ESSENTIALMETALS

for a sustainable future

ABN 44 103 423 981

Previously named:
Pioneer Resources Limited

2020

ANNUAL REPORT

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	
Carl Travaglini	
PRINCIPAL REGISTERED OFFICE	
Ground floor, 72 Kings Park Road, West Perth, Western Australia 6005	
PO Box 1787, West Perth, Western Australia 6872	
Telephone: +61 8 9322 6974	
Email: info@essmetals.com.au	
Website: essmetals.com.au	
AUDITOR	
Deloitte Touche Tohmatsu	
Brookfield Place, Tower 2, 123 St Georges Terrace, Perth, Western Australia, 6000	
SHARE REGISTRY	
Automic Group	
Level 2, 267 St Georges Terrace, Perth, Western Australia, 6000	
Telephone: 1300 288 664 or +61 2 9698 5414	
Email: hello@automic.com.au	
SECURITIES EXCHANGE LISTING	
The Company's shares are quoted on the Australian Securities Exchange.	
The Home Exchange is Perth.	
ASX CODE	
ESS - ordinary shares	

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Managing Director and Chairman Letters

ESSENTIALMETALS
for a sustainable future

Letter from the Managing Director-

2020 saw the successful completion of the Group's first mining operation at the Sinclair Caesium Mine with 20,000 tonnes of high and low grade caesium ore mined and crushed. Sales and delivery were completed to our offtake partners over the past year which realised total sales in excess of US$13.5 million. This impressive effort has left the Company with an enviable cash balance and zero debt at the end of the 2020 financial year.

Essential Metals is now well funded and, since completing operations at the Sinclair Caesium Mine, have continued to put that funding to work on exploring our strategically located portfolio of lithium, caesium, gold, nickel and cobalt assets, focussed on our next opportunity to deliver wealth to you, our shareholders.

Late last year we announced a maiden Inferred Resource estimate for the Cade Deposit of 8.2 million tonnes at a grade of 1.23% lithium oxide. Cade is part of what is now known as the Dome North Lithium Project.

More recently, a review of historical data for our Golden Ridge Project has identified a number of exciting gold exploration targets. some of which are considered drill-ready.

Our active Joint Venture partners, three leading gold companies, Northern Star Resources, Novo Resources and Black Cat Syndicate continue to maintain or progress our free-carried gold project interests. Essential Metals is free-carried until 'decisions to mine' are made providing us with free optionality on these potential large gold projects during a most favourable gold price outlook.

My fellow Board Members and I are committed to seeing your company continue to grow and deliver returns to our shareholders. I look forward to discussing our bright future with you at our 2020 Annual General Meeting.

Yours faithfully,

Timothy Spencer
Managing Director

Letter from the Chairman-

It was an unsettling start to 2020 for the Company and shareholders alike, as the rapid escalation of the COVID-19 pandemic wreaked havoc on global markets and company share prices. But our staff remained healthy and our operations were largely unaffected as we continued to deliver progress on our work programs across the board.

The pandemic further strengthened our strategic focus towards positioning the Company to be a part of a mining sector that is essential in achieving the global transition to cleaner energy sources as stakeholders increasingly consider a company's environmental, social and governance values and direction.

Shortly following the end of the 2020 financial year we sought shareholder approval to change our company name and rebrand to "Essential Metals for a Sustainable Future" which we believe better conveys our message and what we stand for as a company.

As a result of valued feedback from our shareholders, and to help strengthen the delivery of this new message and strategy, we completed a refresh of your Company's senior leadership team in the first quarter of this year. I am very excited by the technical expertise of your management team and look forward to reporting an exciting year ahead.

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

Yours faithfully,

Craig McGown
Chairman of the Board of Directors

Key Group Assets

EXPLORATION PROJECTS (all located in Western Australia)

100% owned & funded projects	Gold	Lithium	Other metals	Stage
Pioneer Dome - Dome North - Sinclair Caesium Mine		✓	Caesium	Advanced Mined
Juglah Dome	✓		Polymetallic VHMS targets	Early stage
Blair – Golden Ridge	✓		Nickel sulphides (Blair Nickel Mine); Lateritic cobalt-nickel	Advanced

Joint Venture interests	Gold	Stage	Structure
Kangan ***Group retaining a 30% interest.***	✓	Early stage	Under a farmin & JV agreement, Novo Resources Corp (TSXV.NVO) and Sumitomo Corporation will fully fund gold exploration programmes until a decision to mine is made.
Acra ***Group retaining a 25% interest.***	✓	Advanced	Northern Star Resources Limited (ASX:NST) has earned a 75% Project Interest and continues to manage and will fully fund exploration programmes until approval of a Mining Proposal by DMIRS.
Balagundi ***Group retaining a 25% interest.***	✓	Early stage	Under a farmin & JV agreement, Black Cat Syndicate Limited (ASX:BC8) is earning a 75% interest in the Project located at Bulong, near Kalgoorlie. Black Cat will then fully fund gold exploration programmes until a decision to mine is made.

JORC 2012 RESOURCE ESTIMATES

LITHIUM:	**Dome North Project**	**8.2Mt @ 1.23% Li2O (lithium oxide)**
NICKEL:	**Blair Nickel Mine**	**222,710t at 2.92% Ni (sulphide)**

The full Resource Statements are included on page 87 of this report.

Key Achievements & Looking Ahead

This financial year was one of completion, review and transition and the coming year will be one of focus and growth.

Key Achievements…

⇒ **CAESIUM:** Successful completion of the sale and delivery of remaining stockpiled crushed caesium bearing pollucite from the Sinclair Mine and delineation of an exploration target along strike from the main deposit.

⇒ **LITHIUM:** The Dome North Lithium Project was advanced from a prospect identified through geochemistry to completion from three drill campaigns which allowed the reporting of a maiden JORC Resource Estimate in November 2019 of 8.2 million tonnes @ 1.23% Li_2O. Metallurgical test work was initiated on the Cade Deposit.

⇒ **GOLD:** An in-depth reappraisal of gold prospectivity within the Group's project portfolio was undertaken with the Golden Ridge and Juglah Dome Projects near Kalgoorlie being identified as the highest priorities. Multiple field campaigns were undertaken, with mapping and surface sampling of numerous targets completed.

⇒ **NICKEL:** Completion of a drill programme and downhole electromagnetic (DHEM) survey at the Leo Dam Project located 2km north of the Blair Nickel Mine. Broad disseminated nickel sulphides were intercepted in the drilling and the DHEM survey identified a conductor that requires drill testing.

⇒ **Exploration**:

- $3.9 million spent (84% of FY2020 expenditure related to operations and exploration activities.
- 22,437 metres drilled.
- 11,402 samples submitted for assay.
- ~4,300 days spent by technical employees/contract individuals on exploration.
- Project portfolio strategic review conducted with five projects identified to be surrendered/divested as non-core projects.
- New Projects: Multiple potential gold and lithium project acquisitions/joint ventures assessed.

⇒ **Corporate:**

- Second consecutive year of recording a Net Profit $1,361,000 (2019: $273,000)
- *New Management Team* – Managing Director/CEO (promoted from CFO position), CFO/Company Secretary (new appointee), Exploration Manager (promoted from Senior Geologist position).
- *New Board Members* – Two Non-Executive Directors (appointed January 2020 and August 2020), replacing two long-serving Non-Executive Directors (resigned March 2020).
- *New IT systems*: Data sharing/storage; ERP; technical applications.
- *New Investor & public relations*: Appointment of Read Corporate (February 2020).

Revenue	Exploration
$9.1M	$3.9M
Cash at Bank	**Debt**
$4.4M	$Nil

Looking ahead…

The primary focus during the coming year will be on:

GOLD

- ⇒ Advancing the Group's two gold exploration projects, namely the **Juglah Dome** and **Golden Ridge** Projects in Western Australia through sole-funded exploration activities. The key objective in the next 12 months will be discovering and delineating a gold deposit with a JORC Resource Estimate.
- ⇒ The Group also maintains exposure to gold via three minority stakes in joint ventures with leading gold companies; Northern Star Resources Limited (Acra JV); Novo Resources Corp (Kangan Farmin/JV); Black Cat Syndicate (Balagundi Farmin/JV).

LITHIUM

- ⇒ Continuing to grow lithium Resources at the **Dome North** Project and to finalise the first stage metallurgical test work programme. This will then lead into preparation of high level studies to determine which development option is most suitable for the quality and quantity of material that will be sourced from the Dome North Project and various resource growth scenarios.
- ⇒ While the lithium market is currently subdued, the medium to long term fundamental outlook is very positive and as the Group has an advanced lithium project and in-house expertise in exploring for LCT pegmatites, it makes strategic sense for lithium to remain a focus.

