



ESSENTIALMETALS

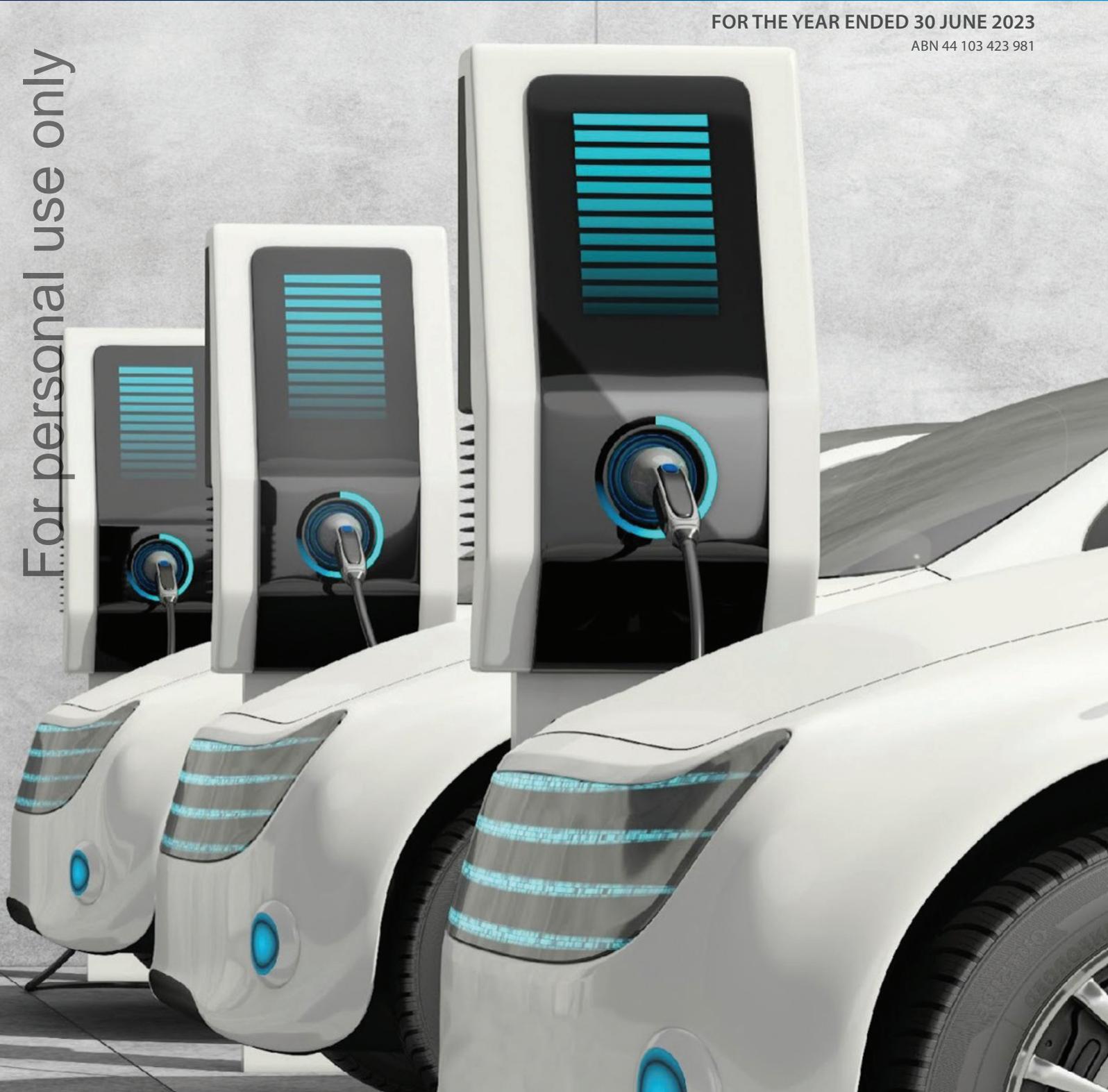
for a sustainable future

# ANNUAL REPORT 2023

FOR THE YEAR ENDED 30 JUNE 2023

ABN 44 103 423 981

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# CORPORATE DIRECTORY

## **DIRECTORS**

Craig McGown  
Independent Non-Executive Chairman

Timothy Spencer  
Managing Director

Paul Payne  
Independent Non-Executive Director

Warren Hallam  
Independent Non-Executive Director

## **COMPANY SECRETARY**

Greg Fitzgerald

## **PRINCIPAL REGISTERED OFFICE**

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## **AUDITOR**

**BDO Audit (WA) Pty Ltd**

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Mia Yellagonga Tower 2,  
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Western Australia 6000

## **SHARE REGISTRY**

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## **SECURITIES EXCHANGE LISTING**

The Company's shares and listed share options are quoted on the Australian Securities Exchange.

## **ASX CODE**

ESS - ordinary shares



# ESSENTIAL METALS

for a sustainable future

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## LETTER FROM THE CHAIRMAN

There is no doubt that the momentum driving the electrification thematic as a response to climate change increased significantly during the past year. The clearest illustration of this was the United States' Inflation Reduction Act, that was passed into law in August 2022. It has galvanised incredible sums of money to be invested in battery gigafactories and electric vehicle production facilities as well as 'upstream' into lithium raw material supply.

Australia, as a low risk jurisdiction that leads the world in the supply of lithium units, has a very significant role to play in helping the world achieve its decarbonisation goals and Australian lithium projects are front and centre.

In the past 12 months, heightened interest in Australian lithium supply has culminated in the Pioneer Dome Lithium Project's high quality lithium resource and its strategic location, in the Eastern Goldfields of Western Australia, attracting attention from large, reputable companies, culminating in two consecutive takeover proposals via schemes of arrangement ("Scheme").

The first Scheme was proposed by Tianqi Energy Lithium Australia Limited ("TLEA") in January 2023. TLEA is an incorporated joint venture between global leading lithium company, Tianqi Lithium, and IGO Limited, a large Australian mining company. In mid-April 2023, just before the TLEA Scheme meeting, another large diversified Australian miner, Mineral Resources Limited, acquired a major stake in your Company.

The TLEA Scheme was ultimately voted down by shareholders at the April 2023 Scheme meeting, however, this created an opportunity for another very well credentialled Australian mine development company, Develop Global Limited ("Develop"), to negotiate a new scheme of arrangement ("Develop Scheme"), as announced on the ASX platform on 3 July this year. Full details of the proposed Scheme with Develop (including the respective advantages and disadvantages of the Develop Scheme) are contained in the Scheme Booklet released on 15 September 2023 and I would encourage you to read it in its entirety before deciding how to vote in respect of the Develop Scheme.

A shareholder Scheme meeting in respect of the Develop Scheme is currently scheduled to be held on 18 October 2023. The Directors of Essential believe that the Develop Scheme is in the best interests of Essential shareholders and unanimously recommend that you vote in favour of the Develop Scheme in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential shareholders.<sup>1</sup>

Your Company's management led by Managing Director Tim Spencer, its employees, contractors and consultants have all played their part in advancing the Company's projects and in creating shareholder value, for which I sincerely thank each of them. I would also like to thank the various stakeholders in your Company's projects, including the traditional owners of the land on which Essential Metals operates, our joint venture partners and our shareholders.

Yours faithfully,



Craig McGown

Chairman of the Board of Directors

<sup>1</sup> Shareholders are encouraged to carefully read and consider the Scheme Booklet in its entirety before deciding how to vote in respect of the Develop Scheme and obtain individual legal, commercial or taxation advice as required. In particular, in considering the unanimous recommendation of the Directors to vote in favour of the Scheme, shareholders should have regard to the interests of the Directors and the matters detailed in footnote 2 on page 7 of the Scheme Booklet. The Scheme Booklet is available online for viewing and downloading from <https://www.essmetals.com.au/dvpscheme/> or on Essential's ASX Market announcement page at <https://www2.asx.com.au> under Essential's ticker code 'ESS'.

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## LETTER FROM THE MANAGING DIRECTOR

### Letter from the Managing Director

The past year has seen our flagship project, the Pioneer Dome Lithium Project, make the significant leap from being an advanced exploration project with a lithium resource to being a development project with line of sight to commencing production of spodumene concentrate in 2026.

Our focus has been on increasing the confidence and quality of the Dome North lithium Mineral Resource, such that we were able to deliver a robust scoping study that clearly demonstrates the economic credentials of a standalone lithium operation producing a saleable lithium concentrate.

The operational work undertaken, including resource definition drilling, further metallurgical test work, obtaining a mining lease, completing a baseline environmental study and numerous other steps amply demonstrate the pathway to production.

These operational achievements dovetailed in with commercial activities that garnered attention from large lithium focussed companies. This attention came in the form of keen interest to enter into discussions concerning offtake and project funding, and latterly, in the form of approaches to acquire Essential Metals.

The scheme of arrangement with Develop Global Limited presents an exciting opportunity for the Pioneer Dome Lithium Project and its stakeholders and particularly for Essential Metals shareholders. Full details of the proposed Scheme with Develop (including the respective advantages and disadvantages of the Develop Scheme) are contained in the Scheme Booklet released on 15 September 2023 and I would encourage you to read it in its entirety before deciding how to vote in respect of the Develop Scheme. The Directors of Essential recommend that you vote in favour of the Develop Scheme in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential shareholders.<sup>2</sup>

I would like to thank the team at Essential for their commitment and work ethic and of course all Essential shareholders who have provided messages of encouragement and thanks over the past year.

Yours faithfully,



Timothy Spencer  
Managing Director

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<sup>2</sup> Shareholders are encouraged to carefully read and consider the Scheme Booklet in its entirety before deciding how to vote in respect of the Develop Scheme and obtain individual legal, commercial or taxation advice as required. In particular, in considering the unanimous recommendation of the Directors to vote in favour of the Scheme, shareholders should have regard to the interests of the Directors and the matters detailed in footnote 2 on page 7 of the Scheme Booklet. The Scheme Booklet is available online for viewing and downloading from <https://www.essmetals.com.au/dvpscheme/> or on Essential's ASX Market announcement page at <https://www2.asx.com.au> under Essential's ticker code 'ESS'.

# OPERATIONAL AND FINANCIAL REVIEW

## PIONEER DOME LITHIUM PROJECT (ESS: 100%)

The 450km<sup>2</sup> Pioneer Dome Project (ESS: 100%) is 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 Mineral Resource<sup>3</sup> of 11.2Mt @ 1.16% Li<sub>2</sub>O has been defined at Dome North in the northern area of the Project.

The southern Yilgarn area is recognised as being well-endowed with spodumene deposits, including Pioneer Dome, the Bald Hill Mine, the Mt Marion Mine, the Manna Project and the Buldania Project, all of which are located within a 90km radius. The world-class Greenbushes Deposit, the Mt Holland Mine and the Mt Cattlin Mine are located further west, south-west and south-south-west, respectively.

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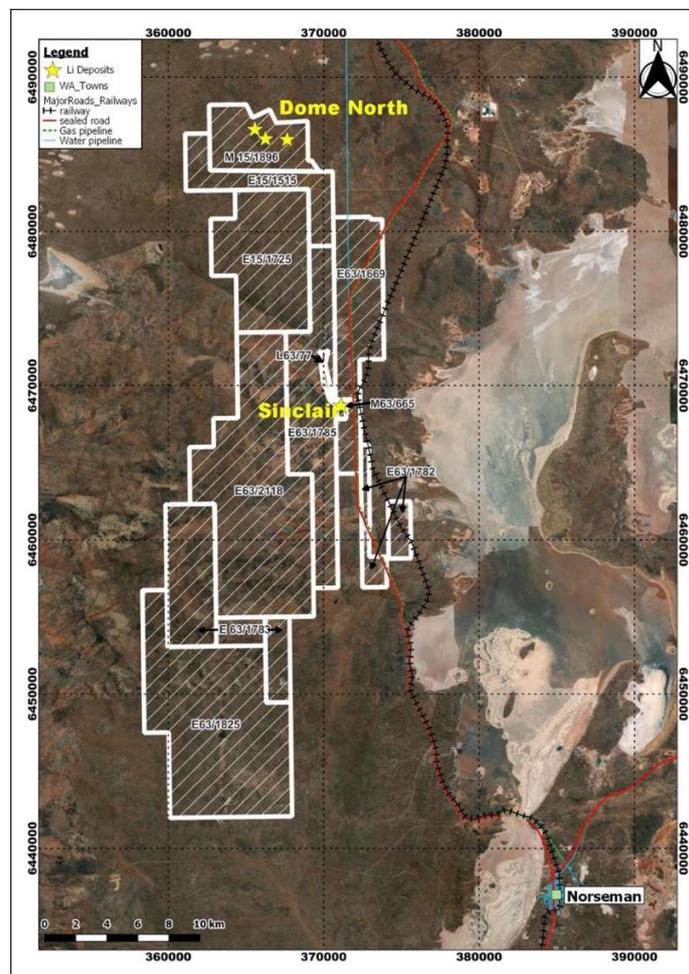


Figure 1 – The location of the tenements of the Pioneer Dome Lithium Project relative to major infrastructure.

<sup>3</sup> Refer ASX:ESS announcement 20 December 2022 “Dome North Resource upgrade”

## OPERATIONAL AND FINANCIAL REVIEW

### Pioneer Dome Lithium Project (ESS 100%)

The focus during the reporting period was on improving the quality and confidence of the Dome North lithium Mineral Resource to allow the commencement and completion of feasibility studies.

The key achievements during the first half of the reporting period included:

- Completion of a Resource drilling programme, which provided geological information to help frame the potential scale of mining operations for the purposes of finalising a scoping study.
- Drilling and metallurgical test work confirmed there was minimal oxidation of spodumene at the Cade deposit with excellent recoveries demonstrated from the shallow mineralisation.
- The Dome North lithium Mineral Resource was upgraded, with contained lithium in the higher confidence Indicated Resource category increasing by 50% to 8.6Mt @ 1.23% Li<sub>2</sub>O containing 105,000 tonnes. An impressive 81% of the total contained lithium within the Mineral Resource has now been upgraded to the Indicated classification, reflecting the thick, high grade and out-cropping nature of the deposits.

In February 2023, the Pioneer Dome Lithium Project Scoping Study (the “Study”) was completed. It demonstrated the potential viability of a standalone mining and processing operation. Please refer to the ASX announcement on 7 February 2023 titled “Pioneer Dome Scoping Study” for full details of the Scoping Study results, parameters and cautionary statements.

The Study was prepared by Primero, a leading engineering firm with significant lithium project experience, with inputs from other experienced consultants and from the Essential Metals team.

The Study resulted in a Base Case NPV<sub>10%</sub> (real, after tax) of \$367 million and supports the commencement of detailed studies.

The Scoping Study was based on:

- A Mineral Resource estimate of 11.2Mt @ 1.16% Li<sub>2</sub>O containing 129,000 lithium tonnes;
- Metallurgical testwork which demonstrates the potential to produce a saleable lithium concentrate;
- Mine optimisation modelling which generated three economic open pits (one per deposit) totalling 8.8Mt of process plant feed at 1.11% Li<sub>2</sub>O, an average strip ratio of 13.3:1 and a mine life of 7.3 years; and
- Processing will be via a 1.2Mtpa concentrator process plant, resulting in the production of spodumene concentrate with a targeted lithium grade of 5.7% Li<sub>2</sub>O.

