written off		(113)	(524)
Depreciation – Right-of-use assets		(22)	(50)
Depreciation – Plant, equipment and motor vehicles		(7)	(12)
Foreign exchange differences		-	(24)
Share based payments		(169)	(165)
LOSS BEFORE TAX		(590)	(1,077)
Income tax		-	-
LOSS FOR THE PERIOD FOR CONTINUING OPERATIONS		(590)	(1,077)
OTHER COMPREHENSIVE (LOSS)/INCOME			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(102)	(47)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in the fair value of financial assets		56	(183)
TOTAL OTHER COMPREHENSIVE LOSS		(46)	(230)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX		(636)	(1,307)
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic and diluted net loss per share attributable to ordinary equity holders		(\$0.27)	(\$0.70)

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

Consolidated Statement of Financial Position

As at 31 December 2021



	Notes	31 Dec 2021 \$'000	30 Jun 2021 \$'000
CURRENT ASSETS			
Cash and cash equivalents		8,994	5,466
Trade and other receivables		12	15
Investments		168	273
Prepayments		15	36
Assets held for sale	5	1,566	-
TOTAL CURRENT ASSETS		10,755	5,790
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	6	14,830	15,430
Right-of-use assets		94	171
Plant, equipment and motor vehicles		132	147
Bank restricted deposits		21	22
TOTAL NON-CURRENT ASSETS		15,077	15,770
TOTAL ASSETS		25,832	21,560
CURRENT LIABILITIES			
Trade and other payables		275	223
Provisions		749	755
Lease Liabilities		58	47
TOTAL CURRENT LIABILITIES		1,082	1,025
NON-CURRENT LIABILITIES			
Lease liabilities		47	132
TOTAL NON-CURRENT LIABILITIES		47	132
TOTAL LIABILITIES		1,129	1,157
NET ASSETS		24,703	20,403
EQUITY			
Contributed equity	7	49,197	44,538
Reserves		1,424	1,193
Accumulated losses		(25,918)	(25,328)
TOTAL EQUITY		24,703	20,403

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2021



	Contributed equity	Share-based payment reserve	Investment revaluation reserve	Foreign exchange translation reserve	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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
BALANCE AT 1 JULY 2021	44,538	1,163	(61)	91	(25,328)	20,403
Loss for the half year	-	-	-	-	(590)	(590)
OTHER COMPREHENSIVE INCOME/(LOSS):						
Fair value adjustment of financial assets	-	-	94	-	-	94
Exchange differences on foreign operations	-	-	-	(102)	-	(102)
TOTAL COMPREHENSIVE LOSS	-	-	94	(102)	(590)	(598)
Sale of financial assets	-	-	(38)	-	-	(38)
Share based payments	-	277	-	-	-	277
Shares issued for cash (net of transaction costs)	4,659	-	-	-	-	4,659
BALANCE AT 31 DECEMBER 2021	49,197	1,440	(5)	(11)	(25,918)	24,703

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

Consolidated Statement of Cash Flows

For the half year ended 31 December 2021



	31 Dec	31 Dec
	2021	2020
	\$'000	\$'000
CASH FROM OPERATING ACTIVITIES		
Receipts from customers	-	365
Payments to suppliers and employees	(747)	(621)
Interest received	6	17
Other income received	13	18
Exploration expensed	(3)	-
Government incentives received	-	127
NET CASH USED IN OPERATING ACTIVITIES	(731)	(94)
INVESTING ACTIVITIES		
Payments for exploration and evaluation	(1,128)	(1,648)
Payments for plant and equipment	(15)	(2)
Proceeds from the farmout or relinquishment of tenement rights	501	100
Proceeds from the sale of listed investments	161	85
Payments for the purchase of royalty rights	-	(137)
NET CASH USED IN INVESTING ACTIVITIES	(481)	(1,602)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(27)	(44)
Proceeds from the issue of shares	5,094	4,190
Payments for share issue transaction costs	(327)	(185)
NET CASH FROM FINANCING ACTIVITIES	4,740	3,961
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,528	2,265
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,466	4,391
Effect of foreign exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8,994	6,656

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 2021

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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 2021 Annual Financial Report for the financial year ended 30 June 2021. 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. NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new or amended 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.