CAESIUM

- ⇒ Exploration for extensions to the **Sinclair Caesium** Resource (depleted during Stage 1 mining operations). A drill programme in September will test along strike from the northern edge of the Stage 1 open pit and will also step approximately 800m further north to the PEG007 target. Surface sampling and mapping identifies it as a pegmatite that shows similar fractionation and mineralogy to the Sinclair Caesium Deposit with zones of quartz, microcline (potassium feldspar) and lithium present at surface.

GROWTH OPPORTUNITIES

- ⇒ Assets and/or partners that are complementary to the above projects will be sought.

Secondary focus will be placed on the lower priority, non-core projects.

The **Blair Nickel Mine** and its surrounds, including the **Leo Dam** prospect, will be progressed by further work on understanding structural and stratigraphical settings and reinterpreting the large volumes of historical data covering the Project's history from the 1960s. Activity at the early stage **Fairwater Nickel Project**, southeast of Norseman, will consist of shallow auguring and soil sampling.

Your directors present their report on Essential Metals Limited (previously named Pioneer Resources Limited) ("Company") and the entities it controlled ("Group") at the end of and during the year ended 30 June 2020.

DIRECTORS

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

Current Directors:

Director	Details
Craig McGown	
Qualifications	B.Comm
Position	Independent Non-Executive Chairman
Appointment date	13 June 2008
Resignation date	N/A
Length of service	12 years 3 months
Biography	Mr McGown is an investment banker with over 35 years of experience consulting to companies in Australia and internationally, particularly in the natural resources sector. He holds a Bachelor of Commerce degree, has been admitted as a Fellow of the Institute of Chartered Accountants and as 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. Mr McGown was Chair of the Audit & Risk Committee and a member of the Remuneration Committee from the beginning of the financial year up until the committees were suspended on 31 March 2020.
Current ASX listed directorships	Sipa Resources Limited - 11 March 2015 to present QMetco Limited (formerly Realm Resources Limited) - 31 May 2018 to present.
Former ASX listed directorships in the last three years	None
Timothy Spencer	
Qualifications	B.Econ, CPA
Position	Managing Director
Appointment date	31 March 2020
Resignation date	N/A
Length of service	6 months
Biography	Mr Spencer has over 25 years' experience in the resources sector and precious metals markets, working in various executive, accounting, treasury and finance roles including with three mining companies as an executive director and/or Chief Financial Officer and Company Secretary as well as with a large gold refining and trading enterprise. Mr Spencer joined the Company in October 2017, and prior to his appointment as Managing Director has served in the roles of Chief Executive Officer, Chief Financial Officer and Company Secretary.
Current ASX listed directorships	None
Former ASX listed directorships in the last three years	None

Paul Payne	
Qualifications	B App Sc (Geology) Grad Dip Min Ec
Position	Independent Non-Executive Director
Appointment date	24 January 2020
Resignation date	N/A
Length of service	9 months
Biography	Mr Payne is a Fellow of the Australian Institute of Geoscientists and an experienced geologist with a strong technical background as well as senior executive and board experience across a range of commodities in both Australia and internationally. Mr Payne's experience includes the role of founding Managing Director of Dacian Gold Limited where he was instrumental in the major initial gold discoveries at its Mount Morgans project. Mr Payne is currently non-executive director of a number of ASX listed resource companies and continues to provide expert technical services to the resources industry through his consultancy PayneGeo.
Current ASX listed directorships	Dreadnought Resources Limited – 21 December 2017 to present Carnaby Resources Limited – 1 July 2016 to present
Former ASX listed directorships in the last three years	Auteco Resources Limited – 20 March 2018 to 18 January 2019
Warren Hallam	
Qualifications	B. App Sci (Metallurgy), MSc Min. Econ
Position	Independent Non-Executive Director
Appointment date	1 August 2020
Resignation date	N/A
Length of service	2 months
Biography	Mr Hallam is a metallurgist, a mineral economist and holds a Graduate Diploma in Business. He has over 35 years of technical and commercial experience across numerous commodities and businesses within the resources industry including with top-tier mining companies Western Mining Corporation, Metals X Limited, Westgold Resources Limited and is currently Chairman of ASX listed Nelson Resources Limited. Mr Hallam was a member of the senior leadership team at Metals X (both as Executive Director and Managing Director) and played a critical role in the development of Metals X as a leading global tin producer and top-10 gold producer. Mr Hallam also held a range of senior operation, strategic and business development roles with diversified ASX-100 resource company Western Mining Corporation.
Current ASX listed directorships	Nelson Resources Limited – 1 February 2019 to present Millennium Minerals Limited – 27 August 2019 to present
Former ASX listed directorships in the last three years	Westgold Resources Limited – 18 March 2020 to 2 February 2017 Metals X Limited – 1 March 2005 to 12 November 2018 Capricorn Metals Limited – 19 February 2019 to 6 March 2019

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Former Directors:

Director	Details
David Crook	
Qualifications	B.Sc, MAusIMM, MAIG, GAICD
Position	Managing Director
Appointment date	11 August 2003
Resignation date	24 January 2020
Length of service	16 years 5 months
Biography	Mr Crook is a geologist with over 35 years of experience in exploration, mining and management, predominantly within Western Australia.
Allan Trench	
Qualifications	B.Sc (Hons), Ph.D, M.Sc (Min. Econ), MBA (Oxon), ARSM, AWASM, FAusIMM, FAICD
Position	Independent Non-Executive Director
Appointment date	8 September 2003
Resignation date	31 March 2020
Length of service	16 years 6 months
Biography	Dr Trench is a mineral economist, geophysicist and business management consultant. Dr Trench was a member of the Audit & Risk Committee and of the Remuneration Committee until they were suspended on 31 March 2020.
Thomas Wayne Spilsbury	
Qualifications	*B.Sc (Hons), M.Sc (Applied Geology), MAIG, GAICD*
Position	Independent Non-Executive Director
Appointment date	4 January 2010
Resignation date	31 March 2020
Length of service	10 years 3 months
Biography	Mr Spilsbury is a geologist who received his B.Sc. (Honors Geology) in 1973 from the University of British Columbia and his M.Sc. (Applied Geology) in 1982 from Queens University in Ontario. Mr Spilsbury was Chair of the Remuneration Committee and a member of the Audit & Risk Committee until they were suspended on 31 March 2020.

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DIRECTORS' SHAREHOLDINGS

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

Director	Ordinary Shares	Unlisted Share Options	Unlisted Performance Rights
C. McGown	1,247,620	1,000,002	-
T. Spencer	360,000	1,800,000	873,637
P. Payne	201,158	600,000	-
W. Hallam	-	-	-

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

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

Name	Unlisted share options	Unlisted performance rights	Issuing entity	Number of ordinary shares under option/right
T. Spencer	1,500,000	873,637	Essential Metals Limited	2,373,637
C. McGown	1,000,000	-	Essential Metals Limited	1,000,000
P. Payne	600,000	-	Essential Metals Limited	600,000
C. Travaglini	-	100,000	Essential Metals Limited	100,000
S. Kerr	-	204,546	Essential Metals Limited	204,546

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). During the financial year, eight board meetings, one remuneration committee meeting and one audit committee meetings was held. The remuneration and audit committees were suspended on 31 March 2020.

Director	Board of Director's Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
C McGown	8	8	1	1	1	1
T Spencer	2	2	-	-	-	-
P Payne	3	3	-	-	-	-
W Hallam	-	-	-	-	-	-
D Crook	5	5	-	-	-	-
A Trench	6	6	1	1	1	1
T Spilsbury	6	6	1	1	1	1

COMPANY SECRETARIES

Name	Details
Carl Travaglini	
Qualifications	CA, ACG (CS)
Company Secretary Appointment date	31 March 2020
Resignation date	N/A
Length of service	6 months
Biography	Mr Travaglini was appointed Company Secretary on 31 March 2020 and also holds the position of Chief Financial Officer (appointed 25 February 2020). Mr Travaglini is a Chartered Accountant and Chartered Company Secretary. Before joining the Company in 2020, 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 12 years' experience in financial reporting, corporate governance and risk management.
Timothy Spencer	
Qualifications	B.Econ, CPA
Company Secretary Appointment date	20 November 2017
Company Secretary Resignation date	31 March 2020
Length of service	2 years 4 months

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of mineral exploration in Western Australia and mineral exploration in Ontario, Canada.

There were no significant changes in the nature of the Group's principal activities during the financial year. The Company ceased mining activities at the Sinclair Mine in Western Australia in the financial year ended 30 June 2019.

RESULTS OF OPERATIONS

The consolidated net profit after income tax for the financial year was $1,361,000 (2019: $273,000) which included a gross profit of $4,762,000 (2019: $3,788,000) and project exploration write-offs/write-downs of $518,000 (2019: $413,000).