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## OPERATIONAL AND FINANCIAL REVIEW

Table 1: Pioneer Dome Lithium Project – Base Case Key Outcomes

SCOPING STUDY – BASE CASE KEY OUTCOMES	
Post-tax NPV <sub>10%</sub> (real, post-tax)	A range between \$275M and \$458M with a <b>Base Case of \$367M</b> (range based on +/-25% of the Base Case NPV)
Internal Rate of Return (IRR)	Base Case of 40%
Payback Period	~1.7 Years
Life-of-Mine Production Target	8.8Mt @ 1.11% Li <sub>2</sub> O
Life of mine	~7.3 Years
Pre-production capital cost	~\$293M including \$36M contingency
Average LOM cash operating cost	~\$1,030/tonne (US\$721/tonne) of 5.7% spodumene concentrate.  <i>Cash operating costs include all mining, processing, transport and loading at Esperance port, site administration and overhead costs and state and private royalties.</i>
Average annual production over LOM	~173,000 tonnes of 5.7% spodumene concentrate
Annual Production Design capacity	~193,745 tonnes of 5.7% spodumene concentrate

Approximately 94% of the Life-of-Mine (LOM) Production Target is in the Indicated Mineral Resource category with 6% in the Inferred Mineral Resource category (no Exploration Target has been incorporated).

Less than 3% of the contained lithium (Li<sub>2</sub>O) mined during the first four years of production is sourced from Inferred Resources. Essential has therefore concluded that the Inferred Resource included in the mine plan is not a determining factor in the viability of the Project and the Company has reasonable grounds for disclosing a Production Target which includes Inferred Mineral Resources. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of further Measured or Indicated Resources or that the Production Target or preliminary economic assessment will be realised.

The Net Present Value (NPV) for the Project of \$367 million assumes a 'present value' date as at the assumed construction and investment commencement date of July 2024 and first production in January 2026.

Due to delays associated with the TLEA Scheme, a revised timetable was prepared in May 2023 that set targets of completing detailed feasibility studies in the September quarter in 2024 and making a final investment decision in the December quarter 2024 with first production in the June quarter 2026.

## OPERATIONAL AND FINANCIAL REVIEW

### NPV SENSITIVITY ANALYSIS

A range of sensitivities have been applied to the key input assumptions, as follows:

**Table 2: NPV Sensitivity Analysis – changes to inputs**

KEY INPUT	SENSITIVITY CHANGE			CHANGE IN INPUT		
	Base Case	(-) Change	(+) Change	Low	Base	High
Spodumene Conc. price (5.7% - US\$/t FOB Esperance)	1500	-15%	15%	1275	1500	1725
Concentrator lithium head grade	1.11%	-10%	10%	1.00%	1.11%	1.22%
Tonnes processed (Mt)	8.80	-10%	10%	7.9	8.8	9.7
Cash operating cost A\$/tonne of SC5.7%	1031	10%	-10%	1134	1031	928
Concentrator recovered grade	74%	-5%	5%	70.0%	74.0%	78.0%
AUDUSD exchange rate	0.70	5%	-5%	0.740	0.700	0.670
CAPEX Pre-Production (A\$M)	293	10%	-10%	322	293	264

The impact of the change in each key input is measured assuming all other inputs remain the same. The sensitivity results are shown in Table 3.

**Table 3: NPV Sensitivity Analysis – Results**

NPV Sensitivity Analysis	Low NPV	Change in NPV	Base Case	Change in NPV	High NPV
	A\$M	A\$M	A\$M	A\$M	A\$M
Spodumene Conc. price (5.7% - US\$/t FOB Esperance)	205	-162	367	161	528
Concentrator lithium head grade	262	-105	367	105	472
Tonnes processed (Mt)	284	-83	367	82	449
Cash operating cost A\$/tonne of SC5.7%	298	-69	367	68	435
Concentrator recovered grade	310	-57	367	56	423
AUDUSD exchange rate	309	-58	367	48	415
CAPEX Pre-Production (A\$M)	344	-23	367	22	389

### DOME NORTH MINING LEASE

Mining lease M15/1896 was granted on 16 February 2023 and has a term of 21 years.

The mining lease application, lodged in September 2022, was based on a Mineralisation Report and Supporting Statement prepared by SRK Consulting (Australasia) Pty Ltd, a geological consultancy.

The area of M15/1896 encompasses 2,408 hectares, which encapsulates the three deposits that comprise the current lithium Mineral Resource estimate, lithium mineralisation identified in the vicinity of the Resource and land to be utilised for the concentrator plant, waste dumps, tailings storage facility and other mine operation infrastructure and ancillary services.

The granting of a mining lease is one of the first steps towards establishing an operating mine. Key next steps include the lodgement of a Mining Proposal which includes a mine closure plan. The information for the Mining Proposal is typically generated from detailed feasibility studies and covers technical, environmental, key mining activities, safety and stakeholder engagement.

## OPERATIONAL AND FINANCIAL REVIEW

### Metallurgical testwork for detailed studies

A drill programme started in September 2023 is designed to provide sufficient samples from drill core to undertake further metallurgical testwork aimed at seeking to understand important ore characteristics and domains, including but not limited to, host rock dilution, high mica and early concentrator feed material. The proposed work programme will include:

- Conducting further comminution test work to provide greater confidence around crushing, HPGR and milling equipment selection
- Conduct further pilot dense medium separation (DMS) test work to confirm recovery with different ore types
- Conduct further flotation tests in site water to specifically to understand the following:
  - Optimal grind size
  - Potential lithium losses to slimes, magnetics, and mica streams
  - Mica flotation in site water at acidic and caustic pH
  - Spodumene flotation in site water with a range of flotation reagents and flowsheet options
  - The requirement of water treatment
  - Conduct preliminary thickener and filtration testwork
  - Conduct preliminary materials characterisation testwork
  - Requirements for preliminary environmental test work surrounding the design of tailings storage facilities (TSF)

The further testwork will support improved definition around recovery estimates and also support potential reductions in equipment sizes compared to what was selected for the scoping study.

### Permitting & approvals

Essential has engaged with the Ngadju Native Title Aboriginal Corporation (NNTAC) to plan for a comprehensive heritage survey over the Dome North mining lease (M15/1896) that contains the lithium Mineral Resource. The survey is anticipated to be completed by December 2023.

The Company's hydrological consultant is assisting with planning a water bore programme to test potential areas for sourcing water in sufficient quantity for a future spodumene mine and concentrator operation.

The Company's environmental consultant has been tasked with carrying out a flora and fauna survey in the December 2023 quarter to update the baseline flora and fauna survey carried out in 2021 and to apply for a clearing permit encompassing the proposed mine site footprint.

### PIONEER DOME EXPLORATION

A structural interpretation was completed in the December 2022 quarter with the results being incorporated with other exploration data including geophysical surveys, soil geochemistry, drilling, and field mapping, allowing targets to be defined and ranked by an external consultant (Xirlatem). The work generated over 40 exploration targets.

Field checking of the targets was then completed and four were selected for exploratory drilling, which was carried out in June 2023. Whilst lithium anomalism was detected from assays, no spodumene bearing pegmatites were intersected.

## OPERATIONAL AND FINANCIAL REVIEW

Exploration activities will continue to be undertaken in tandem with the feasibility studies during the upcoming 2024 financial year.

### GOLD PROJECTS

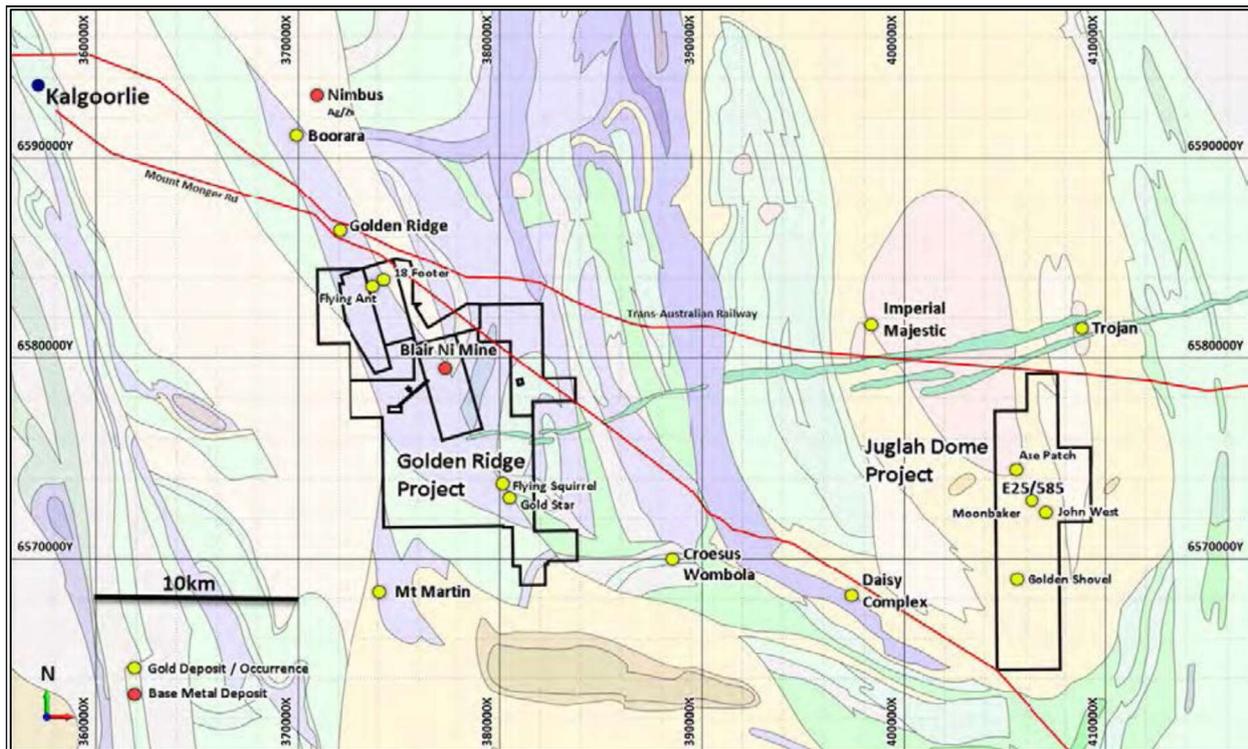


Figure 2: Juglah Dome and Golden Ridge projects showing tenements and geology

### JUGLAH DOME GOLD PROJECT (ESS: 100%)

Juglah Dome comprises of a single ~50 km<sup>2</sup> tenement highly prospective for gold mineralisation located ~60 km ESE of Kalgoorlie (Figure 2) and 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.

#### GEOLOGY AND MINERALISATION

The project is located within the Kurnalpi Terrane and includes a lower sequence of chert, intermediate to felsic volcanics and volcanoclastics, 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 2).

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## OPERATIONAL AND FINANCIAL REVIEW

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.

### **GOLDEN RIDGE GOLD PROJECT (ESS: 100%<sup>4</sup>)**

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<sup>2</sup>.

#### **GEOLOGY AND MINERALISATION**

The Golden Ridge tenements straddle the Boorara Shear Zone (“BSZ”) and the Mount Monger Fault. The BSZ is an elongate NNW trending zone, that extends from Menzies in the north to south of Golden Ridge, and hosts 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.

Horizon Minerals owns and operates the Boorara Gold Project immediately along strike to the NNW of the Golden Ridge tenements, with this project including the 448,000 oz Boorara deposit, with total project resources of 19.02 Mt @ 1.66 g/t gold for 1.02 Moz of contained gold.

The gold occurrences in the Golden Ridge project are largely concentrated in the interpreted younger volcanic and sedimentary units in the northern part of the tenement package and are localised between the Mount Monger Fault and Boorara Shear Zone.

### **JOINT VENTURE INTERESTS**

**Essential Metals has a portfolio of minority (20%-30%) free-carried interests in four gold and three nickel joint ventures located in Western Australia.**

#### **Acra Gold Joint Venture Eastern Goldfields WA**

**ESS 25% - Northern Star Resources Limited (ASX: NST) 75%**

The Acra Project is near Kalgoorlie. Northern Star Resources Limited (ASX: NST) has earned a 75% Project Interest and continues to fully fund exploration programmes until approval of a Mining Proposal by DMIRS is received with Essential Metals holding a 25% interest.

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<sup>4</sup> Nickel rights are subject to a Farmin and Joint Venture agreement.

## OPERATIONAL AND FINANCIAL REVIEW

### **Blair – Golden Ridge Nickel Joint Venture Eastern Goldfields WA (nickel rights only)**

***ESS 100% reducing to 25% - Australian Nickel Co. Ltd (renamed from Crest Investment Group 1 Ltd) earning 75% (farm-in stage)***

The Blair - Golden Ridge Nickel Project is located approximately 30km by sealed road to the southeast of Kalgoorlie-Boulder and hosts the historical Blair Nickel Mine, which produced a total of 1.2 Mt @ 2.63% Ni between 1989 and 2009. The consolidated 113km<sup>2</sup> project area is considered highly prospective for the discovery of new high-grade komatiite-hosted nickel deposits (Kambalda style).

The Golden Ridge Project is currently being managed by highly experienced nickel explorers and developers Australian Nickel Company Limited (“ANCO”) through a Farm-In Joint Venture Agreement. ANCO has the right to earn a 75% interest in the nickel and related commodities rights by spending \$4.0 million over four years, with ESS retaining a 25% free-carried interest to a decision to mine.

### **Balagundi Gold/Base Metals Joint Venture Eastern Goldfields WA**

***ESS 100% reducing to 25% - Black Cat Syndicate Limited (ASX: BC8) earning 75% (farm-in stage)***

The Balagundi Project is located 25km east of Kalgoorlie and sits immediately adjacent to the north-west portion of the Myhree Mining Centre within the Kurnalpi Terrane, which is separated from the Myhree Mining Centre by the Victory Fault (a second order regional structure). The project is prospective for both gold and base metal VMS-style deposits. Essential and Black Cat entered into the Farm-in and Joint Venture in July 2019.

### **Wattle Dam Nickel Joint Venture Eastern Goldfields WA (nickel rights only)**

***ESS 20% - Maximus Resources Limited (ASX: MXR) 80%***

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

### **Larkinville Joint Venture Eastern Goldfields WA (excluding nickel)**

***ESS 25% - Maximus Resources Limited (ASX: MXR) 75%***

Essential holds a 25% free-carried interest (all minerals except 20% for nickel) in the Wattle Dam project near Kambalda, WA, with Maximus Resources Ltd (ASX: MXR).

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## OPERATIONAL AND FINANCIAL REVIEW

### **Kangan Gold Joint Venture Pilbara, WA**

*ESS 30% - Novo Resources Limited 70%*

The Kangan Project is located in the West Pilbara region of Western Australia. Novo Resources Corp holds a 70% interest in the Project with Essential retaining a 30% interest. Novo will fully fund all gold exploration programmes with Essential Metals free-carried until a decision to mine is made.

### **Maggie Hays Joint Venture Dundas Mineral Field, WA**

*ESS 20% - Poseidon Nickel Limited 80%*

The Joint Venture lies within E63/1784 at the southern edge of the Lake Johnston Nickel Project, which is situated 100km west of Norseman in the Dundas Mineral Field. It is accessed via the Hyden-Norseman Road. The tenement that comprises the Joint Venture is considered primarily prospective for nickel.

