ESSENTIALMETALS
for a sustainable future

ANNUAL REPORT

30 JUNE 2021

ABN 44 103 423 981

Corporate Directory

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Craig McGown	Independent Non-Executive Chairman
Timothy Spencer	Managing Director
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SECURITIES EXCHANGE LISTING	
The Company's shares are quoted on the Australian Securities Exchange.	
ASX CODE	
ESS - ordinary shares	
ESSO - listed share options	

Our Vision

We are a Western Australian ASX listed exploration and mining company committed to explore, develop and operate mineral projects within world class mineral provinces, with a focus on our 100% owned Pioneer Dome Lithium Project located in Western Australia. We are committed to the application of industry best practice in evaluating and developing projects in order to maximise economic value whilst striving to maintain our high standard environmental, social and governance footprint.

Our Commitment

We acknowledge that our people are our greatest asset and are therefore committed to providing a safe work environment, promoting ethics, integrity and honesty.

We are committed to maximising returns for our shareholders while promoting the ongoing care and protection of the environment within which we operate throughout the life of a project, from exploration through to decommissioning.

Lithium is the key Ingredient in today's technology

This is the average lithium quantity of the following products for a sustainable future

40g

Laptop Batteries

63kg

Electric car

10kg

Tesla Powerwall

60g

Power Tools

Sources: electrek.com, electrive.com

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Managing Director's Letter

“The rebound in lithium sentiment, driven by global climate change imperatives, has gathered momentum during 2021. Your company is fortunate to be well positioned to benefit from this renewed interest in lithium by having a quality lithium mineral resource on a large ground package located in Western Australia's premier lithium province in the Yilgarn Craton.

The Pioneer Dome Project (ESS: 100%) is located in the core of Western Australia's lithium corridor in the Eastern Goldfields, approximately 130km south of Kalgoorlie and 275km north of the Port of Esperance. A lithium Mineral Resource of 11.2Mt @ 1.21% Li2O has been defined at Dome North in the northern part of the Project area.

The southern Yilgarn area is recognised as being well endowed with spodumene deposits, including the Bald Hill Mine, the Mt Marion Mine and the Buldania Project, all within 100km of the Pioneer Dome Lithium Project. The world-class Earl Grey deposit and the Mt Cattlin Mine are located further west and south of Pioneer Dome, respectively.

Our goal is to grow our lithium resources and become a new force in the lithium supply chain.

We are encouraged by the strong support of new and long standing shareholders in supporting our equity together with the highly oversubscribed $5 million capital raising in August 2021 resulting in cash and liquid investments of just under $10 million as at the date of this report. This has provided for a very strong balance sheet leading into 2021/22 and will enable us to focus on delivering our strategy for all shareholders.

We also have exposure to gold and nickel via two 100% owned highly prospective gold projects, four gold joint ventures with leading gold companies including Northern Star Resources, Novo Resources Corp. and Black Cat Syndicate and two nickel joint ventures.

The Essential Metals team is excited and committed to advancing our projects, particularly our lithium projects, to continue to create shareholder value.”

Yours faithfully,

Timothy Spencer
Managing Director

Chairman's Letter

"The success of any business starts with its people, values, vision, and commitment to executing that vision. We believe that the core of our Company's vision is perfectly aligned and well positioned to take advantage of the forecast growth of the lithium-ion battery sector over the coming years.

We are in the enviable position of progressing our 100% owned Pioneer Dome Lithium Project in Western Australia, a tier 1 international mining jurisdiction.

As the COVID-19 global pandemic continues to deliver uncertainty on a macro scale, we see a great opportunity for our shareholders to participate in a new fore in Lithium.

With the ever increasing demands from regulators and to maintain our social license to operate within the various local and foreign communities we see Essential Metals' portfolio of projects placing your company in a position to not just participate in but become a new force in the global lithium supply chain.

Throughout the last financial year we underwent a restructure of the management and technical teams, consolidated the Company's capital structure and rebranded the Company's name and market recognition. This reinvigoration of our people and values have afforded greater visibility in and recognition by the market with your Company's share price seeing a significant appreciation over the previous 12 months.

The team at Essential Metals is more unified and adaptable than ever before and I am confident given the committed approach of that team there will be significant achievements in the year to come.

I look forward to your continued support and keeping you updated on our progress.

Yours faithfully,"

Craig McGown
Chairman of the Board of Directors

ESG At Essential Metals

Essential Metals has adopted its Environmental, Social and Governance (ESG) framework that will effectively guide the company as it grows and develops. Essential Metals is well positioned to contribute to a sustainable future through its focus on finding and producing essential metals as the world shifts to a low carbon society and economy.

In addition, the company is committed to protecting and respecting the environment and local communities within which it operates and looks forward to enhancing its positive impact in these areas.

As Essential Metals advances its ESG strategy, it will be sharing its efforts and impact regularly, in line with its annual reporting cycle.

Our ESG Framework

Essential Metals endorses the following global ESG reporting frameworks with which to prepare an inaugural ESG report in 2022.

The Global Reporting Initiative (GRI) is the world's most widely used sustainability reporting framework. GRI Standards represent global best practice for reporting publicly on a range of economic, environmental and social impacts and are widely referenced by Australian mining and exploration companies.

As a global list of key material topics for our planet, the Sustainable Development Goals (SDGs) have become a global reference for sustainability reporting policy. The SDGs call for worldwide action amongst governments, business and civil society. They present an opportunity for business-led solutions and technologies to be developed and implemented to address the world’s biggest sustainable development challenges. SDGs are also widely referenced by Australian mining and exploration companies.

SUSTAINABLE DEVELOPMENT GOALS

Stakeholder Engagement

Essential Metals understands that central to impactful ESG activities is a meaningful stakeholder engagement process. Stakeholders are defined by GRI as entities or individuals that can:

- reasonably be expected to be significantly impacted by the reporting organisation's activities, products and services, or

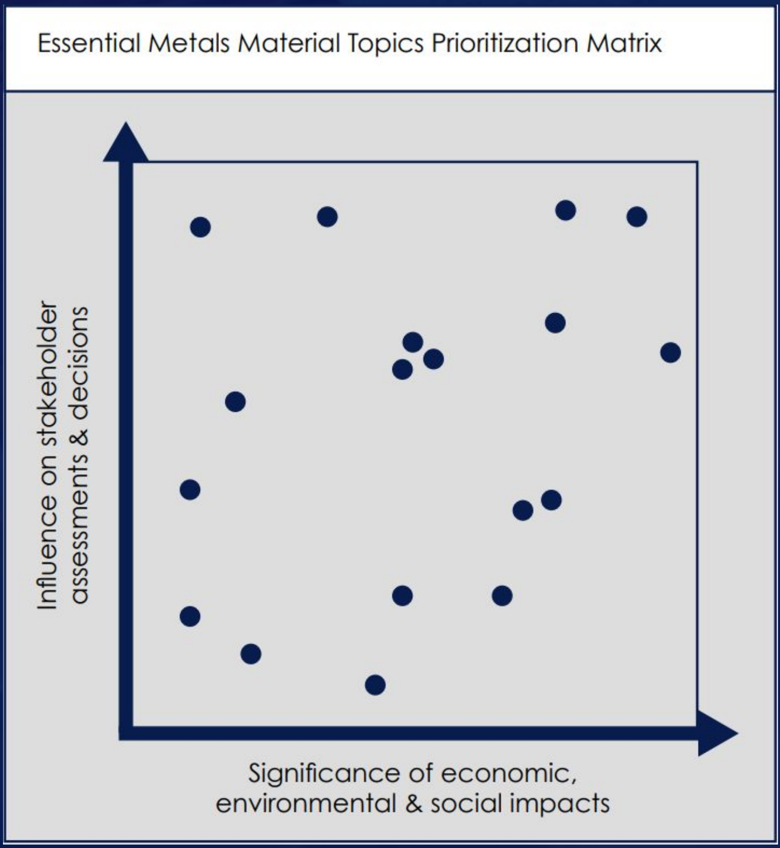
- Whose actions can reasonably be expected to affect the ability of the organisation to implement its strategies and achieve its objectives.

Essential Metals identifies the following groups of stakeholders in line with the GRI definition

- Employees
- Government & Regulators
- Indigenous communities
- Traditional owners
- Industry bodies
- Investors
- Media & Analysts
- NGO's
- Suppliers & Contractors

Essential Metals is committed to a stakeholder engagement program in FY22 in order to identify material topics. These are defined by the GRI as: a topic that reflects a reporting organisation's significant economic, environmental, and social impacts; or that substantively influences the assessments and decisions of stakeholders.

Following the discovery of Essential Metals' material topics, a process of principled prioritisation will occur in line with the adjacent graph:



Essential Metals ESG Staged Approach

Stage 1

- Finalization of an ESG framework
- Allocation of resources for ESG activities
- Commence an ESG Discovery Process for the ESS Board & Management to define opportunities for value creation and risks to manage
- ESG policies and procedures gap analysis

Stage 2

- Stakeholder engagement program
- Definition and baseline measurement of material topics
- Outline Essential Metals ESG Strategy
- Set goals for material topics
- Preparation of an inaugural ESG report

Stage 3

- Monitor, measure and manage progress on ESG goals
- Begin adoption of Taskforce for Climate Related Disclosures (TCFD) reporting recommendations
- Review ESG opportunities and risks throughout our wider value-chain

OPERATIONAL AND FINANCIAL REVIEW

ANNUAL REPORT

ESSENTIAL METALS
for a sustainable future

PIONEER DOME LITHIUM PROJECT (ESS: 100%)

LOCATION, TENURE AND INFRASTRUCTURE

Essential Metals Limited's ("Essential", "Company") flagship Pioneer Dome Project (ESS: 100%) is located in the core of Western Australia's lithium belt in the Eastern Goldfields. A Mineral Resource of 11.2Mt @ 1.21% Li2O has been defined at Dome North in the northern area of the Project (Refer ASX announcement dated 29 September 2020).

The southern Yilgarn area is recognised as well endowed with spodumene deposits, including the Bald Hill Mine, the Mt Marion Mine and the Buldania Project. The world-class Earl Grey deposit and the Mt Cattlin Mine are located further west and south, respectively.

Pioneer Dome covers an area of 356km^2 and includes eight exploration licences (six granted and two under application), one granted mining lease and one granted miscellaneous licence.

The tenement package is centred ~150km south of Kalgoorlie and 275km north of the deep-water port of Esperance with the Coolgardie-Esperance Highway adjacent to the eastern edge of the Project.

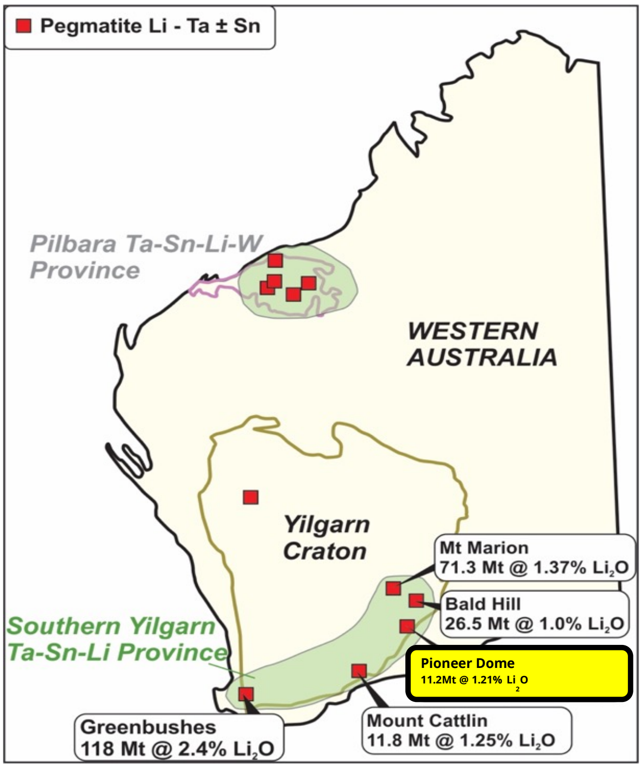


Figure 1 - The lithium deposits of the Southern Yilgarn Ta-Sn-Li Province in the context of pegmatite Li-Ta deposits of Western Australia. Modified from Skirrow et al, 2013. Mineral Resources quoted are sourced from Champion, 2018 (Mt Marion, Bald Hill, Mount Cattlin and Greenbushes).

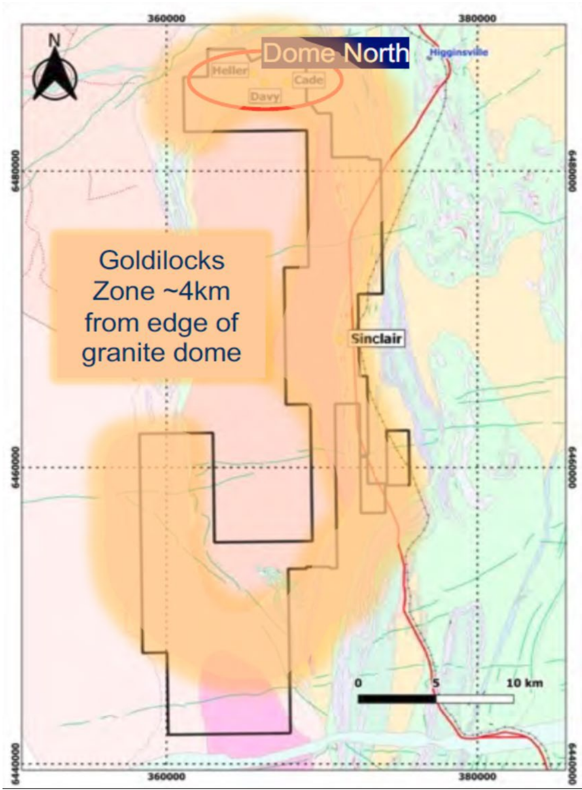


Figure 2: Pioneer Dome tenements, geology and targets

GEOLOGY AND MINERALISATION

The core intrusive of the Pioneer Dome is a monzogranite - the eastern edge is marked by the 50 Mile Tank Gneiss, an older unit that has been intruded by the granite, and which may represent an inlier of pre-greenstone basement.

Surrounding greenstone units include volcanics of the Kalgoorlie Group (including the Kambalda Komatiite), overlain by volcaniclastics and sediments of the Black Flag Group.

Although Figure 2 shows a later granite directly abutting the southwestern edge of the Pioneer Monzogranite, work completed by Essential has identified probable Black Flag units in the area, with this interpretation supported by the magnetics signature in the area. This has important ramifications for lithium exploration, given that the pegmatites are generally found in the units around and within 4 km of the dome (the "Goldilocks Zone" as shown in Figure 2).

The primary mineralisation style is pegmatite hosted lithium, with caesium also being present in the Sinclair area. Pegmatites identified to date form a swarm over a strike length of 15 km within the sediments along the eastern side of the Pioneer Monzogranite, with a second group (Dome North) at the northern end of the intrusive.

DOME NORTH PROJECT HISTORY

Essential commenced lithium exploration in early 2016, with this initially leading to the discovery of several pegmatites along the eastern edge of the Pioneer Dome, including the 2016 discovery of the pollucite hosted caesium mineralisation which was subsequently mined in 2018/2019.

Early work included soil sampling, geological mapping and drilling with subsequent work resulting in the discovery of the Heller, Davy and Cade deposits in the north of the Project area.

The Dome North pegmatites were initially discovered in mid-2019 by geological mapping over geochemically identified target areas, with drilling commencing soon after. The initial Mineral Resource Estimate ("MRE"), for the Cade Deposit, of 8.2 Mt @ 1.23% Li_2O was announced to the market on 25 November 2019.

Further work identified the Davy and Heller deposits, and following a second drill programme, an updated MRE, as presented in Table 1, was reported to ASX on 29 September 2020.

DOME NORTH LITHIUM MINERAL RESOURCE ESTIMATE

The Dome North Lithium Project				
Project area	**Category**	**Tonnes (Mt)**	**Grade (Li_2O %)**	**Tonnes Li_2O**
Cade Deposit	Indicated	5.4	1.30	70,000
	Inferred	2.8	1.18	33,000
Davy Deposit	Inferred	2.3	1.13	25,000
Heller Deposit	Inferred	0.7	1.02	8,000
Total		**11.2**	**1.21**	**136,000**

Table 1: Dome North MRE

The Cade Deposit represents around three quarters of the Mineral Resource and includes 5.4Mt @ 1.3% lithium (Li_2O) classified in the 'Indicated' category. The Cade Deposit averages over 20m in thickness with higher grade zones as represented by intersections such as 33m @ 1.63% Li_2O. The Heller and Davy Deposits are generally thinner (averaging around 10m) and are hosted along sheared contacts between basalts and pyroxene dominant ultramafics - these are smaller and of lower average grade than Cade.

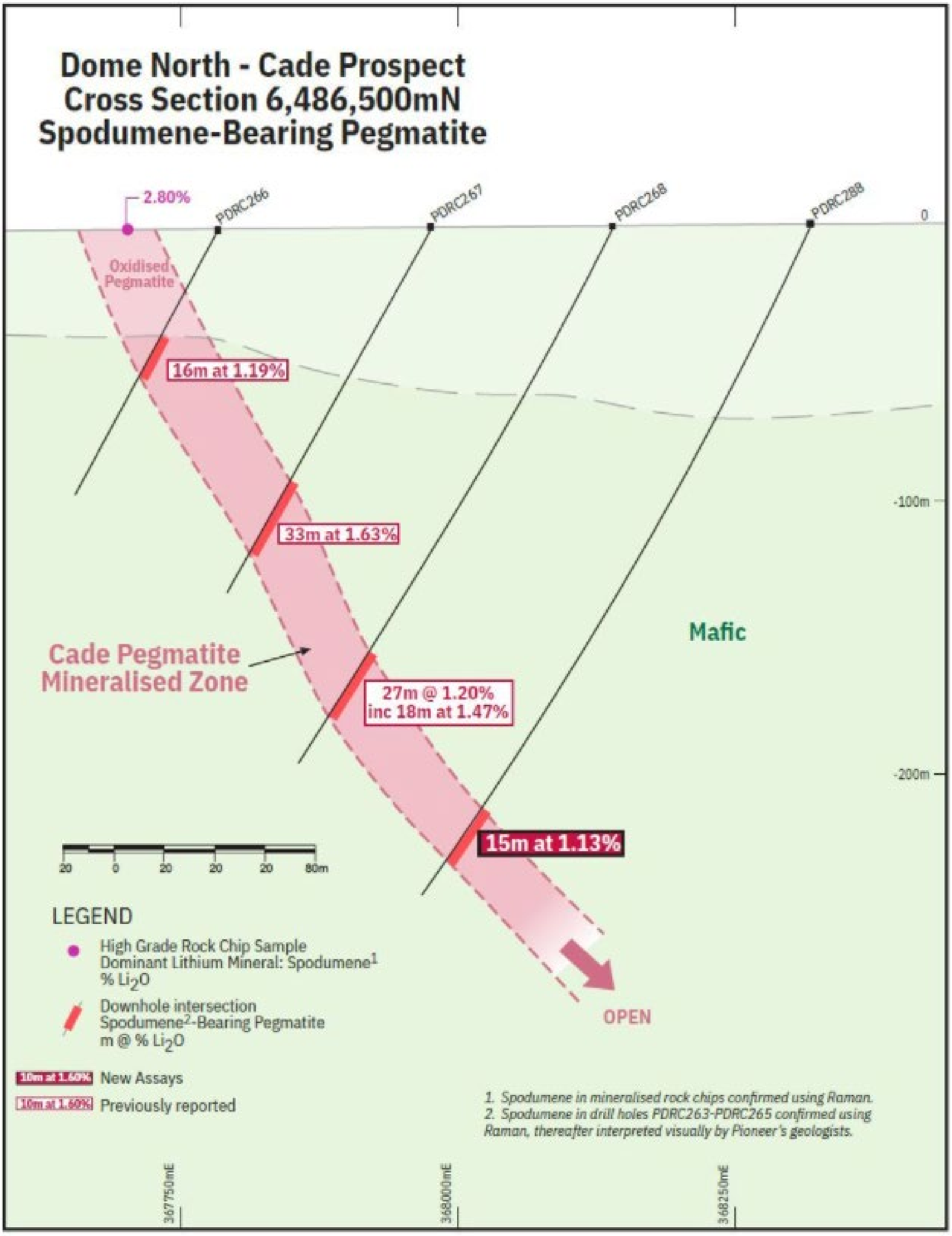


Figure 3: Cade deposit cross section, looking north

LITHIUM METALLURGY

In December 2019 Essential engaged Primero Group Limited (ASX:PGX) to design and conduct an independent Scoping Study level metallurgical testwork programme on two composites from five drill holes from the Cade deposit intended to represent the mean grade and lithology of the deposit. Intersections from the five holes were previously reported as follows (refer ASX announcement dated 4 February 2020):

- **31.6m @ 1.31% Li_2O** from 72 metres (PDRCD292)
- **27.4m @ 1.38% Li_2O** from 131 metres (PDRCD294)
- **27.2m @ 1.46% Li_2O** from 209 metres including **11m @ 1.79% Li_2O** (PDRCD295)
- **22.2m @ 1.72% Li_2O** from 128 metres (PDRCD318)
- **16.5m @ 0.86% Li_2O** from 166 metres (PDRCD293)

Two composite samples were prepared from the drill core. The tests conducted on the first composite included:

- Head Assay and X-Ray Diffraction (XRD);
- Crusher work index (CWi) and Abrasion Index (Ai) tests; and
- Size by assay (SxA) and Heavy Liquid Separation (HLS) at a series of different crush sizes

The first composite was noted to include a portion of mineralisation containing petalite, a lithium-bearing mineral that typically requires a different process flowsheet to spodumene. This material was situated towards the edge of the Resource. A second composite was generated from the same drill holes as the first but excluded the 3.7m wide petalite wall zone identified in hole PDRCD318.