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 $3,890,000 (2019: $1,477,000) on exploration and evaluation expenditure. The Group's exploration and evaluation efforts were focussed during the reporting period on:

- The Dome North Lithium Project in Western Australia including announcing a maiden Mineral Resource Estimate for the Cade Deposit (see ASX announcement 25 November 2019).
- 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 Ltd, Novo Resources Corp and Black Cat Syndicate Ltd, were active in the Acra, Kangan and Balagundi joint ventures, respectively.

Exploration write-downs totalled $518,000 (2019: $413,000) which related to the write-down of capitalised costs on tenements surrendered and tenements in application during the year.

Corporate and financial position

As at 30 June 2020 the Group had cash reserves of $4,391,000 (2019: $2,713,000). The movement in cash is detailed in the Statement of Cash Flows on page 29 of this report.

Future developments, business strategies and prospects for future financial years
The Group is advancing the following projects:

(i) Exploration activities at the Juglah Dome Project, prospective for gold and VHMS deposits, located approximately 60km east-southeast of Kalgoorlie, WA;
(ii) Exploration activities at the Dome North Lithium Project located approximately 50km north of Norseman, WA;
(iii) Exploration activities at the Sinclair Caesium Mine, located approximately 35km north of Norseman, WA;
(iv) Exploration activities at the Blair - Golden Ridge Project (gold, nickel sulphides and cobalt) located approximately 30km east-southeast of Kalgoorlie.

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

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

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

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

CORPORATE GOVERNANCE

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

EMPLOYEES

The Group employed five full-time employees as at 30 June 2020 (2019: five employees) and three casual employees (2019: three casual employees).

ENVIRONMENTAL REGULATIONS

The Group holds various licences that regulate its activities in Australia and Canada. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities. Rehabilitation costs relating to mining have been provided for in the accounts and are supported by an independent

third-party assessment. So far as the Directors are aware there have been no material breaches of the Group's licence conditions and all exploration activities comply with relevant environmental regulations.

CHANGES IN STATE OF AFFAIRS

During the current financial year the Group completed sales and delivery of all pollucite material from the Sinclair Mine completing the caesium offtake agreement. The Group has continued its focus on exploration programmes on areas within its project portfolio that have potential to deliver shareholder returns, including evaluation of a potential stage 2 mining operation at the Sinclair Mine.

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

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

SUBSEQUENT EVENTS

On 7 July 2020 the following resolutions were approved at a General Meeting of shareholders:

- Change of Company name to Essential Metals Limited;
- 10 for 1 consolidation of shares, share options and performance rights in the Company;
- Issue of 10,000,000 pre-consolidation share options to Craig McGown; and
- Issue of 6,000,000 pre-consolidation share options to Paul Payne.

Mr Warren Hallam was appointed to the Board of Directors on 1 August 2020 as an independent non-executive director. Mr Hallam is a metallurgist (B. App Sci (Metallurgy)), a mineral economist (MSc (Min. Econ)), holds a Graduate Diploma in finance and has over 35 years of technical and commercial experience across numerous commodities and businesses within the resources industry.

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

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

CORPORATE STRUCTURE

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

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

CAPITAL STRUCTURE

Shares on issue

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

As at the date of this report, the Group had 150,876,427 fully paid ordinary shares on issue.

Shares under option or issued on exercise of options

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

Issuing entity	Security type	Number	Class of shares	Exercise price of option	Expiry date of option/right
Essential Metals Limited	Share Option	223,334	Ordinary	$0.26	27-Oct-2020
Essential Metals Limited	Share Option	223,334	Ordinary	$0.50	27-Oct-2020
Essential Metals Limited	Share Option	223,334	Ordinary	$0.75	27-Oct-2020
Essential Metals Limited	Share Option	894,446	Ordinary	$0.35	30-Nov-2021
Essential Metals Limited	Share Option	894,446	Ordinary	$0.45	30-Nov-2022
Essential Metals Limited	Share Option	500,000	Ordinary	$0.25	31-Jan-2024
Essential Metals Limited	Share Option	500,000	Ordinary	$0.35	31-Jan-2024
Essential Metals Limited	Share Option	500,000	Ordinary	$0.45	31-Jan-2024
Essential Metals Limited	Share Option	533,334	Ordinary	$0.25	30-Jun-2024
Essential Metals Limited	Share Option	533,334	Ordinary	$0.35	30-Jun-2024
Essential Metals Limited	Share Option	533,334	Ordinary	$0.25	30-Jun-2024
Essential Metals Limited	Performance Right	819,548	Ordinary	N/A	14-Oct-2024
Essential Metals Limited	Performance Right	500,000	Ordinary	N/A	31-Jan-2024
Essential Metals Limited	Performance Right	100,000	Ordinary	N/A	31-Dec-2023

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 2020 the Company announced that pursuant to its Incentive Performance Rights Plan, the Board of Directors determined 1,333,600 performance rights held by Mr David Crook had vested as at 30 June 2019 due to the respective performance hurdle being achieved and the remainder of the performance rights totalling 2,666,400 lapsed due to the respective performance hurdles not being achieved. On 25 July 2019, 1,333,600 (pre-consolidation) fully paid ordinary shares in the Company were issued upon the conversion of unlisted performance rights.

SHAREHOLDER RETURNS (post 10:1 consolidation basis)

	2020	2019[1]
Basic earnings per share	0.90c	0.18c
Diluted earnings per share	0.90c	0.18c
Share price – 30 June	11c	11c

Note:

[1] – Comparative information has been presented on a post 10:1 share consolidation basis.

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

PROCEEDINGS OF BEHALF OF THE COMPANY

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

AUDITOR'S INDEPENDENCE & NON-ASSURANCE SERVICES

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25. $28,000 was paid or payable to the Group's auditors Deloitte Touche Tohmatsu, for non-assurance services performed during the year ended 30 June 2020 (2019: $62,881). Refer to note 35 for further information.

ROUNDING OFF OF AMOUNTS

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

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AUDITED REMUNERATION REPORT

CONTENTS

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 for the financial year ended 30 June 2020.

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 key management personnel 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	Appointed 24 Jan 2020
Mr Warren Hallam	Independent Non-executive director	Appointed 1 Aug 2020
Mr Allan Trench	Independent Non-executive director	Resigned 31 Mar 2020
Mr Wayne Spilsbury	Independent Non-executive director	Resigned 31 Mar 2020
Executive officers		
Mr Timothy Spencer	Managing Director Chief Executive Officer Chief Financial Officer Company Secretary	Appointed 31 Mar 2020 Appointed 24 Jan 2020, resigned 31 Mar 2020 Resigned 25 Feb 2020 Resigned 31 Mar 2020
Mr Carl Travaglini	Chief Financial Officer Company Secretary	Appointed 25 Feb 2020 Appointed 31 March 2020
Mr Stuart Kerr	Exploration Manager	Appointed 1 Feb 2020
Mr David Crook	Managing Director	Resigned 24 Jan 2020

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

B. Remuneration governance

The Company had previously established a Remuneration Committee under a formal charter which comprised a majority of independent directors. The Remuneration Committee was suspended on 31 March 2020 in line with a reduction in the number of board members on that date to one executive and two non-executive directors. Subsequent to the end of the current financial year Mr Warren Hallam was appointed to the Board as an additional non-executive director on 1 August 2020.

The Board has considered the need to re-establish the Remuneration Committee. As at the date of this report the board has decided to continue 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 responsibilities of the Remuneration Committee assumed by the full Board of Directors on 31 March 2020 include reviewing the remuneration arrangements for the executive and non-executive directors and key management personnel (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 executives, including their base salary, short-term and long-term incentives, superannuation, termination payments and service contracts.

Further information relating to the role of the Remuneration Committee can be found within the Corporate Governance Report provided on the Company's website.

