



ESSENTIALMETALS
for a sustainable future

HALF YEAR REPORT

For the half year ended
31 December 2022

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	
Greg Fitzgerald	
PRINCIPAL REGISTERED OFFICE	
Level 3, 1292 Hay Street, West Perth, Western Australia 6005	
PO Box 1787, West Perth, Western Australia 6872	
Telephone: +61 8 9322 6974	
Email: info@essmetals.com.au	
Website: essmetals.com.au	
AUDITOR	
BDO Audit (WA) Pty Ltd	
Level 9, Mia Yellagonga Tower 2, 5 Spring Street, Perth, Western Australia, 6000	
SHARE REGISTRY	
Automic Group	
Level 5, 191 St Georges Terrace, Perth, Western Australia, 6000	
Telephone: 1300 288 664 or +61 2 9698 5414	
Email: hello@automic.com.au	
SECURITIES EXCHANGE LISTING	
The Company's shares are quoted on the Australian Securities Exchange.	
ASX CODE	
ESS - ordinary shares	

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Your directors present their report on Essential Metals Limited ("Company" or "Essential") and the entities it controlled ("Group") at the end of and during the half year ended 31 December 2022.

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

COMPANY SECRETARY

Carl Travaglini (resigned 14 October 2022)
Greg Fitzgerald (appointed 14 October 2022)

REVIEW OF OPERATIONS

During the half year the Group recorded a net loss of \$490,000 (2021: \$590,000) and total expenditure of \$2,712,000 (2021: \$1,076,000) on exploration and evaluation. This includes \$2,712,000 (2021: \$1,073,000) of exploration and evaluation expenditure capitalised to the Statement of Financial Position and \$nil (2021: \$3,000) 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 Company has been focussed on advancing the Pioneer Dome Lithium Project towards development. During 2022, in preparation for the completion of a scoping study, the main objectives were to increase confidence in the Mineral Resource by undertaking drilling to define all of the mineralised zones (oxide/weathered, fresh) and to determine the extent of mineralisation along strike and at depth. Further metallurgical testwork was also undertaken across the various mineralised zones.

Advancement of the Pioneer Dome Lithium Project towards development is demonstrated by the Scoping Study (announced 7 February 2023), prepared by Primero, an engineering consultancy, with inputs from other independent consultants and Essential.

- **The Blair-Golden Ridge Gold Project in Western Australia.**

The Golden Ridge Project is located ~20km south-east of Kalgoorlie, WA. The Group's activities are focussed on reappraising known prospects as well as identifying new areas within the large land tenure.

- **The Juglah Dome Gold Project located in Western Australia.**

The Juglah Dome Project is located 60km east-south-east of Kalgoorlie and is considered to be prospective for gold and has potential for VHMS style polymetallic deposits.

- **The following joint venture (JV) partners were active, as follows:**

- **GOLD:** The Acra Project is near Kalgoorlie. Northern Star Resources Limited (ASX:NST) has earned a 75% Project Interest and continues to fully fund exploration programmes until approval of a Mining Proposal by DMIRS is received with Essential Metals holding a 25% interest.
- **GOLD:** The Kangan Project is in the West Pilbara and part of a joint venture with Novo Resources Corp (TSXV:NVO), which will fund 100% of gold exploration programmes until a decision to mine is made, with Essential Metals holding a 30% interest in precious metals and 100% of all other minerals.
- **GOLD:** The Balagundi Project is subject to a farmin & JV agreement where Black Cat Syndicate Limited (ASX:BC8) which is earning a 75% interest in the Project located at Bulong, near Kalgoorlie.

- Black Cat will then fully fund all exploration programmes until completion of a bankable feasibility study with Essential Metals retaining a 25% interest in all minerals.
- **GOLD:** Maximus Resources Ltd (ASX:MXR) – Essential holds a 25% free-carried interest up to a decision to mine in all minerals except for 20% of the nickel rights in the Larkinville Project near Kambalda, WA.
 - **NICKEL:** The nickel mineral rights on the Blair-Golden Ridge Project, which includes the suspended Blair Nickel Sulphide Mine, are subject to a Farmin/Joint Venture with Australian Nickel Company Ltd, a nickel exploration specialist which is earning up to a 75% interest. The Company will retain a 25% free-carried interest up to a decision to mine.
 - **NICKEL:** The Company holds a 20% (nickel only) interest, free-carried to a completion of a feasibility study which recommends that commercial mining operations be commenced, in the Wattle Dam project near Kambalda, WA, with Maximus Resources Ltd (ASX:MXR).
 - **NICKEL:** The Company holds a 20% interest, free carried up to completion of a feasibility study which recommends the establishment of a mining area, in the Maggie Hays project near Lake Johnson, WA, with Poseidon Nickel Ltd (ASX:POS).