The tests conducted on the second composite included:

- Head Assay and X-Ray Diffraction (XRD);
- Size by assay (SxA) and Heavy Liquid Separation (HLS) at a series of different crush sizes; and
- Batch flotation test work on head and DMS mid samples. This work included de-sliming, magnetic separation and mica pre-flotation steps.

The XRD scan showed that no petalite was detected in the second composite sample, providing evidence that petalite occurrences outside the identified wall zone in hole PDRCD318 may be low. The lithium grades of the two composites were 1.41% Li_2O and 1.56% Li_2O respectively. The second composite was then used for the dense medium separation (DMS) and flotation test work.

A series of HLS tests was conducted, including one to investigate production of an upgraded direct-shipped ore (DSO). This test, using a crush size of P_{100} 6.3mm, showed that up to 81% Li_2O can be recovered into approximately 42% of plant feed mass, producing an upgraded material containing 2.0% Li_2O. These HLS results represent a theoretical maximum recovery for this sample and variability testing with a DMS cyclone and larger sample mass is recommended to verify any results.

In an improved lithium pricing environment, a lower CAPEX DSO style operation can be assessed against a more capital intensive, value-adding operation involving DMS + flotation processing, provided that a market for DSO product is available.

Under the DMS pilot test stage, a concentrate of 5.7% Li_2O was achieved. The Secondary DMS floats were then composited with -0.85mm material and used as feed to flotation test work, containing an assayed grade of 1.67% Li_2O.

The flotation test work based on the DMS feed included a series of tests with each one preceded by grinding the feed to P_{80} 150µm and de-sliming via screen or cyclone at a cut size of 20 µm before performing the batch flotation tests.

Concentrate	Grade (% Li_2O)	Grade (% Fe_2O_3)	Global Recovery (%Li_2O)
T12 Flot Con & DMS Con	5.66	1.3	82%
T15 Flot Con & DMS Con	5.65	0.7	74%

Table 2: Concentrate Summary

The T12 test (flotation + DMS) achieved a concentrate of 5.66% Li_2O with very high recovery rate of 82% lithia, however the iron content of 1.3% Fe_2O_3 is considered high in comparison to the ‘industry standard’ limit of 1% Fe_2O_3. Test T15 included a ‘mica pre-flotation’ step to remove paramagnetic gangue minerals. This resulted in a similar concentrate grade of 5.65% Li_2O but a much lower iron content of 0.7% Fe_2O_3 with a reduction in the global lithia recovery rate to 74%.

Ongoing test work should result in improvements to grades and recoveries, however the work completed to date shows that there is the potential to produce a marketable concentrate.

WORK SUBSEQUENT TO REPORTING PERIOD

Subsequent to the end of the financial year in August 2021, a 5,934m drilling programme was completed. It was designed to explore for further spodumene-bearing pegmatites with the aim of adding to the existing Mineral Resource base.

The drilling programme focussed on testing for extensions of identified pegmatites and structural targets and follow-up anomalism from the previous air-core programme (May 2020) as well as testing two partially exposed pegmatite targets (DN6 and DN21) south-west of the Heller Deposit, see Figure 5.

The release of assay results is anticipated towards the end of September 2021. Continuation of field activities including soil sampling and mapping will provide the basis for a follow-up drilling programme to be designed and executed in the fourth quarter of 2021.

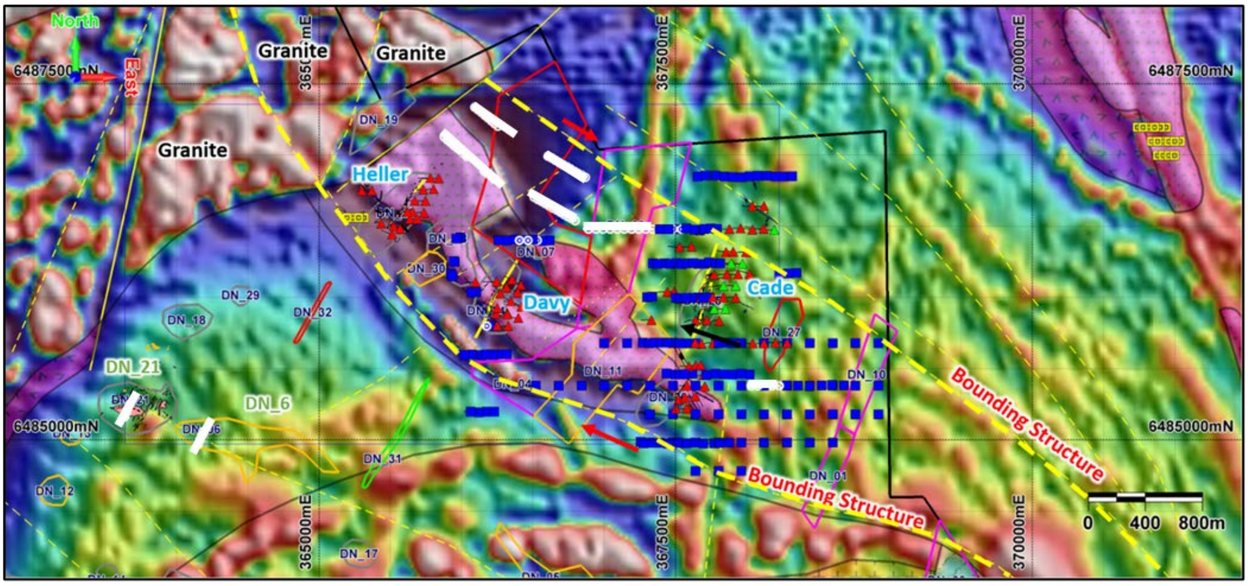


Figure 5: Completed drill holes (white lines), RTP magnetic image, tenement outline (black polygon), interpreted structures (yellow lines), previous drilling and LCT targets (coloured and labelled polygons).

JUGLAH DOME GOLD PROJECT (ESS: 100%)

LOCATION, TENURE AND INFRASTRUCTURE

Juglah Dome comprises of a single ~50 km^2 tenement highly prospective for gold mineralisation located ~60 km ESE of Kalgoorlie (Figure 6), is readily accessible from the Mt Monger haul road and the Trans-Australian Railway service road. Exploration by previous owners identified multiple gold targets using soil geochemistry and drilling. The Project lies in a similar geological setting to that which hosts the Majestic and Imperial Deposits located 10km to the north-west and the Daisy Complex to the west, which forms part of Silver Lake Resources Limited's Mt Monger Operations (Figure 6).

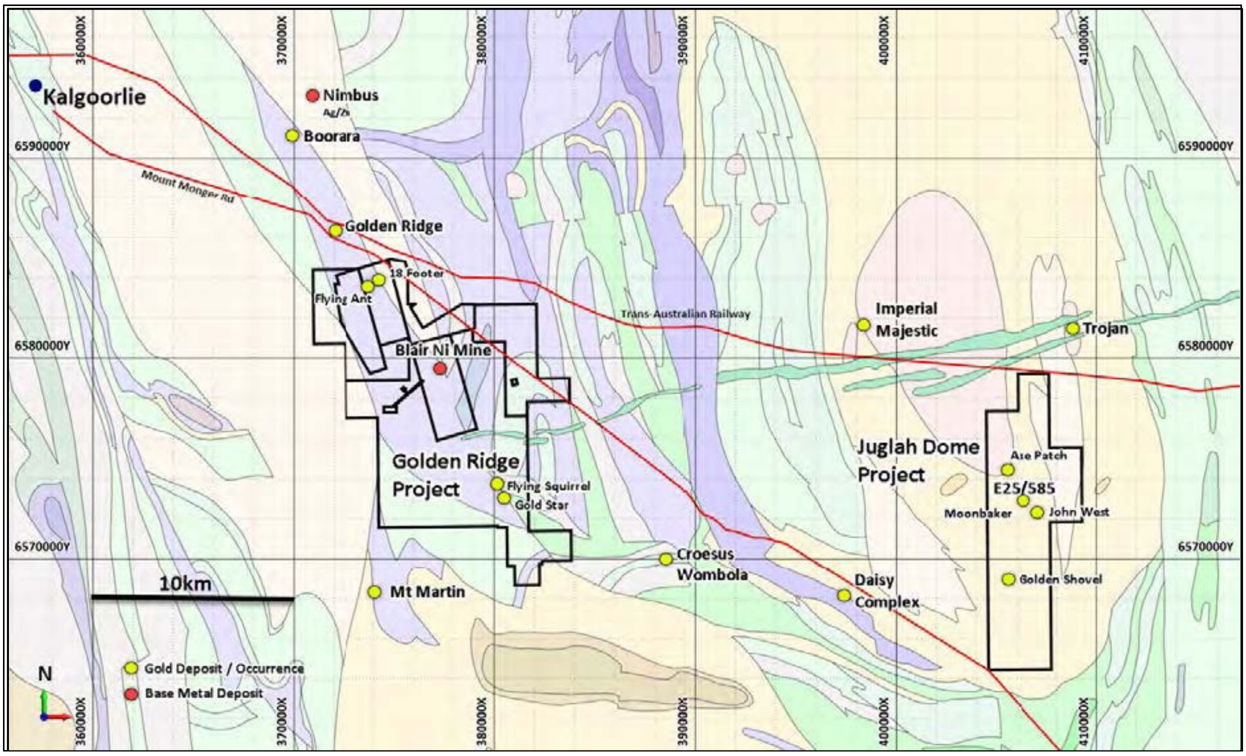


Figure 6: Juglah Dome and Golden Ridge projects showing tenements and geology

GEOLOGY AND MINERALISATION

The project is located within the Kurnalpi Terrane and includes a lower sequence of chert, intermediate to felsic volcanics and volcaniclastics, overlain by basalts. The sequence has been folded and intruded by the Juglah Monzogranite, which forms the core of the NW-trending Bulong anticline, of which the project is at the southern end (Figure 6).

Mineralisation is largely related to NNW to NW trending shear zones, and also NNE-NE cross structures. It is also generally hosted within felsic porphyry dykes and felsic volcanics. The axis of the anticline is also a control on mineralisation, with the Moonbaker, John West and Axe Patch prospects occurring along this NW trend.

In May 2021 Essential announced that a total of 24 air-core (AC) holes totalling 420m were drilled to the south-east of the Gards target at Juglah Dome. The aim of this drilling was to define the location of the felsic porphyry and extend the known mineralisation to the south-east of the southern-most RC intersection of 8m @ 2.18g/t Au (20GDRC034) into an area of thin alluvial cover. The drilling successfully expanded the known extent of felsic porphyry that hosts the gold mineralisation at Gards by over 700m, and it remains open to the south-east.

Results included (refer ASX release dated 17 May 2021):

- **4m @ 0.29g/t from 17m** (to EOH) in 21GSAC003
- **4m @ 0.22g/t from 12m** (to EOH) in 21GSAC004
- **2m @ 0.18g/t from 15m** (to EOH) in 21GSAC016
- **1m @ 0.15g/t from 17m** in 21GSAC024

With the trend of the mineralised porphyry now defined, follow-up RC drilling can now be planned to test the entire thickness and strike extent of the intrusion which remains open and untested to the south. It is anticipated that thicker and potentially higher grade intersections will be returned from testing the full thickness of the porphyry unit (Figure 7).

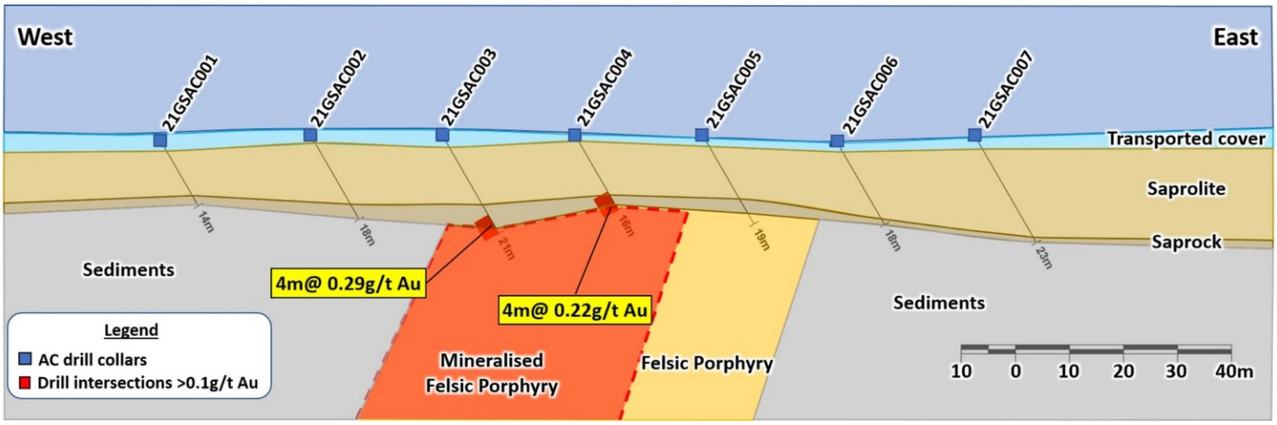


Figure 7 – Cross-section through the northern line of Gards South AC drilling with the interpreted mineralised felsic porphyry.

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GOLDEN RIDGE GOLD PROJECT (ESS: 100%, EXCEPT NICKEL)

LOCATION, TENURE AND INFRASTRUCTURE

The Golden Ridge Project is located 20km southeast of Kalgoorlie and is highly prospective for gold and nickel mineralisation. The project lies within the well-endowed Menzies-Boorara Shear Zone that hosts the New Boddington, Paddington, Boorara and Golden Ridge Deposits (the latter two are owned by Horizon Minerals Limited – ASX:HRZ). Exploration at the Project by previous owners had identified multiple highly prospective gold and nickel targets. Golden Ridge comprises four MLs, three ELs and one L for a total area of 145 km^2.

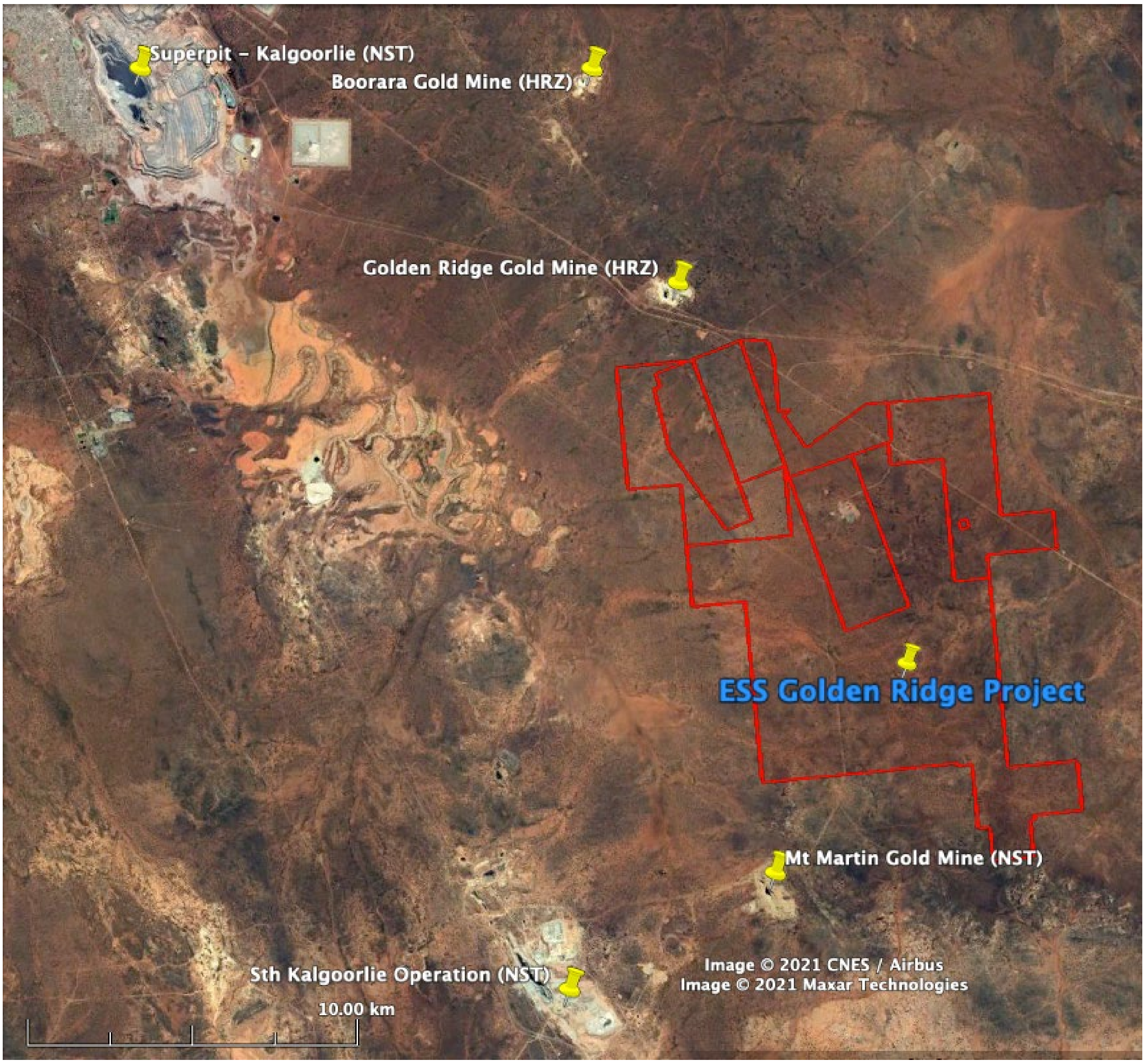

Figure 8 – Location of the Golden Ridge Gold Project

GEOLOGY AND MINERALISATION

Golden Ridge straddles the Boorara Shear Zone ("BSZ"), as well as the Ockerburry Fault Zone, which forms the boundary between the Kalgoorlie and Kurnalpi Terranes. The BSZ is an elongate NNW trending zone, that extends from Menzies in the north to south of Golden Ridge, and is the host for several gold deposits, including Paddington/ Broad Arrow and Golden Ridge. The total in-situ resource at the 1985 commencement of mining at Paddington was 8.4 Mt @ 3.2 g/t Au for 860,000 oz of contained gold. The Paddington mill is still operating, treating material from other deposits in the region.

In addition, Horizon owns and operates the Boorara Gold Project immediately along strike to the NNW of the Golden Ridge tenements, with this including the 448 koz Boorara deposit, with total resources of 19.02 Mt @ 1.66 g/t gold for 1.02 Moz of contained gold.

Within the tenements, nickel is associated with rocks that are dominated by mafics and ultramafics (including komatiitic lavas) of the Kalgoorlie Group; some areas of the Black Flag Group and the Kurnalpi Terrane volcanics are also present in the north, along with units of the younger Panglo sedimentary basin.

Previous work by Essential (formally Pioneer Resources Limited) suggests that the area forms an ultramafic dome ("Blair Dome"), with geological similarities to the Kambalda and Tramways Domes, both hosts to world-class nickel mineralisation - in this work the Company also identified ~12 km of the ultramafic basal contact, the preferred position for the komatiite channel associated nickel sulphide mineralisation as seen at the Blair nickel mine.

The gold occurrences are largely concentrated in what has been mapped as the younger volcanic and sedimentary successions in the northern part of the tenement package and proximal to the Ockerburry Fault Zone, however the area is marked by limited outcrop.

In July 2021 after the end of the current reporting period Essential announced that it had received all assays from a 92-hole/6,080m Air-Core drill programme across three prospects (Skandia, Maximus and AC75). The most significant results from this drilling include (refer ASX release dated 8 July 2021):

Skandia (25 AC holes) results include:

- **8m @ 1.01 g/t Au from 96m** including **3m @ 2.45g/t Au** (hole GRA0454); and
- **12m @ 0.50 g/t Au** from 60m (hole GRA0388)

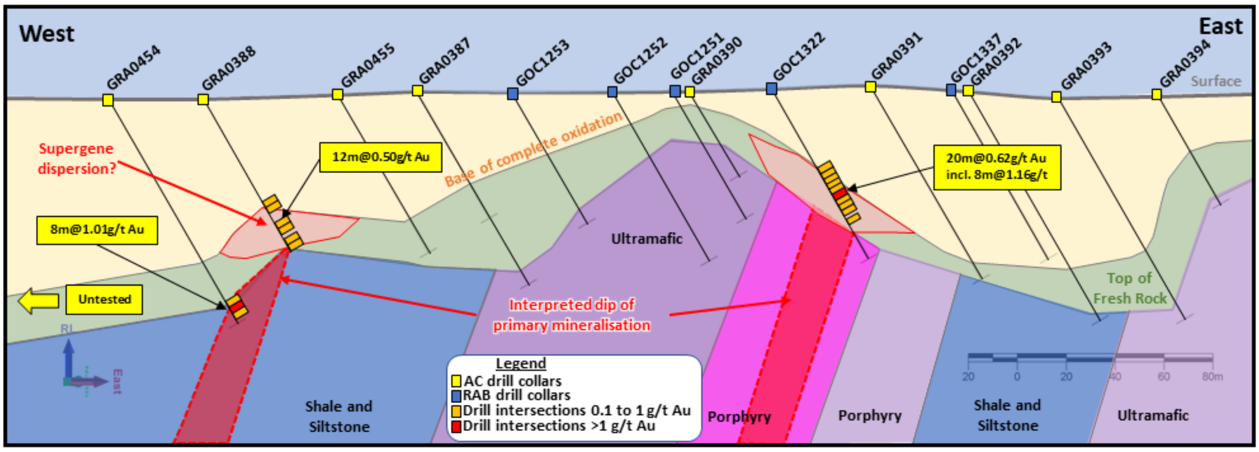

Figure 9 – Cross-section through the middle line of Skandia AC drilling with the interpreted mineralised primary structures, supergene dispersion and bedrock lithologies. Note: west of section is prospective untested sediment

Results from the drilling programme are encouraging and suggest potential for significant gold mineralisation, especially to the west and along the interpreted strike of mineralisation intersected in GRA0454. This area is 3km south and along strike of the Golden Ridge Gold Deposit (ASX:HRZ) and coincident with a large >20ppb Au soil anomaly with peak values to 174ppb Au.