C. Remuneration framework

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

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

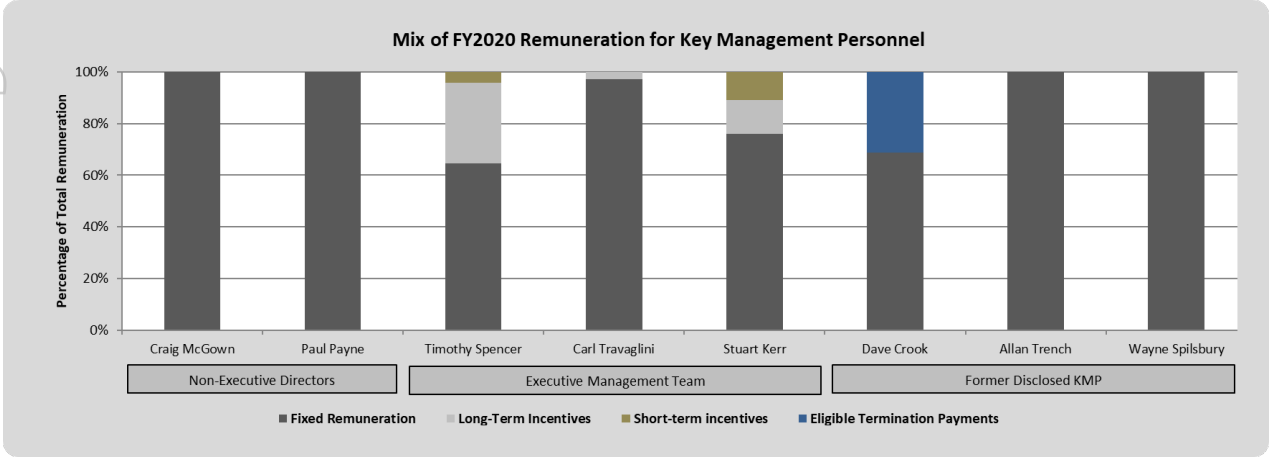
- To attract and retain a highly skilled executive team at a critical stage in the Company's exploration for new and development of existing project areas;
- To link remuneration with performance, based on long-term objectives and shareholder return, as well as critical short-term objectives which are 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 executives 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 executives are rewarded for their efforts, but also share in the upside of the Company's growth and are not adversely affected by tax consequences.

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

The remuneration for executives 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.

These three components comprise each executive's total annual remuneration. To link executive remuneration with the Company's performance, the Company's policy is to endeavour to provide an appropriate portion of each executive's total remuneration as "at risk". The following graph sets out the mix of remuneration for all KMP between fixed, STIs and LITs for the 2020 financial year.



Annual General Meeting voting results

Voting results at the Company's 2019 Annual General Meeting (AGM) included more than 25% of shareholders voting against the Company's 2019 Remuneration Report resulting in a first 'strike'. Taking this into account along with other factors, on 20 January 2020 the Company announced various changes to the board and senior executive team. The restructured board has reviewed the remuneration policy to ensure that executive remuneration is consistent with the expectations of our shareholders and linked to the performance and strategy of the Group.

The main objective is to ensure that all executive remuneration is directly and transparently linked with strategy and performance. This includes aligning short-term incentives (STIs) and long-term incentives (LTIs) with achievement of the Company's short-term and long-term strategic objectives and longer-term shareholder return.

The Board is responsible for ensuring that the Group's remuneration structures are aligned with the long-term interests of the Company and its shareholders.

The Board assesses the appropriateness of the nature of the amount of remuneration of key management personnel 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 executive 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 employed the services of remuneration consultants, Aon, during the prior financial year ended 30 June 2019 to benchmark the fixed and variable remuneration of key management personnel and directors but not to provide recommendations and no other work was performed. The Company did not employ the services of a remuneration consultant for the current financial year ended 30 June 2020.

D. Non-Executive Director remuneration

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. 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 have on occasion received unlisted share options.

Non-executive directors are not entitled to termination payments.

E. Executive Director remuneration

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

- Reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- Reward executives 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)
- Long-term incentives (equity based)

Fixed remuneration

Executives receive a fixed base cash salary and other associated benefits. Executives also receive a superannuation guarantee contribution required by Australian legislation which was 9.5% at 30 June 2020. No executives receive any other retirement benefits.

Fixed remuneration of executives will be set by the Board each year and is based on market relativity and individual performance. In setting fixed remuneration for executives, individual performance, skills, expertise and experience are also taken into account to determine where the executive's remuneration should sit within the market range. Where appropriate, external remuneration consultants will be engaged to assist the Board to ensure that fixed remuneration is set to be consistent with market practices for similar roles.

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

Short-term incentives

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

The objective of the 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. STIs awarded - hurdles met by 30 June 2020:
   - Discovery of a suite of spodumene-pegmatites discovered at Dome North (Davy and Cade South) as announced on 8 November 2019;
   - Initial Exploration Target identified for the Dome North Area as announced on 25 November 2019;
   - Initial Inferred Mineral Resource for the Cade Spodumene Deposit as announced on 25 November 2019; and
   - Joint Venture farm-out agreement signed with Black Cat Syndicate as announced on 25 July 2019.

B. STIs forfeited - hurdles not met by 30 June 2020:
   - Four hurdles linked to new Project generation;
   - Project advancement resulting in a 'Reserve';
   - Sale of a Project generating a financial benefit for the Company; and
   - Three hurdles in relation to signing new and binding sales agreements and completing first commercial shipment.

KMP STIs	Maximum	Granted	%
A – STIs awarded	$38,563	$32,136	83%
B – STIs forfeited	$38,563	-	-
Totals	$77,126	$32,136	42%

Long-term incentives

Long-term incentives are issued under the Company's Employee Incentive Share Option and Incentive Performance Rights Plans approved by shareholders at the AGM held on 21 November 2017. The purpose of issuing LTIs is to reward the executive management team in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTIs are made to employees who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance. LTI grants to employees are delivered in the form of performance rights. The terms of LTIs issued under the Company's LTI plan 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. In FY2020, this vesting condition could have been met if the Company's TSR was negative providing it is 'less negative' than 70% of the peer group. This condition has been amended for FY2021, such that this vesting condition can now only be met if the Company's absolute TSR is positive.

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

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

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

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

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F. Details of remuneration

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

Notes:

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

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

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

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

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

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

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

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

F. Details of remuneration (continued)

	Fixed remuneration					Variable remuneration		Total	Performance based
	Base salary	Consulting fees	Other	Super-annuation	ETPs	STIs Cash	LTIs Non-cash		
	$	$	$	$	$	$	$	$	
2019									
Current Disclosed KMP									
Non-Executive Directors									
C McGown[1]	76,875	-	-	-	-	-	79,444	**156,319**	51%
Senior Management									
T Spencer[2]	277,333	-	1,424	22,620	-	19,500	-	**320,877**	6%
Totals	**354,208**	**-**	**1,424**	**22,620**	**-**	**19,500**	**79,444**	**477,196**	**21%**
Former Disclosed KMP									
Non-Executive Directors									
A Trench	51,370	-	-	4,880	-	-	46,944	**103,194**	45%
W Spilsbury[3]	53,756	-	-	2,494	-	-	46,944	**103,194**	45%
Executive Director									
D Crook[4]	301,581	-	83,101	25,000	-	23,370	162,671	**595,723**	31%
Totals	**406,707**	**-**	**83,101**	**32,374**	**-**	**23,370**	**256,559**	**802,111**	**35%**

Notes:

[1] Mr McGown's fees were paid to Resource Investment Capital Advisors Pty Ltd.

[2] Mr Spencer's 'other benefits' relates to car parking at the Company premises.

Mr Spencer accrued a cash bonus for the 2019 financial year for the following key performance indicators that were met as at 30 June 2019 in relation to the Sinclair Mine:

- Exceeding the targeted production quantity of caesium oxide at the Sinclair Mine; and
- Timing of receipt of cash from sales of crushed pollucite; and
- Incurring less than the mining expenditure target.

Mr Spencer's base salary has been updated to include the provision for accrued annual leave entitlements.

[3] Mr Spilsbury's fees were paid to Geoduck Pty Ltd for the period 1 July 2018 to 31 December 2018 and directly to Mr Spilsbury as an individual for the remainder of the financial year.

[4] Mr Crook's 'other benefits' relates to:

- Long service leave accrued of $54,080 during the current year.
- Fringe benefits (taxable value) of $29,021 in relation to a Company supplied vehicle that was used during the financial year ($4,169) and then sold to Mr Crook in November 2018 for below market price in lieu of a cash bonus for financial year 2018 ($14,500), total permanent disability insurance paid by the Company ($8,928) and car parking at the Company premises ($1,424).

Mr Crook accrued a cash bonus for the 2019 financial year for the same key performance indicators that were met as at 30 June 2019 in relation to the Sinclair Mine as detailed above for Mr Spencer.

Mr Crook's base salary has been updated to include the provision for accrued annual leave entitlements.