3. 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 financial period, the Board has identified two operating segments; being Operations 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. During the prior financial year Sinclair Mine segment reported in the comparative period was combined with the Operations (previously named Exploration) segment for internal reporting to the chief operating decision maker and accordingly are now presented as one segment.

(b) Measurement of segment information

All information presented above is measured in a manner consistent with that in the financial statements.

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2021



(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:

Half year ended 31 December 2021	Operations	Corporate & unallocated	Total
	\$'000	\$'000	\$'000
Revenue	-	-	-
Loss before tax	(121)	(469)	(590)
Income tax	-	-	-
Loss after tax	(121)	(469)	(590)
Segment assets	14,943	10,889	25,832
Segment liabilities	(512)	(617)	(1,129)

Half year ended 31 December 2020	Operations	Corporate & unallocated	Total
	\$'000	\$'000	\$'000
Revenue ¹	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	(953)	(287)	(1,240)

Notes:

1 - Revenue in the prior reporting period relates to the sale of alluvial gold provided to the Company from third party prospecting activities.

The revenue reported above represents revenue generated from external customers. There was no inter-segment revenue during the half year.

4. OTHER INCOME

	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Government grants	-	21
Income received for the cancellation of tenement applications	-	200
Mavis Lake sale option exclusivity fees	100	-
Golden Ridge Joint Venture exclusivity and option exercise fees	400	-
Other income	20	9
Total other income	520	230

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2021



5. ASSETS HELD FOR SALE

During the current half year reporting period the Company reclassified \$1,566,000 within the Statement of Financial Position from non-current capitalised exploration expenditure to current assets held for sale. This reclassification related to the Binding Share Purchase Agreement signed with Critical Resources Limited (ASX:CRR) during the current reporting period for the sale of 100% of the shares in 100% owned subsidiary Pioneer Canada Lithium Corp. The sale option was not exercised by CRR until 4 January 2022.

	31 Dec 2021	31 Dec 2020
	12 month	12 month
	movement	movement
	\$'000	\$'000
Opening balance	-	-
Reclassification from capitalised exploration expenditure	1,566	-
Current investments – Assets Held for Sale	1,566	-

6. EXPLORATION AND EVALUATION EXPENDITURE

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 \$113,000 (December 2020: \$524,000) which related primarily to the write-down of costs pertaining to tenements surrendered during the year or expected to be surrendered in the near-term.

	31 Dec 2021	30 Jun 2021
	12 month	12 month
	movement	movement
	\$'000	\$'000
Non-current – In the exploration and evaluation phase		
Opening balance	14,548	13,666
Expenditure for the period ¹	1,968	2,231
Foreign currency translation – Mavis Lake	6	10
Reclassified as Assets Held for Sale	(1,566)	-
Exploration expenditure written off	(126)	(477)
Closing balance	14,830	15,430

Notes:

1 – Includes capitalised plant, equipment and motor vehicle depreciation expense.

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2021



7. CONTRIBUTED EQUITY

(a) Ordinary shares on issue – fully paid

	31 Dec 2021	30 Jun 2020	31 Dec 2021	30 Jun 2021
	Shares	Shares	\$'000	\$'000
Total contributed equity net of share issue costs	241,539,974	200,817,300	49,197	44,538

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 4 August 2021 the Company announced a placement of new fully paid ordinary shares to sophisticated and professional investors through the issue of 40 million new fully paid ordinary shares at an issue price of \$0.125 per new share for gross proceeds of \$5 million.