EXECUTIVE APPOINTMENTS/RESIGNATIONS

On 14 October 2022, the Company announced the appointment of Greg Fitzgerald as Company Secretary and the resignation of Carl Travaglini as Company Secretary and Chief Financial Officer. On 14 December 2022, the Company announced the appointment of Robert Sills as GM – Marketing & Strategy.

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

SCHEME OF ARRANGEMENT

Post reporting period end, the Company and Tianqi Lithium Energy Australia Pty Ltd (TLEA) (the Bidder) announced the execution of a binding Scheme Implementation Agreement (SIA) for the implementation of a Scheme of Arrangement (Scheme) under which TLEA will acquire 100% of the issued capital of the Company. If the Scheme is implemented, each Essential shareholder on the Record Date will receive a cash amount of A\$0.50 per fully paid ordinary share.

The Scheme is subject to various conditions including approval by Essential shareholders at a Scheme Meeting proposed to be held in April 2023.

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)

CAPITAL STRUCTURE

Listed shares and options on issue

During the period, the Company issued a total of 20,579,269 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. 141,460 ESSO listed options expired on 30 November 2022.

As at the date of this report, the Group had 267,566,694 fully paid ordinary shares on issue (ASX:ESS) and 7,244,106 unlisted options and performance rights on issue.

Shares under option and to be issued on exercise of options/performance rights

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	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	\$0.45	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	793,273	Ordinary	N/A	30-Jun-2024
Essential Metals Limited	Unlisted Performance Right	1,551,020	Ordinary	N/A	30-Jun-2025
Essential Metals Limited	Unlisted Performance Right	599,811	Ordinary	N/A	30-Jun-2026
Essential Metals Limited	Unlisted Performance Right	100,000	Ordinary	N/A	31-Dec-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.

Share options exercised

During the half year ended 31 December 2022, 20,579,269 share options expiring 30 November 2022 were exercised at a price of \$0.15 (2021: 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 2022.

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

Independent Non-Executive Chairman of the Board
Perth, Western Australia, 8 March 2023

Auditor's Independence Declaration

For the half year ended 31 December 2022



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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 2022, 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

8 March 2023

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 2022



	Notes	31 Dec 2022 \$'000	31 Dec 2021 \$'000
CONTINUING OPERATIONS			
Other income	4	411	520
Interest income		94	9
Exploration expenditure		-	(3)
Employee benefits expense (incl. director fees)		(363)	(360)
Compliance & regulatory expenses		(132)	(109)
Consultancy expenses		(144)	(163)
Business development & investor relations		(188)	(96)
Administration costs		(86)	(72)
Finance expense		(12)	(5)
Exploration and evaluation expenditure written off		-	(113)
Depreciation – Right-of-use assets		(22)	(22)
Depreciation – Plant, equipment and motor vehicles		(3)	(7)
Share based payments		(45)	(169)
LOSS BEFORE TAX		(490)	(590)
Income tax		-	-
LOSS FOR THE PERIOD FOR CONTINUING OPERATIONS		(490)	(590)
OTHER COMPREHENSIVE (LOSS)/INCOME			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		-	(102)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in the fair value of financial assets		(38)	56
TOTAL OTHER COMPREHENSIVE LOSS		(38)	(46)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX		(528)	(636)
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic and diluted net loss per share attributable to ordinary equity holders		(0.19c)	(0.27c)

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 2022



	Notes	31 Dec 2022 \$'000	30 Jun 2022 \$'000
CURRENT ASSETS			
Cash and cash equivalents		9,779	10,527
Trade and other receivables		459	443
Investments		75	113
Prepayments		15	44
TOTAL CURRENT ASSETS		10,328	11,127
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	5	19,438	16,726
Right-of-use assets		231	253
Plant, equipment and motor vehicles		97	95
Bank restricted deposits		21	21
TOTAL NON-CURRENT ASSETS		19,787	17,095
TOTAL ASSETS		30,115	28,221
CURRENT LIABILITIES			
Trade and other payables		239	564
Provisions		739	1,122
Lease Liabilities		21	43
TOTAL CURRENT LIABILITIES		999	1,729
NON-CURRENT LIABILITIES			
Lease liabilities		229	210
TOTAL NON-CURRENT LIABILITIES		229	210
TOTAL LIABILITIES		1,228	1,938
NET ASSETS		28,887	26,283
EQUITY			
Contributed equity	6	53,237	50,150
Reserves		1,357	1,350
Accumulated losses		(25,707)	(25,217)
TOTAL EQUITY		28,887	26,283