G. Share-based compensation

The following table sets out the type and number (on a pre-consolidation basis) of LTIs granted to the executive management team during the year:

KMP	Class	Grant Date	Number	Exercise Price	Expiry Date
T Spencer	Performance Rights	14-Oct-2019	3,736,364	N/A	14-Oct-2024
S Kerr	Performance Rights	14-Oct-2019	2,045,455	N/A	14-Oct-2024
T Spencer	Performance Rights	31-Jan-2020	5,000,000	N/A	31-Jan-2024
T Spencer	Share Options	31-Jan-2020	5,000,000	$0.025	31-Jan-2024
T Spencer	Share Options	31-Jan-2020	5,000,000	$0.035	31-Jan-2024
T Spencer	Share Options	31-Jan-2020	5,000,000	$0.045	31-Jan-2024
C Travaglini	Performance Rights	31-Mar-2020	1,000,000	N/A	31-Dec-2023
Total			26,781,819		

The movement in (pre-consolidation) equity instruments over shares for KMP in the current year was as follows:

Share Options	Balance at 1 July 2019	Granted as compensation	Exercised	Expired or cancelled	Balance at 30 June 2020	Balance vested & exercisable at 30 June 2020	Vested during year
Current Disclosed KMP							
C McGown	9,916,666	-	-	(3,055,555)	6,861,111	6,861,111	-
P Payne	-	-	-	-	-	-	-
T Spencer	3,000,000	15,000,000	-	-	18,000,000	18,000,000	15,000,000
S Kerr[1]	1,500,000	-	-	-	1,500,000	1,500,000	-
Former Disclosed KMP							
D Crook[2]	16,000,000	-	-	(5,333,333)	10,666,667	10,666,667	-
A Trench[3]	5,416,667	-	-	(1,805,556)	3,611,111	3,611,111	-
W Spilsbury[3]	5,416,667	-	-	(1,805,556)	3,611,111	3,611,111	-
Totals	41,250,000	15,000,000	-	(12,000,000)	44,250,000	44,250,000	15,000,000

Notes:

[1] Mr Kerr became a KMP on 1 February 2020.

[2] Mr Crook ceased employment on 24 January 2020.

[3] Mr Trench and Mr Spilsbury ceased employment on 31 March 2020.

Performance Rights	Balance at 1 July 2019	Granted as compensation	Exercised	Expired or cancelled	Balance at 30 June 2020	Balance vested at 30 June 2020	Vested during year
Current Disclosed KMP							
C McGown	-	-	-	-	-	-	-
P Payne	-	-	-	-	-	-	-
T Spencer	-	8,736,364	-	-	8,736,364	-	-
C Travaglini[1]	-	1,000,000	-	-	1,000,000	-	-
S Kerr[2]	-	2,045,455	-	-	2,045,455	-	-
Former Disclosed KMP							
D Crook[3]	4,000,000	-	(1,333,600)	(2,666,400)	-	-	-
A Trench[4]	-	-	-	-	-	-	-
W Spilsbury[4]	-	-	-	-	-	-	-
Totals	4,000,000	11,781,819	(1,333,600)	(2,666,400)	11,781,819	-	-

Notes:

[1] Mr Travaglini commenced on 25 February 2020.

[2] Mr Kerr became a KMP on 1 February 2020.

[3] Mr Crook ceased employment on 24 January 2020.

[4] Mr Trench and Mr Spilsbury ceased employment on 31 March 2020.

All share options and performance rights issued to key management personnel were made in accordance with the provisions of the Group's equity incentive plans.

Further details of the Group's equity incentive plans and of share option and performance rights granted during the 2020 and 2019 financial years are contained in note 25 to the financial statements.

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

	Balance at 1 July 2019	Acquired during the year	Disposed during the year	Balance at 30 June 2020
Current Disclosed KMP				
C McGown	12,476,189	-	-	12,476,189
P Payne[1]	11,575	2,000,000	-	2,011,575
T Spencer[2]	-	3,600,000	-	3,600,000
C Travaglini	-	200,000	-	200,000
S Kerr[3]	-	-	-	-
Former Disclosed KMP				
D Crook[4]	12,615,767	1,333,600	(7,423,842)	6,525,525
A Trench[5]	4,411,758	-	-	4,411,758
W Spilsbury[5]	17,295,234	-	-	17,295,234
Totals	46,810,523	7,133,600	(7,423,842)	46,520,281

Notes:

[1] Mr Payne's shares are held under the nominee account Payne Geological Services Pty Ltd ATF <Payne Super Fund A/C>. P Payne has a relevant interest in Payne Geological Services Pty Ltd and is a beneficiary of the Payne Super Fund A/C. Mr Payne was appointed on 24 January 2020, his opening balance of shares were held at this date and at 1 July 2019. Mr Payne's shares that were acquired during the year were purchase on market.

[2] Mr Spencer's shares were purchase on market.

[3] Mr Kerr became a KMP on 1 February 2020.

[4] Mr Crook's shares were acquired upon electing to convert vested performance rights. Mr Crook ceased employment on 24 January 2020.

[5] Mr Trench and Mr Spilsbury ceased employment on 31 March 2020.

H. Key terms of employment agreements with senior executives

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

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:

- Senior executives are motivated to pursue long-term growth and success of the Company within an appropriate control framework;
- interests of key leadership 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 2020 on a post 10:1 share consolidation basis:

	2020	2019	2018	2017	2016
Revenue ($'000)	9,127	10,528	243	843	583
Net profit/(loss) before tax ($'000)	1,361	273	(3,528)	(2,523)	(1,673)
Net profit/(loss) after tax ($'000)	1,361	273	(3,528)	(2,523)	(1,673)
Net earnings/(loss) after tax per share (cents per share)	0.90	0.18	(2.7)	(2.4)	(2.2)
Share price at start of year (cents per share)	11	19	17	35	16
Share price at end of year (cents per share)	11	11	19	17	35

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, 25 September 2020

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2
Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

The Board of Directors
Essential Metals Limited
72 Kings Park Rd
WEST PERTH WA 600

25 September 2020

Dear Board Members

Essential Metals Limited (Formerly known as Pioneer Resources Limited)

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Essential Metals Limited.
As lead audit partner for the audit of the financial report of Essential Metals Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

PEPink

Penelope Pink
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

ESSENTIALMETALS for a sustainable future

For the year ended 30 June 2020

	Notes	30 June 2020 $'000	30 June 2019 $'000
Revenue			
Revenue from sale of goods	6	**9,127**	10,528
Costs from sale of goods - Direct	7	**(4,365)**	(6,740)
Gross profit		**4,762**	3,788
Selling costs		**(732)**	(842)
Other costs		**(322)**	(265)
Depreciation – Right-of-use assets	19	**(72)**	-
Depreciation – Plant, equipment and motor vehicles	20	**(20)**	(51)
Exploration expenditure expensed		**(55)**	-
Exploration and evaluation expenditure written off	17	**(518)**	(413)
Corporate and other expenses	9	**(1,918)**	(2,208)
Other income	8	**210**	421
		(3,427)	(3,358)
Results from operating activities		**1,335**	430
Financial income		**57**	46
Financial expense		**(31)**	(203)
Net financing income/(expense)		**26**	(157)
Results from operating and financing activities		**1,361**	273
Profit before tax		**1,361**	273
Income tax	11	**-**	-
Profit for the year		**1,361**	273
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(34)**	75
Items that will not be reclassified subsequently to profit or loss:			
Changes in the fair value of financial assets	16	**219**	(273)
Other comprehensive income/(loss) for the year		**185**	(198)
Total comprehensive income for the year		**1,546**	75
Earnings per share			
Basic and diluted net profit per share attributable to ordinary equity holders	10	**0.90c**	0.18c

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

ESSENTIALMETALS for a sustainable future

As at 30 June 2020

	Notes	30 June 2020 $'000	30 June 2019 $'000
CURRENT ASSETS			
Cash and cash equivalents	13	**4,391**	2,713
Inventories	14	**-**	4,295
Trade and other receivables	15	**397**	76
Investments	16	**568**	-
Prepayments		**14**	114
TOTAL CURRENT ASSETS		**5,370**	7,198
NON-CURRENT ASSETS			
Investments	16	**-**	306
Exploration and evaluation expenditure	17	**13,666**	10,393
Right-of-use assets	19	**275**	-
Plant, equipment and motor vehicles	20	**210**	112
TOTAL NON-CURRENT ASSETS		**14,151**	10,811
TOTAL ASSETS		**19,521**	18,009
CURRENT LIABILITIES			
Trade and other payables	21	**651**	1,100
Provisions	22	**752**	806
Lease Liabilities	23	**64**	-
TOTAL CURRENT LIABILITIES		**1,467**	1,906
NON-CURRENT LIABILITIES			
Lease liabilities	23	**225**	-
TOTAL NON-CURRENT LIABILITIES		**225**	-
TOTAL LIABILITIES		**1,692**	1,906
NET ASSETS		**17,829**	16,102
EQUITY			
Contributed equity	24	**41,184**	41,184
Reserves	27	**489**	207
Accumulated losses	28	**(23,844)**	(25,288)
TOTAL EQUITY		**17,829**	16,102