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# OPERATIONAL AND FINANCIAL REVIEW

## CORPORATE

### SCHEMES OF ARRANGEMENT

On 9 January 2023, the Company and Tianqi Lithium Energy Australia Pty Ltd (TLEA) announced the execution of a binding Scheme Implementation Agreement (SIA) for the implementation of a Scheme of Arrangement (Scheme) under which TLEA would acquire 100% of the issued capital of the Company for A\$0.50 per fully paid ordinary share. The Scheme was subject to various conditions including approval by Essential shareholders at a Scheme Meeting held on 20 April 2023. Shareholder approval was not received at the Scheme Meeting and accordingly the termination of the Scheme was announced on 21 April 2023.

Post reporting period end on 3 July 2023, the Company and Develop Global Limited (DVP) announced the execution of a binding Scheme Implementation Agreement (SIA) for the implementation of a Scheme of Arrangement (Scheme) under which DVP will acquire 100% of the issued capital of the Company. The Scheme Consideration is 1 new Develop share for every 6.18 Essential shares held. The Scheme is subject to various conditions including approval by Essential shareholders at a Scheme Meeting proposed to be held on 18 October 2023.

### MILESTONE PAYMENT ON SALE OF SUBSIDIARY

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

- \$750,000 cash payment
- 34,000,000 shares in Critical Resources Limited.
- Milestone payments:
  - \$750,000 cash payment following the definition of a Mineral Resource Estimate (as defined in the JORC Code 2012) for the Mavis Lake Lithium Project with a volume of not less than 5.0 million tonnes containing not less than 50,000 tonnes of Li<sub>2</sub>O using a cut-off grade of not less than 0.4% Li<sub>2</sub>O.
  - \$750,000 cash payment following the definition of a Mineral Resource Estimate (as defined in the JORC Code 2012) for the Mavis Lake Lithium Project with a volume of not less than 10.0 million tonnes containing not less than 100,000 tonnes of Li<sub>2</sub>O using a cut-off grade of not less than 0.4% Li<sub>2</sub>O.

In May 2023, the criteria for the payment of the first milestone payment was met and \$750,000 deferred consideration receivable was recognised as at 30 June 2023. The funds were received subsequent to the end of the reporting period.

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## OPERATIONAL AND FINANCIAL REVIEW

### CAPITAL STRUCTURE

During the year, the Company issued a total of 20,579,269 fully paid ordinary shares upon the conversion of ESSO listed options expiring 30 November 2022 by shareholders at an exercise price of \$0.15 per option. 141,460 ESSO listed options expired on 30 November 2022.

As at the date of this report, the Group had 268,859,967 fully paid ordinary shares on issue (ASX: ESS) and 5,396,799 unlisted options and performance rights on issue.

### OFFICER APPOINTMENTS/RESIGNATIONS

On 14 October 2022, the Company announced the appointment of Greg Fitzgerald as Company Secretary and the resignation of Carl Travaglini as Company Secretary and Chief Financial Officer.

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# ENVIRONMENTAL, SOCIAL & GOVERNANCE

## ESG at Essential Metals

This section presents an overview of the Company's sustainability management approach and initiatives in this financial year. Essential Metals is focussed on finding and producing metals essential for a sustainable, low-carbon future. 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.

Since Essential Metals is currently at the exploration stage, the World Economic Forum – Stakeholder Capitalism Index is considered to be the preferred reporting framework. The Company is committed to align itself with the Global Reporting Initiative (“GRI”) reporting framework when the construction stage begins.

## Stakeholder engagement and materiality assessment

Essential Metals believes that ongoing and effective engagement with its stakeholders is important for the Company to meet expectations in ESG performance and strategic development. In FY22, Essential Metals commenced a materiality assessment with the Company’s internal and external stakeholders to guide its sustainability efforts and reporting. In the current reporting period, Essential Metals reviewed the relevance of the topics and assessed the topic materiality levels in light of any changes during the year. The materiality assessment included:

### Identification

- Identification and development of a list of ESG issues that are relevant to the Company’s business
- Internal and external stakeholders to complete a survey to rate the importance of sustainability issues to Essential Metals

### Prioritisation

- Development of a ranked list of material topics based on the survey results

### Validation

- Determination of a list of material topics for disclosure as an exploration stage company

## Material topics

Topics	Materiality Level
<b>Environment</b>	
Pollution prevention	High
Biodiversity and rehabilitation	High
Water management and use	Medium
Climate risks and opportunities	Low
Energy and emissions	Low
Waste management	Low
<b>Social</b>	
Safety	High
Employee health and wellbeing	High
Employee attraction and retention	High
Diversity and inclusion	High
Employee development	Medium
Community engagement	Low
<b>Governance</b>	
Corporate governance	High

## ENVIRONMENTAL, SOCIAL & GOVERNANCE

Business ethics	High
Economic performance	High
Human rights and modern slavery	Medium
Innovation	Medium
Supply chain management	Low

### Environment

Essential Metals is committed to environmental sustainability through the diligent management of the activities it undertakes, including the identification and mitigation of risks to the natural environment. As stated in our Environmental Policy, as part of our Employee Manual, the Company will ensure that appropriate environmental management controls are identified and implemented during the construction, operational, closure and post-closure stages of the projects.

Protecting biodiversity and supporting rehabilitation are integral to responsible mining across the life of a mining operation. In FY22, Essential Metals completed a flora and fauna survey over the Dome North area. A desktop review and field surveys were conducted within the survey area that is approximately 2,682 ha in size and is located approximately 52 km north of Norseman, Western Australia. Based on survey results, no threatened, priority or significant ecological communities were identified within the survey area. Essential Metals is planning to conduct a Flora and Fauna survey in October 2023 to provide an update to the baseline survey completed in the prior reporting period. A second follow up study is planned to be completed in October 2023.

Closure planning is an important part of the Company's business processes. The Western Australian Mining Act 1978 requires the development of mine closure plans to ensure mining operations are closed, decommissioned and rehabilitated in an ecologically sustainable manner. Following successful completion of the Sinclair Caesium Mine, Essential Metals developed a Mine Closure Plan which will require the mine site to be rehabilitated in the future. The Mine Closure Plan adopts a risk-based management approach to prevent or minimise adverse long-term environmental impacts (i.e. surface water and groundwater pollution) arising from the project. The Company will continue to optimise the environmental outcomes for mine closure.

### Social

Essential Metals acknowledges the significant contributions made by its people, its customers and the communities in which it operates. This means retaining and attracting a values-aligned and highly competent workforce, ensuring workplace health and safety, strengthening customer relationships, and contributing to local communities.

The Company currently has mining and heritage agreements in place with the Ngadju Native Title Aboriginal Corporation ("NNTAC") who act on behalf of and for the Ngadju people, the custodians of the land on which the Dome North Mining Lease is located. This year, Essential Metals has engaged NNTAC to plan for a comprehensive heritage survey over the area to identify and record places that are, or that might become, of cultural heritage significance.

### Employment Practices

Essential Metals is dedicated to providing an inclusive and rewarding work environment that enables the Company's employees to grow and develop their potential. The Company's Employee Manual provides management with an approach to employment practices, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and the provision of other benefits and welfare. The Company's Corporate Code of Conduct, Diversity Policy and Employee Manual all provide a framework for decisions and actions in relation to the ethical conduct in employment. These documents set out the principles covering the appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees.

# ENVIRONMENTAL, SOCIAL & GOVERNANCE

## Health and Safety

The health and safety of our employees and contractors is of paramount importance to Essential Metals. The Company's commitment to adopting safe work practices is outlined in our Corporate Governance Plan, Employee Manual, Emergency Response Management Plan and Occupational Health and Safety Management Plan. It is the responsibility of the Company's employees to act in accordance with the occupational health and safety legislation, regulations and policies and to use the safety equipment provided. Some of the actions the Company undertakes to maintain health and safety standards include:

- Provide safety information during onsite toolbox meetings and periodic staff meetings
- Perform pre-employment medical checks
- Implement COVID-19 & Other Infectious Disease Management Plan
- Conduct site safety inductions for new starters
- Deliver first aid training
- Supply protective clothing and safety equipment
- Provide travel insurance coverage

During the year the following injury rates were achieved across the Company's operations:

Employees	Number / Rate <sup>5</sup>
Number of fatalities from work related injury	0
Total Lost time injuries frequency rate	0
Total recordable injuries	0
Total recordable injuries frequency rate	0

## Governance

Essential Metals is committed to operating ethically and with integrity in its business operations. By operating with a strong focus on corporate governance, Essential Metals will strengthen its sustainable long-term performance and value creation for all stakeholders.

### Corporate governance

The Board of Essential Metals (the "Board") is responsible for overseeing its corporate governance policies and procedures. The Company's Corporate Governance Plan forms the basis of a comprehensive system of control and accountability for corporate governance. All Essential Metals' policies and practices are reported against the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Board has responsibility to oversee the sustainability governance by considering environmental and social impact to the Company's business, approving policies and monitoring compliance. As shown in the Company's Board Skills Matrix, the current mix of skills, experience and expertise of directors possess the desire to, and experience in, leading Essential Metals to be an industry leader in the areas of environmental, social and corporate governance.

For more information on corporate governance, please refer to the Company's website.

### Anti-corruption

Essential Metals is committed to conducting business activities fairly, honestly with integrity, and in compliance with all applicable laws, rules and regulations. The Company's Anti-bribery and Anti-corruption Policy sets out the responsibilities of our directors, employees, contractors and business associates in upholding the Company's

<sup>5</sup> Rate calculation is per 1,000,000 hours of work.

## ENVIRONMENTAL, SOCIAL & GOVERNANCE

commitment to preventing any form of bribery. This policy also provides information and guidance on how to recognise and deal with any potential corruption issues.

### Whistleblower protection

Essential Metals encourages and supports its employees to speak up safely and securely if they become aware of illegal or improper business conduct. The Company's Whistleblower Protection Policy provides information and guidance on how to report such conduct, how reports will be handled and investigated in a timely manner and the support and protections available if a report is made. The policy also sets out responsibilities of the Company's employees, suppliers and associates in upholding the Company's commitment to reporting any illegal, unethical or improper conduct.

### World Economic Forum – Stakeholder Capitalism Index

WEF key data/question	Current status	Status
The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues. Corporate purpose should create value for all stakeholders, including shareholders.	Focused on finding and producing metals essential for a sustainable, low-carbon future. Our strategy is to become a new force in the lithium supply chain.	<b>Disclosed</b>
Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation	See Board Skill Matrix and diversity policy of the Essential Metals Corporate Governance Plan.	<b>Disclosed</b>
A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	Disclosed in the ESG at Essential Metals section of this Annual Report.	<b>Disclosed</b>
Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region. a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and b) Total number and nature of incidents of corruption.	Training on Anti-corruption & Bribery Policy is provided to all senior managers and other relevant personnel by the Board for each business. Essential Metals has not had any incidents of corruption in the current reporting period or in any prior reporting periods.	<b>Disclosed</b>
Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.	Operating in Australian jurisdiction there is a low risk of corruption. The Essential Metals Anti- Bribery and Corruption policy has guidance on ethical and lawful behaviour.	<b>Disclosed</b>

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## ENVIRONMENTAL, SOCIAL & GOVERNANCE

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A description of internal and external mechanisms for seeking advice about ethical and lawful behaviour and organizational integrity.	The Essential Metals Anti- Bribery and Corruption policy has guidance on ethical and lawful behaviour.	<b>Disclosed</b>
A description of internal and external mechanisms for reporting concerns about unethical or unlawful behaviour and lack of organizational integrity.	The Company's Whistleblower policy stipulates mechanisms for reporting concerns about unethical or unlawful behaviour and lack of organisational integrity.	<b>Disclosed</b>
A description of principal material risks and opportunities facing the company specifically (as opposed to generic sector risks)	Risks are outlined in this Annual Report.	<b>Disclosed</b>
A description of the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes.	Risks are outlined in this Annual Report. No material changes to the Company's risk profile noted from FY22. A review of Essential's Risk Profile will be completed prior to construction commencing.	<b>Disclosed</b>
For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in tCO <sub>2</sub> e GHG Protocol Scope 1 and Scope 2 emissions.	Emissions are at an immaterial level until development and construction begins.	<b>When construction begins</b>
Fully implement the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"). If necessary, disclose a timeline of at most three years for full implementation.	Emissions are at an immaterial level until development and construction begins.  Outstanding disclosures: Implementation or roadmap towards the recommendations of the TCFD	<b>When construction begins</b>
Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas ("KBA")	No projects are owned, leased or managed in or adjacent to protected areas and/or KBA.	<b>Disclosed</b>
Megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool.	Water usage is at an immaterial level until development and construction begins.	<b>When construction begins</b>
Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	Essential Metals currently has six employees. Diversity will become material when development and construction begins.	<b>When construction begins</b>
Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	Essential Metals currently has six employees. Priority areas of equality will become material when development and construction begins.	<b>When construction begins</b>

## ENVIRONMENTAL, SOCIAL & GOVERNANCE

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Ratios of standard entry level wage by gender compared to local minimum wage.	Essential Metals currently has six employees. Gender wage ratios will become material when development and construction begins.	<b>When construction begins</b>
Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO.	Essential Metals currently has six employees. The CEO to employee remuneration ratio will become material when development and construction begins.	<b>When construction begins</b>
An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour.	As Essential Metals only operates in Australia and uses local suppliers, there is a very low risk of incidents of child labour, forced or compulsory labour.	<b>When construction begins</b>
The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked.	There were zero fatalities, injuries, incidents or accidents in the current reporting period.	<b>Disclosed</b>
An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.	Essential Metals does not currently facilitate workers' access to non-occupational medical and healthcare services.	<b>Disclosed</b>
Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees).	Essential Metals currently has six employees. Training hours will become material when development and construction begins.	<b>When construction begins</b>
Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	Essential Metals currently has six employees. Training expenditure will become material when development and construction begins.	<b>When construction begins</b>
Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region.	Essential Metals currently has six employees. New hire profiling will become material when development and construction begins.	<b>When construction begins</b>
Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	Essential Metals currently has six employees. Employee turnover will become material when development and construction begins.	<b>When construction begins</b>
Direct economic value generated and distributed ("EVG&D"), on an accruals basis, covering the basic components for the organization's global operations.	To be disclosed in FY24.	<b>FY24</b>
Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.	To be disclosed in FY24.	<b>FY24</b>
Total capital expenditures ("CapEx") minus depreciation, supported by narrative to describe the company's investment strategy	To be disclosed in FY24.	<b>FY24</b>

## ENVIRONMENTAL, SOCIAL & GOVERNANCE

Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders.	To be disclosed in FY24.	<b>FY24</b>
Total costs related to research and development.	To be disclosed in FY24.	<b>FY24</b>
The total global tax borne by the company.	To be disclosed in FY24.	<b>FY24</b>

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## DIRECTORS' REPORT

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 2023.