Maximus (26 AC holes) results include:

- **3m @ 3.0 g/t Au** from 30m including 1m @ 6.07g/t Au (hole GRA0375);
- **5m @ 0.75 g/t Au** from 57m (hole GRA0369); and
- **3m @ 0.89g/t Au** from 24m and **6m @ 0.17g/t Au** from 33m (hole GRA0368)

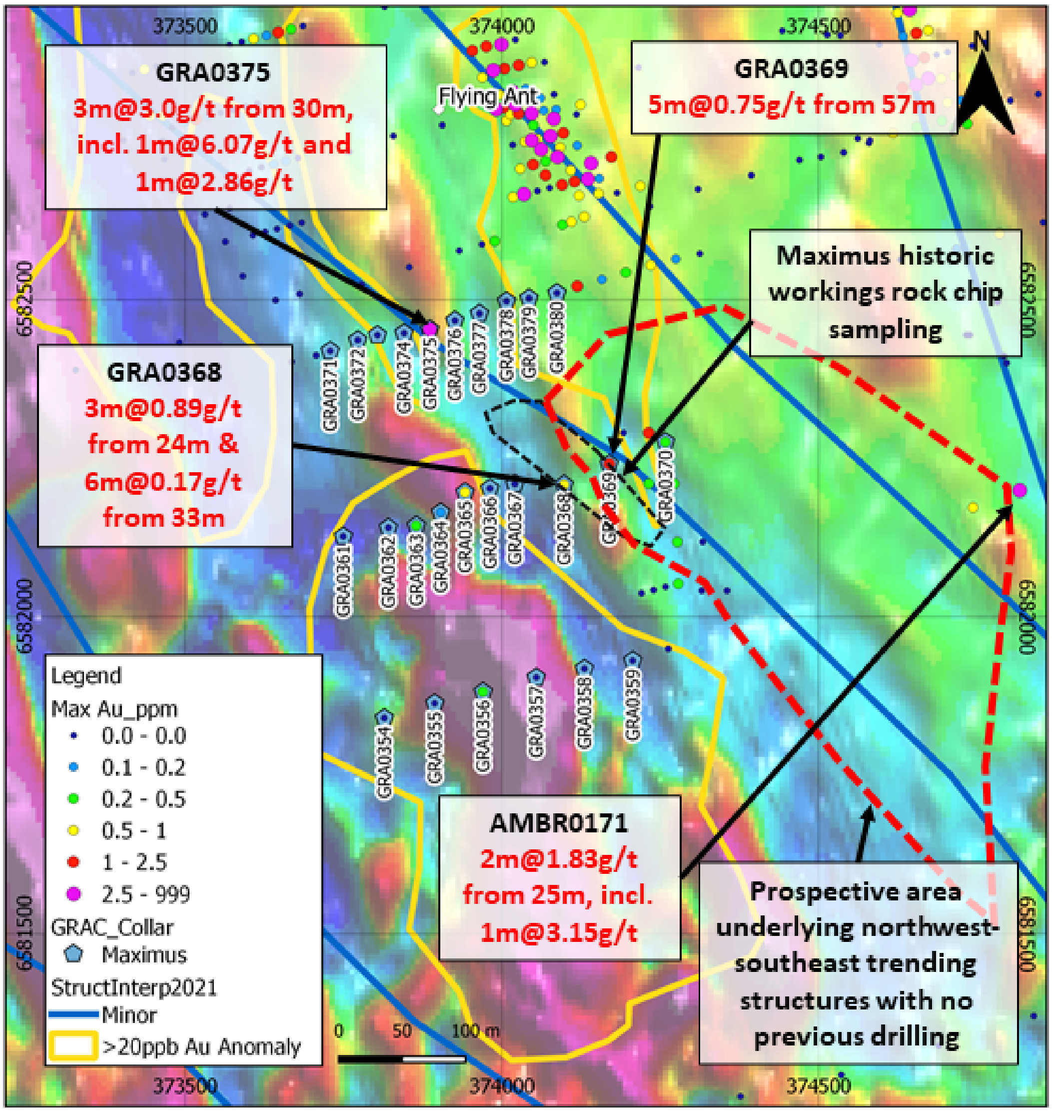

Figure 10 - Location of Maximus AC drilling (blue pentagons), maximum Au (ppm) from drilling (coloured as per the legend) and area of >20ppb Au-in-soil anomalism (yellow polygon), prospective area to the northeast of AC drilling (red dashed shape), interpreted northwest trending structures (blue lines) and area of Maximus workings (black dashed outline).

The anomalous zones intersected correlate with intervals of massive or brecciated quartz veining hosted in siltstone or adjacent ultramafic or within ferruginous upper saprolite. An interpreted north-west south-east trending structure is coincident with anomalous intercepts and importantly there has been no previous drilling over the 1km long strike length of this structure to the south-east.

AC75 (41 AC holes) results include:

- **12m @ 0.49 g/t Au** from 51m including 3m @ 1.01 g/t Au (hole GRA0415); and
- **9m @ 0.26 g/t Au** from 54m (hole GRA0451)

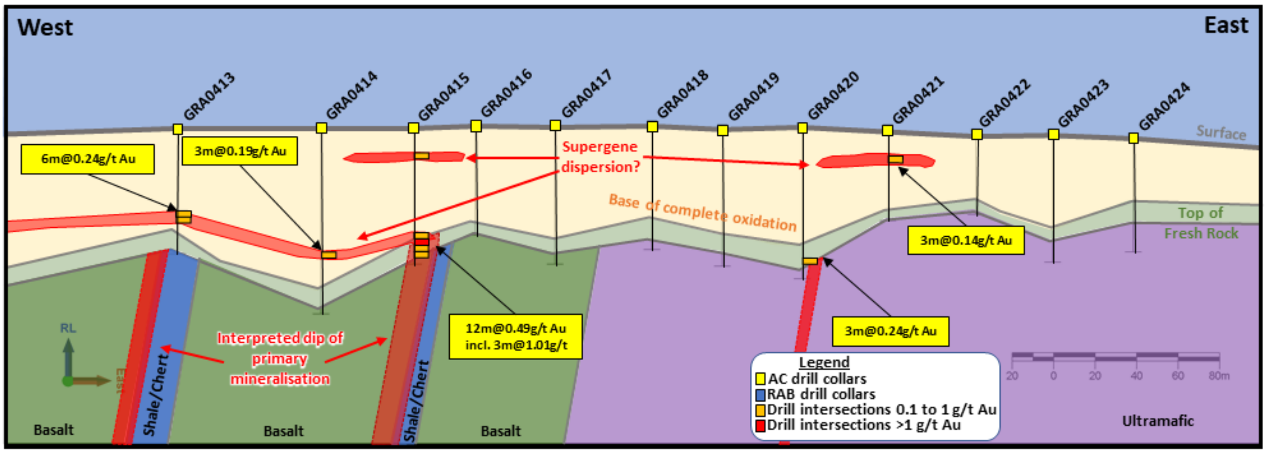

Figure 11 - Cross-section through the southern line of AC75 AC drilling with the interpreted mineralised primary structures, supergene dispersion and bedrock lithologies

Drilling intersected basalt and ultramafic lithologies with minor bands of chert and shale. The mineralisation intersected correlates with a roughly north-south oriented band of weakly brecciated shale and chert, interpreted as a narrow interflow sedimentary unit. Further interpretive work is required to determine the future exploration activities, if warranted.

BLAIR - GOLDEN RIDGE NICKEL PROJECT FARM-IN JOINT VENTURE

On 9 February 2021 Essential announced that it was farming out the nickel rights to the Crest Investment Group, renamed Australian Nickel Company Limited ("ANC"), with ANC to earn 75% of the nickel rights through the expenditure of A$4 million over four years, with a minimum annual spend of A$750,000. Essential will retain the rights to all other minerals, will retain a 25% interest in nickel rights and is free-carried through to a Decision to Mine.

The Blair – Golden Ridge Project is located approximately 25km southeast of Kalgoorlie. The Blair Nickel Mine was developed by WMC Resources Limited and production commenced in 1990. There were three separate mining periods, with the most recent concluding in December 2008 due to the Global Financial Crisis and the low nickel price.

Multiple nickel prospects within the Project tenure have been identified and tested with the most recent work conducted in early 2020, where the Leo Dam prospect was drilled tested and down-hole electromagnetic (DHEM) surveys were conducted (refer ASX release dated 9 April 2020).

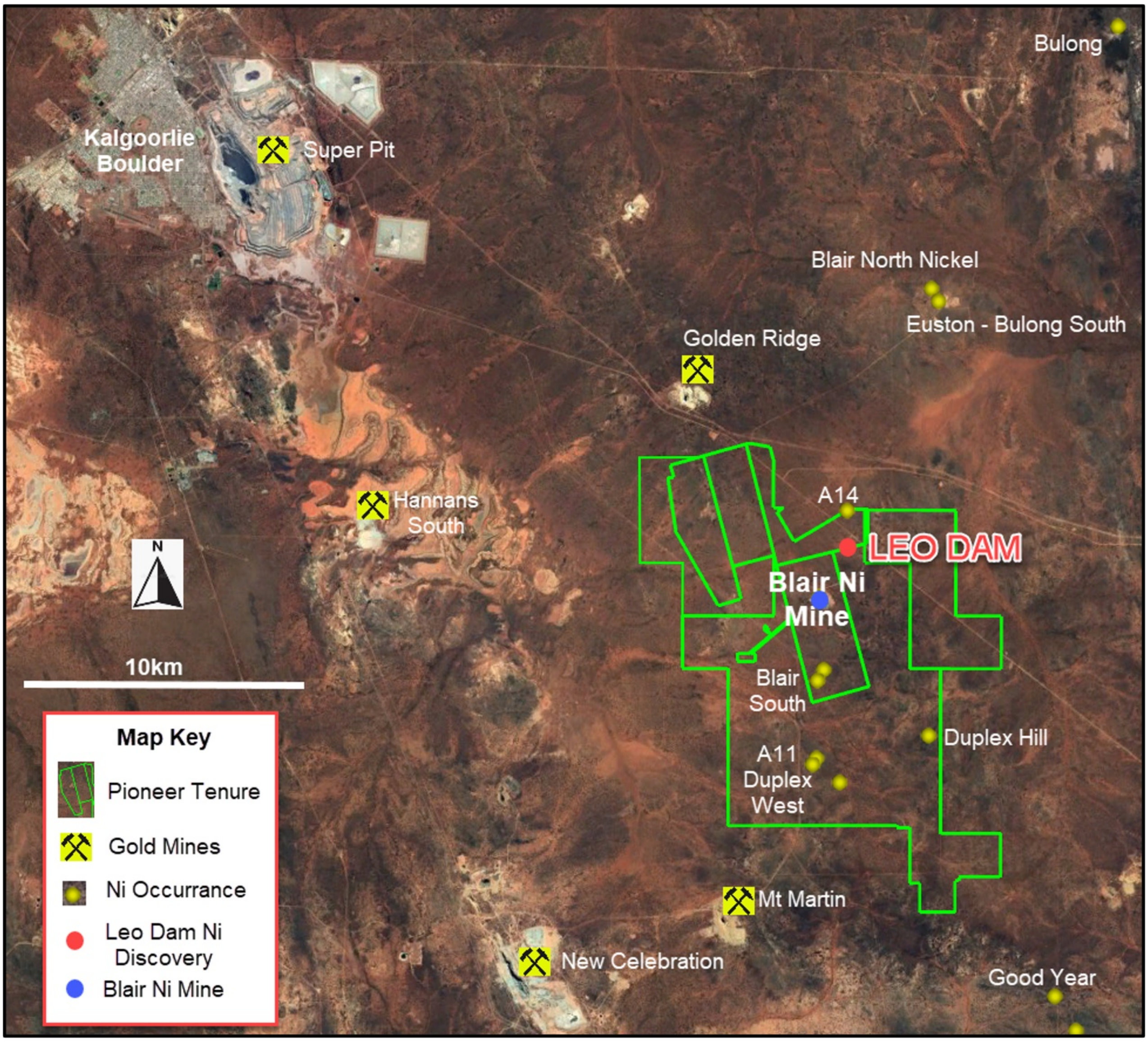

Figure 12: Location map of the Golden Ridge Nickel Project.

JOINT VENTURE INTERESTS

LITHIUM*:* The Company holds a 51% Project interest in the **Mavis Lake Project**, Ontario, Canada where drilling has intersected spodumene.

Global travel restrictions have limited in-country activities during the current reporting period. The Project tenements remain in good standing with available expenditure credits allowing Essential to focus on local lithium opportunities while positioning non-core assets such as Mavis Lake for pipeline exploration activities.

GOLD: The **Acra Project** is near Kalgoorlie. Northern Star Resources Limited ("Northern Star") (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 ("Novo") (TSX.NVO) and Sumitomo Corporation ("Sumitomo") (TYO:8053), who will jointly fund 100% of gold exploration programmes until a decision to mine is made, with Essential Metals holding a 30% interest.

On 16 December 2020 Essential announced that Novo and Sumitomo had completed the farm-in obligations to form the Kangan Gold Project Joint Venture. The Kangan Project forms part of Novo's broader Egina Project, where Sumitomo is earning up to a 40 % interest by spending up to US$30m over 3 years, commencing June 2019.

GOLD: The **Balagundi Project** is subject to a farmin & JV agreement where Black Cat Syndicate Limited ("Black Cat") (ASX:BC8) is earning a 75% interest in the Project located at Bulong, near Kalgoorlie. Black Cat will then fully fund gold exploration programmes until a decision to mine is made, with Essential Metals retaining a 25% interest.

On 26 July 2021, after the end of the current reporting period, the Company announced that Black Cat had met the initial commitment expenditure of $150,000 under the Balagundi Gold & Base Metals Project Farm-in & Joint Venture and had elected to continue towards earning a 75% interest by spending a further $450,000 within the next three years.

GOLD: The Company holds a 25% free-carried interest (20% for nickel rights) in the **Larkinville Project** near Kambalda, WA, with Maximus Resources Ltd ("Maximus") (ASX:MXR).

During the current reporting period Maximus conducted a 1,500m RC drill programme to test potential down-plunge extensions of previously reported thick high-grade gold intersections as part of the resource extension and infill programme to improve confidence of the mineral resource and to test areas of open mineralisation along strike and down-dip.

Refer various ASX announcements released by Maximus (ASX:MXR) during the reporting period for more detailed information on the above activities.

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 Crest Investment Group (renamed Australian Nickel Company Limited) ("ANC"), 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.

On 18 March 2021 the Company announced that ANC had exercised its option to enter into the Farmin stage of the Joint Venture Agreement. Under the agreement ANC is required to spend $4 million over four years to earn a 75% interest in the nickel rights with a minimum annual spend of $750,000.

NICKEL: The Company holds a 20% free-carried interest (nickel only) in the **Wattle Dam Project** near Kambalda, WA, with Maximus Resources Ltd (ASX:MXR).

During the current reporting period Maximus reported conducting a 14.5 line-km Fixed Loop Electromagnetic (FLEM) survey at the highly prospective Wattle Dam East Nickel target in January 2021. In March 2021, a drilling program was conducted which intersected multiple zones of semi-massive sulphides while testing a strong late-time conductor at the Wattle Dam East target. Towards the end of the current reporting period Maximus reported identifying four high-priority Kambalda style komatiite-hosted nickel sulphide exploration targets through ongoing geological reviews. Three of the four targets, namely Highway, Central and Andrews Shaft West, are located on WDNJV ground with the fourth target, Hilditch, located a few hundred metres south but with the prospective geology striking into a WDNJV tenement (M15/1770).

Refer to various ASX announcements released by Maximus (ASX:MXR) during the reporting period for more detailed information on the above activities.

CORPORATE

COVID-19

During the year, in response to the COVID-19 pandemic, Essential implemented a series of precautionary measures to ensure that risk around COVID-19 was minimised for all employees and contractors. These measures included restrictions on non-essential travel, as well as social distancing and increased awareness around hygiene.

With the exception of industry-wide delays with respect to drill rig availability and time taken for laboratories to complete analysis drilling and other sample assays, Essential did not suffer any major operational delays during the current reporting period.

Essential will continue to monitor the situation and government advice around the pandemic and will act in accordance with this advice.

EXECUTIVE APPOINTMENTS

On 1 August 2020 highly regarded mining executive, Warren Hallam, was appointed as a Non-executive Director.
Effective 14 September 2020 experienced geologist, Andrew Dunn, joined the Essential team as Exploration Manager.

SHARE CAPITAL CONSOLIDATION & COMPANY REBRANDING

At a General Meeting of Shareholders held on 7 July 2020 approval was received to change the company name to Essential Metals Limited. Shareholders also approved a 10:1 capital consolidation.

CAPITAL RAISINGS

On 18 November 2020 the Company announced that it had completed a Placement to institutional and sophisticated investors, for total Placement proceeds of $2.05 million before issue costs at an $0.085 issue price plus a 1 for 2 free share option. The Company also announced on 16 December 2020 that it had completed a Share Purchase Plan under the same terms as the Placement to raise a further $2.14 million.

LISTED INVESTMENTS

During the current reporting period the Company sold its remaining shareholding investments in Novo Resources Corp (TSX: NVO) and Black Cat Syndicate Limited (ASX: BC8) for gross proceeds before costs of CAD$190,000 and AUD$42,000 respectively.

In June 2021 the Company received 785,695 shares in Medallion Metals Limited ("Medallion") (ASX: MM8) valued at AUD$200,000 for the relinquishment of royalty rights held by Essential over tenements held by Medallion within their Ravensthorpe Copper-Gold Project Located 340km SW of Kalgoorlie, WA

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

In line with its focus on cost control, on 27 April 2021 the Company announced that it had changed its registered office and principal place of business to Level 3, 46 Ord Street, West Perth, Western Australia 6005.

DIRECTOR'S REPORT

ANNUAL REPORT

ESSENTIALMETALS
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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 year ended 30 June 2021.

DIRECTORS

The following persons were directors of Essential Metals Limited during the whole of the financial year and up to the date of this report unless otherwise stated.