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

Consolidated Statement of Changes in Equity

ESSENTIALMETALS for a sustainable future

For the year ended 30 June 2020

	Contributed equity	Share-based payment reserve	Investment revaluation reserve	Foreign exchange translation reserve	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018	39,999	794	59	33	(26,378)	14,507
Profit for the year	-	-	-	-	273	273
Other comprehensive income/(loss):						
Fair value adjustment of financial assets	-	-	(268)	-	-	(268)
Exchange differences on foreign operations	-	-	-	75	-	75
Total comprehensive income/(loss)	-	-	(268)	75	273	80
Shares issued for cash (net of transaction costs)	1,000	-	-	-	-	1,000
Shares issued not for cash (net of transaction costs)	180	-	-	-	-	180
Options exercised	4	-	-	-	-	4
Director options issued	-	336	-	-	-	336
Transfer of lapsed options to retained earnings	-	(822)	-	-	822	-
Transfer of expired warrants in ILC to retained earnings	-	-	5	-	(5)	-
Balance at 30 June 2019	41,184	309	(209)	108	(25,288)	16,103
Balance at 1 July 2019	**41,184**	**309**	**(209)**	**108**	**(25,288)**	**16,103**
Profit for the year	**-**	**-**	**-**	**-**	**1,361**	**1,361**
Other comprehensive income/(loss):						
Fair value adjustment of financial assets	**-**	**-**	**219**	**-**	**-**	**219**
Exchange differences on foreign operations	**-**	**-**	**-**	**(34)**	**-**	**(34)**
Total comprehensive income/(loss)	**-**	**-**	**219**	**(34)**	**1,361**	**1,546**
Share options and performance rights issued to employees	**-**	**180**	**-**	**-**	**-**	**180**
Transfer of lapsed options to accumulated losses	**-**	**(84)**	**-**	**-**	**84**	**-**
Balance at 30 June 2020	**41,184**	**405**	**10**	**74**	**(23,843)**	**17,829**

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

Consolidated Statement of Cash Flows

ESSENTIALMETALS for a sustainable future

For the year ended 30 June 2020

	Notes	30 June 2020 $'000	30 June 2019 $'000
Cash from operating activities			
Receipts from customers		**8,956**	3,751
Payments to suppliers and employees		**(3,294)**	(10,113)
Interest received		**48**	56
Export Market Development Grant government incentives received		**-**	15
Net cash from/(used in) operating activities	12	**5,710**	(6,291)
Investing activities			
Payments for exploration and evaluation		**(3,867)**	(1,831)
R&D grants and other government incentives received		**102**	370
Payments for plant and equipment		**(179)**	(85)
Signing fee from farm out for Novo Joint Operation		**-**	200
Net cash from/(used in) investing activities		**(3,944)**	(1,346)
Financing activities			
Repayment of lease liabilities		**(88)**	-
Proceeds from the issue of shares		**-**	1,000
Proceeds from the exercise of options		**-**	4
Proceeds from borrowings		**-**	6,573
Net cash from/(used in) financing activities		**(88)**	7,577
Net increase/(decrease) in cash and cash equivalents		**1,678**	(60)
Cash and cash equivalents at beginning of year		**2,713**	2,772
Effect of foreign exchange rate changes		**-**	2
Cash and cash equivalents at the end of the year	13	**4,391**	2,713

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

CONTENTS

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:

Ground Floor, 72 Kings Park Road
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 25 September 2020. 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 or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. The subsidiaries are fully

consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group.

The acquisition of the subsidiaries has been 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 the subsidiary 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

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

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

2. APPLICATION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS

2.1 New and amended Accounting Standards that are effective for the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2019.

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

- AASB 16 *Leases*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*
- Interpretation 23 *Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*

AASB 16 *LEASES*

In the current year, the Group has applied AASB 16 *Leases*, which is effective for annual periods that begin on or after 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The date of initial application of AASB 16 for the Group is 1 July 2019.

The Group has applied AASB 16 using the modified retrospective approach, with no restatement of the comparative information.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease* will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117 and Interpretation 4.

The Group applies the definition of a lease and related guidance set out in AASB 16 to all contracts entered into or changed on or after 1 July 2019. In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

Impact on lease accounting

Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

The application of AASB 16 to leases previously classified as operating leases under IASB 117 resulted in the recognition of right-of-use assets of $346,000 and lease liabilities of $346,000. It also resulted in a decrease in administrative expenses of $88,000, an increase in depreciation of $72,000 and an increase in interest expense of $31,000 in the current year.

The recognition of a lease liability of $346,000 is consistent with the previously reported Lease commitment note from 2019 of $218,000.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'corporate and other expenses' in profit or loss.

Former finance leases
The main differences between AASB 16 and AASB 117 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. This change did not have a material effect on the Group's consolidated financial statements.

2.2 Other pronouncements adopted for the first time in the current period

AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
The Group has adopted the amendments to AASB 128 *Investments in Associates and Joint Ventures* for the first time in the current year. The amendment clarifies that AASB 9 *Financial Instruments*, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies AASB 9 to such long-term interests before it applies AASB 128. In applying AASB 9, the Group does not take account of any adjustments to the carrying amount of long-term interests required by AASB 128 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with AASB 128).

AASB 2018-1 *Amendments to Australia Accounting Standards – Annual Improvements 2015-2017 Cycle*
The Group has adopted the amendments included in AASB 2008-1 for the first time in the current year. The Standard include amendments to four Standards:

- AASB 112 *Income Taxes* – The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.
- AASB 123 *Borrowing Costs* – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.
- AASB 3 *Business Combinations* – The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation
- AASB 11 *Joint Arrangements* - The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its previously held interest in the joint operation.

Interpretation 23 *Uncertainty over Income Tax Treatments*
The Group has adopted Interpretation 23 *Uncertainty over Income Tax Treatments* for the first time in the current year. Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- Determine whether uncertain tax positions are assessed separately or as a group
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

- If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings
- If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The directors of the Company anticipate that the application of the interpretation will not have an impact on the Group's consolidated financial statements, as many of the amendments either do not affect the Group's existing accounting policies, or apply to situations, transactions and events that the Group does not undertake.

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

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,* AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to* AASB 10 and AASB 128 and AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	1 January 2022 (Editorial corrections in AASB 2017-5 applied from 1 January 2018)
AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*	1 January 2020
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020
AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*	1 January 2020
AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*	1 January 2020
AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	1 January 2020
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*	1 January 2022
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	1 January 2022
AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*	1 June 2020

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

Standard/amendment	Effective for annual reporting periods beginning on or after
Amendment to IFRS 17	Defers the application of IFRS 17 to 1 January 2023
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	Defers the application of IFRS 9 to 1 January 2023 (eligible insurers only)

AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128* and AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

The amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investment in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments was amended by AASB 2015-10 and AASB 2017-5 and now applies for annual reporting periods beginning on or after 1 January 2022 (however the editorial corrections in AASB 2017-5 apply for annual reporting periods beginning on or after 1 January 2018). The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Group's consolidated financial statements.

AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*

Amends AASB 3 *Business Combinations* to clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs
- Add an optional 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This Standard applies to annual reporting periods beginning on or after 1 January 2020. The directors of the Company do not anticipate that the application of this Standard will have a material impact on the Group's consolidated financial statements, but may have an impact on the assessment and accounting for of future business combinations.

AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*

Makes amendments intended to address concerns that the wording in the definition of 'material' was different in the *Conceptual Framework for Financial Reporting*, AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The amendments address these concerns by:

- Replacing the term 'could influence' with 'could reasonably be expected to influence'
- Including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating' information in the definition of material
- Clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework
- Aligning the definition of material across Australian Accounting Standards and other publications.

This Standard applies to annual reporting periods beginning on or after 1 January 2020. The directors of the Company do not anticipate that the application of this Standard will have a material impact on the Group's consolidated financial statements.

AASB 2019-1 *Amendment to Australian Accounting Standards – References to the Conceptual Framework*
Makes amendments to various Accounting Standards to reflect the issue of the revised *Conceptual Framework for Financial Reporting*. This Standard updates references to, or quotations from, previous versions of the Framework contained in many Accounting Standards.

This Amending Standard applies to for-profit sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards and other for-profit entities that elect to apply the *Conceptual Framework,* for annual reporting periods beginning on or after 1 January 2020. The directors of the Company do not anticipate that the application of this Standard will have a material impact on the Group's consolidated financial statements.

AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*
Amends AASB 101 *Presentation of Financial Statements* to:

- Clarify that the classification of liabilities as current or non-current is based on rights that in existence at the end of the reporting period
- Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- Explain that rights are in existence if covenants are complied with at the end of the reporting period
- Introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

This Amending Standard applies to annual reporting periods beginning on or after 1 January 2022. The directors of the Company do not anticipate that the application of this Standard will have a material impact on the Group's consolidated financial statements.

AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018–2020 and Other Amendments*
Amends numerous Standards to effect of number of minor changes, as set out below. The amendments apply to annual reporting periods beginning on or after 1 January 2022 (apart from the amendments to AASB 16 which affect the Illustrative Examples which accompanying but are not part of the Standard and so do not have an effective date).

Annual Improvements
The annual improvements amend the following standards:

- AASB 1 *First-time Adoption of International Financial Reporting Standards* to permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs
- AASB 9 *Financial Instruments* to clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of AASB 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included
- AASB 16 *Leases* to amend Illustrative Example 13 to remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example
- AASB 141 *Agriculture* to remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company anticipate that the application of the amendments will not have an impact on the Group's consolidated financial statements, as many of the amendments either do not affect the Group's existing accounting policies, or apply to situations, transactions and events that the Group does not undertake.

Property, Plant and Equipment — Proceeds before Intended Use
The amendments to AASB 116 *Property, Plant and Equipment* to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company do not anticipate that the application of this Standard will have a material impact on the Group's consolidated financial statements.

Onerous Contracts — Cost of Fulfilling a Contract
The amendments to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company anticipate that the application of the amendments may impact on the Group's accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised. However, the directors have not assessed the financial effect of this change in accounting policy.

AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions*
Amends AASB 16 *Leases* to provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19, by including an additional practical expedient in the standard.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying AASB 16 if the change were not a lease modification.
The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021)
- There is no substantive change to other terms and conditions of the lease.

The amendments apply to annual reporting periods beginning on or after 1 June 2020. The directors of the Company do not anticipate that the amendments will have a material impact on the Group.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Capitalised Mineral Exploration
The accounting policy for exploration and evaluation expenditure is set out in Note 4.8. 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 4.15. 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 and asset in the period in which they change or become known.

Determination of ore reserves and mineral resources
The Group estimates its ore reserves and mineral resources based on information compiled by competent persons in accordance with the Australian Code for Reporting of Mineral Resources and Ore Reserves December 2012 (the JORC code). Resources determined in this way are used in the assessment of mine lives and for forecasting the timing of the payment of restoration costs. When a change in estimated recoverable ore tonnes contained in proved and probable ore reserves, and where applicable, resources, is made, amortisation and depreciation is accounted for prospectively.

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 26.

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 within the calculation of the lease term.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset

or a liability. No deferred asset or liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.
Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

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

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

4.2 Revenue from contracts with customers
The Group recognises revenue from the sale of pollucite to an offtake partner ("customer") under an offtake agreement signed in June 2018, as varied. For all sales of pollucite, revenue is recognised when control has transferred, being when the pollucite is transferred to the designated collection point at the Sinclair Mine ("collection point") in accordance with specified grade and volume requirements. Following notification to the customer that the pollucite is ready for collection the customer has the responsibility for the pollucite including transferring and loading the pollucite onto sea containers at the Esperance Port Facility for transportation. A receivable is recognised by the Group following transfer to the collection point as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Subsequent adjustments to the receivable are recorded once grade and volume requirements have been verified by the customer.

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

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

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

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

4.5 Inventories
Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular

class of inventory, with the majority being valued on a weighted average basis. The Group only included pollucite ore as inventory as at the end of the comparative year.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

4.6 Property, plant and equipment – recognition and measurement

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

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

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

Depreciation and amortisation

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

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

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

4.7 Right-of-use (ROU) assets

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

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

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

Interest expenditure incurred in the current reporting period totalled $31,000. Short-term lease expenditure incurred in the current reporting period totalled $66,000. There was no low-value lease expenditure incurred in the current reporting period.

4.8 Exploration and evaluation expenditure

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

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

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 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,
ii. substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned,
iii. exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in that specific area, or
iv. sufficient data exists to indicate that, although development of a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale (refer impairment accounting policy Note 4.11).

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

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

Exploration related government grants

Government grants (such as the 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.

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

Farm-outs – exploration and evaluation phase

The Group accounts for the treatment of farm-out arrangements under AASB 6 *Evaluation of Mineral Resources* under these arrangements:

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

4.9 Mine properties and amortisation of mine properties

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred in respect of areas of interest in which mining has commenced or in the process of commencing. When further development expenditure is incurred in respect of mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as cost of production.

Amortisation is provided on a unit of production of basis which results in a write off of the cost proportional to the depletion of the proven and probably mineral reserves.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is either fully provided against or written off in the financial year in which this is determined.

4.10 Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

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

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

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) 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 (iv) 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) Debt instruments classified as at FVTOCI

The corporate bonds held by the Group are classified as at FVTOCI. Fair value is determined in the manner described in note 29. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

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

The Group designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition (see note 16).

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) 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 (iii) 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 29.

Foreign exchange gains and losses

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

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

Impairment of financial assets

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

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

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

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

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

Derecognition of financial assets

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

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

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

Financial liabilities and equity

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

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

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

Compound instruments
The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to a reserve. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

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

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

Fair value is determined in the manner described in note 29.

Financial liabilities measured subsequently at amortised cost

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

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

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

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

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

Derecognition of financial liabilities

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

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

Derivative financial instruments

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

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

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

Embedded derivatives

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

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

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

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

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

4.11 Impairment of assets

Non-financial assets

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

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

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

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

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

4.12 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.

4.13 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.

4.14 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.

4.15 Provisions

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

Provision for site restoration and rehabilitation

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

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

4.16 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.

4.17 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Current period lease liabilities relate to the Company's registered office premises in Perth, Western Australia. The Perth office operating lease is for a prescribed period expiring on 30 April 2021. During the term of the operating lease the rent is reviewed annually on each successive anniversary date. The annual lease is currently $88,000.

Policies applicable from 1 January 2019

The Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

The ROU assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether an ROU asset is impaired and accounts for any identified impairment loss as described in the 'Plant, equipment and motor vehicles' policy.

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

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a 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.

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.18 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.

4.19 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").

There are currently two plans in place to provide these benefits being the Incentive Option Plan and the Incentive Performance Rights Plan (together the Equity Incentive Plans) which provide benefits to executives and employees.

The cost of these equity-settled transactions with employees 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 ("market conditions").

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

4.20 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).

4.21 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.

4.22 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) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the

purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants towards staff re-training costs are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.
Exploration related government grants are offset against exploration expenditure incurred and capitalised.

5. OPERATING SEGMENTS

(a) Description of segments

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

Based upon the operations of the Group during the current financial period, the Board has identified three operating segments; being the Sinclair Mine, exploration in Australia and Canada and corporate and unallocated expenditure. Assets are allocated to a segment based on the operations of the segment and the physical location of the asset. During the period the Australian and Canadian exploration segments reported in the prior year were combined for internal reporting to the chief operating decision maker and accordingly are now presented as one segment. The comparative information has been updated to align to current period presentation.

(b) Measurement of segment information

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

(c) Segment information provided to the Board of Directors

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

Year ended 30 June 2020	Sinclair Mine $'000	Exploration $'000	Corporate $'000	Total $'000
Revenue	9,127	-	-	9,127
Profit before tax	3,731	(508)	(1,862)	1,361
Income tax	-	-	-	-
Profit after tax	3,731	(508)	(1,862)	1,361
Segment assets	297	14,151	5,072	19,520
Segment liabilities	696	550	444	1,690
Year ended 30 June 2019	**Sinclair Mine $'000**	**Exploration $'000**	**Corporate $'000**	**Total $'000**
Revenue	10,528	-	-	10,528
Operating gain/(loss) before tax	2,478	(43)	(2,162)	273
Income tax	-	-	-	
Net gain/(loss) after tax	2,478	(43)	(2,162)	273
Segment assets	4,317	10,505	3,187	18,009
Segment liabilities	995	367	545	1,906

6. REVENUE

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

	2020	2019
	$'000	$'000
Revenue from contracts with customers – High-grade pollucite ore	**7,940**	10,528
Other revenue from contracts with customers – Low-grade pollucite ore[1]	**1,187**	-
Total revenue	**9,127**	10,528

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

7. COST OF SALES

	2020	2019
	$'000	$'000
Mining	**-**	6,183
Miner services	**-**	185
Processing	**-**	673
Camp and administrative expenses	**-**	503
Amortisation of mine development and rehabilitation asset	**70**	3,491
Change in inventory	**4,295**	(4,295)
Total cost of sales	**4,365**	6,740

8. OTHER INCOME

	2020	2019
	$'000	$'000
Government grants[1]	**210**	-
Net gain on Kangan Project Farmout Joint Operation	**-**	416
Profit on disposal of asset	**-**	6
Total other income	**210**	422

Note:
[1] - $66,000 in JobKeeper government grant other income was received during the current reporting period. The Group anticipates eligibility for JobKeeper 2.0 government grants extending out to 31 March 2021 pending successfully meeting eligibility requirements.