### 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
<b>Craig McGown</b>	
Qualifications	B.Comm
Position	Independent Non-Executive Chairman
Appointment date	13 June 2008
Resignation date	N/A
Length of service	15 years 3 months
Biography	Mr McGown is an investment banker with over 40 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 Dacian Gold Limited – 28 September 2022 to present
Former ASX listed directorships in the last three years	Venturex Resources Limited – 8 February 2021 to 9 June 2021
<b>Timothy Spencer</b>	
Qualifications	B.Econ, CPA
Position	Managing Director
Appointment date	31 March 2020
Resignation date	N/A
Length of service	3 years 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

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## DIRECTORS' REPORT

<b>Paul Payne</b>	
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	3 years 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 initial major 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	Carnaby Resources Limited – 1 July 2016 to present
Former ASX listed directorships in the last three years	Dreadnought Resources Limited – 21 December 2017 to 13 September 2022
<b>Warren Hallam</b>	
Qualifications	B. App Sci (Metallurgy), MSc Min. Econ, GradDipBus
Position	Independent Non-Executive Director
Appointment date	1 August 2020
Resignation date	N/A
Length of service	2 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 Kingfisher Mining Limited and Poseidon Nickel 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	Kingfisher Mining Limited – 4 December 2018 to present Poseidon Nickel Limited – 1 June 2022 to present St Barbara Limited – 7 September 2023 to present
Former ASX listed directorships in the last three years	Nico Resources Limited – 29 April 2021 to 24 March 2023 Nelson Resources Limited – 1 February 2019 to 31 May 2022 Millennium Minerals Limited – 27 August 2019 to 7 September 2020

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# DIRECTORS' REPORT

## DIRECTORS' SHAREHOLDINGS

As at the date of this report, the interests of the directors in the shares, options and performance rights of Essential Metals Limited were:

Director	Ordinary Shares	Unlisted Share Options	Unlisted Performance Rights
C. McGown	2,177,031	1,000,002	-
T. Spencer	2,243,956	1,500,000	1,015,636
P. Payne	930,569	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

The following options and performance rights were granted to the following directors and senior management in the financial year ended 30 June 2023:

Name	Unlisted performance rights	Issuing entity	Number of ordinary shares under option/right
T. Spencer	219,718	Essential Metals Limited	219,718
C. Travaglini	126,761	Essential Metals Limited	-
A. Dunn	112,676	Essential Metals Limited	-

Since the end of the financial year, the following performance rights were granted to the following directors and senior management of the Company and its controlled entities as part of their remuneration.

Name	Unlisted performance rights	Issuing entity	Number of ordinary shares under option/right
M. Watson	220,482	Essential Metals Limited	220,482

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## DIRECTORS' REPORT

### 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). Twenty-four board meetings were held during the financial year, including additional meetings held in relation to the Scheme of Arrangement processes. 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.

Director	Board of Director's Meetings	
	Eligible	Attended
C. McGown	24	24
T. Spencer	24	24
P. Payne	24	24
W. Hallam	24	24

### COMPANY SECRETARY

Name	Details
<b>Greg Fitzgerald</b>	
Qualifications	B.Bus
Company Secretary Appointment date	14 October 2022
Resignation date	N/A
Length of service	11 months
Biography	Mr Fitzgerald is a former Chartered Accountant with over 30 years of resources related experience and has had extensive involvement in managing finance and administrative matters for listed resources companies. He has performed the roles of Company Secretary, Chief Financial Officer and Non-Executive Director for a number of ASX listed resources companies. Prior to that he worked for EY as a manager in the firm's audit division before moving into the resources sector.
<b>Carl Travaglini</b>	
Qualifications	CA, ACG (CS)
Company Secretary Appointment date	31 March 2020
Resignation date	14 October 2022
Length of service	2 years 7 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 14 years' experience in financial reporting, corporate governance and risk management.

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# DIRECTORS' REPORT

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the current reporting period consisted of mineral exploration in Western Australia.

There were no other 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 \$1,470,000 (2022: \$1,407,000). There were no project exploration write-offs/write-downs in the current reporting period (2022: \$113,000).

## 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 \$3,804,000 (2022: \$3,188,000) in relation to exploration and evaluation expenditure which has been capitalised to the Statement of Financial Position. 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 Australian Nickel Company Limited, were active in the Acra, Kangan, Balagundi, Wattle Dam-Larkinville and Blair-Golden Ridge joint ventures, respectively.

No exploration write-downs were recognised in the current reporting period. Write-downs totalling \$113,000 were recognised in the prior year which related to the write-down of capitalised costs on tenements surrendered and tenements in application.

## Corporate and financial position

As at 30 June 2023 the Group had cash reserves of \$7,966,000 (2022: \$10,527,000). The movement in cash is detailed in the Statement of Cash Flows on page 49 of this report.

## Future developments, business strategies and prospects for future financial years

The Group is advancing the following projects:

- (i) Exploration and pre-development 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

## DIRECTORS' REPORT

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.

On 3 July 2023, the Group and Develop Global Limited (DVP) announced the execution of a binding Scheme Implementation Agreement (SIA) for the implementation of a Scheme of Arrangement (Scheme) under which DVP will acquire 100% of the issued capital of the Company. The Scheme Consideration is 1 new Develop Share for every 6.18 Essential Shares held. The Scheme is subject to various conditions including approval by Essential shareholders at a Scheme Meeting proposed to be held in on 18 October 2023.

### 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.

The material business risks that the Group faces that could influence the Group's future prospects and how these are managed, are outlined below.

- **Pioneer Dome Lithium Project development risk**

The future value of Essential is materially dependent on the success or otherwise of the activities directed towards the development of the Pioneer Dome Lithium Project. New mining operations (particularly sole development projects) can often experience a range of issues during planning, development, construction and mine start-up, which could delay the commencement of production. Risks include uncertainties associated with projected continuity of mineralisation, fluctuations in grades and value of lithium being mined, and a range of potential unforeseen operational and technical problems.

Developments may also be adversely affected or hampered by a variety of non-technical issues such as limitations on activities due to land access, power and water infrastructure and supply, seasonal changes, indigenous, heritage and environmental legislation, supply chain issues, mining legislation and many other factors, including capital cost increases, beyond the control of Essential.

- **Capital and financing risk**

Essential's continued ability to operate its business and effectively implement its business plan over time will depend in part on its ability to raise additional funds for future operations and to repay or refinance debts as they fall due. There is risk that Essential may not be able to access equity or debt capital markets to support its business objectives. Management and the Board constantly monitor and optimise non-discretionary expenditure and critically assess discretionary spend to ensure alignment with strategy. Cash flow forecasts are reviewed monthly in order to assess future funding requirements.

- **Global lithium market and financial conditions**

The Pioneer Dome Lithium Project is seeking to produce a lithium spodumene concentrate. Demand for, and pricing of, spodumene concentrate is sensitive to a variety of external factors, most of which are beyond Essential's control. The Company will seek to secure offtake contracts with customers covering future production at prices and on terms which support the economics and funding of the Company's projects.

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## DIRECTORS' REPORT

- **Native title and Aboriginal heritage**

The area of the tenements which the Company has an interest in or will in the future acquire such an interest in, may be subject to native title rights and interests. If native title rights do exist (and have not been extinguished), the ability of the Company to gain access to tenements (through obtaining consent of the native title claimants or holders, or any relevant landowners as applicable), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

Two of the tenements comprising the Pioneer Dome Project are wholly overlapped by the Ngadju Part B (WCD 2017/002) native title determination (Ngadju Determination). The interests of the Ngadju people are represented by the Ngadju Native Title Aboriginal Corporation RNTBC (NNTAC). A number of other tenements are also overlapped by native title claims and determinations.

Whilst Essential and NNTAC have agreements in place covering heritage protection and mining activities that include various forms of compensation to the benefit of NNTAC, including a royalty linked to the sale of lithium minerals, there is potential for other compensation liability in respect of the tenements which overlap the determination area. The Company actively engages the NNTAC and is due to commence a heritage survey over M15/1896 in October 2023.

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. The Board has also established a "Whistle Blower" protocol to ensure all employees have, if required, access to such a process.

### 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 four permanent employees as at 30 June 2023 (2022: five employees) and three casual employees (2022: two casual employees).

### ENVIRONMENTAL REGULATIONS

The Group holds various licences that regulate its activities in Australia. 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

There was no significant change in the state of affairs of the Group during the current reporting period.

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# DIRECTORS' REPORT

## SUBSEQUENT EVENTS

Subsequent to the end of the current financial year but before the date of this report, on 3 July 2023 the Company and Develop Global Limited (DVP) announced the execution of a binding Scheme Implementation Agreement (SIA) for the implementation of a Scheme of Arrangement (Scheme) under which DVP will acquire 100% of the issued capital of the Company. The Scheme Consideration is 1 new Develop share for every 6.18 Essential shares held. The Scheme is subject to various conditions including approval by Essential shareholders at a Scheme Meeting scheduled to be held on 18 October 2023.

On 13 July 2023 the Group issued 100,000 unlisted performance rights as a sign-on incentive under the Group's shareholder approved Equity Incentive Scheme.

On 17 July 2023 the Group issued 1,293,273 fully paid ordinary shares upon the exercise of performance rights previously issued under the employee incentive scheme.

On 28 July 2023 the Group issued 277,051 unlisted performance rights to employees under the Group's shareholder approved Equity Incentive Plan for the 2023/24 financial year.

The performance rights are subject to the following vesting criteria:

- a) **Absolute TSR:** 50% of the granted performance rights will be subject to a vesting condition, whereby the Absolute Total Shareholder Return (Absolute TSR) must exceed 25%. Absolute TSR is measured as follows:
  - "Absolute TSR" =  $[(Ending\ Price - Beginning\ Price) + Dividends] / Beginning\ Price$ .
  - "Beginning Price" = Closing price on 30 June 2023.
  - "Ending Price" = Closing price on 30 June 2026.
- b) **Relative TSR:** 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 70% of the 10 peer group of companies over the performance period. To be clear, this vesting condition can only be met if the Company's TSR is positive.

The Peer Group of companies is as follows:

LRS	Latin Resources	CHR	Charger Metals
AZS	Azure Minerals Limited	MLS	Metals Australia
GL1	Global Lithium	GT1	Green Technology Metals
DLI	Delta Lithium Limited	MRR	Minrex Resources
WC8	Wildcat Resources	AAJ	Aruma Resources

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)

# DIRECTORS' REPORT

## CAPITAL STRUCTURE

### Listed shares and options on issue

During the year, the Company issued a total of 20,579,269 fully paid ordinary shares upon the conversion of ESSO listed options expiring 30 November 2022 by shareholders at an exercise price of \$0.15 per option. 141,460 ESSO listed options expired on 30 November 2022.

As at the date of this report, the Group had 268,859,967 fully paid ordinary shares on issue (ASX: ESS) and 5,396,799 unlisted options and performance rights on issue.

### Shares under option or issued on exercise of options

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

Issuing entity	Security type	Number	Class of shares	Exercise price of option	Expiry date of option/right
Essential Metals Limited	Unlisted Share Option	500,000	Ordinary	\$0.25	31-Jan-2024
Essential Metals Limited	Unlisted Share Option	500,000	Ordinary	\$0.35	31-Jan-2024
Essential Metals Limited	Unlisted Share Option	500,000	Ordinary	\$0.45	31-Jan-2024
Essential Metals Limited	Unlisted Share Option	533,334	Ordinary	\$0.25	30-Jun-2024
Essential Metals Limited	Unlisted Share Option	533,334	Ordinary	\$0.35	30-Jun-2024
Essential Metals Limited	Unlisted Share Option	533,334	Ordinary	\$0.45	30-Jun-2024
Essential Metals Limited	Unlisted Share Option	200,000	Ordinary	\$0.125	30-Sep-2024
Essential Metals Limited	Unlisted Share Option	200,000	Ordinary	\$0.175	30-Sep-2024
Essential Metals Limited	Unlisted Share Option	200,000	Ordinary	\$0.225	30-Sep-2024
Essential Metals Limited	Unlisted Performance Right	959,184	Ordinary	N/A	30-Jun-2025
Essential Metals Limited	Unlisted Performance Right	360,562	Ordinary	N/A	30-Jun-2026
Essential Metals Limited	Unlisted Performance Right	100,000	Ordinary	N/A	10-Jul-2025
Essential Metals Limited	Unlisted Performance Right	277,051	Ordinary	N/A	30-Jun-2027

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 2023, 20,579,269 ESSO listed share options (2022: 3,851,880) and 500,000 share options were exercised (2022: 1,680,556).

### Performance rights converted

During the financial year ended 30 June 2023, no unlisted performance rights were converted into ordinary shares (2022: 100,000).

## 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.

## DIRECTORS' REPORT

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

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

### 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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# DIRECTORS' REPORT

## 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 2023.

#### 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	
Executive Directors		
Mr Timothy Spencer	Managing Director	
Other KMP		
Mr Carl Travaglini	Chief Financial Officer & Company Secretary (resigned 14 October 2022)	
Mr Andrew Dunn	Exploration Manager (resigned 25 July 2023)	
Mr Matthew Watson	Chief Geologist (appointed 10 July 2023)	

The above named persons held their current position for the whole of the financial year and since the end of the financial year unless otherwise stated.

## DIRECTORS' REPORT

### 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 Statement 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.

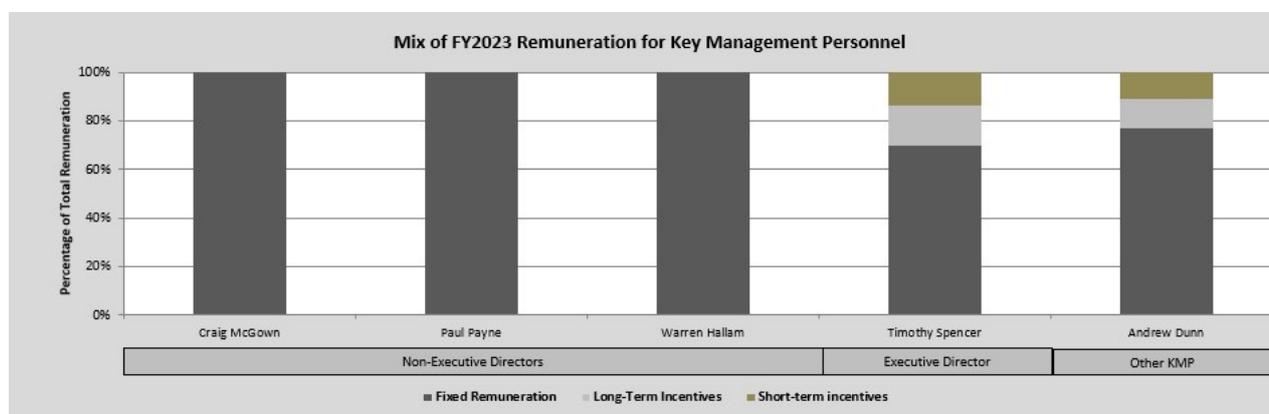
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# DIRECTORS' REPORT

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 2023 financial year.



## Annual General Meeting voting results

The Company received strong support for its 2022 Remuneration Report as evidenced by voting results at the Company's 2022 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 2023 or the previous financial year ended 30 June 2022.

## DIRECTORS' REPORT

### 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 10.5% throughout the financial year ended 30 June 2023. 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

## DIRECTORS' REPORT

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 2023:
  - Successful completion of the Pioneer Dome Lithium Project Scoping Study, the Mineral Resource Estimate update and the granting of the Mining Lease.
  - Progression of the TLEA and Develop Scheme of Arrangements.
- B. STIs forfeited - hurdles not met by 30 June 2023:
  - New project generation.
  - execution of a farm-out joint venture.