Current Directors:

Director	Details
Craig McGown	
Qualifications	B.Comm
Position	Independent Non-Executive Chairman
Appointment date	13 June 2008
Resignation date	N/A
Length of service	13 years 3 months
Biography	Mr McGown is an investment banker with over 35 years of experience consulting to companies in Australia and internationally, particularly in the natural resources sector. He holds a Bachelor of Commerce degree, was a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia. Mr McGown is an executive director of the corporate advisory business New Holland Capital Pty Ltd and prior to that appointment was the chairman of DJ Carmichael Pty Limited. Mr McGown also chairs the Harry Perkins Institute for Respiratory Health, a not-for-profit organisation focused on prevention and treatment of all forms of respiratory disease. Mr McGown brings to the Board a comprehensive knowledge of equity and debt markets and financing of resource projects.
Current ASX listed directorships	Sipa Resources Limited - 11 March 2015 to present QMetco Limited (formerly Realm Resources Limited) - 31 May 2018 to present.
Former ASX listed directorships in the last three years	Venturex Resources Limited – 8 February 2021 to 9 June 2021
Timothy Spencer	
Qualifications	B.Econ, CPA
Position	Managing Director
Appointment date	31 March 2020
Resignation date	N/A
Length of service	1 year 6 months (as Managing Director)
Biography	Mr Spencer has over 25 years' experience in the resources sector and precious metals markets, working in various executive, accounting, treasury and finance roles including with three mining companies as an executive director and/or Chief Financial Officer and Company Secretary as well as with a large gold refining and trading enterprise. Mr Spencer joined the Company in October 2017, and prior to his appointment as Managing Director has served in the roles of Chief Executive Officer, Chief Financial Officer and Company Secretary.
Current ASX listed directorships	None
Former ASX listed directorships in the last three years	None

Paul Payne	
Qualifications	B App Sc (Geology) Grad Dip Min Ec
Position	Independent Non-Executive Director
Appointment date	24 January 2020
Resignation date	N/A
Length of service	1 year 9 months
Biography	Mr Payne is a Fellow of the Australasian Institute of Mining and Metallurgy and an experienced geologist with a strong technical background as well as senior executive and board experience across a range of commodities in both Australia and internationally. Mr Payne's experience includes the role of founding Managing Director of Dacian Gold Limited where he was instrumental in the major initial gold discoveries at its Mount Morgans project. Mr Payne is currently non-executive director of a number of ASX listed resource companies and continues to provide expert technical services to the resources industry through his consultancy PayneGeo.
Current ASX listed directorships	Dreadnought Resources Limited – 21 December 2017 to present Carnaby Resources Limited – 1 July 2016 to present
Former ASX listed directorships in the last three years	Auteco Resources Limited – 20 March 2018 to 18 January 2019

Warren Hallam	
Qualifications	B. App Sci (Metallurgy), MSc Min. Econ
Position	Independent Non-Executive Director
Appointment date	1 August 2020
Resignation date	N/A
Length of service	1 year 2 months
Biography	Mr Hallam is a metallurgist, a mineral economist and holds a Graduate Diploma in Business. He has over 35 years of technical and commercial experience across numerous commodities and businesses within the resources industry including with top-tier mining companies Western Mining Corporation, Metals X Limited, Westgold Resources Limited and is currently Chairman of ASX listed Nelson Resources Limited and Kingfisher Mining Limited. Mr Hallam was a member of the senior leadership team at Metals X (both as Executive Director and Managing Director) and played a critical role in the development of Metals X as a leading global tin producer and top-10 gold producer. Mr Hallam also held a range of senior operation, strategic and business development roles with diversified ASX-100 resource company Western Mining Corporation.
Current ASX listed directorships	Nelson Resources Limited – 1 February 2019 to present Kingfisher Mining Limited – 4 December 2018 to present
Former ASX listed directorships in the last three years	Metals X Limited – 1 March 2005 to 12 November 2018 Capricorn Metals Limited – 19 February 2019 to 6 March 2019 Millennium Minerals Limited – 27 August 2019 to 7 September 2020

DIRECTORS' SHAREHOLDINGS

On 7 July 2020, shareholders of Essential Metals Limited approved a capital consolidation, where the number of issued securities and unissued equity incentives decreased using a fixed ratio of 10:1. As at the date of this report, the interests of the directors in the shares, options and performance rights of Essential Metals Limited on a post consolidation basis were:

Director	Ordinary Shares	Listed Share Options	Unlisted Share Options	Unlisted Performance Rights
C. McGown	2,000,561	176,470	1,000,002	-
T. Spencer	1,112,941	176,470	1,500,000	954,454
P. Payne	754,099	176,470	600,000	-
W. Hallam	200,000	-	600,000	-

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During and since the end of the financial year, the following options and performance rights were granted to the following directors and senior management of the Company and its controlled entities as part of their remuneration (on a post-share consolidation basis):

Name	Unlisted share options	Unlisted performance rights	Issuing entity	Number of ordinary shares under option/right
T. Spencer	-	454,545	Essential Metals Limited	454,545
C. McGown	1,000,002	-	Essential Metals Limited	1,000,002
P. Payne	600,000	-	Essential Metals Limited	600,000
W. Hallam	600,000	-	Essential Metals Limited	600,000
C. Travaglini	-	752,366	Essential Metals Limited	752,366
A. Dunn	-	653,618	Essential Metals Limited	653,618
S. Kerr	-	-	-	-

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). Ten board meetings were held during the financial year. The remuneration and audit committees were suspended on 31 March 2020 with the full board of directors assuming the responsibilities of these committees from that date.

	Board of Director's Meetings	
Director	Eligible	Attended
C McGown	10	10
T Spencer	10	10
P Payne	10	10
W Hallam	9	9

COMPANY SECRETARY

Name	Details
Carl Travaglini	
Qualifications	CA, ACG (CS)
Company Secretary Appointment date	31 March 2020
Resignation date	N/A
Length of service	1 year 6 months
Biography	Mr Travaglini was appointed Company Secretary on 31 March 2020 and also holds the position of Chief Financial Officer (appointed 25 February 2020). Mr Travaglini is a Chartered Accountant and Chartered Company Secretary. Before joining the Company Mr Travaglini worked for a number of WA based lithium and gold producers and explorers. Prior to that Mr Travaglini worked in assurance services for the mining resources sector and has more than 13 years' experience in financial reporting, corporate governance and risk management.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the current reporting period consisted of mineral exploration in Western Australia. The Group was unable to undertake substantive field work in Canada on its Mavis Lake lithium project due to ongoing travel restrictions. The Project tenements remain in good standing with expenditure credits available to be carried forward allowing the Group to focus on West Australian lithium opportunities while positioning non-core assets such as Mavis Lake for pipeline exploration activities. For these reasons the Directors do not believe there are any impairment indicators in relation to the carrying value of capitalised exploration expenditure at the current reporting date.

There were no significant changes in the nature of the Group's principal activities during the financial year.

RESULTS OF OPERATIONS

The consolidated net loss after income tax for the financial year was $1,383,000 (2020: $1,361,000 profit) which included a gross profit of $105,000 (2020: $4,762,000) from sales and project exploration write-offs/write-downs of $477,000 (2020: $518,000).

DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REVIEW OF OPERATIONS AND ACTIVITIES

During the financial year the Group incurred a total of $2,488,000 (2020: $3,890,000) on exploration and evaluation expenditure. This includes $2,388,000 of exploration and evaluation expenditure capitalised to the Statement of Financial Position (2020: $3,890,000) and $100,000 exploration expensed to the Statement of Profit and Loss and Other Comprehensive Income (2020: $55,000) 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 & Nickel Project in Western Australia.
- The Juglah Dome Gold Project located in Western Australia.
- Joint venture partners, Northern Star Resources Limited, Novo Resources Corp, Black Cat Syndicate Limited, Maximus Resources Limited and Crest Investment Group 1 Limited, were active in the Acra, Kangan, Balagundi, Wattle Dam-Larkinville and Blair-Golden Ridge joint ventures, respectively.

Exploration write-downs totalled $477,000 (2020: $518,000) which related to the write-down of capitalised costs on tenements surrendered and tenements in application during the year.

$138,000 in JobKeeper government grants were recognised during the current reporting period (2020: $66,000). $131,700 of JobKeeper payments was offset during the current reporting period against the capitalised exploration expenditure to which it related with the balance classified as other income in line with the Group's accounting policies. The Group was eligible for JobKeeper 2.0 government grants extending to 31 March 2021. A cash boost payment of $22,500 was received from the WA State Government during the current reporting period.

Refer to the Operational and Financial Review on page 7 for further details.

Corporate and financial position

As at 30 June 2021 the Group had cash reserves of $5,466,000 (2020: $4,391,000). The movement in cash is detailed in the Statement of Cash Flows on page 46 of this report.

Future developments, business strategies and prospects for future financial years

The Group is advancing the following projects:

(i) Exploration activities at the Pioneer Dome Lithium Project located approximately 50km north of Norseman, WA;
(ii) Exploration activities at the Juglah Dome Project, prospective for gold and VHMS deposits, located approximately 60km east-southeast of Kalgoorlie, WA;
(iii) Exploration activities at the Blair - Golden Ridge Project (gold) located approximately 20km south-east of Kalgoorlie; and
(iv) Exploration activities at the Mavis Lake lithium project located in Canada will be dependent on international travel restrictions in place from time to time.

The Group will seek to add value through exploration success, joint ventures and divestment and will continue to evaluate new mineral opportunities, with particular focus on advanced projects with the potential to deliver early cash flow opportunities.

Risk management

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management with the Managing Director and Chief Financial Officer/Company Secretary having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Group are highlighted in the Business Plan and the Corporate Risk Register presented to the Board for review by the Managing Director and Chief Financial Officer/Company Secretary at each Board of Directors meeting.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Group and ad hoc reporting as required by events which impact the Group's business.

CORPORATE GOVERNANCE

The Board is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its shareholders for the performance of the Company and seeks to communicate extensively with shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at https://www.essmetals.com.au/corporate-governance

EMPLOYEES

The Group employed five permanent employees as at 30 June 2021 (2020: five employees) and two casual employees (2020: three casual employees).

ENVIRONMENTAL REGULATIONS

The Group holds various licences that regulate its activities in Australia and Canada. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities. Rehabilitation costs relating to mining have been provided for in the accounts and are supported by an independent third-party assessment. So far as the Directors are aware there have been no material breaches of the Group's licence conditions and all exploration activities comply with relevant environmental regulations.

CHANGES IN STATE OF AFFAIRS

The World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a pandemic in March 2020. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, which has resulted in significant volatility in Australian and international markets. While the Group is not able to estimate the length or severity of this pandemic, it currently anticipates only minimal ongoing disruptions to exploration activities in relation to its projects in Western Australia. The Group continued to monitor all state and federal Government assistance measures available to assist small and medium enterprises in Australia during the emergency period and was deemed eligible to receive the cash flow boost and Job Keeper payments.

There was no other significant change in the state of affairs of the Group during the financial year.

SUBSEQUENT EVENTS

On 26 July 2021 the Company announced that Farm-in Joint Venture partner Black Cat Syndicate Limited (ASX: BC8) had met the Initial Commitment expenditure of $150,000 under the Balagundi Gold & Base Metals Project Farm-in & Joint Venture and had elected to continue towards earning a 75% interest by spending a further $450,000 within the next three years.

On 26 July 2021 the Company announced the issue of 1,271,684 unlisted performance rights to employees under the Company's Equity Incentive Plan, expiring on 30 June 2025 at a total value of $163,000. The Company also announced the cancellation of 507,768 unlisted performance rights due to cessation of employee employment with the Company.

On 4 August 2021 the Company announced that it was completing a share placement to institutional and sophisticated investors priced at 12.5c per ordinary share for total gross proceeds of $5,000,000. The Company issued 36,780,000 ordinary shares on 11 August 2021 and the balance of 3,220,000 ordinary shares (including 1,200,000 ordinary shares issued to directors of the Company) plus 2,000,000 unlisted broker options to Taylor Collison Limited, the lead brokers for the Placement, on 22 September 2021 who also received a brokerage fees of $300,000, equal to 6% of gross proceeds from the placement. The options are exercisable at 20c and expire on 10 August 2023 and are valued at $260,000.

On 24 August 2021 the Company issued 22,674 ESS shares upon shareholders submitting exercise notices for 22,674 ESSO options. Net proceeds of $2,000 were received after share issue costs.

On 16 September 2021 the Company held a General Meeting of shareholders. The following resolutions were approved:

- Ratify the issue of 12,029,246 ESSO share options issued under the Company's Share Purchase Plan in January 2021;
- Ratify the issue of 661,243 ESS shares to Milford Resources in January 2021;
- Ratify the issue of 36,780,000 ESS shares under the shares placement announced in August 2021;
- Obtain approval for Company directors Mr McGown, Mr Spencer, Mr Payne and Mr Hallam to participate in the share placement as announced in August 2021. These shares were allotted on 22 September 2021.

Subsequent to the end of the current financial year the Company engaged in non-binding discussions concerning the acquisition of mineral rights, divestment of mineral rights and divestment of mineral assets. The Company it is not party to any binding agreements with respect to the aforementioned potential transactions as at the date of this report and there can be no certainty that any binding agreement or agreements will be reached, or that any concluding transactions will eventuate. At this stage of the negotiations an estimate of proceeds from the non-binding agreements cannot be made, however, based on the negotiation to date, the Directors do not believe there are any impairment implications in relation to the carrying value of associated areas of interest.

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

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year 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.

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 financial year. The controlled entities were:

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

CAPITAL STRUCTURE

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

As at the date of this report, the Group had 240,839,974 fully paid ordinary shares 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	24,587,624	Ordinary	$0.15	30-Nov-2022
Essential Metals Limited	Unlisted Share Option	894,446	Ordinary	$0.35	30-Nov-2021
Essential Metals Limited	Unlisted Share Option	894,446	Ordinary	$0.45	30-Nov-2022
Essential Metals Limited	Unlisted Share Option	2,000,000	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

Issuing entity	Security type	Number	Class of shares	Exercise price of option	Expiry date of option/right
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	1,145,610	Ordinary	N/A	30-Jun-2024
Essential Metals Limited	Unlisted Performance Right	500,000	Ordinary	N/A	31-Jan-2024
Essential Metals Limited	Unlisted Performance Right	100,000	Ordinary	N/A	31-Dec-2023
Essential Metals Limited	Unlisted Performance Right	1,271,684	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 financial year ended 30 June 2021 no share options were exercised (2020: Nil).

Performance rights converted
During the financial year ended 30 June 2021 no performance rights were converted into ordinary shares (2020: 1,333,600 pre-consolidation performance rights).

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring persons who held the positions of director, company secretary, executive officer of any Group company and of any related body corporate during the period against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

During or since the end of the financial year the company has not indemnified or made a relevant agreement to indemnify an auditor of the company or of any related body corporate against a liability incurred as such by an auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an auditor.

PROCEEDINGS OF BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

AUDITOR'S INDEPENDENCE & NON-ASSURANCE SERVICES

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 41. $nil was paid or payable to the Group's auditors Deloitte Touche Tohmatsu, for non-assurance services performed during the year ended 30 June 2021 (2020: $28,000). Refer to note 31 for further information.

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.

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AUDITED REMUNERATION REPORT

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A. Introduction

This remuneration report, which forms part of the directors' report and has been audited in accordance with section 300A of the *Corporations Act 2001*, sets out information about the remuneration of the Group's key management personnel ("KMP") for the financial year ended 30 June 2021.

Key management personnel

The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The directors and other KMP of the Group during or since the end of the financial year were:

Non-Executive Directors		
Mr Craig McGown	Independent Non-executive Chairman	
Mr Paul Payne	Independent Non-executive director	
Mr Warren Hallam	Independent Non-executive director	Appointed 1 Aug 2020
Executive Directors		
Mr Timothy Spencer	Managing Director	
Other KMP		
Mr Carl Travaglini	Chief Financial Officer & Company Secretary	
Mr Andrew Dunn	Exploration Manager	Appointed 14 September 2020
Mr Stuart Kerr	Exploration Manager	Resigned 28 September 2020

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

B. Remuneration governance

The Company had previously established a Remuneration Committee under a formal charter which comprised a majority of independent directors. The Remuneration Committee was suspended on 31 March 2020 and as at the date of this report the board continues to assume the responsibilities of the Remuneration Committee with executive and other directors excusing themselves from matters of personal interest as required. The Board will continue to consider the need to re-establish the Remuneration Committee in line with the Company's stage of operations and level of complexity.

The Board of Directors responsibilities include reviewing the remuneration arrangements for the executive and non-executive directors and KMP each year in accordance with the Company's remuneration policy approved by the

Board. This includes an annual remuneration review and performance appraisal for the Managing Director and other KMP, including their base salary, short-term and long-term incentives, superannuation, termination payments and service contracts.

Further information relating to the role of the Board in relation to remuneration can be found within the Corporate Governance Report provided on the Company's website.

C. Remuneration framework

The Board recognises that the Company's performance and ultimate success of operational delivery depends very much on its ability to attract and retain highly skilled, qualified and motivated people in an increasingly competitive remuneration market. At the same time, remuneration practices must be transparent to shareholders and be fair and competitive taking into account the nature and size of the organisation and its current stage of development.

The approach to remuneration has been structured with the following objectives:

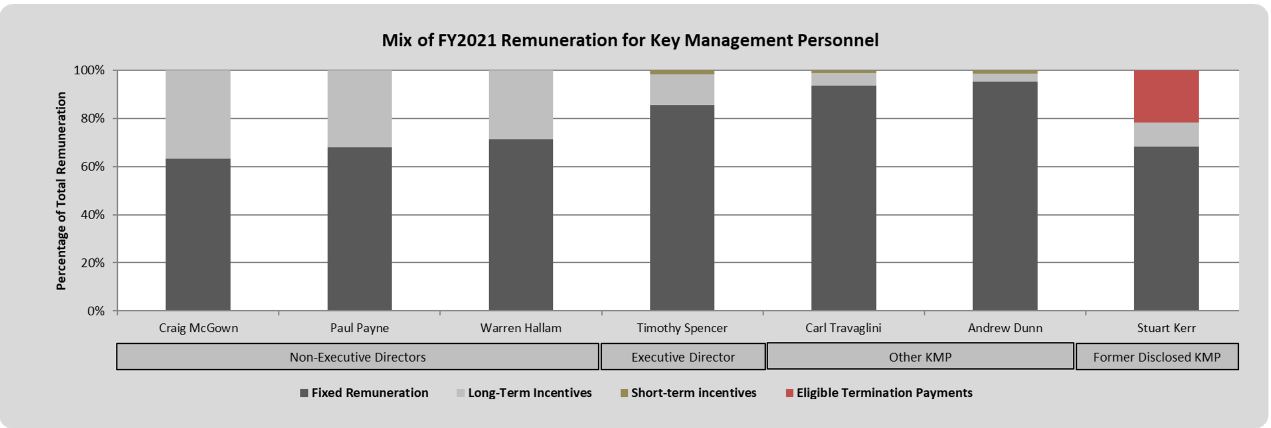
- To attract and retain highly skilled KMP at a critical stage in the Company's exploration for new and development of existing project areas;
- to link remuneration with performance, based on long-term objectives and shareholder return, as well as critical short-term objectives which are aligned with the Company's business strategy;
- to set clear goals and reward for performance in a way which is sustainable, including in respect of health and safety, environment and cost management objectives;
- to be fair and competitive against the market;
- to preserve cash where necessary for exploration and project development, by having the flexibility to attract, reward or remunerate KMP with an appropriate mix of equity-based incentives; and
- to have flexibility in the mix of remuneration, including offering a balance of conservative long-term incentive instruments such as options and performance rights to ensure KMP are rewarded for their efforts, but also share in the upside of the Company's growth and are not adversely affected by tax consequences.

The remuneration framework provides a mix of fixed and variable "at risk" remuneration and a blend of short and long-term incentives.

The remuneration for the Managing Director and other KMP has three components:

Remuneration elements	Purpose	Category	Definition of pay category
Fixed Remuneration	Pay for meeting role requirements	Fixed Pay	Pay linked to the present value or market rate of the role.
Short-Term Incentive (STI)	Incentive for the achievement of annual objectives	Short-Term Incentive Pay	Pay for delivering the annual operational objectives for Essential Metals. STI pay is linked to the achievement of short-term performance goals.
Long-Term Incentive (LTI)	Incentive for achievement of sustained business growth (non-market measures)	Long-Term Incentive Pay	Pay for delivering long-term business sustainability for Essential Metals. LTI pay is linked to the achievement of long-term performance goals.

To link KMP remuneration with the Company's performance, the Company's policy is to endeavour to provide an appropriate portion of each KMP's total remuneration as "at risk". The following graph sets out the mix of remuneration for all KMP between fixed, STIs and LTIs for the 2021 financial year.



Annual General Meeting voting results
As a result of feedback received from shareholders, the Company completed various changes to the board and management team over the previous financial year with most changes finalised prior to the 2020 Annual General Meeting. The restructured board reviewed the Company's remuneration policy to ensure that management remuneration is consistent with the expectations of shareholders and linked to the performance and strategy of the Group. The main objective is to ensure that all remuneration is directly and transparently linked with strategy and performance. This includes aligning short-term incentives (STIs) and long-term incentives (LTIs) with achievement of the Company's short-term and long-term strategic objectives and longer-term shareholder return.

The Board believes that as a result of these aforementioned changes the Company received strong support for its 2020 Remuneration Report as evidenced by voting results at the Company's 2020 Annual General Meeting (AGM).

The Board assesses the appropriateness of the nature of the amount of remuneration of KMP on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and management team and that each staff member's remuneration package properly reflects that person's duties and responsibilities. The Board may, however, exercise its discretion in relation to approving incentive bonuses, options and performance rights.

The Company did not employ the services of a remuneration consultant for the current financial year ended 30 June 2021 or previous financial year ended 30 June 2020.

D. Non-Executive Director remuneration

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting. The annual aggregate amount of remuneration paid to non-executive directors was approved by shareholders on 19 November 2009 and is not to exceed $400,000 per annum.

Actual remuneration paid to the Company's non-executive directors is disclosed in Section F below.

Director fees for non-executive directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are entitled to receive unlisted share options which are presented as LTI remuneration in the Remuneration Report.

Non-executive directors are not entitled to termination payments.

E. Other KMP remuneration

The Company aims to reward KMP with a level of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward KMP for Company and individual performance against targets set by reference to appropriate benchmarks;
- Reward KMP in line with the strategic goals and performance of the Company; and
- Ensure that total remuneration is competitive by market standards.

Remuneration packages contain the following key elements:

- Fixed annual remuneration (including salary, leave entitlements, post-employment benefits, ancillary benefits);
- Short-term incentives (cash or equity based); and
- Long-term incentives (equity based).

Fixed remuneration

KMP receive a fixed base cash salary and other associated benefits. KMP also receive superannuation at a rate equivalent to the superannuation guarantee contribution required by Australian legislation, which was 9.5% throughout the financial year ended 30 June 2021. No KMP receive any other retirement benefits.

Fixed remuneration of KMP will be set by the Board each year and is based on market relativity and individual performance. In setting fixed remuneration for KMP, individual performance, skills, expertise and experience are also taken into account to determine where the KMP's remuneration should sit within the market range.

Fixed remuneration for KMP will be reviewed annually to ensure each KMP's remuneration remains fair and competitive. However, there is no guarantee that fixed remuneration will be increased in any service contracts for KMP.

Short-term incentives

Under the Company's remuneration policy, all employees, including the Managing Director and other KMP, were eligible to earn short-term bonuses (in cash or equity) upon achievement of significant performance-based outcomes aligned with the Company's strategic objectives at that time. These performance-based outcomes are considered to be an appropriate link between KMP remuneration and the potential for creation of shareholder wealth.