(b) Share movements during the period

	Date	Number of shares	Issue price	\$'000
Opening Balance 1 July 2021		200,817,300		44,538
Placement share issue – Tranche 1	11 Aug 2021	36,780,000	\$0.125	4,598
Share issue upon ESSO option conversion	20 Aug 2021	22,674	\$0.150	3
Placement share issue – Tranche 2	22 Sept 2021	3,220,000	\$0.125	402
Share issue upon conversion of performance rights	24 Nov 2021	100,000	-	-
Share issue upon ESSO option conversion	24 Nov 2021	600,000	\$0.150	90
Share issue upon ESSO option conversion	24 Dec 2021	5,882	\$0.150	1
Total share issue costs				(435)
Closing balance at 31 December 2021		241,545,856		49,197

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2021



8. EQUITY INSTRUMENTS

Set out below are movements in equity instruments in the current reporting period:

2021	Opening balance 1 Jul	Granted	Exercised/ converted	Expired/ cancelled	Closing Balance 31 Dec
Unlisted options					
Exercisable at 35 cents on or before 30/11/21	894,446	-	-	(894,446)	-
Exercisable at 45 cents on or before 30/11/22	894,446	-	-	-	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	24,610,298	-	(622,674)	-	23,987,624
Total options	30,099,192	-	(622,674)	(894,446)	28,582,072
Performance rights					
Exercisable on or before 31/12/23 (vested)	100,000	-	(100,000)	-	-
Exercisable on or before 31/01/24 (unvested)	500,000	-	-	-	500,000
Exercisable on or before 30/06/24 (unvested)	1,653,378	-	-	-	1,653,378
Exercisable on or before 30/06/25 (unvested)	-	2,067,602	-	-	2,067,602
Total performance rights	2,253,378	2,067,602	(100,000)	-	4,220,980
Total equity instruments	32,352,570	2,067,602	(722,674)	(894,446)	32,803,052

9. SHARE-BASED PAYMENTS

(a) Equity Incentive Plan

The Group's Equity Incentive Plan ("the Plan") was last approved by ordinary resolution at the Annual General Meeting of shareholders of the Company held on 15 December 2020. All eligible Directors, executive officers, employees and consultants of the Group who have been continuously employed by the Group are eligible to participate in the Plan.

Options

The Plan allows the Company to issue options for no consideration to eligible persons. The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan. Options issued under the Plan may have a vesting period prior to exercise, except under certain circumstances whereby options may be capable of exercise prior to the expiry of the vesting period. All options refer to options over ordinary shares of Essential Metals Limited, which are exercisable on a one for one basis.

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2021



Performance Rights

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 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.

(b) Unlisted share options over unissued shares

On 22 September 2021, 2,000,000 unlisted share options exercisable at 20 cents and an expiry date of 10 August 2023 were issued to the Company's lead broker for the Placement announced on 4 August 2021.

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 inputs used to calculate the fair value of the unlisted broker share options issued during the half year period and their resulting valuations:

Share price at grant date	\$0.135
Exercise price	\$0.200
Expected volatility	94.65%
Risk-free interest rate	0.13%
Expiry life	2.02 years
Vesting period	Vest on grant

The fair value of unlisted options issued during the half-year period totalled \$108,000 (2020: \$104,000) which was capitalised to the Statement of Financial Position as a share issue cost. There was nil value of unlisted share options expensed to the Statement of Profit or Loss and Other Comprehensive Income during the current half-year period (2020: \$104,000).

(c) Unlisted Performance Rights

Refer to Note 8 for movements in performance rights during the current reporting period. Performance rights are exercisable for nil consideration. The fair value of performance rights granted during the half year ended 31 December 2021 was \$310,000 (2020: \$108,000). The fair value of performance rights expensed to the Statement of Profit or Loss and Other Comprehensive Income during the half year ended 31 December 2021 totalled \$75,000 (2020: \$62,000).

The terms of performance rights issued to eligible employees during the current 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.

UNRECOGNISED ITEMS

10. CONTINGENT ASSETS AND LIABILITIES

Completion of the sale of 100% of the Company's shares in wholly owned Canadian subsidiary Pioneer Canada Lithium Corp did not occur until after the end of the current half year reporting period on 4 January 2022. As the sale was still subject to a Sale Option Agreement which was not exercised as at 31 December 2021 the Company did not recognise the following contingent assets in other receivables:

- \$750,000 in cash & cash equivalents.
- \$1,292,000 in current listed investments held at fair value through other comprehensive income (34,000,000 shares in Critical Resources Limited valued at \$0.038 per share on 31 December 2021).

Refer to Note 12 for further information.