KMP STIs	Maximum	Granted	%
A – STIs awarded	\$122,500	\$101,063	82.5%
Timothy Spencer	\$82,500	\$68,063	82.5%
Andrew Dunn	\$40,000	\$33,000	82.5%
B – STIs forfeited	\$21,437	-	-
Timothy Spencer	\$14,437	-	-
Andrew Dunn	\$7,000	-	-

## DIRECTORS' REPORT

### *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 22 November 2022. 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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## DIRECTORS' REPORT

### F. Details of remuneration

	Fixed remuneration				Variable remuneration		Total	Performance based
	Base salary	Other	Super-annuation	ETPs	STIs	LTIs <sup>6</sup>		
	\$	\$	\$	\$	Cash	Non-cash		
<b>2023</b>								
<b>Current Disclosed KMP</b>								
<b>Non-Executive Directors</b>								
C McGown <sup>1</sup>	82,500	44,000	8,663	-	-	-	135,163	0%
P Payne <sup>2</sup>	60,000	24,877	8,923	-	-	-	93,800	0%
W Hallam <sup>2</sup>	60,000	24,877	8,923	-	-	-	93,800	0%
<b>Executive Director</b>								
T Spencer <sup>3</sup>	280,000	25,864	27,500	-	68,063	86,473	487,900	32%
<b>Other KMP</b>								
A Dunn <sup>4</sup>	200,000	9,297	24,465	-	33,000	37,278	304,040	23%
<b>Totals</b>	<b>682,500</b>	<b>128,915</b>	<b>78,474</b>	<b>-</b>	<b>101,063</b>	<b>123,751</b>	<b>1,114,703</b>	<b>20%</b>
<b>Former Disclosed KMP</b>								
<b>Other KMP</b>								
C Travaglini <sup>5</sup>	84,319	(4,919)	6,868	-	-	(33,246)	53,022	0%
<b>Total Remuneration</b>	<b>766,819</b>	<b>123,996</b>	<b>85,342</b>	<b>-</b>	<b>101,063</b>	<b>90,505</b>	<b>1,167,725</b>	<b>16%</b>

#### Notes:

<sup>1</sup> -Mr McGown's director fees were paid to Resource Investment Capital Advisors Pty Ltd.

-Mr McGown's 'other benefits' include consulting fees and special exertion fees in relation to increased corporate activity.

<sup>2</sup> -Mr Payne's and Mr Hallam's 'other benefits' include special exertion fees in relation to increased corporate activity.

<sup>3</sup> -Mr Spencer's 'other benefits' relate to the cost of car parking at the Company's premises, movement in provision for accrued annual leave entitlements and superannuation entitlements above the general concessional contributions cap for FY2023 which are paid as part of Mr Spencer's salary.

-Mr Spencer accrued a cash bonus for the current financial year for successfully meeting KPIs as at 30 June 2023 as stated above.

-Mr Spencer's base salary increased from \$260,000 to \$300,000 per annum effective 1 January 2023.

<sup>4</sup> -Mr Dunn's 'other benefits' relate to the cost of car parking at the Company's premises and movement in 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 2023 as stated above.

<sup>5</sup> - Mr Travaglini ceased to be a KMP on 14 October 2022.

-Mr Travaglini's 'other benefits' relate to the cost of car parking at the Company's premises and movement in provision for accrued annual leave entitlements.

-Performance Rights issued to Mr Travaglini during his period of employment with the Company both lapsed and cancelled upon cessation of employment in the current financial year resulting in a negative LTI share based payment expense.

<sup>6</sup> -Current period apportionment of unlisted performance rights share based payment expense.

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## DIRECTORS' REPORT

	Fixed remuneration				Variable remuneration		Total	Performance based
	Base salary	Other	Super-annuation	ETPs	STIs	LTIs <sup>6</sup>		
	\$	\$	\$	\$	Cash	Non-cash		
<b>2022</b>								
<b>Current Disclosed KMP</b>								
<b>Non-Executive Directors</b>								
C McGown <sup>1</sup>	82,500	-	-	-	-	-	82,500	0%
P Payne <sup>2</sup>	54,545	-	5,455	-	-	-	60,000	0%
W Hallam <sup>2</sup>	54,545	-	5,455	-	-	-	60,000	0%
<b>Executive Director</b>								
T Spencer <sup>3</sup>	261,000	6,412	26,950	-	19,500	78,157	392,019	25%
<b>Other KMP</b>								
C Travaglini <sup>4</sup>	225,000	2,443	23,625	-	11,250	26,467	288,785	13%
A Dunn <sup>5</sup>	200,000	9,787	21,000	-	10,000	23,175	263,961	13%
<b>Total Remuneration</b>	<b>877,591</b>	<b>18,642</b>	<b>82,484</b>	<b>-</b>	<b>40,750</b>	<b>127,798</b>	<b>1,147,265</b>	<b>15%</b>

**Notes:**

<sup>1</sup> -Mr McGown's director fees were paid to Resource Investment Capital Advisors Pty Ltd.

-Mr McGown's director fees were increased to \$82,500 per annum plus 10.5% superannuation effective 1 July 2022.

<sup>2</sup> -Mr Payne and Mr Hallam's director fees were increased to \$60,000 per annum plus 10.5% superannuation effective 1 July 2022.

<sup>3</sup> -Mr Spencer's 'other benefits' relate to 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 2022 as stated above.

-Mr Spencer's base salary increased from \$250,000 to \$260,000 per annum effective 1 July 2021.

<sup>4</sup> -Mr Travaglini's 'other benefits' relate to the cost of car parking at the Company's premises and a provision for accrued annual leave entitlements.

-Mr Travaglini accrued a cash bonus for the current financial year for successfully meeting KPIs as at 30 June 2022 as stated above.

-Mr Travaglini's base salary increased from \$215,000 to \$225,000 per annum effective 1 July 2021.

<sup>5</sup> -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 2022 as stated above.

-Mr Dunn's base salary increased from \$180,000 to \$200,000 per annum effective 1 July 2021.

<sup>6</sup> -Current period apportionment of unlisted performance rights share based payment expense.

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## DIRECTORS' REPORT

### G. Share-based compensation

The following table sets out the terms and conditions of each grant of performance rights affecting remuneration in the current or a future reporting period:

Grant Date	Vesting and exercise date	Exercise Price	Value per Right at Grant Date	Expiry Date	Performance achieved	% Vested
31-Jan-2020	31-Dec-2022	N/A	\$0.012	31-Jan-2024	n/a	100%
26-Oct-2020	30-Jun-2023	N/A	\$0.068	30-Jun-2024	>25% ATSR <sup>1</sup>	100%
26-Oct-2020	30-Jun-2023	N/A	\$0.071	30-Jun-2024	>70% RTSR <sup>2</sup>	100%
15-Dec-2020	30-Jun-2023	N/A	\$0.052	30-Jun-2024	>25% ATSR <sup>1</sup>	100%
15-Dec-2020	30-Jun-2023	N/A	\$0.055	30-Jun-2024	>70% RTSR <sup>2</sup>	100%
27-Jul-2021	30-Jun-2024	N/A	\$0.122	30-Jun-2025	To be determined	n/a
22-Jul-2021	30-Jun-2024	N/A	\$0.135	30-Jun-2025	To be determined	n/a
23-Nov-2021	30-Jun-2024	N/A	\$0.187	30-Jun-2025	To be determined	n/a
23-Nov-2021	30-Jun-2024	N/A	\$0.186	30-Jun-2025	To be determined	n/a
22-Nov-2022	30-Jun-2025	N/A	\$0.348	30-Jun-2026	To be determined	n/a
22-Nov-2022	30-Jun-2025	N/A	\$0.308	30-Jun-2026	To be determined	n/a
17-Aug-2022	30-Jun-2025	N/A	\$0.387	30-Jun-2026	To be determined	n/a
17-Aug-2022	30-Jun-2025	N/A	\$0.364	30-Jun-2026	To be determined	n/a
25-Dec-2022	30-Jun-2025	N/A	\$0.387	30-Jun-2026	n/a - expired	n/a
25-Dec-2022	30-Jun-2025	N/A	\$0.364	30-Jun-2026	n/a - expired	n/a
25-Dec-2022	12-Dec-2023	N/A	\$0.364	31-Dec-2024	n/a - expired	n/a

**Notes:**

<sup>1</sup>ATSR = Absolute Total Shareholder Return.

<sup>2</sup>RTSR = Relative Total Shareholder Return.

The following table sets out the terms and conditions of each grant of unlisted options affecting remuneration in the current or a future reporting period:

Grant Date	Vesting and exercise date	Exercise Price	Value per Option at Grant Date	Expiry Date	Performance achieved	% Vested
31-Jan-2020	31-Jan-2020	25 cents	0.0081	31-Jan-2024	n/a	100%
31-Jan-2020	31-Jan-2020	35 cents	0.0074	31-Jan-2024	n/a	100%
31-Jan-2020	31-Jan-2020	45 cents	0.0069	31-Jan-2024	n/a	100%
7-Jul-2020	7-Jul-2020	25 cents	0.0060	30-Jun-2024	n/a	100%
7-Jul-2020	7-Jul-2020	35 cents	0.0050	30-Jun-2024	n/a	100%
7-Jul-2020	7-Jul-2020	45 cents	0.0040	30-Jun-2024	n/a	100%
15-Dec-2020	15-Dec-2020	12.5 cents	0.0440	30-Sep-2024	n/a	100%
15-Dec-2020	15-Dec-2020	17.5 cents	0.0390	30-Sep-2024	n/a	100%
15-Dec-2020	15-Dec-2020	22.5 cents	0.0350	30-Sep-2024	n/a	100%

The following table sets out the type and number of LTIs granted to KMP during the current financial year:

KMP	Class	Grant Date	Number	Exercise Price	Expiry Date	Vested During the year
T Spencer	Unlisted Performance Rights	22-Nov-2022	219,718	N/A	30-Jun-2026	-
C Travaglini <sup>1</sup>	Unlisted Performance Rights	17-Aug-2022	126,761	N/A	30-Jun-2026	-
A Dunn	Unlisted Performance Rights	17-Aug-2022	112,676	N/A	30-Jun-2026	-
Total			459,155			

**Notes:**

<sup>1</sup>C Travaglini resigned effective 14 October 2022.

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

## DIRECTORS' REPORT

Share Options	Balance at 1 July 2022	Granted as compensation	Exercised	Lapsed or cancelled	Balance at 30 June 2023	Balance vested & exercisable at 30 June 2023	Vested during year (number)	Vested during year (%)
C McGown	1,176,472	-	(176,470)	-	1,000,002	1,000,002	-	0%
P Payne	776,470	-	(176,470)	-	600,000	600,000	-	0%
W Hallam	600,000	-	-	-	600,000	600,000	-	0%
T Spencer	1,500,000	-	-	-	1,500,000	1,500,000	-	0%
Totals	4,052,942	-	(352,940)	-	3,700,002	3,700,002	-	

Performance Rights	Balance at 1 July 2022	Granted as compensation	Converted	Expired or cancelled	Balance at 30 June 2023	Balance vested & convertible at 30 June 2023	Vested during year (number)	Vested during year (%)
T Spencer	1,750,463	219,718	-	-	1,970,181	954,545	954,545	48%
C Travaglini <sup>1</sup>	752,366	126,761	-	(879,127)	-	-	-	0%
A Dunn	653,618	112,676	-	-	766,294	245,455	245,455	32%
Totals	3,156,447	459,155	-	(879,127)	2,736,475	1,200,000	1,200,000	

**Notes:**

<sup>1</sup>C Travaglini resigned effective 14 October 2022.

All equity instruments issued to KMP were made in accordance with the provisions of the Group's Equity Incentive Plan.

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

Further details of the Group's Equity Incentive Plan and of equity incentives issued during the current and prior financial years are contained in Note 16 to the financial statements.

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## DIRECTORS' REPORT

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

	Balance at 1 July 2022	Acquired upon exercise of ESSO listed share options	Disposed during the year	Balance at 30 June 2023
C McGown <sup>1</sup>	2,000,561	176,470	-	2,177,031
P Payne <sup>2</sup>	754,099	176,470	-	930,569
W Hallam	200,000	-	-	200,000
T Spencer <sup>3</sup>	1,289,411	-	-	1,289,411
C Travaglini <sup>4</sup>	296,470	-	(296,470)	-
<b>Totals</b>	<b>4,540,541</b>	<b>352,940</b>	<b>(296,470)</b>	<b>4,597,011</b>

**Notes:**

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> C Travaglini resigned effective 14 October 2022.

The amounts paid per ordinary share on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
25-Aug-2022	\$0.15
25-Aug-2022	\$0.15

No amounts are unpaid on any shares issued on the exercise of options.

### 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 Exploration Manager – 2 months
Notice by Company	Managing Director: With cause - immediate dismissal to 6 months depending on circumstances Without cause - 6 months  Exploration Manager/Chief Geologist: With cause - immediate dismissal to 1 month depending on circumstances Without cause - 2 months
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 and Exploration Manager under the Company's STI and LTI plans, subject to ASX Listing Rule 10.18 and the Corporations Act.

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# DIRECTORS' REPORT

## 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 2023:

	2023	2022	2021	2020	2019
Revenue (\$'000)	-	-	106	9,127	10,528
Net profit/(loss) before tax (\$'000)	(1,470)	(1,407)	(1,383)	1,361	273
Net profit/(loss) after tax (\$'000)	(1,470)	(1,407)	(1,383)	1,361	273
Net earnings/(loss) after tax per share (cents per share) <sup>1</sup>	(0.57)	(0.59)	(0.77)	0.90	0.18
Share price at end of year (cents per share)	41.5	35.5	9.5	11	11
Absolute total shareholder return <sup>2</sup>	17%	274%	(14%)	-	n/a
Relative total shareholder return <sup>2</sup>	90%	80%	36%	73%	n/a

**Note:**

<sup>1</sup> Includes diluted earnings/(loss) after tax per share.

<sup>2</sup> 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.