The objective of the Short-Term Incentive (STI) Plan is to provide the opportunity to earn a cash or equity bonus by rewarding those employees who successfully achieve, in the opinion of the Board, the critical short-term objectives of the Company over a twelve month period. Those short-term objectives for each employee are pre-determined and approved by the Board as being aligned with the Company's stated strategy to derive shareholder return.

STI's will generally consist of annual bonuses (cash or equity) paid on the following basis:

(i) Performance will be measured over a 12 month period each year;
(ii) a maximum threshold will apply for each employee expressed as a % of their fixed remuneration depending on their role and seniority;
(iii) STIs will be paid at the discretion of the Board, but must be demonstrably linked to performance against critical pre-determined short-term goals of the Company; and
(iv) a combination of group and individual goals may apply for each employee with weightings for each goal approved by the Board - the number of short-term goals per participant will take into account the employee's role, responsibility and seniority - greater weighting is placed on more important goals.

For an employee who resigns or is terminated for cause before the end of the financial year, no STI is awarded for that year. Similarly, any deferred STI awards are forfeited, unless otherwise determined by the Board.

If an employee ceases employment during the performance period by reason of redundancy, ill health, death, or other circumstances approved by the Board, the employee will be entitled to a pro-rata cash payment based on assessment of performance up to the date of ceasing employment for that year and any deferred STI awards will be retained (subject to Board discretion).

At the end of the financial year the Board assesses the actual performance of the Group and individuals against the key performance indicators (KPIs) previously set. Any awarded incentives require Board approval and, if a director is a recipient of incentive equity securities such as options or performance rights, shareholder approval is also required. During the current year, the following performance conditions were developed by the Board for its short-term incentives:

A. STI awarded - hurdle met by 30 June 2021:
   - Successful execution of the Farm-in Agreement for the Blair-Golden Ridge Nickel Project signed with Crest Investment Group 1 Limited as announced on 9 February 2021.

B. STIs forfeited - hurdles not met by 30 June 2021:
   - New project generation;
   - significant advancements to existing projects;
   - sale of a project generating a financial benefit for the Company; and
   - signing new and binding sales agreements and completing first commercial shipment.

KMP STIs	Maximum	Granted	%
A – STIs awarded	$10,925	$10,925	100%
B – STIs forfeited	$98,325	-	-
Totals	$109,250	$10,925	10%

Long-term incentives

Long-term incentives (LTIs) are issued under the Company's Equity Incentive Plan (EIP) approved by shareholders at the AGM held on 15 December 2020. The purpose of issuing LTIs is to reward the management team in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTIs are issued to employees who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance. LTIs issued to employees are delivered in the form of performance rights. The terms of LTIs issued under the Company's EIP are as follows:

(i) The value and resulting number of LTIs 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) LTIs will be granted at the discretion of the Board, but must be demonstrably linked:
   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.

If an employee resigns or is terminated for cause before the end of the financial year, no LTIs will vest for that year. Similarly, any vested and unexercised LTI awards are forfeited, unless otherwise determined by the Board.

If an employee ceases employment during the performance period by reason of redundancy, ill health, death, or other circumstances approved by the Board, the employee will be entitled to receive any vested but unexercised LTIs as at the date of ceasing employment, subject to Board discretion.

The treatment of vested and unexercised awards in all other circumstances will be determined by the Board with reference to the circumstances of cessation.

The Company prohibits directors or employees from entering into arrangements to protect the value of any Company shares, options or performance rights that the director or employee has become entitled to as part of his/her remuneration package. This includes entering into contracts to hedge their exposure.

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F. Details of remuneration

	Fixed remuneration				Variable remuneration			
	Base salary	Other	Super-annuation	ETPs	STIs Cash	LTIs Non-cash	Total	Performance based
	$	$	$	$	$	$	$	
2021								
Current Disclosed KMP								
Non-Executive Directors								
C McGown[1]	82,500	3,996	-	-	-	(20,278)	66,218	0%
P Payne[2]	54,794	3,996	5,205	-	-	30,000	93,995	32%
W Hallam[3]	50,228	3,996	4,772	-	-	23,600	82,596	29%
Executive Director								
T Spencer[4]	250,000	5,493	24,225	-	5,000	13,732	298,450	6%
Other KMP								
C Travaglini[5]	215,000	13,407	20,731	-	3,225	13,536	265,899	6%
A Dunn[6]	142,912	15,638	13,833	-	2,700	5,676	180,759	5%
Totals	**795,434**	**46,526**	**68,766**	**-**	**10,925**	**66,266**	**987,917**	**8%**
Former Disclosed KMP								
Other KMP								
S Kerr[7]	44,011	1,153	4,181	15,739	-	(6,840)	58,244	0%
Total Remuneration	**839,445**	**47,680**	**72,947**	**15,739**	**10,925**	**59,426**	**1,046,161**	**7%**

Notes:

[1] -Mr McGown's fees were paid to Resource Investment Capital Advisors Pty Ltd.
-Mr McGown's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period.
-Unlisted share options issued to Mr McGown in the financial year ended 30 June 2019 were cancelled in the current financial year resulting in a negative LTI share based payment expense. A share based payment expense was also recognised in the current financial year for replacement unlisted share options issued to Mr McGown on 7 July 2020 following shareholder approval.

[2] -Mr Payne's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period.

[3] -Mr Hallam was appointed on 1 August 2020.
-Mr Hallam's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period.

[4] -Mr Spencer's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period, the cost of working director insurance coverage, the cost of car parking at the Company's premises and a provision for accrued annual leave entitlements.
-Mr Spencer accrued a cash bonus for the current financial year for successfully meeting KPIs as at 30 June 2021 as stated above.
-Unlisted share options issued to Mr Spencer in the financial year ended 30 June 2018 lapsed in the current financial year resulting in a reduction to the LTI share based payment expense.
-Mr Spencer's base salary increased to $260,000 per annum effective 1 July 2021.

[5] -Mr Travaglini's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period, the cost of car parking at the Company's premises and a provision for accrued annual leave entitlements.
-Mr Travaglini's base salary increased to from $200,000 to $215,000 per annum effective 25 August 2020 in line with the terms of his Executive Services Agreement. Mr Travaglini's base salary subsequently increased to $225,000 per annum effective 1 July 2021 as approved by the board of directors.

[6] -Mr Dunn became a KMP on 14 September 2020.
-Mr Dunn's 'other benefits' relate to the cost of car parking at the Company's premises and a provision for accrued annual leave entitlements.
-Mr Dunn accrued a cash bonus for the current financial year for successfully meeting KPIs as at 30 June 2021 as stated above.
-Mr Dunn's base salary increased to $200,000 per annum effective 1 July 2021.

[7] -Mr Kerr ceased to be a KMP on 28 September 2020.
-Mr Kerr's 'other benefits' relate to the cost of car parking at the Company's premises and a provision for accrued annual leave entitlements.
-Unlisted share options issued to Mr Kerr in the financial year ended 30 June 2018 both lapsed and cancelled upon cessation of employment in the current financial year resulting in a negative LTI share based payment expense.

	Fixed remuneration					Variable remuneration			
	Base salary	Consulting fees	Other	Super-annuation	ETPs	STIs Cash	LTIs Non-cash	Total	Performance based
	$	$	$	$	$	$	$	$	
2020									
Current Disclosed KMP									
Non-Executive Directors									
C McGown[1]	82,500	-	9,734	-	-	-	(21,389)	70,845	0%
P Payne[2]	23,886	4,200	4,213	2,269	-	-	-	34,569	0%
Executive Director									
T Spencer[3]	265,978	-	12,014	27,163	-	19,948	146,662	471,764	35%
Other KMP									
C Travaglini[4]	68,980	-	4,147	6,553	-	-	2,244	81,924	3%
S Kerr[5]	75,000	-	937	8,283	-	12,188	14,318	110,726	24%
Totals	**516,344**	**4,200**	**31,045**	**44,268**	**-**	**32,136**	**141,835**	**769,828**	**23%**
Former Disclosed KMP									
Non-Executive Directors									
A Trench[6]	41,095	-	7,307	3,904	-	-	(12,639)	39,667	0%
W Spilsbury[7]	41,095	-	7,307	3,904	-	-	(12,639)	39,667	0%
Executive Director									
D Crook[8]	315,471	-	9,313	29,970	145,000	-	(37,333)	462,421	0%
Totals	**397,661**	**-**	**23,927**	**37,778**	**145,000**	**-**	**(62,611)**	**541,755**	**0%**
Total Remuneration	**914,005**	**4,200**	**54,972**	**82,046**	**145,000**	**32,136**	**79,224**	**1,311,583**	**8%**

Notes:

1 -Mr McGown's fees were paid to Resource Investment Capital Advisors Pty Ltd.
-Mr McGown's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period.
-Unlisted share options issued to Mr McGown in the financial year ended 30 June 2019 were cancelled in the current financial year resulting in a negative LTI share based payment expense.

2 -Mr Payne was appointed on 24 January 2020.
-Mr Payne's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period.

3 -Mr Spencer's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period and the cost of car parking at the Company's premises.
-Mr Spencer accrued a cash bonus for the current financial year for successfully meeting KPIs as at 30 June 2020 as stated above.
-Mr Spencer received non-cash LTI benefits in the form of vested share options and performance rights with attached vesting conditions upon his appointment as Chief Executive Officer on 24 January 2020.
-Mr Spencer's base salary includes the provision for accrued annual leave entitlements.

4 -Mr Travaglini commenced on 25 February 2020.
-Mr Travaglini's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period and the cost of car parking at the Company's premises.
-Mr Travaglini's base salary includes the provision for accrued annual leave entitlements.

5 -Mr Kerr became a KMP on 1 February 2020.
-Mr Kerr's 'other benefits' relate to the cost of car parking at the Company's premises.
-Mr Kerr accrued a cash bonus for the current financial year for successfully meeting KPIs as at 30 June 2020 as stated above.
-Mr Kerr's base salary includes the provision for accrued annual leave entitlements.

6 -Mr Trench resigned on 31 March 2020.
-Mr Trench's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period.
-Unlisted share options issued to Mr Trench in the financial year ended 30 June 2019 were cancelled in the current financial year resulting in a negative LTI share based payment expense.
-Mr Trench was paid $6,850 on each of 25 June 2020 and 25 July 2020 for the provision of consultancy services to assist with the Group's transition to a new management team and board of directors.

7 -Mr Spilsbury resigned on 31 March 2020.
-Mr Spilsbury's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period.
-Unlisted share options issued to Mr Spilsbury in the financial year ended 30 June 2019 were cancelled in the current financial year resulting in a negative LTI share based payment expense.
-Mr Spilsbury was paid $6,850 on each of 25 June 2020 and 25 July 2020 for the provision of consultancy services to assist with the Group's transition to a new management team and board of directors.

8 -Mr Crook's employment ceased on 24 January 2020.
-Mr Crook's 'other benefits' relate to an allocation of the cost of Director's and Officer's insurance coverage during the period, the cost of car parking at the Company's premises and a provision for accrued long service leave entitlements.
-Unlisted share options issued to Mr Crook in the financial year ended 30 June 2019 were cancelled in the current financial year resulting in a negative LTI share based payment expense.
-Mr Crook's base salary includes the provision for accrued annual leave entitlements.

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G. Share-based compensation

The following table sets out the type and number (on a post-share consolidation basis) of LTIs granted to KMP during the current financial year:

KMP	Class	Grant Date	Number	Exercise Price	Expiry Date	Vested during year
C McGown	Share Options	7-Jul-2020	333,334	$0.25	30-Jun-2024	100%
C McGown	Share Options	7-Jul-2020	333,334	$0.35	30-Jun-2024	100%
C McGown	Share Options	7-Jul-2020	333,334	$0.45	30-Jun-2024	100%
P Payne	Share Options	7-Jul-2020	200,000	$0.25	30-Jun-2024	100%
P Payne	Share Options	7-Jul-2020	200,000	$0.35	30-Jun-2024	100%
P Payne	Share Options	7-Jul-2020	200,000	$0.45	30-Jun-2024	100%
C Travaglini	Unvested Performance Rights	26-Oct-2020	293,182	N/A	30-Jun-2024	33%
A Dunn	Unvested Performance Rights	26-Oct-2020	245,455	N/A	30-Jun-2024	33%
T Spencer	Unvested Performance Rights	15-Dec-2020	454,545	N/A	30-Jun-2024	33%
W Hallam	Share Options	15-Dec-2020	200,000	$0.125	30-Sep-2024	100%
W Hallam	Share Options	15-Dec-2020	200,000	$0.175	30-Sep-2024	100%
W Hallam	Share Options	15-Dec-2020	200,000	$0.225	30-Sep-2024	100%
Total			3,193,184			

The movement in equity instruments over shares for KMP in the current year was as follows:

Share Options	Balance at 1 July 2020	Granted as compensation	Share consolidation	Granted from participation in SPP[2]	Lapsed or cancelled	Balance at 30 June 2021	Balance vested & exercisable at 30 June 2021	Vested during year
Current Disclosed KMP								
C McGown	6,861,111	10,000,000	(15,174,997)	176,470	(686,112)	1,176,472	1,176,472	100%
P Payne	-	6,000,000	(5,400,000)	176,470	-	776,470	776,470	100%
W Hallam	-	600,000	-	-	-	600,000	600,000	100%
T Spencer	18,000,000	-	(16,200,000)	176,470	(300,000)	1,676,470	1,676,470	10%
Former Disclosed KMP								
S Kerr[1]	1,500,000	-	(1,350,000)	-	(150,000)	-	-	-
Totals	26,361,111	16,600,000	(38,124,997)	529,410	(1,136,112)	4,229,412	4,229,412	65%

Notes:
[1] Mr Kerr ceased to be a KMP on 28 September 2020.
[2] SPP – Share Purchase Plan as announced on 18 November 2020.

Performance Rights	Balance at 1 July 2020	Granted as compensation	Share consolidation	Expired or cancelled	Balance at 30 June 2021	Balance vested at 30 June 2021	Vested during year
Current Disclosed KMP							
T Spencer	8,736,364	454,545	(7,862,726)	(373,638)	954,545	-	-
C Travaglini	1,000,000	293,182	(900,000)	-	393,182	100,000	100,000
A Dunn[1]	-	245,455	-	-	245,455	-	-
Former Disclosed KMP							
S Kerr[2]	2,045,455	-	(1,840,909)	(204,546)	-	-	-
Totals	11,781,819	993,182	(10,603,635)	(578,184)	1,593,182	100,000	100,000

Notes:
[1] Mr Dunn became a KMP on 14 September 2020.
[2] Mr Kerr ceased to be a KMP on 28 September 2020.

All share options and performance rights issued to KMP were made in accordance with the provisions of the Group's Equity Incentive Plan.

There were no unlisted share options exercised or unlisted performance rights converted during the current reporting period.

Further details of the Group's Equity Incentive Plan and of share option and performance rights granted during the 2021 and 2020 financial years are contained in note 21 to the financial statements.

The number of shares in the Company held during the current reporting period by each key management personnel, including their related parties, are set out below:

	Balance at 1 July 2020	Share consolidation	Acquired during the year[4]	Disposed during the year	Balance at 30 June 2021
C McGown[1]	12,476,189	(11,228,569)	352,941	-	1,600,561
P Payne[2]	2,011,575	(1,810,417)	352,941	-	554,099
T Spencer[3]	3,600,000	(3,240,000)	352,941	-	712,941
C Travaglini	200,000	(180,000)	176,470	-	196,470
Totals	18,287,764	(16,458,986)	1,235,293	-	3,064,071

Notes:
[1] Mr McGown's shares are held under the nominee account Ionikos Pty Ltd ATF <McGown Super Fund A/C>. Mr McGown has a relevant interest in Ionikos Pty Ltd and is a beneficiary of the McGown Super Fund A/C.
[2] Mr Payne's shares are held under the nominee account Payne Geological Services Pty Ltd ATF <Payne Super Fund A/C>. Mr Payne has a relevant interest in Payne Geological Services Pty Ltd and is a beneficiary of the Payne Super Fund A/C.
[3] Mr Spencer's shares are held under the nominee account <Spencer Investment A/C>. Mr Spencer is a beneficiary of the Spencer Investment A/C.
[4] Shares purchased through participation in the Company's Share Purchase Plan as announced on 18 November 2020. No shares were acquired upon the exercise of share options or conversion of performance rights during the current reporting period.

H. Key terms of employment agreements with executive KMP

Element of remuneration	Summary of contractual terms
Fixed Remuneration	Refer to the above Remuneration table.
Contract duration	Indefinite subject to termination with or without cause
Notice by individual	Managing Director – 3 months Chief Financial Officer and Company Secretary – 2 months Exploration Manager – 1 month
Notice by Company	Managing Director: With cause - immediate dismissal to 6 months depending on circumstances Without cause - 6 months Chief Financial Officer and Company Secretary: With cause - immediate dismissal to 4 months depending on circumstances Without cause - 4 months Exploration Manager: With cause - immediate dismissal to 1 month depending on circumstances Without cause - 1 month
Termination of employment by the Company (without cause)	STI entitlement and LTI forfeiture is assessed by the Board
Termination of employment by the Company (with cause) or by the individual	Any benefits due to the Managing Director, Chief Financial Officer / Company Secretary and Exploration Manager under the Company's STI and LTI plans, subject to ASX Listing Rule 10.18 and the Corporations Act.

I. Relationship between the remuneration policy and company performance

The Company's remuneration policy is designed to promote superior performance and long-term commitment to the Company. The main principles of the policy when considering remuneration are as follows:

- Management is motivated to pursue long-term growth and success of the Company within an appropriate control framework;
- interests of management are aligned with the long-term interests of the Company's shareholders; and
- there is a clear correlation between performance and remuneration.

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the 5 years to 30 June 2021 on a post 10:1 share consolidation basis:

	2021	2020	2019	2018	2017
Revenue ($'000)	106	9,127	10,528	243	843
Net profit/(loss) before tax ($'000)	(1,383)	1,361	273	(3,528)	(2,523)
Net profit/(loss) after tax ($'000)	(1,383)	1,361	273	(3,528)	(2,523)
Net earnings/(loss) after tax per share (cents per share)[1]	(0.77)	0.90	0.18	(2.7)	(2.4)
Share price at start of year (cents per share)	11	11	19	17	35
Share price at end of year (cents per share)	9.5	11	11	19	17
Absolute total shareholder return[2]	(14%)	-	n/a	n/a	n/a
Relative total shareholder return[2]	36%	73%	n/a	n/a	n/a

Note:
[1] Includes diluted earnings/(loss) after tax per share.
[2] Absolute total shareholder return and relative total shareholder return were not relevant to LTI performance prior to 2020.

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

There were no loans paid to or received from KMP during or outstanding at the end of the current or comparative reporting periods.

During the prior reporting period:
- Mr Payne, a non-executive director of Essential Metals Limited, held a relevant interest in Payne Geo Consultancy Pty Ltd which received $4,200 from the Group for the provision of geological consultancy services.
- Payments totalling $14,000 were paid as employee expenses and superannuation for mining operational assistance work undertaken by Managing Director Timothy Spencer's son. Mr Spencer was Chief Financial Officer and Company Secretary at the time the payments were made.

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 REMUNERATION REPORT

This report of the Directors incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Craig McGown
Chairman of the Board
Perth, Western Australia, 24 September 2021

Deloitte.

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The Board of Directors
Essential Metals Limited
46 Ord Street
WEST PERTH WA 6005

24 September 2021

Dear Board Members

Essential Metals Limited (formerly known as Pioneer Resources Limited)

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

As lead audit partner for the audit of the financial report of Essential Metals Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

PEPink.