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 2022



	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 2021	44,538	1,163	(61)	91	(25,328)	20,403
Loss for the half year	-	-	-	-	(590)	(590)
OTHER COMPREHENSIVE 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
BALANCE AT 1 JULY 2022	50,150	1,336	14	-	(25,217)	26,283
Loss for the half year	-	-	-	-	(490)	(490)
OTHER COMPREHENSIVE INCOME/(LOSS):						
Fair value adjustment of financial assets	-	-	(38)	-	-	(38)
TOTAL COMPREHENSIVE LOSS	-	-	(38)	-	(490)	(528)
Share based payments	-	45	-	-	-	45
Shares issued on conversion of listed share options	3,087	-	-	-	-	3,087
BALANCE AT 31 DECEMBER 2022	53,237	1,381	(24)	-	(25,707)	28,887

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 2022



	31 Dec 2022 \$'000	31 Dec 2021 \$'000
CASH FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(845)	(747)
Interest received	57	6
Other income received	11	13
Exploration expensed	-	(3)
Income taxes paid	(4)	-
NET CASH USED IN OPERATING ACTIVITIES	(781)	(731)
INVESTING ACTIVITIES		
Payments for exploration and evaluation	(3,012)	(1,128)
Payments for plant and equipment	(27)	(15)
Proceeds from the farmout or relinquishment of tenement rights	-	501
Proceeds from the sale of listed investments	-	161
NET CASH USED IN INVESTING ACTIVITIES	(3,039)	(481)
FINANCING ACTIVITIES		
Repayment of lease liabilities	(15)	(27)
Proceeds from the issue of shares	3,087	5,094
Payments for share issue transaction costs	-	(327)
NET CASH FROM FINANCING ACTIVITIES	3,072	4,740
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS	(748)	3,528
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,527	5,466
Effect of foreign exchange rate changes	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9,779	8,994

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 2022

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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 2022 Annual Financial Report for the financial year ended 30 June 2022. 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 one operating segment being operations in Australia. As the results are the same as the consolidated entity they have not been repeated.

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2022

4. OTHER INCOME

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Gain on disposal of subsidiary ¹	381	-
Mavis Lake sale option exclusivity fees	-	100
Golden Ridge Joint Venture exclusivity and option exercise fees	-	400
Other income	30	20
Total other income	411	520

1 – During the half year the income tax assessment in relation to the sale of the wholly owned subsidiary Pioneer Canada Lithium Corp (PCLC) was completed. The gain on disposal of subsidiary relates to the release of the Canadian income tax provision recognised at 30 June 2022.

5. 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. There were no exploration write-off's during the period (December 2021: \$113,000).

	31 Dec 2022 6 month movement	30 Jun 2022 12 month movement
	\$'000	\$'000
Non-current – In the exploration and evaluation phase		
Opening balance	16,726	15,430
Expenditure for the period ¹	2,712	3,084
Sale of subsidiary	-	(1,675)
Exploration expenditure written off	-	(113)
Closing balance	19,438	16,726

Notes:

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

6. CONTRIBUTED EQUITY

(a) Ordinary shares on issue – fully paid

	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$'000	\$'000
Total contributed equity net of share issue costs	267,066,694	246,487,425	53,237	50,150

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.

(b) Share movements during the period

	Date	Number of shares	Issue price	\$'000
Opening Balance 1 July 2022		246,487,425		50,150
ESSO Option Exercise	08 Aug 2022	335,645	\$0.150	50
ESSO Option Exercise	25 Aug 2022	659,365	\$0.150	99
ESSO Option Exercise	16 Sep 2022	551,352	\$0.150	83
ESSO Option Exercise	12 Oct 2022	328,895	\$0.150	49
ESSO Option Exercise	25 Oct 2022	3,410,947	\$0.150	512
ESSO Option Exercise	08 Nov 2022	1,598,360	\$0.150	240
ESSO Option Exercise	15 Nov 2022	2,281,675	\$0.150	342
ESSO Option Exercise	23 Nov 2022	3,310,265	\$0.150	497
ESSO Option Exercise	01 Dec 2022	8,102,765	\$0.150	1,215
Closing balance at 31 December 2022		267,066,694		53,237

Notes to the Consolidated Financial Statements

For the half year ended 31 December 2022



7. EQUITY INSTRUMENTS

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

2022	Opening balance 1 Jul	Granted	Exercised/ converted	Expired/ cancelled	Closing Balance 31 Dec
Unlisted options					
Exercisable at 45 cents on or before 30/11/22	713,890	-	-	(713,890)	-
Exercisable at 20 cents on or before 10/08/23	500,000	-	-	-	500,000
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	20,720,729	-	(20,579,269)	(141,460)	-
Total options	25,634,621	-	(20,579,269)	(855,350)	4,200,002
Performance rights					
Exercisable on or before 31/01/24 (vested)	500,000	-	-	-	500,000
Exercisable on or before 30/06/24 (unvested)	1,145,610	-	-	(352,337)	793,273
Exercisable on or before 30/06/25 (unvested)	2,067,602	-	-	(516,582)	1,551,020
Exercisable on or before 30/06/26 (unvested)	-	726,572	-	(126,761)	599,811
Exercisable on or before 31/12/24 (unvested)	-	100,000	-	-	100,000
Total performance rights	3,713,212	826,572	-	(995,680)	3,544,104
Total equity instruments	29,347,833	826,572	(20,579,269)	(1,851,030)	7,744,106

8. 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 22 November 2022. 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.