### 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, 26 September 2023

## AUDITOR'S INDEPENDENCE DECLARATION



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

As lead auditor of Essential Metals Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

**Phillip Murdoch**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth  
26 September 2023

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Other income	6	1,161	526
Interest income		239	30
Exploration expenditure		-	(3)
Employee benefits expense (incl. director fees)	8	(1,079)	(783)
Compliance & regulatory expenses		(193)	(188)
Consultancy expenses		(207)	(274)
Business development & investor relations		(244)	(219)
Administration costs		(136)	(143)
Interest expense		(25)	(10)
Exploration and evaluation expenditure written off	12	-	(113)
Depreciation – Right-of-use assets		(43)	(32)
Depreciation – Plant, equipment and motor vehicles		(8)	(14)
Loss on disposal of plant, equipment and motor vehicles		-	(18)
Foreign exchange differences		-	(1)
Share based payments		(126)	(165)
Scheme of arrangement costs		(809)	-
<b>LOSS BEFORE TAX</b>		<b>(1,470)</b>	<b>(1,407)</b>
Income tax	9	-	-
<b>LOSS FOR THE PERIOD FOR CONTINUING OPERATIONS</b>		<b>(1,470)</b>	<b>(1,407)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		-	(91)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in the fair value of financial assets	11	(43)	75
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>(43)</b>	<b>(16)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX</b>		<b>(1,513)</b>	<b>(1,423)</b>
<b>EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>			
Basic and diluted net loss per share attributable to ordinary equity holders	7	(\$0.0057)	(\$0.0059)

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

For the year ended 30 June 2023

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10(a)	7,966	10,527
Trade and other receivables		1,001	443
Investments	11	-	113
Prepayments		21	44
<b>TOTAL CURRENT ASSETS</b>		<b>8,988</b>	11,127
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation expenditure	12	20,530	16,726
Right-of-use assets		210	253
Plant, equipment and motor vehicles		72	95
Bank restricted deposits		21	21
<b>TOTAL NON-CURRENT ASSETS</b>		<b>20,833</b>	17,095
<b>TOTAL ASSETS</b>		<b>29,821</b>	28,221
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	730	564
Provisions	14	762	1,122
Lease Liabilities		37	43
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,529</b>	1,729
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		209	210
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>209</b>	210
<b>TOTAL LIABILITIES</b>		<b>1,738</b>	1,938
<b>NET ASSETS</b>		<b>28,083</b>	26,283
<b>EQUITY</b>			
Contributed equity	15	53,337	50,150
Reserves	18	1,498	1,350
Accumulated losses	19	(26,752)	(25,217)
<b>TOTAL EQUITY</b>		<b>28,083</b>	26,283

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Contributed equity	Share-based payment reserve	Investment revaluation reserve	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>BALANCE AT 1 JULY 2022</b>	<b>50,150</b>	<b>1,336</b>	<b>14</b>	<b>(25,217)</b>	<b>26,283</b>
Loss for the year	-	-	-	(1,470)	(1,470)
<b>OTHER COMPREHENSIVE INCOME/(LOSS):</b>					
Fair value adjustment of financial assets	-	-	(43)	-	(43)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>-</b>	<b>-</b>	<b>(43)</b>	<b>(1,470)</b>	<b>(1,513)</b>
Reclassification of gain on sale of financial assets	-	-	65	(65)	-
Share based payments	-	126	-	-	126
Shares issued on conversion of listed share options	3,087	-	-	-	3,087
Shares issued on conversion of unlisted share options	100	-	-	-	100
<b>BALANCE AT 30 JUNE 2023</b>	<b>53,337</b>	<b>1,462</b>	<b>36</b>	<b>(26,752)</b>	<b>28,083</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Contributed equity	Share-based payment reserve	Investment revaluation reserve	Foreign exchange translation reserve	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>BALANCE AT 1 JULY 2021</b>	44,538	1,163	(61)	91	(25,328)	20,403
Loss for the year	-	-	-	-	(1,407)	(1,407)
<b>OTHER COMPREHENSIVE INCOME/(LOSS):</b>						
Fair value adjustment of financial assets	-	-	75	-	-	75
Exchange differences on foreign operations	-	-	-	(91)	-	(91)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	-	-	75	(91)	(1,407)	(1,423)
Reclassification of gain on sale of financial assets	-	-	-	-	1,518	1,518
Share based payments	-	165	-	-	-	165
Shares issued for cash (net of transaction costs)	4,719	108	-	-	-	4,827
Shares issued on conversion of listed share options	493	-	-	-	-	493
Shares issued on conversion of unlisted share options	300	-	-	-	-	300
Listed share option exercise valuation reallocation	100	(100)	-	-	-	-
<b>BALANCE AT 30 JUNE 2022</b>	<b>50,150</b>	<b>1,336</b>	<b>14</b>	<b>-</b>	<b>(25,217)</b>	<b>26,283</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
<b>CASH FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(2,411)	(1,500)
Interest received		157	20
Other income received		11	13
Exploration expensed		-	(3)
Income taxes paid		(4)	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	10(b)	<b>(2,247)</b>	<b>(1,470)</b>
<b>INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation		(3,786)	(2,787)
Payments for plant and equipment		(27)	(17)
Proceeds from the relinquishment of tenement rights		-	401
Proceeds from the sale of listed investments		-	2,965
Proceeds from the sale of subsidiaries		342	485
Payments relating to the disposal of subsidiaries		-	(85)
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>		<b>(3,471)</b>	<b>962</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		(30)	(50)
Proceeds from the issue of shares		3,187	5,965
Payments for share issue transaction costs		-	(346)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>3,157</b>	<b>5,569</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,561)</b>	<b>5,061</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>10,527</b>	<b>5,466</b>
Effect of foreign exchange rate changes		-	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	10(a)	<b>7,966</b>	<b>10,527</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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, 1292 Hay 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 26 September 2023. 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 (\$).

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. NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED**

The Group has adopted all of the new or Amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

## **3. 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:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Capitalised Mineral Exploration

The accounting policy for exploration and evaluation expenditure is set out in accounting policy Note 4.4. 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 4.10. 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 17. 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 Interest income

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

#### 4.3 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.

#### 4.4 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:

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- 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.

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.

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### **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 4.17 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 farminee;
- 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 farminee 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.

### **4.5 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.

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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

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- 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 Investment 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 11).

### **(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 20.

### **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.

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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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 20.

### **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,

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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.

## **4.6 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.

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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.

### 4.7 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.

### 4.8 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.

### 4.9 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.

### 4.10 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.

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### **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.

### **4.11 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.

### **4.12 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).

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- 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.

### 4.13 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.

### 4.14 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").

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

### 4.15 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).

### 4.16 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.

### 4.17 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

### 4.18 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 21(b).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 one operating segment being operations in Australia. As the results are the same as the consolidated entity they have not been repeated.

### 6. OTHER INCOME

	2023	2022
	\$'000	\$'000
Gain on disposal of subsidiary <sup>1</sup>	1,131	-
Blair-Golden Ridge Joint Venture exclusivity, option exercise & other contractual fees	-	400
Subsidiary sale exclusivity and option exercise fees	-	100
Other income	30	26
<b>Total other income</b>	<b>1,161</b>	<b>526</b>

<sup>1</sup>On 4 January 2022 the Company completed the sale of wholly owned Canadian subsidiary Pioneer Canada Lithium Corp. to a subsidiary of Critical Resources Limited (ASX:CRR) for the following consideration:

- \$750,000 cash payment (\$375,000 withheld pending an income tax assessment).
- 34,000,000 shares in Critical Resources Limited.
- Milestone payments:
  - \$750,000 cash payment following the definition of a Mineral Resource Estimate (as defined in the JORC Code 2012) for the Mavis Lake Lithium Project with a volume of not less than 5.0 million tonnes containing not less than 50,000 tonnes of Li<sub>2</sub>O using a cut-off grade of not less than 0.4% Li<sub>2</sub>O.
  - \$750,000 cash payment following the definition of a Mineral Resource Estimate (as defined in the JORC Code 2012) for the Mavis Lake Lithium Project with a volume of not less than 10.0 million tonnes containing not less than 100,000 tonnes of Li<sub>2</sub>O using a cut-off grade of not less than 0.4% Li<sub>2</sub>O.

The Group announced on 25 October 2021 that this subsidiary would be sold to take advantage of the strong sentiment in the lithium sector to divest a non-core, early-stage exploration asset located in Canada, consistent with its focus on its Western Australian lithium and gold projects.

During the year ended 30 June 2023, the income tax assessment in relation to the sale of the wholly owned subsidiary Pioneer Canada Lithium Corp (PCLC) was completed. The gain on disposal of subsidiary relates to the release of the Canadian income tax provision recognised at 30 June 2022.

In May 2023, the criteria for the payment of the first milestone payment was met and \$750,000 deferred consideration receivable was recognised within "Trade and other receivables" at 30 June 2023.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7. EARNINGS PER SHARE

The following reflects the earnings and share data used in the calculations of basic and diluted earnings per share for current and comparative reporting periods:

	2023	2022
	\$'000	\$'000
Earnings used in calculating basic and diluted earnings per share	(1,470)	(1,407)
Weighted average number of ordinary shares used in calculating basic earnings per share	259,692,772	237,876,807
<b>Basic and diluted earnings per share</b>	<b>(\$0.0057)</b>	<b>(\$0.0059)</b>

### 8. EMPLOYEE BENEFITS EXPENSE

	2023	2022
	\$'000	\$'000
Salaries, wages and superannuation	1,636	1,251
Salaries and wages capitalised to E&E asset	(880)	(670)
Director fees and charges <sup>1</sup>	323	202
<b>Total employee benefits expense</b>	<b>1,079</b>	<b>783</b>

**Note:**

<sup>1</sup> – Refer Note 25 for details of KMP remuneration.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9. 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 (30 June 2022: nil). Further deferred tax assets and liabilities will be settled net wherever possible and are therefore offset.

	2023	2022
	\$'000	\$'000
<b>INCOME TAX EXPENSE</b>		
<b>(a) Tax expense</b>		
Current tax expense	-	-
Deferred tax expense	-	-
<b>Total income tax expense per profit or loss and other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>(b) Numerical reconciliation between tax expense and pre-tax net profit</b>		
Net (loss)/profit before tax	<b>(1,470)</b>	(1,407)
Tax (benefit)/expense at the applicable corporate tax rate of 25% (2022: 25%)	<b>(368)</b>	(352)
Increase in income tax due to tax effect of:		
Share based payment expense	<b>31</b>	43
Non-deductible expenditure	<b>1</b>	449
Current year tax losses not recognised	<b>491</b>	-
Decrease in income tax expense due to:		
Unused tax losses and temp differences recognised	<b>(95)</b>	(101)
Movement in unrecognised temporary differences	<b>(33)</b>	-
Deductible capital raising costs	<b>(27)</b>	(40)
<b>Income tax expense attributable to entity</b>	<b>-</b>	<b>-</b>
<b>DEFERRED TAX ASSETS AND LIABILITIES</b>		
<b>(c) Recognised deferred tax assets and liabilities at 25% (2022: 25%)</b>		
<b>Deferred tax assets</b>		
Employee provisions	<b>16</b>	10
Other provisions and accruals	<b>15</b>	8
Rehabilitation assets and liabilities	<b>174</b>	174
Plant and equipment	<b>(17)</b>	(24)
ROU assets	<b>9</b>	-
Blackhole expenditure	<b>162</b>	-
Tax losses	<b>4,700</b>	3,833
	<b>5,059</b>	4,002
Set-off of deferred tax liabilities	<b>(5,059)</b>	(4,002)
Net deferred tax assets	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>		
Exploration and mine properties	<b>(5,035)</b>	(3,998)
Unearned income	<b>(24)</b>	(4)
Other deferred tax liabilities	<b>-</b>	-
Gross deferred tax liabilities	<b>(5,059)</b>	(4,002)
Set-off of deferred tax assets	<b>5,059</b>	4,002
Net deferred tax liabilities	<b>-</b>	<b>-</b>
<b>(d) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 25% (2022: 25%)</b>		
Deductible temporary differences	<b>72</b>	125
Tax revenue losses	<b>8,608</b>	7,992
Tax capital losses	<b>611</b>	595
Total unrecognised deferred tax assets	<b>9,291</b>	8,712

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10. 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:

	2023	2022
	\$'000	\$'000
Cash on hand and at bank	966	5,527
Term deposits	7,000	5,000
<b>Total cash and cash equivalents</b>	<b>7,966</b>	<b>10,527</b>

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

	2023	2022
	\$'000	\$'000
<b>(Loss)/profit from ordinary activities after income tax</b>	<b>(1,470)</b>	<b>(1,407)</b>
<i>Non-cash items:</i>		
Revaluation of listed investments	-	(646)
Depreciation	51	46
Unrealised foreign exchange (gain)/loss	-	1
Exploration written off	-	113
Share-based payments expense	126	165
Other non-cash transactions	(138)	43
<i>Change in operating assets and liabilities:</i>		
Decrease/(increase) in prepayments	(65)	(80)
Decrease/(increase) in receivables	(558)	(428)
(Decrease)/increase in current payables	166	361
(Decrease)/increase in provisions	(359)	362
<b>Net cash outflows) used in operating activities</b>	<b>(2,247)</b>	<b>(1,470)</b>

#### (c) Reconciliation of liabilities arising from financing activities

	2023	2022
	\$'000	\$'000
<b>Opening lease liabilities</b>	<b>253</b>	<b>179</b>
Financing cash flows	(30)	(50)
Non-cash changes <sup>1</sup>	23	124
<b>Balance at 30 June</b>	<b>246</b>	<b>253</b>

**Note:**

<sup>1</sup> - Non-cash changes relate to the termination of previous leases, take up of new leases and interest expense.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (d) Stand-by credit facilities

As at the current reporting date the Group had a business credit card facility available totalling \$30,000 (2022: \$30,000) of which \$9,000 (2022: \$8,000) was utilised.

## 11. 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:

	2023	2022
	\$'000	\$'000
<b>(b) Equity Investments at fair value through other comprehensive income</b>		
Opening balance	113	273
Acquisition of equity investments <sup>1</sup>	-	1,394
Changes in fair values recognised in other comprehensive income	(43)	75
Changes in fair values recognised directly in retained losses	-	1,518
Disposal of equity investments	(70)	(3,147)
<b>Current investments – Equity instruments</b>	<b>-</b>	<b>113</b>

**Note:**

<sup>1</sup> - During the year ended 30 June 2022, the Group completed the sale of its wholly owned Canadian subsidiary Pioneer Canada Lithium Corp to Critical Resources Limited (ASX: CRR) for \$750,000 in cash and \$1,394,000 CRR listed shares as consideration, being 34 million CRR shares valued at \$0.041 per share. In line with the Group's accounting policies the CRR shares were valued at fair value through other comprehensive income.

## 12. EXPLORATION AND EVALUATION EXPENDITURE

	2023	2022
	\$'000	\$'000
<b>Non-current – In the exploration and evaluation phase</b>		
Opening balance	16,726	15,430
Expenditure for the period <sup>1</sup>	3,804	3,084
Sale of subsidiary	-	(1,675)
Exploration expenditure written off	-	(113)
<b>Closing balance at 30 June</b>	<b>20,530</b>	<b>16,726</b>

**Note:**

<sup>1</sup> – 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

There were no exploration write-down's during the year (2022: \$1,775,000). Exploration write-downs in the comparative reporting period related primarily to the write-down of costs pertaining to tenements relinquished through the sale of wholly owned Canadian subsidiary Pioneer Canada Lithium Corp.

### 13. TRADE AND OTHER PAYABLES

	2023	2022
	\$'000	\$'000
<b>Current (Unsecured)</b>		
Trade creditors	398	373
Other creditors and accruals	332	191
<b>Total trade and other payables</b>	<b>730</b>	<b>564</b>

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.

### 14. PROVISIONS

	2023	2022
	\$'000	\$'000
<b>Current</b>		
Employee entitlements <sup>1</sup>	66	40
Rehabilitation provision <sup>2</sup>	696	696
Canadian income tax provision <sup>3</sup>	-	385
<b>Total current provisions</b>	<b>762</b>	<b>1,121</b>

**Notes:**

<sup>1</sup> - 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.

<sup>2</sup> - 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 the financial year ended 30 June 2024.

<sup>3</sup> - Refer to note 6 for further details.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. CONTRIBUTED EQUITY

#### (a) Ordinary shares on issue – fully paid

	2023	2022	2023	2022
	Shares	Shares	\$'000	\$'000
<b>Total contributed equity</b>	<b>267,566,694</b>	246,487,425	<b>53,337</b>	50,150

#### Ordinary shares

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 16.