Penelope Pink
Partner
Chartered Accountants

FINANCIAL REPORT

ANNUAL REPORT

ESSENTIALMETALS
for a sustainable future

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

ESSENTIALMETALS
for a sustainable future

	Notes	30 June 2021 $'000	30 June 2020 $'000
CONTINUING OPERATIONS			
Revenue from sale of goods	6	**106**	9,127
Cost of sales	7	**(1)**	(4,365)
GROSS PROFIT		**105**	4,762
Exploration expenditure		**(100)**	(55)
Selling costs		**-**	(732)
Other costs from sale of goods - indirect		**-**	(322)
Employee benefits expense (incl. director fees)	10	**(738)**	(1,296)
Compliance & regulatory expenses		**(166)**	(152)
Consultancy expenses		**(93)**	(106)
Business development & investor relations		**(106)**	(164)
Administration costs		**(133)**	(104)
Interest income		**46**	57
Other income	8	**567**	210
Interest expense		**(17)**	(31)
Depreciation – Right-of-use assets	15	**(84)**	(72)
Depreciation – Plant, equipment and motor vehicles	16	**(23)**	(20)
Loss on disposal of plant, equipment and motor vehicles		**(35)**	-
Exploration and evaluation expenditure written off	14	**(477)**	(518)
Foreign exchange differences		**(22)**	84
Share based payments		**(107)**	(180)
(LOSS)/PROFIT BEFORE TAX		**(1,383)**	1,361
Income tax	11	**-**	-
(LOSS)/PROFIT FOR THE PERIOD FOR CONTINUING OPERATIONS		**(1,383)**	1,361
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**17**	(34)
Items that will not be reclassified subsequently to profit or loss:			
Changes in the fair value of financial assets	13	**(172)**	219
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME		**(155)**	185
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX		**(1,538)**	1,546
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic and diluted net loss per share attributable to ordinary equity holders	9	**(0.77c)**	0.90c

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 30 June 2021

	Notes	30 June 2021 $'000	30 June 2020 $'000
CURRENT ASSETS			
Cash and cash equivalents	12	**5,466**	4,391
Trade and other receivables		**15**	397
Investments	13	**273**	568
Prepayments		**36**	14
TOTAL CURRENT ASSETS		**5,790**	5,370
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	14	**15,430**	13,666
Right-of-use assets	15	**171**	275
Plant, equipment and motor vehicles	16	**147**	210
Bank restricted deposits		**22**	-
TOTAL NON-CURRENT ASSETS		**15,770**	14,151
TOTAL ASSETS		**21,560**	19,521
CURRENT LIABILITIES			
Trade and other payables	17	**223**	651
Provisions	18	**755**	752
Lease Liabilities	19	**47**	64
TOTAL CURRENT LIABILITIES		**1,025**	1,467
NON-CURRENT LIABILITIES			
Lease liabilities	19	**132**	225
TOTAL NON-CURRENT LIABILITIES		**132**	225
TOTAL LIABILITIES		**1,157**	1,692
NET ASSETS		**20,403**	17,829
EQUITY			
Contributed equity	20	**44,538**	41,184
Reserves	23	**1,193**	489
Accumulated losses	24	**(25,328)**	(23,844)
TOTAL EQUITY		**20,403**	17,829

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

	Notes	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 2019		41,184	309	(209)	108	(25,288)	16,103
Profit for the year		-	-	-	-	1,361	1,361
OTHER COMPREHENSIVE INCOME/(LOSS):							
Fair value adjustment of financial assets		-	-	219	-	-	219
Exchange differences on foreign operations		-	-	-	(34)	-	(34)
TOTAL COMPREHENSIVE INCOME/(LOSS)		-	-	219	(34)	1,361	1,546
Share options and performance rights issued to employees		-	180	-	-	-	180
Transfer of lapsed options to accumulated losses		-	(84)	-	-	84	-
BALANCE AT 30 JUNE 2020		41,184	405	10	74	(23,843)	17,829
BALANCE AT 1 JULY 2020		**41,184**	**405**	**10**	**74**	**(23,843)**	**17,829**
Loss for the year		**-**	**-**	**-**	**-**	**(1,383)**	**(1,383)**
OTHER COMPREHENSIVE INCOME/(LOSS):							
Fair value adjustment of financial assets		**-**	**-**	**(172)**	**-**	**-**	**(172)**
Exchange differences on foreign operations		**-**	**-**	**-**	**17**	**-**	**17**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**-**	**-**	**(172)**	**17**	**(1,383)**	**(1,538)**
Sale of financial assets		**-**	**-**	**101**	**-**	**(101)**	**-**
Share based payments		**-**	**107**	**-**	**-**	**-**	**107**
Shares issued for cash (net of transaction costs)	**20**	**3,952**	**-**	**-**	**-**	**-**	**3,952**
Shares not issued for cash (tenement consultancy costs)	**20**	**53**	**-**	**-**	**-**	**-**	**53**
Share placement option valuation	**20**	**(337)**	**337**	**-**	**-**	**-**	**-**
Share purchase plan option valuation	**20**	**(314)**	**314**	**-**	**-**	**-**	**-**
BALANCE AT 30 JUNE 2021		**44,538**	**1,163**	**(61)**	**91**	**(25,328)**	**20,403**

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

	Notes	30 June 2021 $'000	30 June 2020 $'000
CASH FROM OPERATING ACTIVITIES			
Receipts from customers		**369**	8,956
Payments to suppliers and employees		**(1,225)**	(3,294)
Interest received		**22**	48
Other income received		**21**	-
Exploration expensed		**(100)**	-
Government incentives received		**36**	-
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	12	**(877)**	5,710
INVESTING ACTIVITIES			
Payments for exploration and evaluation		**(2,512)**	(3,867)
Payments for plant and equipment		**(72)**	(179)
Receipts from sales of plant, equipment and motor vehicles		**35**	-
Proceeds from the relinquishment of tenement rights		**325**	-
Proceeds from the sale of listed investments		**322**	-
Payments for the purchase of royalty rights		**(150)**	-
Government incentives received		**131**	102
NET CASH USED IN INVESTING ACTIVITIES		**(1,921)**	(3,944)
FINANCING ACTIVITIES			
Repayment of lease liabilities		**(81)**	(88)
Proceeds from the issue of shares		**4,190**	-
Payments for share issue transaction costs		**(236)**	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**3,873**	(88)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,075**	1,678
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**4,391**	2,713
Effect of foreign exchange rate changes		**-**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**5,466**	4,391

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

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1. GENERAL INFORMATION

Basis of preparation
The financial report covers the Group consisting of Essential Metals Limited and its subsidiaries.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

The financial report is prepared and presented in Australian dollars.

Essential Metals Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Level 3, 46 Ord Street
West Perth, Western Australia 6005

A description of the nature of the Group's operations and its principal activities is included in the directors' report, which is not part of the financial report.

The financial statements and notes have been prepared on the basis of historical costs and do not take into account changing money values except for investments which are carried at fair value through the fair value reserve and other comprehensive income, or, except where stated, current valuations of non-current assets.

The financial report was authorised for issue, in accordance with a resolution of directors, on 24 September 2021. The directors have the power to amend and reissue the financial report.

Statement of compliance
These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001,* Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB) and comply with other requirements of the law. The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Basis of consolidation
Controlled entity
The consolidated financial statements comprise the financial statements of Essential Metals Limited and its subsidiaries as at 30 June each year.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Control is achieved when the Company:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether it controls an investee by the facts and circumstances indicating if there are changes to one or more of the three elements of control listed above.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. The subsidiaries are fully consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of any new subsidiaries for the period from their acquisition.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Presentation and functional currency and rounding
The functional and presentation currencies of these financial statements are both Australian Dollars ($). Foreign operations are included in accordance with the policies set out in note 4.

The Company is a company 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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

2. APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

2.1 New and amended Accounting Standards that are effective for the current year
The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2020.

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

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.
- AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions.

None of the new standards and interpretations had a material impact on the Group.

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revied Australian Accounting Standards, Interpretations and Amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 17 Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts	1 January 2023
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022 (Editorial corrections in AASB 2017-5 applied from 1 January 2018)
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2022
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	1 January 2021
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

In addition, at the date of authorisation of the financial statements the following IASB Standards and IFRS Interpretations Committee Interpretations were on issue but not yet effective, but for which Australian equivalent Standards and Interpretations have not yet been issued:

Standard/amendment	Effective for annual reporting periods beginning on or after
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

Management and the Directors have reviewed the above and don't believe that there will be a material impact on the Group when initially adopted in future reporting periods.

2.3 Other changes in accounting policies

Software-as-a-Service (SaaS) arrangements

During the year, the Company revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below.

Historical financial information has not been restated due to the immaterial impact of the change on the Company's financial statements.

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Where these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of a financial report in conformity with Australian Accounting Standards requires management or directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised. These accounting policies have been consistently applied by each entity in the Group.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Capitalised Mineral Exploration
The accounting policy for exploration and evaluation expenditure is set out in accounting policy Note 4.7. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been identified. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, it is concluded that the Group is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to profit and loss.

Mine rehabilitation and site restoration process
The Group assesses its mine rehabilitation and site restoration provision at each reporting date in accordance with accounting policy Note 4.13. Significant judgement is required in determining the provision for mine rehabilitation and site restoration as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate and restore the mine sites and related assets. Factors that will affect this liability include changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the site restoration provision in the period in which they change or become known.

Share-based payment transactions
The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. In the current year, the fair value was determined by the Company using a Black-Scholes model or other appropriate valuation methods, using the assumptions detailed in Note 22. Any fluctuations in volatility, interest rates and market measures will impact on the Company's share-based payment expense in the statement of profit or loss in the period that the fluctuation occurs.

Right-of-use assets and lease liabilities

Lease liabilities are discounted using an incremental borrowing rate. The incremental borrowing rate varies depending on the nature of the leased asset. Lease liabilities have been calculated over the life of the lease term, contractual extension options are considered and are included in the calculation of the lease term unless or until the Company decides that an option to extend a contract will not be exercised resulting in a revaluation of the present value of the associated remaining lease payments impacting on ROU assets and depreciation, lease liabilities and interest expenditure in the period the reassessment occurs.

Use of estimates

The Directors have considered a number of factors in regard to any forward-looking estimates. The use of estimates is inherently uncertain and requires a significant level of judgement. Forward looking estimates have been used in the preparation of the financial report in respect of the impairment of exploration assets and the preparation of the financial report on a going concern basis.

Management and the Directors have concluded that appropriate assessments have been made with respect to the use of forecasts in the preparation of the financial report.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and future tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

4.1.1 Australian Tax consolidation legislation

The Company and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2014.

The head entity, Essential Metals Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxed and deferred taxes to allocate to the members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

4.2 Revenue from contracts with customers

The Group recognises revenue from sales to customers. For all sales, revenue is recognised when control has transferred, being on delivery to the customer.

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

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

4.3 Interest income

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

4.4 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise of cash at bank and on hand and short-term deposits with an original maturity of 90 days or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

4.5 Property, plant and equipment – recognition and measurement

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Depreciation and amortisation

Depreciable non-current assets are depreciated over their expected economic life using the straight-line method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

- Plant and equipment 20 - 33%
- Motor vehicles 22.5%
- Software 40%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.6 Right-of-use (ROU) assets

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

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

The Group has elected not to recognise ROU assets and corresponding lease liabilities for short-term leases with terms of twelve months or less and leases of low value assets. Lease payments on these assets are expensed to the profit or loss as incurred.

4.7 Exploration and evaluation expenditure

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and is subject to impairment testing. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest and those exploration and/or evaluation activities are continuing.

Exploration and evaluation expenditure that is capitalised may include costs of licence acquisitions, technical services and studies and exploration drilling and testing. Any costs incurred prior to the acquisition of the legal rights to explore an area are expensed as incurred.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Where a mineral resource has been identified and where it is expected that future expenditures will be recovered by future exploitation or sale, the impairment of the exploration and evaluation is written back the extent that it can be recovered and transferred to development costs. Once production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration and rehabilitation are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably estimated.

Exploration and evaluation assets are assessed for impairment if:

i. the period for which the entity has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed; or
ii. substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned; or
iii. exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in that specific area; or
iv. sufficient data exists to indicate that, although development of a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale (refer impairment accounting policy Note 4.9).

For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then re-classified from intangible assets to mining property and development assets within property, plant and equipment.

Exploration related government grants
Government grants (such as a Research and Development Government grant) are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable. This is offset against exploration expenditure incurred and capitalised. Refer Note 4.20 for further information on Government Grants.

Any grants approved by the Government of Western Australian under the Exploration Incentive Scheme ("EIS") Co-Funded Industry Drilling Program are offset against exploration drilling expenditure incurred at the Group's approved designated project.

Farm-outs – exploration and evaluation phase
The Group accounts for the treatment of farm-out arrangements under AASB 6 *Evaluation of Mineral Resources* under these arrangements:

- The farmor will not capitalise any expenditure settled by the farmee;
- Any proceeds received that are not attributable to future expenditure are initially credited against the carrying amount of any existing E&E asset; and
- To the extent that the proceeds received from the farmee exceed the carrying amount of any E&E asset that has already been capitalised by the farmor this excess is recognised as a gain in profit or loss.

4.8 Financial instruments
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iii) below).

(i) Amortised costs and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'finance income' line item.

(ii) Equity instruments designated as at FVTOCI
On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see note 13).

(iii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (ii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (ii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 25.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Fair value is determined in the manner described in Note 25.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (i) the carrying amount of the liability before the modification; and (ii) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments
The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives
An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVTPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

4.9 Impairment of assets (other than exploration and evaluation assets)
Non-financial assets
The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.10 Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. GST incurred is claimed from the taxation authority when a valid tax invoice is provided. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

4.11 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

4.12 Employee entitlements

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

4.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for site restoration and rehabilitation

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration and rehabilitation in respect of disturbed land is recognised when the land is disturbed.

The provision is the best estimate of the present value of the expenditure required to settle the restoration and rehabilitation obligation at the reporting date, based on current legal requirements and technology. Future restoration and rehabilitation costs are reviewed at least annually and any changes are reflected in the present value of the restoration and rehabilitation provision at the end of the reporting period. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

4.14 Contributed equity

Issued capital is recognised as the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

4.15 Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The ROU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the ROU asset reflects that the Group expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The ROU assets are presented as a separate line in the consolidated statement of financial position.
The Group applies IAS 36 to determine whether an ROU asset is impaired and accounts for any identified impairment loss as described in the 'Plant, equipment and motor vehicles' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the ROU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4.16 Earnings per share

Basic earnings per share ("EPS") are calculated based upon the net loss divided by the weighted average number of shares. Diluted EPS are calculated as the net loss divided by the weighted average number of shares and dilutive potential shares.

4.17 Share-based payment transactions

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("Equity–settled transactions").

The Group has in place an Equity Incentive Plan to provide these benefits to KMP and employees.

The cost of these equity-settled transactions is measured by reference to fair value at the date at which they are granted. For share options the fair value is determined by using the Black-Scholes pricing model. For performance rights the fair value is determined with reference to the close price of the Company's securities on the date the rights are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Essential Metals Limited and a peer group of companies ("market conditions").

The cost of equity settled securities is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). At the end of each period, the entity revises its estimate of the number of options that are expected to vest based on the non-vesting market and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss and comprehensive income statement with a corresponding adjustment to equity.

Where the Group acquires some form of interest in an exploration tenement or an exploration area of interest and the consideration comprises share-based payment transactions, the fair value of the equity instruments granted is measured at grant date. The cost of equity securities is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

4.18 Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

4.19 Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

4.20 Government grants

Government grants (such as JobKeeper and Cash Boost) are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

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

4.21 Interest in joint arrangements

Joint arrangements are those arrangements in which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint arrangements are classified as either joint operations or a joint venture, based on the contractual rights and obligations between the parties to the arrangement.

Joint operations: In a joint operation the Group has rights to the assets and obligations for the liabilities relating to the arrangement. This includes situations in which the parties benefit from the joint activity through the sharing of output, rather than by receiving a share of results of trading. Interests in joint operations are reported in the Financial Statements by including the Group's proportionate share of assets employed in the arrangement, the share of liabilities incurred in relation to the arrangement and the share of any revenue or expenses earned or incurred.

Joint ventures: A joint venture is a joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement. A separate vehicle, not the parties, will have the rights to the assets and obligations to the liabilities relating to the arrangement. More than an insignificant amount of output is sold to third parties, which indicates the joint venture is not dependent on the parties to the arrangement for funding. Joint ventures are accounted for using the equity accounting method.

Details relating to the Group's interests in mineral exploration projects which are subject to joint arrangements are detailed in Note 26(b).

5. 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 three operating segments; being operations, exploration in Australia and Canada and corporate and unallocated expenditure. Assets are allocated to a segment based on the operations of the segment and the physical location of the asset. During the period the Australian and Canadian exploration segments reported in the prior year were combined 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 matter consistent with that in the financial statements.

(c) Segment information provided to the Board of Directors

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

	Operations[1]	Exploration	Corporate	Total
Year ended 30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	106[2]	-	-	106
Profit/(loss) before tax	104	(584)	(903)	(1,383)
Income tax	-	-	-	-
Profit/(loss) after tax	104	(584)	(903)	(1,383)
Segment assets	-	15,589	5,971	21,560
Segment liabilities	696	141	320	1,157
	Operations	**Exploration**	**Corporate**	**Total**
Year ended 30 June 2020	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	9,127	-	-	9,127
Profit/(loss) before tax	3,731	(508)	(1,862)	1,361
Income tax	-	-	-	-
Profit/(loss) after tax	3,731	(508)	(1,862)	1,361
Segment assets	297	14,151	5,072	19,520
Segment liabilities	696	550	444	1,690

Notes:

[1] - Operations was not a separately reported segment during the current reporting period and has been included to align with the comparative period disclosure.

[2] – Revenue 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 year.

6. REVENUE

The Group derived its revenue in the prior year from the sale of pollucite ore at a point in time. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 (see note 5).

	2021	2020
	$'000	$'000
Revenue from contracts with customers – High-grade pollucite ore	**-**	7,940
Other revenue from contracts with customers – Low-grade pollucite ore[1]	**-**	1,187
Other revenue – Sale of alluvial gold[2]	**106**	-
Total revenue	**106**	9,127

Note:

[1] - Sales of low-grade pollucite ore have been classified as 'other revenue' as all incurred cost of sales were previously allocated to and expensed with the mining and sale of high grade pollucite ore recognised as revenue from contracts with customers shown above.

[2] – Sale of alluvial gold provided to the Company from third party prospecting activities.

7. COST OF SALES

	2021	2020
	$'000	$'000
Amortisation of mine development and rehabilitation asset	**-**	70
Change in inventory	**-**	4,295
Other cost of sales	**1**	-
Total cost of sales	**1**	4,365

8. OTHER INCOME

	2021	2020
	$'000	$'000
Government grants[1]	**167**	210
Income received for the cancellation of tenement applications[2]	**200**	-
Listed shares received as consideration for royalty sale	**200**	-
Golden Ridge Joint Venture exclusivity and option exercise fees	**125**	-
Other income	**7**	-
Reallocation of JobKeeper government grants to capitalised exploration expenditure	**(132)**	
Total other income	**567**	210

Notes:

[1] $138,000 in JobKeeper government grants were recognised during the current reporting period (2020: $66,000). $131,700 of JobKeeper payments was offset during the current reporting period against the capitalised exploration expenditure to which it related with the balance classified as other income in line with the Group's accounting policies. The Group was eligible for JobKeeper 2.0 government grants extending to 31 March 2021. A cash boost payment of $22,500 was received from the WA State Government during the current reporting period.

[2] Received as compensation for withdrawing contested tenement applications.

9. EARNINGS PER SHARE

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

The following reflects the earnings and share data used in the calculations of basic and diluted earnings per share on a post-consolidation basis for current and comparative reporting periods:

	2021	2020
	$'000	$'000
Earnings used in calculating basic and diluted earnings per share	**(1,383)**	1,361
Weighted average number of ordinary shares used in calculating basic earnings per share	**179,237,995**	150,867,084
Basic earnings per share – cents per share	**(0.77c)**	0.90c
Effect of dilutive securities		
Options and performance rights[1]	**-**	1,419,546
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**-**	151,684,891
Diluted earnings per share – cents per share	**(0.77c)**	0.90c

Note:
[1] For the comparative period 4,570,000 post-consolidation options which represent potential ordinary shares were not dilutive as the weighted average exercise price of the options were higher than the weighted average share price for the year.

10. EMPLOYEE BENEFITS EXPENSE

	2021	2020
	$'000	$'000
Salaries, wages and superannuation	**1,176**	1,609
Salaries and wages capitalised to E&E asset	**(663)**	(636)
Director fees and charges[1]	**197**	178
Termination benefits	**28**	145
Total employee benefits expense	**738**	1,296

Note:
[1] – Refer Note 30 for details of KMP remuneration.

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11. INCOME TAX EXPENSE

No income tax is payable by the Group as it has incurred losses for income tax purposes for the year, so current tax, deferred tax and tax expense is nil (2020 - Nil). Further deferred tax assets and liabilities will be settled net wherever possible and are therefore offset.

	2021 $'000	2020 $'000
INCOME TAX EXPENSE		
(a) Tax expense		
Current tax expense	-	-
Deferred tax expense	-	-
Total income tax expense per profit or loss and other comprehensive income	-	-
(b) Numerical reconciliation between tax expense and pre-tax net profit		
Net (loss)/profit before tax	**(1,383)**	1,361
Tax (benefit)/expense at the applicable corporate tax rate of 26% (2020: 27.5%)	**(360)**	374
Increase in income tax due to tax effect of:		
Share based payment expense	**28**	50
Non-deductible expenditure	**3**	3
Current year tax losses not recognised	**366**	-
Decrease in income tax expense due to:		
Non-assessable income	**(13)**	(49)
Unused tax losses and temp differences recognised	-	(349)
Deductible capital raising costs	**(24)**	(29)
Income tax expense attributable to entity	-	-
DEFERRED TAX ASSETS AND LIABILITIES		
(c) Recognised deferred tax assets and liabilities at 26% (2020: 27.5%)		
Deferred tax assets		
Employee provisions	**15**	15
Other provisions and accruals	**11**	11
Rehabilitation assets and liabilities	**174**	191
Plant and equipment	**(37)**	-
ROU assets	**2**	4
Tax losses	**3,103**	2,690
	3,268	2,912
Set-off of deferred tax liabilities	**(3,268)**	(2,912)
Net deferred tax assets	-	-
Deferred tax liabilities		
Exploration and mine properties	**(3,268)**	(2,887)
Unearned income	-	(3)
Other deferred tax liabilities	-	(22)
Gross deferred tax liabilities	**(3,268)**	(2,912)
Set-off of deferred tax assets	**3,268**	2,912
Net deferred tax liabilities	-	-
(d) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 26% (2020: 26%)		
Deductible temporary differences	**67**	29
Tax revenue losses	**8,093**	8,151
Tax capital losses	**595**	579
Total unrecognised deferred tax assets	**8,755**	8,759

12. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

	2021	2020
	$'000	$'000
Cash on hand and at bank	**2,466**	391
Term deposits	**3,000**	4,000
Total cash and cash equivalents	**5,466**	4,391

(b) Reconciliation of the (loss)/profit from ordinary activities after income tax to the net cash flows used in operating activities

	2021	2020
	$'000	$'000
(Loss)/profit from ordinary activities after income tax	**(1,383)**	1,361
Non-cash items:		
Depreciation	**106**	92
Unrealised foreign exchange (gain)/loss	**23**	(84)
Exploration written off	**477**	518
Share-based payments expense	**107**	180
Net gain on Balagundi Project farm out agreement	**-**	(41)
Other income (Government SME cash boost incentive)	**-**	50
Other non-cash transactions	**(140)**	-
Change in operating assets and liabilities:		
Decrease/(increase) in prepayments	**(23)**	102
Decrease/(increase) in inventory	**-**	4,295
Decrease/(increase) in receivables	**381**	(323)
(Decrease)/increase in current payables	**(428)**	(449)
(Decrease)/increase in provisions	**3**	9
Net cash (outflows) used in/inflows received from operating activities	**(877)**	5,710

(c) Reconciliation of liabilities arising from financing activities

	2021	2020
	$'000	$'000
Opening lease liabilities	**289**	-
Financing cash flows	**(81)**	(88)
Non-cash changes[1]	**(29)**	377
Balance at 30 June 2021	**179**	289

Note:

[1] Non-cash changes relate to the termination of previous eases and take up of new leases. Refer Note 19.