There were no material contingent liabilities as at 31 December 2021 (31 December 2020: Nil).

11. COMMITMENTS

Since the last reporting date of 30 June 2021, there has been no material change in any commitments.

12. SUBSEQUENT EVENTS

On 4 January 2022 the Company completed the sale of wholly owned Canadian subsidiary Pioneer Canada Lithium Corp. to a subsidiary of Critical Resources Limited (ASX:CRR) for the following consideration:

- \$750,000 cash payment (\$375,000 withheld pending an income tax assessment).
- 34,000,000 shares in Critical Resources Limited.
- Milestone payments:
 - \$750,000 cash payment following the definition of a Mineral Resource Estimate (as defined in the JORC Code 2012) for the Mavis Lake Lithium Project with a volume of not less than 5.0 million tonnes containing not less than 50,000 tonnes of Li₂O using a cut-off grade of not less than 0.4% Li₂O.
 - \$750,000 cash payment following the definition of a Mineral Resource Estimate (as defined in the JORC Code 2012) for the Mavis Lake Lithium Project with a volume of not less than 10.0 million tonnes containing not less than 100,000 tonnes of Li₂O using a cut-off grade of not less than 0.4% Li₂O.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the current reporting period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2021



OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to line items in the financial statements.

13. RELATED PARTIES

Parent entity and subsidiaries

The ultimate parent entity of the Group is Essential Metals Limited.

Related party share based payments

During the half year ended 31 December 2021 the following equity incentives in the Company were granted and issued to Key Management Personnel:

Key Management Personnel	Grant date	Type of incentive	# of incentives	Total value of incentives	Share based payment Jul-Dec 2021
Carl Travaglini	27-Jul-2021	Performance Rights	459,184	\$59,005	\$9,915
Andrew Dunn	27-Jul-2021	Performance Rights	408,163	\$52,449	\$8,813
Timothy Spencer	23-Nov-2021	Performance Rights	795,918	\$148,439	\$24,943

Other director related party transactions

During the current half year reporting period the Company paid \$6,000 to Nelson Exploration Services Pty Ltd (Nelson) for the provision of drill rig mobilisation services. The Company's director Warren Hallam was also a non-executive director of Nelson at the time that these services were provided.

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

Terms and conditions

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

END OF THE FINANCIAL REPORT

Directors' Declaration

For the half year ended 31 December 2021

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

4 March 2022



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Essential Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Essential Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the 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 the same terms if given to the directors as at the time of this auditor's review report.



Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the 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 2021 and its financial 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.

BDO Audit (WA) Pty Ltd

BDO


Phillip Murdoch

Director

Perth, 4 March 2022

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 (Consolidated Basis):

Tenement	Holder	Notes	Status
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
E63/2118	Essential Metals Limited		Under application
L63/77	Essential Metals Limited		Granted
M63/665	Essential Metals Limited		Granted
Golden Ridge Nickel Project Located 30km SE of Kalgoorlie, WA			
E26/186	Golden Ridge North Kambalda Pty Ltd	1, 2	Granted
E26/211	Golden Ridge North Kambalda Pty Ltd	1, 2	Granted
E26/212	Golden Ridge North Kambalda Pty Ltd	1, 2	Granted
M26/220	Golden Ridge North Kambalda Pty Ltd	1, 2	Granted
M26/222	Golden Ridge North Kambalda Pty Ltd	1, 2	Granted
M26/284	Golden Ridge North Kambalda Pty Ltd	1, 2	Granted
M26/285	Golden Ridge North Kambalda Pty Ltd	1, 2	Granted
L26/272	Golden Ridge North Kambalda Pty Ltd	1, 2	Granted
Juglah Dome Project Located 60km ESE of Kalgoorlie, WA			
E25/585	Western Copper Pty Ltd	3	Granted
Regional Projects, Located in WA			
E15/1710	Essential Metals Limited		Granted
Kangan Lithium Project Located 80km S of Port Hedland, (Wodgina) WA			
E45/4948	Essential Metals Limited	5	Granted
E47/3318-I	Essential Metals Limited	4, 5	Granted
E47/3321-I	Essential Metals Limited	4, 5	Granted
E47/3945	Essential Metals Limited	5	Granted
Balagundi Gold & Base Metals Project Located 25km NE of Kalgoorlie, WA			
E27/558	Essential Metals Limited	6	Granted
Mavis Lake Project, Located 10km East of Dryden, Ontario, Canada			
6 Mining Leases with Surface Rights	Pioneer Canada Lithium Corp 51% International Lithium Corporation 49%	7	Granted
189 Unpatented Mining Claims	Pioneer Canada Lithium Corp 51% International Lithium Corporation 49%	7	Granted
Acra Gold Project Located 60km NE of Kalgoorlie, WA			
E27/278	Essential Metals Limited / Northern Star Resources Limited	8, 9	Granted
E27/438	Essential Metals Limited / Northern Star Resources Limited	8, 9	Granted
E27/491	Essential Metals Limited / Northern Star Resources Limited	9	Granted
E27/520	Essential Metals Limited / Northern Star Resources Limited	8, 9	Granted
E27/548	Essential Metals Limited / Northern Star Resources Limited	9	Granted
E27/579	Essential Metals Limited / Northern Star Resources Limited	8, 9	Granted
E28/1746	Essential Metals Limited / Northern Star Resources Limited	8, 9	Granted
E28/2483	Essential Metals Limited / Northern Star Resources Limited	9	Granted