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

	Date	Number of shares	Issue price	\$'000
<b>Opening Balance 1 July 2021</b>		<b>200,817,300</b>		<b>44,538</b>
Placement share issue – Tranche 1	11 Aug 2021	36,780,000	\$0.125	4,598
ESSO option exercise	20 Aug 2021	22,674	\$0.150	3
Placement share issue - Directors	22 Sep 2021	1,200,000	\$0.125	150
Placement share issue – Tranche 2	22 Sep 2021	2,020,000	\$0.125	252
Placement share issue costs		-	-	(445)
Performance rights conversion	24 Nov 2021	100,000	-	-
ESSO option exercise	24 Nov 2021	600,000	\$0.150	90
ESSO option exercise	24 Dec 2021	5,882	\$0.150	1
ESSO option exercise	25 Jan 2022	1,096,412	\$0.150	164
Unlisted broker option exercise	25 Jan 2022	450,000	\$0.200	90
ESSO option exercise	4 Feb 2022	104,704	\$0.150	16
Unlisted broker option exercise	4 Feb 2022	1,050,000	\$0.200	210
ESSO option exercise	3 Mar 2022	11,764	\$0.150	2
ESSO option exercise	1 Apr 2022	84,624	\$0.150	13
ESSO option exercise	29 Apr 2022	1,259,409	\$0.150	189
ESSO option exercise	6 May 2022	29,411	\$0.150	4
Unlisted option exercise	6 May 2022	180,556	\$0.450	81
ESSO option exercise	6 May 2022	637,000	\$0.150	96
ESSO option exercise	16 Jun 2022	37,689	\$0.150	6
Option exercise costs		-	-	(8)
ESSO option exercise valuation reallocation				100
<b>Closing balance at 30 June 2022</b>		<b>246,487,425</b>		<b>50,150</b>
ESSO Option Exercise	8 Aug 2022	335,645	\$0.150	50
ESSO Option Exercise	25 Aug 2022	659,365	\$0.150	99
ESSO Option Exercise	16 Sep 2022	551,352	\$0.150	83
ESSO Option Exercise	12 Oct 2022	328,895	\$0.150	49
ESSO Option Exercise	25 Oct 2022	3,410,947	\$0.150	512
ESSO Option Exercise	8 Nov 2022	1,598,360	\$0.150	240
ESSO Option Exercise	15 Nov 2022	2,281,675	\$0.150	342
ESSO Option Exercise	23 Nov 2022	3,310,265	\$0.150	497
ESSO Option Exercise	1 Dec 2022	8,102,765	\$0.150	1,215
Broker Option Exercise	27 Jan 2023	500,000	\$0.200	100
<b>Closing balance at 30 June 2023</b>		<b>267,566,694</b>		<b>53,337</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16. EQUITY INCENTIVES

Set out below are movements in equity incentives in the current and prior reporting periods:

2023	Opening balance	Granted	Exercised/ converted	Expired/ cancelled	Closing balance
<b>Unlisted options</b>					
Exercisable at 45 cents on or before 30/11/22	713,890	-	-	(713,890)	-
Exercisable at 20 cents on or before 10/08/23	500,000	-	(500,000)	-	-
Exercisable at 25 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 35 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 45 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 25 cents on or before 30/06/24	533,334	-	-	-	533,334
Exercisable at 35 cents on or before 30/06/24	533,334	-	-	-	533,334
Exercisable at 45 cents on or before 30/06/24	533,334	-	-	-	533,334
Exercisable at 12.5 cents on or before 30/09/24	200,000	-	-	-	200,000
Exercisable at 17.5 cents on or before 30/09/24	200,000	-	-	-	200,000
Exercisable at 22.5 cents on or before 30/09/24	200,000	-	-	-	200,000
<b>Listed options</b>					
Exercisable at 15 cents on or before 30/11/22	20,720,729	-	(20,579,269)	(141,460)	-
<b>Total options</b>	<b>25,634,621</b>	<b>-</b>	<b>(21,079,269)</b>	<b>(855,350)</b>	<b>3,700,002</b>
<b>Performance rights</b>					
Exercisable on or before 31/01/24 (vested)	500,000	-	-	-	500,000
Exercisable on or before 30/06/24 (vested)	1,145,610	-	-	(352,337)	793,273
Exercisable on or before 30/06/25 (unvested)	2,067,602	-	-	(516,582)	1,551,020
Exercisable on or before 30/06/26 (unvested)	-	726,572	-	(202,630)	523,942
Exercisable on or before 30/06/24 (unvested)	-	100,000	-	(100,000)	-
<b>Total performance rights</b>	<b>3,713,212</b>	<b>826,572</b>	<b>-</b>	<b>(1,171,549)</b>	<b>3,368,235</b>
<b>Total equity instruments</b>	<b>29,347,833</b>	<b>826,572</b>	<b>(21,079,269)</b>	<b>(2,026,899)</b>	<b>7,068,237</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

2022	Opening balance	Granted	Exercised/ converted	Expired/ cancelled	Closing balance
<b>Unlisted options</b>					
Exercisable at 35 cents on or before 30/11/21	894,446	-	-	(894,446)	-
Exercisable at 45 cents on or before 30/11/22	894,446	-	(180,556)	-	713,890
Exercisable at 20 cents on or before 10/08/23	-	2,000,000	(1,500,000)	-	500,000
Exercisable at 25 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 35 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 45 cents on or before 31/01/24	500,000	-	-	-	500,000
Exercisable at 25 cents on or before 30/06/24	533,334	-	-	-	533,334
Exercisable at 35 cents on or before 30/06/24	533,334	-	-	-	533,334
Exercisable at 45 cents on or before 30/06/24	533,334	-	-	-	533,334
Exercisable at 12.5 cents on or before 30/09/24	200,000	-	-	-	200,000
Exercisable at 17.5 cents on or before 30/09/24	200,000	-	-	-	200,000
Exercisable at 22.5 cents on or before 30/09/24	200,000	-	-	-	200,000
<b>Listed options</b>					
Exercisable at 15 cents on or before 30/11/22	24,610,298	-	(3,889,569)	-	20,720,729
<b>Total options</b>	<b>30,099,192</b>	<b>2,000,000</b>	<b>(5,570,125)</b>	<b>(894,446)</b>	<b>25,634,621</b>
<b>Performance rights</b>					
Exercisable on or before 31/12/23 (vested)	100,000	-	(100,000)	-	-
Exercisable on or before 31/01/24 (unvested)	500,000	-	-	-	500,000
Exercisable on or before 30/06/24 (unvested)	1,653,378	-	-	(507,768)	1,145,610
Exercisable on or before 30/06/25 (unvested)	-	2,067,602	-	-	2,067,602
<b>Total performance rights</b>	<b>2,253,378</b>	<b>2,067,602</b>	<b>(100,000)</b>	<b>(507,768)</b>	<b>3,713,212</b>
<b>Total equity instruments</b>	<b>32,352,570</b>	<b>4,067,602</b>	<b>(5,670,125)</b>	<b>(1,402,214)</b>	<b>29,347,833</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. 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 22 November 2022.

#### 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:

	2023		2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning of the year	25,634,621	\$0.18	30,099,192	\$0.19
Granted during the year	-	-	2,000,000	\$0.20
Exercised during the year	(21,079,269)	\$0.15	(5,570,125)	\$0.17
Expired/cancelled during the year	(855,350)	\$0.40	(894,446)	\$0.35
<b>Outstanding at the end of the year</b>	<b>3,700,002</b>	<b>\$0.32</b>	<b>25,634,621</b>	<b>\$0.18</b>
Vested and exercisable at the end of the year	3,700,002	\$0.32	25,634,621	\$0.18

The range of exercise prices for options outstanding at the end of the current financial year was 12.5 cents and 45 cents (2022: 12.5 cents and 45 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.

No options were granted during the year ended 30 June 2023. The fair value of options granted during the year ended 30 June 2022 was \$108,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (c) Unlisted Performance Rights

Refer to Note 16 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 2023 was \$270,000 (2022: \$312,000). The fair value of performance rights expensed to the statement of profit or loss and other comprehensive income during the year ended 30 June 2023 totalled \$126,000 (2022: \$149,000).

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

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

### 18. RESERVES

	2023 \$'000	2022 \$'000
Equity incentive reserve	1,462	1,336
Financial asset revaluation reserve	36	14
<b>Total reserves</b>	<b>1,498</b>	<b>1,350</b>

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 4.5 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.

	2023 \$'000	2022 \$'000
<b>Equity incentive reserve</b>		
Opening balance	1,336	1,163
Equity incentives issued during the year	-	108
Share based payment expense	199	165
Reversal of lapsed performance rights	(73)	-
Transfer to equity of ESSO listed options exercised during the year	-	(100)
<b>Closing balance</b>	<b>1,462</b>	<b>1,336</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 16.

### 19. ACCUMULATED LOSSES

	2023	2022
	\$'000	\$'000
Accumulated losses at the beginning of the year	(25,217)	(25,328)
Net (loss)/profit attributable to members	(1,470)	(1,407)
Reclassification of gain on sale of financial assets	-	1,518
Transfer from financial asset revaluation reserve – derecognition of investment	(65)	-
<b>Accumulated losses at the end of the year</b>	<b>(26,752)</b>	<b>(25,217)</b>

### 20. 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Categories of Financial Instruments

	2023	2022
	\$'000	\$'000
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	7,966	10,527
Trade and other receivables	1,001	443
<b>Investments in equity instruments designated as at FVOCI</b>		
Investments	-	113
<b>Total financial assets</b>	<b>8,967</b>	<b>11,083</b>
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	720	504
<b>Total financial liabilities</b>	<b>720</b>	<b>504</b>

### 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 10(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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

2023	Weighted average interest rate	Less than	1-3	3 months-	No fixed	Total
		1 month	months	>5 years	term	
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>						
<i>Financial assets at amortised cost</i>						
Non-interest bearing	-	1,001	-	-	-	1,001
Variable interest rate	1.49%	966	-	-	-	966
Fixed interest rate	4.40%	500	6,500	-	-	7,000
<i>Investments in equity instruments designated as at FVOCI</i>						
Investments	-	-	-	-	-	-
<b>Total financial assets</b>	<b>4.04%</b>	<b>2,467</b>	<b>6,500</b>	<b>-</b>	<b>-</b>	<b>8,967</b>
<b>Financial liabilities at amortised cost</b>						
Non-interest bearing	-	720	-	-	-	720
Variable interest rate	-	-	-	-	-	-
Fixed interest rate	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>720</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>720</b>

2022	Weighted average interest rate	Less than	1-3	3 months-	No fixed	Total
		1 month	months	>5 years	term	
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>						
<i>Financial assets at amortised cost</i>						
Non-interest bearing	-	68	-	-	375	443
Variable interest rate	0.10%	5,527	-	-	-	5,527
Fixed interest rate	1.25%	-	-	5,000	-	5,000
<i>Investments in equity instruments designated as at FVOCI</i>						
Investments	-	-	-	-	113	113
<b>Total financial assets</b>	<b>0.65%</b>	<b>5,595</b>	<b>-</b>	<b>5,000</b>	<b>488</b>	<b>11,082</b>
<b>Financial liabilities at amortised cost</b>						
Non-interest bearing	-	504	-	-	-	504
Variable interest rate	-	-	-	-	-	-
Fixed interest rate	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>504</b>

### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**

The Group was not exposed to any material commodity risk during and at the end of the current reporting period.

### **(e) Foreign exchange risk**

The Group disposed of its wholly owned Canadian subsidiary during the prior reporting period. The related capitalised exploration and evaluation balance was written off during the current reporting period and has removed any related foreign exchange risk exposure in relation to this balance that was denominated in Canadian dollars.

### **(f) Price risk on investments**

The Group disposed of its equity investments listed on the Toronto Stock Exchange (TSXV) during the current reporting period.

### **(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 (2022: 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21. GROUP COMPOSITION

#### (a) List of subsidiaries

	Place of incorporation	Principal activities	Ownership percentage	
			2023	2022
Golden Ridge North Kambalda Pty Ltd	Australia	Exploration	100%	100%
Western Copper Pty Ltd	Australia	Exploration	100%	100%

#### (b) Third party interests

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

Project	Third party partner or third party holder	Third party participating equity At 30 June 2023	ESS Interest held	
			30 June 2023	30 June 2022
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. ("NVO")	NVO holds 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")	MXR holds a 75% interest on gold minerals and 80% on nickel minerals.	25% Au 20% Ni	25% Au 20% Ni
Wattle Dam (Gold/Nickel)	Maximus Resources Limited ("MXR")	MXR holds a 100% interest on gold minerals and 80% on nickel minerals. Ardea Resources Limited has a pre-emptive right to nickel laterite ore.	20% Ni	20% Ni
Maggie Hays Hill (Nickel)	Poseidon Nickel Ltd ("POS")	POS holds an 80% interest all minerals.	20%	20%
Blair-Golden Ridge (Nickel)	Australian Nickel Company Ltd ("ANCO")	ANCO may earn a 75% interest on nickel minerals.	100%	100%

**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 4.4. There were no capital commitments or contingent liabilities arising out of the Group's third-party interest activities as at 30 June 2023 (2022: Nil).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### UNRECOGNISED ITEMS

#### 22. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 June 2023 (2022: Nil).

#### 23. 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 \$699,900 (2022: \$446,000). This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners, amounting to \$2,082,500 (2022: \$1,994,000).

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 2023 (2022: Nil).

#### 24. SUBSEQUENT EVENTS

Subsequent to the end of the current financial year but before the date of this report, on 3 July 2023 the Company and Develop Global Limited (DVP) announced the execution of a binding Scheme Implementation Agreement (SIA) for the implementation of a Scheme of Arrangement (Scheme) under which DVP will acquire 100% of the issued capital of the Company. The Scheme Consideration is 1 new Develop share for every 6.18 Essential shares held. The Scheme is subject to various conditions including approval by Essential shareholders at a Scheme Meeting proposed scheduled to be held on 18 October 2023.

On 13 July 2023 the Group issued 100,000 unlisted performance rights as a sign-on incentive under the Group's shareholder approved Equity Incentive Scheme.

On 17 July 2023 the Group issued 1,293,273 fully paid ordinary shares upon the exercise of performance rights previously issued under the employee incentive scheme.

On 28 July 2023 the Group issued 277,051 unlisted performance rights to employees under the Group's shareholder approved Equity Incentive Plan for the 2023/24 financial year.