(d) Stand-by credit facilities

As at the current reporting date the Group had a business credit card facility available totalling $30,000 (2020: $30,000) of which $12,000 (2020: $3,000) was utilised.

13. INVESTMENTS

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

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

The following table shows the movement in equity instruments at FVOCI during the current and previous reporting periods:

	2021	2020
	$'000	$'000
(b) Equity Investments at fair value through other comprehensive income		
Opening balance	**568**	-
Acquisition of equity investments[1]	**200**	349
Disposal of equity investments	**(323)**	-
Changes in fair values recognised in other comprehensive income	**(172)**	219
Current investments – Equity instruments	**273**	568

Note:

[1] - During the year ended 30 June 2021, the Group executed a Royalty Termination and Release Deed with Medallion Metals Limited (ASX: MM8) to terminate a mineral rights royalty. The consideration for executing the Deed was 785,695 fully paid common shares in MM8, valued at $0.255 per share or $200,000. As at 30 June 2021 the share price for MM8 was $0.245 per share valuing the investment at $193,000.

14. EXPLORATION AND EVALUATION EXPENDITURE

	2021	2020
	$'000	$'000
Non-current – In the exploration and evaluation phase		
Opening balance	**13,666**	10,393
Expenditure for the period[1]	**2,231**	3,890
R&D incentives received during the period	**-**	(34)
Foreign currency translation – Mavis Lake	**10**	(25)
Farmin arrangement for Balagundi JV – carrying value transferred to profit/(loss)	**-**	(40)
Exploration expenditure written off	**(477)**	(518)
Closing balance at 30 June	**15,430**	13,666

Note:

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

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 $477,000 (2020: $518,000) which related primarily to the write-down of costs pertaining to tenements surrendered during the year.

15. RIGHT-OF-USE (ROU) ASSETS

Non-current	2021 $'000	2020 $'000
Cost		
Opening balance	**347**	**347**
Reassessment of ROU asset life	**(198)**	**-**
Additions	**178**	**-**
Disposals	**(149)**	**-**
Closing balance	**178**	**347**
Accumulated depreciation		
Opening balance	**(72)**	**-**
Depreciation charge for the period	**(84)**	**(72)**
Disposals	**149**	**-**
Closing balance	**(7)**	**(72)**
Carrying amount – opening balance	**275**	**-**
Carrying amount – closing balance	**171**	**275**

The Group has a non-cancellable office operating lease for a three-year period up to 30 April 2024, including an option to extend the lease for an additional two years to 30 April 2026. The Group has recognised this lease based on the application of AASB 16. A maturity analysis in respect to this lease is included under the lease liability note 19.

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

Interest expenditure incurred in the current reporting period totalled $17,000 (2020: $31,000). A reassessment of the lease term of the Company's head office lease during the current reporting period resulted in a $32,000 credit to interest expenditure. Short-term lease expenditure incurred in the current reporting period totalled $85,000 (2020: $66,000). There was no low-value lease expenditure incurred in the current reporting period.

As at the previous reporting date the Company held a non-cancellable office lease for a three-year period up to 30 April 2021, including an option to extend the lease for an additional three year period to 30 April 2024. It was previously estimated that the Company would make the election to extend the lease term for the additional 3 year period but during the current reporting period the Company decided against extending the lease term. As such the lease term expired on 30 April 2021 resulting in a $198,000 remeasurement of the associated ROU lease asset and liability and $149,000 ROU asset disposal during the current reporting period.

16. PLANT, EQUIPMENT AND MOTOR VEHICLES

Reconciliations of the written down values at the beginning and end of the current reporting are set out below:

	Plant & office equipment	Computer equipment	Software	Motor vehicles	Leasehold improvements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation						
At 30 June 2020	198	214	83	262	38	795
Additions	1	6	-	40	9	56
Disposals	(112)	(169)	-	(157)	(38)	(476)
Write-offs/Adjustments	-	-	(17)	-	-	(17)
At 30 June 2021	**87**	**51**	**66**	**145**	**9**	**358**
Accumulated depreciation and impairment						
At 30 June 2020	(170)	(196)	(47)	(164)	(6)	(583)
Depreciation charge – P&L	(1)	(9)	(6)	-	(7)	(23)
Depreciation charge – E&E	(16)	(3)	(18)	(23)	-	(60)
Disposals	112	169	-	145	12	438
Write-offs/Adjustments	13	3	5	(5)	1	17
At 30 June 2021	**(62)**	**(36)**	**(66)**	**(47)**	**-**	**(211)**
Net book value						
At 30 June 2020	28	18	36	98	32	210
At 30 June 2021	**25**	**15**	**-**	**98**	**9**	**147**

Reconciliations of the written down values at the beginning and end of the previous reporting period are set out below:

	Plant & office equipment	Computer equipment	Software	Motor vehicles	Leasehold improvements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation						
At 30 June 2019	188	194	68	160	-	610
Additions	9	20	15	102	38	183
Disposals	-	-	-	-	-	-
At 30 June 2020	**198**	**214**	**83**	**262**	**38**	**793**
Accumulated depreciation and impairment						
At 30 June 2019	(158)	(182)	(21)	(137)	-	(498)
Depreciation charge – P&L	(3)	(11)	-	-	(6)	(20)
Depreciation charge – E&E	(9)	(3)	(26)	(27)	-	(65)
Write-offs/Adjustments	-	-	-	-	-	-
At 30 June 2020	**(170)**	**(196)**	**(47)**	**(164)**	**(6)**	**(583)**
Net book value						
At 30 June 2019	30	12	47	23	-	112
At 30 June 2020	**28**	**18**	**36**	**98**	**32**	**210**

17. TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Current (Unsecured)		
Trade creditors	**83**	365
Other creditors and accruals	**140**	286
Total trade and other payables	**223**	651

Amounts shown as current are expected to be settled within 12 months.

Average payment terms are 30 days from invoice date. There was no interest charged from the late payment of trade and other payables in the current or prior reporting periods.

18. PROVISIONS

	2021 $'000	2020 $'000
Current		
Employee entitlements[1]	**59**	56
Rehabilitation provision[2]	**696**	696
Total current provisions	**755**	752

Notes:

[1] - The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. As the related employee has completed the required period of service the entire amount is presented as a current provision.

[2] - The provision for rehabilitation of the Sinclair Mine Site is an estimation of work to be carried out such as earthmoving, removal of facilities and restoring of affected areas. The provision represents the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs will be reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date. The provision for rehabilitation remains current and has not materially changed in value from the prior reporting period due to the Sinclair Mine remaining in care and maintenance under a Mine Closure Plan that is due to be reviewed in June 2022.

19. LEASE LIABILITIES

The Group's head office in Western Australia is recognised as a Right-of-use ("ROU") asset.

	2021	2020
	$'000	$'000
Maturity Analysis		
Year 1	**62**	114
Year 2	**60**	107
Year 3	**56**	100
Year 4	**52**	76
Year 5	**48**	-
Onwards	**-**	-
	278	397
Less unearned interest	**(99)**	(108)
	179	289
Analysed as:		
Current	**47**	64
Non-current	**132**	225
Total lease liabilities	**179**	289

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are measured as part of the Group's financial risk management.

Current period lease liabilities relate to the Company's registered office premises in Perth, Western Australia. The Perth office lease is for a prescribed period expiring on 30 April 2024 including an option to extend the lease period for a further 2 years. During the term of the operating lease the rent is reviewed annually on each successive anniversary date. The annual lease expense is currently $76,000.

Refer to Note 15 for further information regarding movements in associated ROU assets during the current reporting period.

20. CONTRIBUTED EQUITY

(a) Ordinary shares on issue – fully paid

	2021	2020	2021	2020
	Shares	Shares	$'000	$'000
Total contributed equity	**200,817,300**	1,508,758,765	**44,538**	41,184

Ordinary shares

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

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

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

On 16 December 2020, in conjunction with the placement, the Company also completed a Securities Purchase Plan (SPP) also priced at $0.085 per new share with the SPP subscribers also receiving one free quoted option exercisable at $0.15 on or before 30 November 2022 for every two SPP shares subscribed for and issued. The SPP raised a total of $2,140,000 before costs resulting in 25,176,342 shares being issued on 16 December 2020 and 12,558,659 free options being issued to SPP participants on 14 January 2021.

Equity incentives

Information relating to equity incentives including details of equity incentives exercised and lapsed during the financial year and equity incentives outstanding at the end of the financial year, is set out in note 21.

(b) Share movements during the current and prior reporting periods

	Date	Number of shares	Issue price	$'000
Opening Balance 1 July 2019		**1,507,425,165**		**41,184**
Share issue upon conversion of rights	25 Jul 2019	1,333,600	-	-
Closing balance at 30 June 2020		**1,508,758,765**		**41,184**
10:1 Share Consolidation	17 Jul 2020	(1,357,882,338)	-	-
Placement share issue	23 Nov 2020	24,103,288	$0.085	2,049
Placement share issue costs		-	-	(166)
Placement option valuation		-	-	(337)
Share Purchase Plan share issue	16 Dec 2020	25,176,342	$0.085	2,140
Share Purchase Plan share issue costs		-	-	(71)
Share Purchase Plan option valuation		-	-	(314)
Contractor share issue	14 Jan 2021	661,243	-	53
Closing balance at 30 June 2021		**200,817,300**		**44,538**

21. EQUITY INCENTIVES

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

2021	Opening balance	Granted	Exercised/ converted	Expired/ cancelled	Closing balance
Unlisted options					
Exercisable at 26 cents on or before 27/10/20	223,334	-	-	(223,334)	-
Exercisable at 50 cents on or before 27/10/20	223,334	-	-	(223,334)	-
Exercisable at 75 cents on or before 27/10/20	223,334	-	-	(223,334)	-
Exercisable at 35 cents on or before 30/11/21	1,200,002	-	-	(305,556)	894,446
Exercisable at 45 cents on or before 30/11/22	1,200,002	-	-	(305,556)	894,446
Exercisable at 25 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 35 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 45 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 25 cents on or before 30/06/24	-	533,334	-	-	533,334
Exercisable at 35 cents on or before 30/06/24	-	533,334	-	-	533,334
Exercisable at 45 cents on or before 30/06/24	-	533,334	-	-	533,334
Exercisable at 12.5 cents on or before 30/09/24	-	200,000	-	-	200,000
Exercisable at 17.5 cents on or before 30/09/24	-	200,000	-	-	200,000
Exercisable at 22.5 cents on or before 30/09/24	-	200,000	-	-	200,000
Listed options					
Exercisable at 15 cents on or before 30/11/22	-	24,610,298	-	-	24,610,298
Total options	**4,570,006**	**26,810,300**	**-**	**(1,281,114)**	**30,099,192**
Performance rights					
Exercisable on or before 25/09/24 (unvested)	819,548	-	-	(819,548)	-
Exercisable on or before 31/01/24 (unvested)	500,000	-	-	-	500,000
Exercisable on or before 31/12/23 (vested)	100,000	-	-	-	100,000
Exercisable on or before 30/06/24 (unvested)	-	1,653,378	-	-	1,653,378
Total performance rights	**1,419,548**	**1,653,378**	**-**	**(819,548)**	**2,253,378**
Total equity instruments	**5,989,554**	**28,463,678**	**-**	**(2,100,662)**	**32,352,570**

2020	Opening balance	Granted	Exercised	Expired/ cancelled	Closing balance
Unlisted share options					
Exercisable at 26 cents on or before 27/10/20	223,334	-	-	-	223,334
Exercisable at 5 cents on or before 27/10/20	223,334	-	-	-	223,334
Exercisable at 75 cents on or before 27/10/20	223,334	-	-	-	223,334
Exercisable at 25 cents on or before 30/05/20	1,200,002	-	-	(1,200,002)	-
Exercisable at 35 cents on or before 30/11/21	1,200,002	-	-	-	1,200,002
Exercisable at 45 cents on or before 30/11/22	1,200,002	-	-	-	1,200,002
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
Total unlisted share options	**4,270,008**	**1,500,000**	**-**	**(1,200,002)**	**4,570,006**
Unlisted performance rights					
Exercisable on or before 30/06/19 (unvested)	133,360	-	(133,360)	-	-
Exercisable on or before 14/10/24 (unvested)	-	819,548	-	-	819,548
Exercisable on or before 31/01/24 (unvested)	-	500,000	-	-	500,000
Exercisable on or before 31/12/23 (unvested)	-	100,000	-	-	100,000
Total unlisted performance rights	**133,360**	**1,419,548**	**(133,360)**	**-**	**1,419,548**
Total equity incentives	**4,403,368**	**2,919,548**	**(133,360)**	**(1,200,002)**	**5,989,554**

22. SHARE-BASED PAYMENTS

(a) Equity Incentive Plan

The establishment of the Group's Equity Incentive Plan ("the Plan") was approved by ordinary resolution at the Annual General Meeting of shareholders of the Company held on 29 November 2011. 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. The Plan was last approved by Shareholders on 15 December 2020.

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

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

The following table illustrates the number and weighted average exercise prices of and movements in unlisted share options (on a post-consolidation basis) during the current and prior financial years:

	2021		2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	4,570,006	$0.40	4,270,006	$0.37
Granted during the year	26,810,300	$0.16	1,500,000	$0.35
Exercised during the year	-	-	-	-
Expired/cancelled during the year	(1,281,114)	$0.45	(1,200,000)	$0.25
Outstanding at the end of the year	**30,099,192**	**$0.19**	**4,570,006**	**$0.40**
Vested and exercisable at the end of the year	30,099,192	$0.19	4,570,006	$0.40

The range of exercise prices for options outstanding at the end of the current financial year was 12.5 cents and 75 cents (2020: 25 cents and 75 cents).

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 fair value of options granted during the year ended 30 June 2021 was $725,012 (2020: $112,000). The following table illustrates the inputs used to calculate the fair value of options issued during the current financial year and their resulting valuations on a post-consolidation basis:

Item	Unlisted Options	Unlisted Options	Unlisted Options	Unlisted Options	Unlisted Options	Unlisted Options	Listed Options	Listed Options
Underlying security share price	$0.110	$0.110	$0.110	$0.080	$0.080	$0.080	$0.085	$0.080
Exercise price	$0.250	$0.350	$0.450	$0.125	$0.175	$0.225	$0.150	$0.150
Grant date	7-Jul-20	7-Jul-20	7-Jul-20	15-Dec-20	15-Dec-20	15-Dec-20	23-Nov-20	15-Dec-20
Expiry date	30-Jun-24	30-Jun-24	30-Jun-24	30-Sep-24	30-Sep-24	30-Sep-24	30-Sep-22	30-Sep-22
Days to expiry	1,454	1,454	1,454	1,385	1,385	1,385	676	654
Number of options issued	333,334	333,334	333,334	200,000	200,000	200,000	12,051,639	12,558,659
Volatility	94.22%	94.22%	94.22%	93.06%	93.06%	93.06%	94.34%	93.92%
Risk-free interest rate	0.27%	0.27%	0.27%	0.11%	0.11%	0.11%	0.11%	0.11%
Valuation per option	$0.060	$0.050	$0.040	$0.044	$0.039	$0.035	$0.028	$0.025
Valuation per option class	$20,000	$16,667	$13,333	$8,800	$7,800	$7,000	$337,446	$313,966

(c) Unlisted Performance Rights

Refer to note 21 for movements in performance rights issued during the current and prior reporting periods. Performance rights are exercisable for nil consideration. The fair value of performance rights granted during the year ended 30 June 2021 was $107,637 (2020: $155,000). The fair value of performance rights expensed to the statement of profit or loss and other comprehensive income during the year ended 30 June 2021 totalled $59,362 (2020: $61,593).

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.

23. RESERVES

	2021 $'000	2020 $'000
Equity incentive reserve	**1,163**	405
Financial asset revaluation reserve	**(61)**	10
Foreign exchange reserve	**91**	74
Total reserves	**1,193**	489

Changes in the fair value and exchange differences arising on translation of investments, including financial assets held at fair value through equity are recognised in other comprehensive income as described in note 4.8 and accumulated in a separate reserve in equity. Amounts are reclassified to retained earnings when the associated assets are sold or impaired.

The foreign exchange reserve records exchange difference arising on translation of the Company's foreign controlled subsidiaries. Amounts are recorded in other comprehensive income and are accumulated in a separate reserve within equity. Upon disposal of the foreign controlled operation the cumulative amount within the reserve is reclassified to profit or loss.

	2021 $'000	2020 $'000
Equity incentive reserve		
Opening balance	**405**	309
Equity incentives issued during the year	**219**	180
Reversal of lapsed options	**(112)**	(84)
Valuation of share placement and SPP option issue	**651**	-
Closing balance	**1,163**	405

The equity incentive reserve records items recognised on valuation of director, employee and contractor equity incentives. Information relating to the Group's Equity Incentive Plan, including details of equity incentives issued, exercised and lapsed during the current reporting period and equity incentives outstanding at the end of the current reporting period, is set out in note 21.

24. ACCUMULATED LOSSES

	2021	2020
	$'000	$'000
Accumulated losses at the beginning of the year	**(23,844)**	(25,289)
Net (loss)/profit attributable to members	**(1,383)**	1,361
Transfer of lapsed options re accumulated losses	**-**	84
Transfer from financial asset revaluation reserve – derecognition of investment	**(101)**	-
Accumulated losses at the end of the year	**(25,328)**	(23,844)

25. FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks and market risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Financial Risk Management
Exposure to key financial risks is managed in accordance with the Group's risk management policy with the objective to ensure that the financial risks inherent in exploration activities are identified and then managed and kept as low as reasonably practicable. The main financial risks that arise in the normal course of business are market risk (primarily interest rate risk and equity market risk), credit risk and liquidity risk. Different methods are used to measure and manage these risk exposures. Liquidity risk is monitored through the ongoing review of available cash and future commitments for exploration expenditure. Exposure to liquidity risk is limited by anticipating liquidity shortages and ensures capital can be raised in advance of shortages. It is the Board's policy that no speculative trading in financial instruments be undertaken so as to limit exposure to price risk.

Primary responsibility for identification and control of financial risks rests with the Managing Director and the Chief Financial Officer, under the authority of the Board. The Board is appraised of these risks from time to time and agrees any policies that may be undertaken to manage any of the risks identified.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial instrument are disclosed in Note 4 to the financial statements. The carrying values less the impairment allowance for receivables and payables are assumed to approximate fair values due to their short-term nature. Cash and cash equivalents are subject to variable interest rates.

Categories of Financial Instruments

	2021	2020
	$'000	$'000
Financial assets at amortised cost		
Cash and cash equivalents	**5,466**	4,391
Trade and other receivables	**15**	397
Investments in equity instruments designated as at FVOCI		
Investments	**273**	568
Total financial assets	**5,754**	5,356
Financial liabilities at amortised cost		
Trade and other payables	**223**	651
Total financial liabilities	**223**	651

Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the Accounting Standards. An explanation of each level follows underneath the table.

Recurring fair value measurements At 30 June 2021	**Level 1 $'000**	**Level 2 $'000**	**Total $'000**
Financial assets			
Financial assets at fair value through other comprehensive income			
Australian listed equity securities	193	-	193
Canadian listed equity securities	80	-	80
Total financial assets	**273**	**-**	**273**
Recurring fair value measurements at 30 June 2020			
Financial assets			
Financial assets at fair value through other comprehensive income			
Australian listed equity securities	100	-	100
Canadian listed equity securities	468	-	468
Total financial assets	**568**	**-**	**568**

There were no transfers between levels 1 and 2 for recurring value measurements during the current or prior reporting periods.

Level 1 – The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2 – The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Valuation inputs include underlying spot prices, implied volatility, discount curves and time until expiration, expressed as a percent of a year.

Specific financial risk exposures and management

(a) Market Risk – Interest rate risk management

The Group's cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. At reporting date, the Group does not have any borrowings. The Group does not enter into hedges.

The Group has exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market, interest rates and the effective weighted average interest rates on those financial assets.

(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents.

Furthermore, the Group monitors its ongoing exploration cash requirements and raises equity funding as and when appropriate to meet such planned requirements. The Group has no undrawn financing facilities other than unused balances on company credit cards. Refer Note 12(c) for further details. Trade and other payables, the only financial liability of the Group, are due within 3 months.