Tenement	Holder	Notes	Status
Wattle Dam Nickel Project Located 65km S of Kalgoorlie, WA			
M15/1101	Maximus Resources Limited	10, 11	Granted
M15/1263	Maximus Resources Limited	10, 11	Granted
M15/1264	Maximus Resources Limited	10, 11	Granted
M15/1323	Maximus Resources Limited	10, 11	Granted
M15/1338	Maximus Resources Limited	10, 11	Granted
M15/1769	Maximus Resources Limited	10, 11	Granted
M15/1770	Maximus Resources Limited	10, 11	Granted
M15/1771	Maximus Resources Limited	10, 11	Granted
M15/1772	Maximus Resources Limited	10, 11	Granted
M15/1773	Maximus Resources Limited	10, 11	Granted
Larkinville West Gold Project Located 75km S of Kalgoorlie, WA			
M15/1449	Essential Metals Limited / Maximus Resources Limited	12	Granted
P15/5912	Essential Metals Limited / Maximus Resources Limited	12	Granted
Maggie Hays Hill Nickel JV, Located 140km SE of Southern Cross			
E63/1784	Essential Metals Limited / Poseidon Nickel Limited	13	Granted

Note	
1	Golden Ridge North Kambalda Pty Ltd is a wholly owned subsidiary of Essential Metals Limited.
2	Nickel sulphides rights are subject to the Australian Nickel Company Ltd Farmin/Joint venture.
3	Western Copper Pty Ltd is a 100% owned subsidiary of Essential Metals Limited.
4	Subject to a 1.5% NSR royalty right held by FMG Pilbara Pty Ltd.
5	Kangan Gold JV Agreement: Novo Resources Corp holds a 70% Project Interest in gold and precious metals mineral rights.
6	Balagundi Farmin/JV Agreement: Black Cat Syndicate Limited is earning a 75% Project interest.
7	A Joint Venture with International Lithium Corp. The Project was sold to Critical Resources Limited on 4 January 2022.
8	Heron Resources Limited retains nickel laterite ore rights.
9	Acra JV Agreement Northern Star Resources Limited 75% interest. Essential Metals Limited 25% free carried interest.
10	Heron Resources Limited retains pre-emptive right to purchase nickel laterite ore.
11	Wattle Dam JV Agreement: Title, Mineral Rights held by Maximus Resources Limited. Essential Metals Limited 20% free carried interest in nickel sulphide minerals.
12	Larkinville West JV Agreement: Maximus Resources Limited 75%, Essential Metals Limited 25% free carried interest, except nickel rights which are subject to the Wattle Dam JV.
13	Maggie Hays Lake JV Agreement: Poseidon Nickel Limited 80%, Essential Metals Limited 20% & free carried interest to commencement of mining.



ESSENTIALMETALS

for a sustainable future

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