The performance rights are subject to the following vesting criteria:

- a) **Absolute TSR:** 50% of the granted performance rights will be subject to a vesting condition, whereby the Absolute Total Shareholder Return (Absolute TSR) must exceed 25%. Absolute TSR is measured as follows:
  - "Absolute TSR" =  $[(Ending\ Price - Beginning\ Price) + Dividends] / Beginning\ Price$ .
  - "Beginning Price" = Closing price on 30 June 2023.
  - "Ending Price" = Closing price on 30 June 2026.
- b) **Relative TSR:** 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 70% of the 10 peer group of companies over the performance period. To be clear, this vesting condition can only be met if the Company's TSR is positive.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Peer Group of companies is as follows:

LRS	Latin Resources	CHR	Charger Metals
AZS	Azure Minerals Limited	MLS	Metals Australia
GL1	Global Lithium	GT1	Green Technology Metals
DLI	Delta Lithium Limited	MRR	Minrex Resources
WC8	Wildcat Resources	AAJ	Aruma Resources

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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

### 25. 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 21.

#### Key management personnel

Key management personnel compensation comprised the following:

	2023	2022
	\$	\$
Short-term employee benefits	991,878	936,983
Post-employment benefits	85,342	82,484
Share-based payments	90,505	127,798
<b>Total key management personnel compensation</b>	<b>1,167,725</b>	<b>1,147,265</b>

#### Related party share based payments

During the period the following equity incentives in the Company were granted and issued to Key Management Personnel:

Key Management Personnel	Type of incentive	# of incentives
Timothy Spencer	Performance Rights	219,718
Carl Travaglini <sup>1</sup>	Performance Rights	126,761
Andrew Dunn	Performance Rights	112,676

#### Notes:

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

#### Other director related party transactions

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

### 26. REMUNERATION OF AUDITORS

	2023	2022
	\$	\$
<b>Audit services</b>		
Audit or review of Group financial reports by BDO	43,315	38,554
<b>Other services</b>		
Corporate finance services	47,200	3,800
<b>Total</b>	<b>90,515</b>	<b>42,354</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. PARENT ENTITY INFORMATION

	2023	2022
	\$'000	\$'000
Current assets	<b>8,988</b>	11,126
Total assets	<b>23,728</b>	22,125
Current liabilities	<b>1,529</b>	1,726
Total liabilities	<b>1,738</b>	1,936
Contributed equity	<b>53,335</b>	50,150
Accumulated losses	<b>(32,846)</b>	(31,311)
Equity incentive reserve	<b>1,462</b>	1,336
Financial asset revaluation reserve	<b>36</b>	14
Loss for the period	<b>(1,470)</b>	(330)
Total comprehensive income/(loss) for the period	<b>(44)</b>	1,097
<i>Other information</i>		
<p>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 22. The parent entity did not have contractual commitments at the end of the current or prior financial year other than disclosed in Note 23.</p>		

**END OF THE FINANCIAL REPORT**

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## DIRECTORS' DECLARATION

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 2023 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 2023 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

26 September 2023

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# INDEPENDENT AUDITOR'S REPORT



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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 2023, 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 report, including a summary of significant accounting policies 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 2023 and of its financial performance for the year ended on that date; 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to 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 of 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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# INDEPENDENT AUDITOR'S REPORT



## Carrying value of exploration and evaluation assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 30 June 2023 the carrying value of exploration and evaluation assets was disclosed in Note 12 of the financial report.</p> <p>As the carrying value of these exploration and evaluation assets represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.</p> <p>Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. In particular:</p> <ul style="list-style-type: none"> <li>• Whether the conditions for capitalisation are satisfied;</li> <li>• Which elements of exploration and evaluation expenditures qualify for recognition; and</li> <li>• Whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Holding discussions with management as to the status of ongoing exploration programmes in the respective areas of interest;</li> <li>• Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Considering whether any facts or circumstances existed to suggest impairment testing was required;</li> <li>• Testing, on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; and</li> </ul> <p>We also assessed the adequacy of the related disclosures in Note 4.6 and Note 12 to the financial statements.</p>

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# INDEPENDENT AUDITOR'S REPORT



## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do 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.

## 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 has 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

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# INDEPENDENT AUDITOR'S REPORT



## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 43 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Essential Metals Limited, for the year ended 30 June 2023, 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.

BDO Audit (WA) Pty Ltd

BDO  
  
\_\_\_\_\_

Phillip Murdoch

Director

Perth,

26 September 2023

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## ADDITIONAL SHAREHOLDER INFORMATION

The following additional information is required by the Australian Securities Exchange. The information was current as at 13 September 2023.

### (a) Top 20 quoted shareholders

Rank	Holder name	%	Number of shares
1	A C N 657 042 218 PTY LTD	19.45%	52,300,000
2	CITICORP NOMINEES PTY LIMITED	8.96%	24,080,318
3	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	5.08%	13,662,633
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2.78%	7,467,045
5	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	2.58%	6,925,641
6	NATIONAL NOMINEES LIMITED	1.56%	4,197,863
7	BERRA	1.35%	3,636,600
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1.13%	3,036,001
9	WARREN BROWN	1.00%	2,698,368
10	MR TIMOTHY GERARD SPENCER <THE SPENCER INVESTMENT A/C>	0.83%	2,243,956
11	IONIKOS PTY LTD <MCGOWN SUPER FUND A/C> <sup>1</sup>	0.81%	2,177,031
12	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	0.77%	2,067,137
13	DAY LIVIN PTY LTD	0.76%	2,048,000
14	TIMEVIEW ENTERPRISES PTY LTD	0.74%	2,000,000
15	WAYNE SPILSBURY	0.71%	1,910,080
16	MR CHRISTOPHER ALLAN EAGLESHAM	0.65%	1,750,000
17	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	0.63%	1,706,488
18	VAUTIER PTY LTD	0.61%	1,640,446
19	PROCTOR	0.58%	1,550,000
20	BNP PARIBAS NOMS PTY LTD	0.55%	1,480,906
		<b>51.54%</b>	<b>138,578,513</b>

**Note:**

<sup>1</sup> - Beneficial owner is Non-Executive Chairman of the Company, Craig McGown, who has a total shareholding of 2,177,031 ordinary shares.

### (b) Distribution of quoted ordinary shares

Size of parcel	Number of share holders	Number of shares	% Issued share capital
1 – 1,000	623	268,107	0.10%
1,001 – 5,000	1,674	4,766,867	1.77%
5,001 – 10,000	886	7,165,474	2.67%
10,001 – 100,000	1,622	54,474,800	20.26%
100,000 +	284	202,184,719	75.20%
<b>Total</b>	<b>5,089</b>	<b>268,859,967</b>	<b>100.00%</b>

## ADDITIONAL SHAREHOLDER INFORMATION

### (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 was 707 (holding 358,151 shares).

### (d) Substantial shareholders

The number of shares held by substantial shareholders and their associates who have provided the Company with substantial shareholder notices are set out below:

Name of substantial shareholder	No. of shares	% at time of Notice
Lithium Resources Operations Pty Ltd <sup>1</sup>	52,300,000	19.55

<sup>1</sup>Based on the Form 603 provided to the Company and released to the ASX on 3 July 2023. Lithium Resources Operations Pty Ltd is the registered holder of securities.

### (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	Security Code	Issued to	Number on issue	Exercise price	Expiry date
Options	ESSOPT7	Directors	500,000	\$0.25	31-Jan-2024
Options	ESSOPT8	Directors	500,000	\$0.35	31-Jan-2024
Options	ESSOPT9	Directors	500,000	\$0.45	31-Jan-2024
Options	ESSOPT10	Directors	533,334	\$0.25	30-Jun-2024
Options	ESSOPT11	Directors	533,334	\$0.35	30-Jun-2024
Options	ESSOPT12	Directors	533,334	\$0.45	30-Jun-2024
Options	ESSOPT14	Directors	200,000	\$0.125	20-Sept-2024
Options	ESSOPT15	Directors	200,000	\$0.175	20-Sept-2024
Options	ESSOPT16	Directors	200,000	\$0.225	20-Sept-2024
Performance Rights	ESSPR7&8	Employees	163,266	N/A	30-Jun-2025
Performance Rights	ESSPR7&8	Directors	795,918	N/A	30-Jun-2025
Performance Rights	ESSPR9&10	Employees	140,844	N/A	30-Jun-2026
Performance Rights	ESSPR9&10	Directors	219,718	N/A	30-Jun-2026
Performance Rights	ESSPR12	Employees	100,000	N/A	10-Jul-2025
Performance Rights	ESSPR13&14	Employees	277,051	N/A	30-Jun-2027
			<b>5,396,799</b>		

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## MINERAL RESOURCE STATEMENT

As at 30 June 2023

### Dome North Mineral Resource by deposit and category: (0.3% Li<sub>2</sub>O cut-off grade)

Deposit	Classification	Tonnes (Mt)	Li <sub>2</sub> O %	Ta <sub>2</sub> O <sub>5</sub> ppm	Contained Li <sub>2</sub> O (T)	Fe <sub>2</sub> O <sub>3</sub> %
Cade	Indicated	6.9	1.26	49	88,000	0.44
	Inferred	1.3	0.88	49	11,000	0.44
Davy	Indicated	1.6	1.08	81	18,000	0.54
	Inferred	0.6	0.89	73	4,000	0.58
Heller	Inferred	0.7	1.02	76	8,000	0.72
<b>Total</b>	<b>Total</b>	<b>11.2</b>	<b>1.16</b>	<b>57</b>	<b>129,000</b>	<b>0.48</b>

*Note: Appropriate rounding applied.*

#### Glossary

Li<sub>2</sub>O – Lithium Oxide

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# COMPETENT PERSONS STATEMENTS

## Exploration Results

Mr Andrew Dunn (MAIG) held the position of Exploration Manager up to 25 July 2023 and was employed full-time by Essential Metals Limited up to that date. Mr Dunn was eligible to receive equity-based securities in Essential Metals Limited under the Company's employee incentive schemes. Mr Dunn compiled the technical aspects of the Exploration Results within this report, which are based on and fairly represents information compiled by Mr Dunn. Mr Dunn is a member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to this style of mineralisation 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.

Mr Matthew Watson (AusIMM) holds the position of Chief Geologist and has been employed full-time by Essential Metals Limited from 10 July 2023. Mr Watson is eligible to receive equity-based securities in Essential Metals Limited under the Company's employee incentive schemes. Mr Watson compiled the technical aspects of this Announcement pertaining to Exploration Results, which is based on and fairly represents information compiled by Mr Watson. Mr Watson is a member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to this style of mineralisation 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 Watson consents to the inclusion in the report of the matters in the form and context in which it appears.

## Dome North Mineral Resource

The information in this report that relates to the Dome North Lithium Project Mineral Resource is based on information compiled by Mr Andrew Dunn (Exploration Manager and permanent employee of Essential Metals Limited) and Mr Lauritz Barnes (consultant with Trepanier Pty Ltd). Mr Dunn was eligible to receive equity-based securities in Essential Metals Limited under the Company's employee incentive schemes. Mr Dunn and Mr Barnes are both members of the Australian Institute of Geoscientists. Mr Dunn and Mr Barnes both have sufficient experience of relevance to the styles of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Specifically, Mr Dunn was the Competent Person for the database (including all drilling information), the geological and mineralisation models plus completed the site visits, up to 25 July 2023 when he resigned from his position as Exploration Manager. Mr Watson has been employed by the Company as Chief Geologist from 10 July 2023 and is now the Competent Person for the database (including all drilling information), the geological and mineralisation models plus completed site visits. Mr Barnes is the Competent Person for the construction of the 3-D geology / mineralisation model plus the estimation. Mr Dunn and Mr Barnes consent to the inclusion in this report of the matters based on their information in the form and context in which they appear.

## 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.

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## FORWARD LOOKING STATEMENTS

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

## Tenement Register (Consolidated Basis) as at 30 June 2023

Tenement	Holder	Notes	Status
<b>Pioneer Dome Project Located 133km SSE of Kalgoorlie, WA</b>			
E15/1515	Essential Metals Limited		Granted
E15/1725	Essential Metals Limited		Granted
E63/1669	Essential Metals Limited		Granted
E63/1782	Essential Metals Limited		Granted
E63/1783	Essential Metals Limited		Granted
E63/1785	Essential Metals Limited		Granted
E63/1825	Essential Metals Limited		Granted
E63/2118	Essential Metals Limited		Granted
L63/77	Essential Metals Limited		Granted
M63/665	Essential Metals Limited		Granted
M15/1896	Essential Metals Limited		Granted
<b>Golden Ridge Nickel Project Located 30km SE of Kalgoorlie, WA</b>			
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
<b>Juglah Dome Project Located 60km ESE of Kalgoorlie, WA</b>			
E25/585	Western Copper Pty Ltd	3	Granted
<b>Regional Projects, Located in WA</b>			
E15/1710	Essential Metals Limited		Granted
<b>Kangan Lithium &amp; Gold Project Located 80km S of Port Hedland, (Wodgina) WA</b>			
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
<b>Balagundi Gold &amp; Base Metals Project Located 25km NE of Kalgoorlie, WA</b>			
E27/558	Essential Metals Limited	6	Granted
<b>Acra Gold Project Located 60km NE of Kalgoorlie, WA</b>			
E27/278	Essential Metals Limited / Northern Star Resources Limited	7, 8	Granted
E27/438	Essential Metals Limited / Northern Star Resources Limited	7, 8	Granted
E27/491	Essential Metals Limited / Northern Star Resources Limited	8, 13	Granted
E27/520	Essential Metals Limited / Northern Star Resources Limited	7, 8	Granted
E27/548	Essential Metals Limited / Northern Star Resources Limited	8	Granted
E27/579	Essential Metals Limited / Northern Star Resources Limited	7, 8	Granted
E28/1746	Essential Metals Limited / Northern Star Resources Limited	7, 8	Granted
E28/2483	Essential Metals Limited / Northern Star Resources Limited	8	Granted

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## TENEMENT REGISTER

Tenement	Holder	Notes	Status
<b>Wattle Dam Nickel Project Located 65km S of Kalgoorlie, WA</b>			
M15/1769	Maximus Resources Limited	9, 10	Granted
M15/1770	Maximus Resources Limited	9, 10	Granted
M15/1771	Maximus Resources Limited	9, 10	Granted
M15/1772	Maximus Resources Limited	9, 10	Granted
M15/1773	Maximus Resources Limited	9, 10	Granted
M15/1101	Maximus Resources Limited	9, 10	Granted
M15/1263	Maximus Resources Limited	9, 10	Granted
M15/1264	Maximus Resources Limited	9, 10	Granted
M15/1323	Maximus Resources Limited	9, 10	Granted
M15/1338	Maximus Resources Limited	9, 10	Granted
<b>Larkinville West Gold Project Located 75km S of Kalgoorlie, WA</b>			
M15/1449	Essential Metals Limited / Maximus Resources Limited	11	Granted
<b>Maggie Hays Hill Nickel JV, Located 140km SE of Southern Cross</b>			
E63/1784	Essential Metals Limited / Poseidon Nickel Limited	12	Granted

Note	
1	Golden Ridge North Kambalda Pty Ltd is a 100% owned subsidiary of Essential Metals Limited.
2	Nickel sulphides rights are subject to the Australian Nickel Company Ltd Farmin/Joint venture.
3	Western Copper Pty Ltd is a 100% owned subsidiary of Essential Metals Limited.
4	Subject to a 1.5% net smelter royalty right held by FMG Pilbara Pty Ltd.
5	Kangan Gold JV Agreement: Novo Resources Corp holds a 70% Project Interest in gold and precious metals mineral rights.
6	Balagundi Farmin/JV Agreement: Black Cat Syndicate Limited is earning a 75% Project interest.
7	Heron Resources Limited retains nickel laterite ore rights.
8	Acra JV Agreement: Northern Star Resources Limited 75% interest. Essential Metals Limited 25% free carried interest.
9	Heron Resources Limited retains pre-emptive right to purchase nickel laterite ore.
10	Wattle Dam Nickel JV Agreement: Title, Mineral Rights held by Maximus Resources Limited. Essential Metals Limited 20% free carried interest in nickel sulphide minerals.
11	Larkinville West JV Agreement: Maximus Resources Limited 75%, Essential Metals Limited 25% free carried interest, except nickel rights which are subject to the Wattle Dam JV.
12	Maggie Hays Lake JV Agreement: Poseidon Nickel Limited 80%, Essential Metals Limited 20% & free carried interest to commencement of mining.
13	Application for Surrender lodged 18 July 2023

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# ESSENTIALMETALS

for a sustainable future

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