At the present state of the Group's operations it has limited liquidity risk due to the level of payables and cash reserves held. The Group's objective is to maintain a balance between continuity of exploration funding and flexibility through the use of available cash reserves.

Liquidity and interest risk table

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and liabilities and have been prepared on the following basis:

- Financial assets – based on the undiscounted contractual maturities including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period; and
- Financial liabilities – based on undiscounted cash flows on the earliest date on which the Group can be required to pay, including both interest and principal cash flows.

2021	Weighted average interest rate	Less than 1 month $'000	1-3 months $'000	3 months->5 years $'000	No fixed term $'000	Total $'000
Financial assets						
Financial assets at amortised cost						
Non-interest bearing	-	15	-	-	-	15
Variable interest rate	0.01%	2,466	-	-	-	2,466
Fixed interest rate	0.40%	-	3,000	-	-	3,000
Investments in equity instruments designated as at FVOCI						
Investments	-	-	-	-	273	273
Total financial assets	**0.22%**	**2,481**	**3,000**	**-**	**273**	**5,754**
Financial liabilities at amortised cost						
Non-interest bearing	-	223	-	-	-	223
Variable interest rate	-	-	-	-	-	-
Fixed interest rate	-	-	-	-	-	-
Total financial liabilities	**-**	**223**	**-**	**-**	**-**	**223**

2020	Weighted average interest rate	Less than 1 month $'000	1-3 months $'000	3 months->5 years $'000	No fixed term $'000	Total $'000
Financial assets						
Financial assets at amortised cost						
Non-interest bearing	-	397	-	-	-	397
Variable interest rate	0.02%	391	-	-	-	391
Fixed interest rate	0.80%	-	4,000	-	-	4,000
Investments in equity instruments designated as at FVOCI						
Investments		-	-	-	568	568
Total financial assets	**0.67%**	**788**	**4,000**	**-**	**568**	**5,356**
Financial liabilities at amortised cost						
Non-interest bearing	-	1,402	-	-	-	1,402
Variable interest rate	-	-	-	-	-	-
Fixed interest rate	-	-	-	-	-	-
Total financial liabilities	**-**	**1,402**	**-**	**-**	**-**	**1,402**

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

With respect to credit risk arising from financial assets, which comprise cash and cash equivalents and receivables, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The credit risk on liquid funds is limited because the counterparties are Australian banks with a minimum A Credit Rating.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount of the financial assets, net of any expected credit losses, as disclosed in the statement of financial position and in the notes to the financial statements.

(d) Commodity price risk

During and at the end of the prior reporting period the Group was potentially subject to commodity price risk for the sale of its pollucite ore. However, the risk was mitigated by the offtake agreement containing a fixed price scale in US dollars based on the product's caesium oxide grade. All sales revenue in relation the Group's caesium offtake arrangements were recorded in the prior reporting period with receipt of final sales proceeds arriving in the current reporting period. There was no such commodity risk during and at the end of the current reporting period.

(e) Foreign exchange risk

The Group includes a wholly owned Canadian subsidiary. This Canadian subsidiary has a limited number of suppliers that invoice in foreign currencies and therefore foreign exchange risk is minimal. On 20 June 2018, the Group entered into an offtake and loan facility agreement. The offtake agreement resulted in sales denominated in U.S. dollars. During the financial year ended 30 June 2020 cash receipt sales were received in U.S. dollars and converted into Australian dollars, removing the exchange risk, with the exception of US$194,000 in customer sales receipts receivable at the end of the prior reporting period. This was subsequently received in the current reporting period on 1 July 2020.

The capitalised exploration and evaluation balance of $15,430,000 at the end of the current reporting period includes expenditure denominated in Canadian dollars. This portion of the capitalised expenditure is revalued at the end of each reporting period and is impacted by fluctuations in the movements of the Canadian dollar against the Group's reporting currency of Australian dollars.

The Group is also exposed to foreign exchange risk arising from equity investments listed on the Toronto Stock Exchange (TSXV), although given the size of these investments the directors to not anticipate that significant fluctuations in related foreign currencies would result in a material change to the valuation of these assets at the end of the current reporting period.

(f) Price risk on investments

The Group is exposed to equity price risks arising from equity investments. The Group's investments are listed on the Australian Securities Exchange (ASX) and Toronto Stock Exchange (TSXV).

The financial asset revaluation reserve component of equity would increase/decrease as a result of gains/losses on equity securities classified as FVOCI.

(g) Capital risk management

The Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital and maximise returns to Shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders or issue new Shares. No dividends were paid or provided for during the financial period (2020: Nil).

Total capital is equity, as shown in the Consolidated Statement of Financial Position. The Group is not subject to any externally imposed capital requirements. There were no changes in the Group's approach to capital management during the year.

26. GROUP COMPOSITION

(a) List of subsidiaries

			Ownership percentage	
	Place of incorporation	Principal activities	2021	2020
Golden Ridge North Kambalda Pty Ltd	Australia	Exploration	100%	100%
Western Copper Pty Ltd	Australia	Exploration	100%	100%
Pioneer Canada Lithium Corp.	Canada	Exploration	100%	100%

(b) Third party interests

The Group's interests in farm-ins and unincorporated joint ventures are listed below.

			Interest held	
Project	**Third party partner or third party holder**	**Third party participating equity At 30 June 2021**	**30 June 2021**	**30 June 2020**
Acra (Gold)	Northern Star Limited ("NST")	NST hold a 75% interest. Ardea Resources Limited retains 100% of the nickel laterite rights on E27/278, E27/520, E28/1746.	25%	25%
Kangan (Gold)	Novo Resources Corp. ("NOV") and Sumitomo Corporation ("SUM")	NOV and SUM may earn a 70% interest in gold and precious metals rights.	100%	100%
Balagundi (Gold)	Black Cat Syndicate Limited ("BCS")	BCS may earn a 75% interest.	100%	100%
Larkinville (Gold/Nickel)	Maximus Resources Limited ("MXR")	75% on gold minerals and 80% on nickel minerals	25%/20 %	25%/20 %
Wattle Dam (Gold/Nickel)	Maximus Resources Limited ("MXR")	100% on gold minerals and 80% on nickel minerals. Ardea Resources Limited has a pre-emptive right to nickel laterite ore.	20% (nickel)	20% (nickel)
Maggie Hays Hill (Nickel)	Poseidon Nickel Ltd ("POS")	80% all minerals	20%	20%
Ravensthorpe (Royalty)	Galaxy Lithium Australia Limited ("GXY") Medallion Metals Limited ("MM8")	GXY 100% lithium & tantalum. MM8 all other minerals. Group retains a royalty on lithium and tantalum.	-	-

Note: There are no assets owned by the third-party partner or holders and the Group's expenditure in respect of its participation is brought to account initially as capitalised exploration and evaluation expenditure under the Group's accounting policy in Note 4.7. There were no capital commitments or contingent liabilities arising out of the Group's third-party interest activities as at 30 June 2021 (2020: Nil).

UNRECOGNISED ITEMS

27. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 June 2021 (2020: Nil).

28. COMMITMENTS

(a) Exploration
The Group has certain obligations to perform minimum exploration work on mineral leases held. As at the end of the current financial year, total exploration expenditure commitments on tenements held by the Group have not been provided for in the financial statements and those which cover the following twelve month period amount to $297,000 (2020: $760,000). This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners, amounting to $1,936,000 (2020: $1,633,000).

These obligations are subject to variations by farm-out arrangements or sale of the relevant tenements or expenditure exemptions as permitted under the Mining Act 1978 (amended 2006), and as such the Group does not report exploration expenditure commitments beyond the 12 month period following the current reporting date.

(b) Capital commitments
There were no ongoing capital commitments as at 30 June 2021 (2020: Nil).

29. SUBSEQUENT EVENTS

On 26 July 2021 the Company announced that Farm-in Joint Venture partner Black Cat Syndicate Limited (ASX: BC8) had met the Initial Commitment expenditure of $150,000 under the Balagundi Gold & Base Metals Project Farm-in & Joint Venture and had elected to continue towards earning a 75% interest by spending a further $450,000 within the next three years.

On 26 July 2021 the Company announced the issue of 1,271,684 unlisted performance rights to employees under the Company's Equity Incentive Plan, expiring on 30 June 2025 at a total value of $163,000. The Company also announced the cancellation of 507,768 unlisted performance rights due to cessation of employee employment with the Company.

On 4 August 2021 the Company announced that it was completing a share placement to institutional and sophisticated investors priced at 12.5c per ordinary share for total gross proceeds of $5,000,000. The Company issued 36,780,000 ordinary shares on 11 August 2021 and the balance of 3,220,000 ordinary shares (including 1,200,000 ordinary shares issued to directors of the Company) plus 2,000,000 unlisted broker options to Taylor Collison Limited, the lead brokers for the Placement, on 22 September 2021 who also received a brokerage fees of $300,000, equal to 6% of gross proceeds from the placement. The options are exercisable at 20c and expire on 10 August 2023 and are valued at $260,000.

On 24 August 2021 the Company issued 22,674 ESS shares upon shareholders submitting exercise notices for 22,674 ESSO options. Net proceeds of $2,000 were received after share issue costs.

On 16 September 2021 the Company held a General Meeting of shareholders. The following resolutions were approved:

- Ratify the issue of 12,029,246 ESSO share options issued under the Company's Share Purchase Plan in January 2021;
- Ratify the issue of 661,243 ESS shares to Milford Resources in January 2021;
- Ratify the issue of 36,780,000 ESS shares under the shares placement announced in August 2021;
- Obtain approval for Company directors Mr McGown, Mr Spencer, Mr Payne and Mr Hallam to participate in the share placement as announced in August 2021. These shares were allotted on 22 September 2021.

Subsequent to the end of the current financial year the Company engaged in non-binding discussions concerning the acquisition of mineral rights, divestment of mineral rights and divestment of mineral assets. The Company it is not party to any binding agreements with respect to the aforementioned potential transactions as at the date of this report and there can be no certainty that any binding agreement or agreements will be reached, or that any concluding transactions will eventuate. At this stage of the negotiations an estimate of proceeds from the non binding agreements cannot be made , however, based on the negotiation to date, the Directors do not believe there are any impairment implications in relation to the carrying value of associated areas of interest.

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

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year 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.

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.

30. RELATED PARTIES

Parent entity and subsidiaries
The ultimate parent entity of the Group is Essential Metals Limited. Interests in other entities are set out in note 26.

Key management personnel
Key management personnel compensation comprised the following:

	2021	2020
	$'000	$'000
Current disclosed KMP		
Short-term employee benefits	**853**	584
Post-employment benefits	**69**	44
Share-based payments	**66**	142
	988	770
Former disclosed KMP		
Short-term employee benefits	**45**	422
Post-employment benefits	**4**	38
Share-based payments	**(7)**	(63)
Employment termination payments	**16**	145
	58	542
Total key management personnel compensation	**1,046**	1,312

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

During the prior reporting period:

- Mr Payne, a non-executive director of Essential Metals Limited, held a relevant interest in Payne Geo Consultancy Pty Ltd which received $4,200 from the Group for the provision of geological consultancy services received during the prior reporting period.
- During the prior reporting period payments totalling $14,000 were paid as employee expenses and superannuation for mining operational assistance work undertaken by Managing Director Timothy Spencer's son. Mr Spencer was Chief Financial Officer and Company Secretary at the time the payments were made.

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.

31. REMUNERATION OF AUDITORS

	2021	2020
	$'000	$'000
Deloitte and related network firms		
Audit services		
Audit or review of Group financial reports	**57**	54
Other services		
Taxation compliance services	**-**	28
Total	**57**	82

The auditor of the Group is Deloitte Touche Tohmatsu.

32. PARENT ENTITY INFORMATION

	2021	2020
	$'000	$'000
Current assets	**5,782**	5,362
Total assets	**14,474**	13,584
Current liabilities	**1,018**	1,459
Total liabilities	**1,150**	1,684
Contributed equity	**44,538**	41,184
Accumulated losses	**(32,316)**	(29,699)
Equity incentive reserve	**1,163**	405
Financial asset revaluation reserve	**(61)**	10
Loss for the period	**(2,516)**	(4,691)
Total comprehensive loss for the period	**(2,671)**	(4,423)

Other information

The parent entity did not enter into any guarantees in relation to the debts of its subsidiaries in the current or previous financial years. The parent entity did not have contingent liabilities at the end of the current or prior financial year other than disclosed at Note 27. The parent entity did not have contractual commitments at the end of the current or prior financial year other than disclosed in Note 28.

END OF THE FINANCIAL REPORT

Directors’ Declaration
For the year ended 30 June 2021

In accordance with a resolution of the directors of Essential Metals Limited, I state that:

In the opinion of the directors:

(a) The financial report and notes of Essential Metals Limited for the financial year ending 30 June 2021 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

   (ii) giving a true and fair view of the Group’s financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

   (iii) The attached financial statements are in compliance with International Financial Reporting Standards as stated in note 1 to the financial statements.

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by s295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Board of Directors

Timothy Spencer
Managing Director

24 September 2021

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Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Essential Metals Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
As at 30 June 2021 the Group has $15,430,000 of capitalised exploration expenditure as disclosed in Note 14. Significant judgement is applied in determining the treatment of exploration and evaluation expenditure including: • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether the facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.	Our procedures included, but were not limited: • Obtaining an understanding of management's process to evaluate the recoverability of capitalised mineral exploration assets; • Testing on a sample basis, evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of the relevant accounting standards; • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date and challenging management's consideration of the Group's ability to recoup the capitalised costs through future development or sale of the areas of interest; • Holding discussions with management as to the status of the ongoing exploration programs in the respective areas of interest; • Evaluating whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Assessing whether any facts or circumstances existed to suggest impairment testing was required including expenditure incurred on areas of interest during the year ended 30 June 2021 and planned expenditure for the year ended 30 June 2022; and We also assessed the appropriateness of the disclosures in Note 14 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in on pages 30 to 40 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Essential Metals Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Penelope Pink
Partner
Chartered Accountants
Perth, 24 September 2021

The following additional information is required by the Australian Securities Exchange. The information was current as at 22 September 2021.

(a) Top 20 quoted shareholders
On 7 July 2020 shareholders of Essential Metals Limited approved a share consolidation, where the number of issued securities and unissued equity incentives decreased using a fixed ratio of 10:1. The following table of quoted securities reflects the top 20 quoted shareholders on a post share consolidation basis:

Rank	Holder name	%	Number of shares
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4.57%	10,999,996
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3.21%	7,738,053
3	CITICORP NOMINEES PTY LIMITED	2.82%	6,784,436
4	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1.54%	3,698,967
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	0.84%	2,015,634
6	IONIKOS PTY LTD <MCGOWN SUPER FUND A/C>[1]	0.74%	1,793,894
7	MR THOMAS WAYNE SPILSBURY & MRS MARCEY EVA SPILSBURY <TIGER SUPER FUND A/C>	0.72%	1,729,524
8	MR MARK KEVIN PROCTOR	0.67%	1,620,483
9	NASDAQ SECURITIES AUSTRALIA PTY LTD <NASDAQ SECURITIES AUST A/C>	0.66%	1,600,000
10	MR CHRISTOPHER ALLAN EAGLESHAM	0.65%	1,555,555
11	NO LIMIT HOLDINGS PTY LTD <NO LIMIT HOLDINGS A/C>	0.64%	1,539,113
12	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	0.64%	1,537,110
13	SAILORS OF SAMUI PTY LTD	0.60%	1,455,000
14	RAFE PTY LTD <THE TOMASICH SUPER FUND A/C>	0.58%	1,400,000
14	KOBALA INVESTMENTS PTY LTD <FERNANDO EDWARD FAMILY A/C>	0.59%	1,400,000
15	MS MIN WANG	0.57%	1,380,000
16	FRANCIS HOLDINGS (WA) PTY LTD	0.56%	1,359,941
17	COMSEC NOMINEES PTY LIMITED	0.56%	1,344,269
18	MR HONG MENG PEPSI ONG	0.55%	1,328,888
19	MR TIMOTHY GERARD SPENCER <THE SPENCER INVESTMENT A/C>	0.46%	1,112,941
20	MR CEDRIC DESMOND PARKER	0.46%	1,100,000
		22.63%	**54,493,804**

Note:
[1] - Beneficial owner is Non-Executive Chairman of the Company, Craig McGown, who has a total shareholding of 2,000,561 ordinary shares.

(b) Distribution of quoted ordinary shares

Size of parcel	Number of share holders	Number of shares	% Issued share capital
1 – 1,000	480	170,177	0.07%
1,001 – 5,000	1,039	3,154,048	1.31%
5,001 – 10,000	743	5,970,843	2.48%
10,001 – 100,000	1,771	63,565,757	26.39%
100,000 +	446	167,979,149	69.75%
Total	**4,479**	**240,839,974**	**100.00%**

(c) Number of holders with less than a marketable parcel of ordinary shares

The number of shareholders holding less than a marketable parcel of fully paid ordinary shares as at 22 September 2021 was 840 (holding 789,286 shares).

(d) Substantial shareholders

No substantial shareholding notices have been provided to Essential Metals Limited.

(e) Voting rights

Fully paid ordinary shares carry one vote per ordinary share without restriction. No other securities have voting rights.

(f) Unquoted equity securities

Equity security type	Issued to	Number on issue	Exercise price	Expiry date
Options	Directors	894,446	$0.35	30-Nov-2021
Options	Directors	894,446	$0.45	30-Nov-2022
Options	Broker	2,000,000	$0.20	10-Aug-2023
Options	Directors	500,000	$0.25	31-Jan-2024
Options	Directors	500,000	$0.35	31-Jan-2024
Options	Directors	500,000	$0.45	31-Jan-2024
Options	Directors	533,334	$0.25	30-Jun-2024
Options	Directors	533,334	$0.35	30-Jun-2024
Options	Directors	533,334	$0.45	30-Jun-2024
Options	Directors	200,000	$0.125	20-Sept-2024
Options	Directors	200,000	$0.175	20-Sept-2024
Options	Directors	200,000	$0.225	20-Sept-2024
Performance Rights	Employees	100,000	N/A	31-Dec-2023
Performance Rights	Directors	500,000	N/A	31-Jan-2024
Performance Rights	Directors	454,545	N/A	30-Jun-2024
Performance Rights	Employees	691,065	N/A	30-Jun-2024
Performance Rights	Employees	445,911	N/A	14-Oct-2024
Performance Rights	Directors	373,638	N/A	14-Oct-2024
		10,054,053		

The Dome North Lithium Project				
Project area	**Category**	**Tonnes (Mt)**	**Grade (Li_2O %)**	**Tonnes Li_2O**
Cade Deposit	Indicated	5.4	1.30	70,000
	Inferred	2.8	1.18	33,000
Davy Deposit	Inferred	2.3	1.13	25,000
Heller Deposit	Inferred	0.7	1.02	8,000
Total		**11.2**	**1.21**	**136,000**

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

Glossary
Li_2O – Lithium Oxide
Ni – Nickel Sulphide

Competent Person Statements

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

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

Exploration Results: The information in this Annual Report that relates to Exploration Results for Essential Metals Limited was based on information supplied to and compiled by the Competent Person Mr Andrew Dunn (MAIG), Exploration Manager who is employed full-time by Essential Metals Limited. Mr Dunn is a member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to this style of mineralization and type of deposit under consideration and to the activity that is being reported on to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Dunn consents to the inclusion in the report of the matters in the form and context in which it appears.

Reference to previous market announcements: The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The company confirms that the form and context in which Exploration Results or Competent Person's findings are presented have not been materially modified from the original market announcements.

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.

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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 Lithium, Nickel Project Located 75km S of Kalgoorlie, WA			
M15/1449	Essential Metals Limited / Maximus Resources Limited	12, 13	Granted
P15/5912	Essential Metals Limited / Maximus Resources Limited	12, 13	Granted
Maggie Hays Hill JV, Located 140km SE of Southern Cross			
E63/1784	Essential Metals Limited / Poseidon Nickel Limited	14	Granted
Katanning Gold Project Located 275km SE of Perth, WA			
E70/5040	Ausgold Exploration Pty Ltd	15	Granted
E70/5042	Ausgold Exploration Pty Ltd	15	Granted
E70/5043	Ausgold Exploration Pty Ltd	15	Granted
E70/5044	Ausgold Exploration Pty Ltd	15	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	FMG Pilbara Pty Ltd 1.5% NSR royalty.
5	Kangan Farmin Agreement: Novo Resources Corp. may earn a 70% Project Interest (excluding lithium and related minerals).
6	Balagundi Farmin Agreement: Black Cat Syndicate Limited may earn a 75% Project interest.
7	Subject to an earn-in Joint Venture with International Lithium Corp. a 100% owned subsidiary of Essential Metals Limited.
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, except nickel. Essential Metals Limited 20% free carried interest in nickel sulphide minerals.
12	Larkinville JV Agreement: Maximus Resources Limited 75%, Essential Metals Limited 25% free carried interest.
13	Larkinville JV Agreement: Maximus has an 80% interest in nickel rights, Essential Metals Limited 20% free carried interest in nickel rights.
14	Maggie Hays Lake JV Agreement: Poseidon Nickel Limited 80%, Essential Metals Limited 20% & free carried interest to commencement of mining.
15	Katanning Gold Project: Essential Metals Limited 1.5% NSR.

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Essential Metals Limited

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