Performance Rights

The Plan allows the Company to issue Performance Rights for no consideration to eligible persons. The term of the performance rights is 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 Long Term Incentive Plan 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

There were no unlisted options issued during the half-year period. 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 (2021: \$nil).

(c) Unlisted Performance Rights

Refer to Note 7 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 2022 was \$270,000 (2021: \$310,000). 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 2022 totalled \$45,000 (2021: \$75,000).

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

9. CONTINGENT ASSETS AND LIABILITIES

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). The sale consideration includes the following 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.

As the project has not yet reached a stage where the prediction of the above milestones will be met, no deferred consideration receivable has been recognised as at 31 December 2022.

There were no material contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

10. COMMITMENTS

Since the last reporting date of 30 June 2022, there has been no material change in any commitments.

11. SUBSEQUENT EVENTS

On 9 January 2023, the Company and Tianqi Lithium Energy Australia Pty Ltd (TLEA) (the Bidder) announced the execution of a binding Scheme Implementation Agreement (SIA) for the implementation of a Scheme of Arrangement (Scheme) under which TLEA will acquire 100% of the issued capital of the Company. If the Scheme is implemented, each Essential shareholder on the Record Date will receive a cash amount of A\$0.50 per fully paid ordinary share.

The Scheme is subject to various conditions including approval by Essential shareholders at a Scheme Meeting proposed to be held in April 2023.

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 periods.

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.

12. 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 2022 the following equity incentives in the Company were granted and issued to Key Management Personnel:

Key Management Personnel	Type of incentive	# of incentives
Carl Travaglini ¹	Performance Rights	126,761
Andrew Dunn	Performance Rights	112,676
Timothy Spencer	Performance Rights	219,718
Robert Sills	Performance Rights	175,869

Notes:

1 – Carl Travaglini resigned from the Company effective 14 October 2022 and all his Performance Rights that were unvested, including those issued during the reporting period, were cancelled.

Other director related party transactions

There were no 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 2022

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

8 March 2023



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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 2022, 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 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 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 2022 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.

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.



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 2022 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

8 March 2023

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) as at 31 December 2022:

Tenement	Holder	Notes	Status
Pioneer Dome Project Located 133km SSE of Kalgoorlie, WA			
E15/1515	Essential Metals Limited		Granted
E15/1725	Essential Metals Limited		Granted
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		Granted
L63/77	Essential Metals Limited		Granted
M63/665	Essential Metals Limited		Granted
M15/1896	Essential Metals Limited	1	Under application
Golden Ridge Nickel Project Located 30km SE of Kalgoorlie, WA			
E26/186	Golden Ridge North Kambalda Pty Ltd	2, 3	Granted
E26/211	Golden Ridge North Kambalda Pty Ltd	2, 3	Granted
E26/212	Golden Ridge North Kambalda Pty Ltd	2, 3	Granted
M26/220	Golden Ridge North Kambalda Pty Ltd	2, 3	Granted
M26/222	Golden Ridge North Kambalda Pty Ltd	2, 3	Granted
M26/284	Golden Ridge North Kambalda Pty Ltd	2, 3	Granted
M26/285	Golden Ridge North Kambalda Pty Ltd	2, 3	Granted
L26/272	Golden Ridge North Kambalda Pty Ltd	2, 3	Granted
Juglah Dome Project Located 60km ESE of Kalgoorlie, WA			
E25/585	Western Copper Pty Ltd	4	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	6	Granted
E47/3318-I	Essential Metals Limited	5, 6	Granted
E47/3321-I	Essential Metals Limited	5, 6	Granted
E47/3945	Essential Metals Limited	6	Granted
Balagundi Gold & Base Metals Project Located 25km NE of Kalgoorlie, WA			
E27/558	Essential Metals Limited	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
Maggie Hays Hill Nickel JV, Located 140km SE of Southern Cross			
E63/1784	Essential Metals Limited / Poseidon Nickel Limited	13	Granted

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



ESSENTIALMETALS

for a sustainable future

Essential Metals Ltd

Level 3, 1292 Hay Street
West Perth, Western Australia 6005
Phone: +61 (0)8 9322 6974

info@essmetals.com.au
essmetals.com.au
ABN 44 103 423 981