9. CORPORATE AND OTHER EXPENSES

	2020	2019
	$'000	$'000
Employee expenses	**1,118**	1,015
Non-executive director fees	**178**	189
Share based payment expense	**180**	336
Other expenses	**442**	668
Total corporate and other expenses	**1,918**	2,208

10. EARNINGS PER SHARE

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

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

	2020 (restated)	2019 (restated)
	$'000	$'000
Earnings used in calculating basic and diluted earnings per share	**1,361**	273
Weighted average number of ordinary shares used in calculating basic earnings per share	**150,867,084**	14,919,070
Basic earnings per share – cents per share	**0.90c**	0.18c
Effect of dilutive securities		
Share options and performance rights[1]	**1,419,546**	133,360
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**151,684,891**	149,284,859
Diluted earnings per share – cents per share	**0.90c**	0.18c

Notes:
[1] As at reporting date, 4,570,000 post-consolidation options (30 June 2019: 4,269,960 post-consolidation options) which represent potential ordinary shares were not dilutive as the weighted average exercise price of the options were higher than the weighted average share price for the year.

There has not been a material impact on earnings per share as a result of the adoption of AASB 16 *Leases* in the current reporting period.

11. INCOME TAX EXPENSE

No income tax is payable by the Group as it has incurred losses for income tax purposes for the year, so current tax, deferred tax and tax expense is nil (2019 - Nil). Further deferred tax assets and liabilities will be settled net wherever possible and are therefore offset.

	2020	2019
	$'000	$'000
INCOME TAX EXPENSE		
(a) Tax expense		
Current tax expense	-	-
Deferred tax expense	-	-
Total income tax expense per profit or loss and other comprehensive income	-	-
(b) Numerical reconciliation between tax expense and pre-tax net profit		
Net Profit/(loss) before tax	**1,361**	273
Tax expense /(benefit) at the applicable corporate tax rate of 27.5% (2019: 27.5%)	**374**	76
Increase in income tax due to tax effect of:		
Share based payment expense	**50**	92
Non-deductible expenditure	**3**	-
Decrease in income tax expense due to:		
Non-assessable income	**(49)**	-
Unused tax losses and temp differences recognised	**(349)**	(168)
Deductible capital raising costs	**(29)**	-
Income tax expense attributable to entity	-	-
DEFERRED TAX ASSETS AND LIABILITIES		
(c) Recognised deferred tax assets and liabilities at 27.5% (2019: 27.5%)		
Deferred tax assets		
Employee provisions	**15**	-
Other provisions and accruals	**11**	185
Rehabilitation assets and liabilities	**191**	-
ROU assets	**4**	-
Tax losses	**2,690**	1,790
	2,912	1,975
Set-off of deferred tax liabilities	**(2,912)**	(1,975)
Net deferred tax assets	-	-
Deferred tax liabilities		
Prepayments	-	(21)
Exploration and mine properties	**(2,887)**	(1,953)
Unearned income	**(3)**	-
Other deferred tax liabilities	**(22)**	-
Gross deferred tax liabilities	**(2,912)**	(1,975)
Set-off of deferred tax assets	**2,912**	1,975
Net deferred tax liabilities	-	-
(d) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 26% (2019: 27.5%)		
Deductible temporary differences	**29**	50
Tax revenue losses	**8,151**	8,970
Tax capital losses	**579**	-
Total unrecognised deferred tax assets	**8,759**	9,020

12. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

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

	2020	2019
	$'000	$'000
Cash on hand and at bank	**391**	713
Deposits at call	**4,000**	2,000
Total cash and cash equivalents	**4,391**	2,713

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

	2020	2019
	$'000	$'000
Profit from ordinary activities after income tax	**1,361**	273
Non-cash items:		
Depreciation	**92**	3,543
Unrealised foreign exchange (gain)/loss	**(84)**	203
Exploration written off	**518**	413
Share-based payments expense	**180**	336
Repayment of borrowings	**-**	(6,740)
Unpaid royalties	**-**	551
Net gain on Kangan Project farm out and joint operations agreement	**-**	(221)
Net gain on Balagundi Project farm out agreement	**(41)**	-
Other income (Government SME cash boost incentive)	**50**	-
Change in operating assets and liabilities:		
Decrease/(increase) in prepayments	**102**	(216)
Decrease/(increase) in inventory	**4,295**	(4,295)
Decrease/(increase) in receivables	**(323)**	(63)
(Decrease)/increase in current payables	**(449)**	(1)
(Decrease)/increase in provisions	**9**	(74)
Net cash outflows used in operating activities	**5,710**	(6,292)

(c) Stand-by credit facilities

As at 30 June 2020 the Group had a business credit card facility available totalling $30,000 (2019: $30,000) of which $3,000 (2019: $15,000) was utilised.

(d) Reconciliation of financing liabilities to financing cash flows

	2020	2019
	$'000	$'000
(Decrease)/increase in lease liabilities	(88)	-
Net cash outflows used in financing activities	(88)	-

(e) Non-cash investing activities

During the financial year ended 30 June 2020, the Company had no non-cash investing activities.

13. CASH & CASH EQUIVALENTS

	2020	2019
	$'000	$'000
Cash & cash equivalents		
Cash at bank & in hand	391	713
Term deposits	4,000	2,000
Total cash & cash equivalents	4,391	2,713

Further information relating to credit risk and interest rate risk can be found at Note 29.

14. INVENTORIES

	2020	2019
	$'000	$'000
Current		
Pollucite ore stockpiles at cost	-	4,295
Total inventory	-	4,295

The cost of inventories recognised as an expense during the year was $4,295,000 (2019: Nil).

15. TRADE & OTHER RECEIVABLES

	2020	2019
	$'000	$'000
Trade receivables from the sale of pollucite[1]	297	22
Government grants and incentives receivable	74	-
Bonds	16	16
Other receivables	10	36
Total trade and other receivables	397	76

Notes:
[1] – Trade receivables from the sale of pollucite ore at 30 June 2020 include the final amounts receivable from offtake partners for the sale of high grade pollucite ore relating to the Caesium mining operation undertaken in the prior financial year.

Further information relating to credit risk and interest rate risk can be found at Note 29. Carrying values shown above also constitutes fair value of all receivable amounts. No amount (2019: Nil) included within current receivables is greater than 91 days past due. Using the expected credit loss method no loss allowance was required on trade receivables at reporting date.

16. 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.

	2020	2019
	$'000	$'000
(b) Equity Investments at fair value through other comprehensive income		
Equity investments at FVOCI comprise the following individual investments:		
ASX listed entities[1]	**100**	-
Canadian listed entities[2]	**468**	-
Current investments – Equity instruments[3]	**568**	-
ASX listed entities	**-**	1
Canadian listed entities	**-**	305
Non-current investments – Equity instruments	**-**	306

Notes:

[1] - During the year ended 30 June 2020, the Group entered into a Farm-in & Joint Venture agreement with Black Cat Syndicate Limited ("Black Cat", ASX: BC8) into the 100% owned Balagundi Project located within the Eastern Goldfields of Western Australia. The consideration for entering into the agreement was 122,820 fully paid common shares in Black Cat, valued at $0.355 per share or $43,601. As at 30 June 2020 the share price for Black Cat was $0.81 per share valuing the investment at $99,484.

[2] - Holdings in Canadian listed entities include:
- Shares issued from Novo Resources Corp (TSXV: NVO.V) valued at A$4.02 per share for a total value of A$401,619 at 30 June 2020.
- Shares issued from International Lithium Corp. (TSXV: ILC) valued at A$0.05 per share for a total value of A$66,581 at 30 June 2020.

[3] - Management reclassified all listed investments to current assets during the current reporting period to better represent management's intention to dispose of these investments should management be required to meet additional short-term working capital commitments.

	2020	2019
	$'000	$'000
(c) Amounts recognised in other comprehensive income		
During the full year, the following gains/(losses) were recognised in other comprehensive income:		
Changes in fair values of investments during the year	**219**	(273)
Gains/(losses) recognised in other comprehensive income	**219**	(273)

17. EXPLORATION AND EVALUATION EXPENDITURE

	2020	2019
	$'000	$'000
Non-current – In the exploration and evaluation phase		
Opening balance at 1 July	**10,393**	12,254
Expenditure for the period[1]	**3,890**	1,847
R&D incentives received during the period	**(34)**	(370)
Foreign currency translation – Mavis Lake	**(25)**	80
Transfer to mine properties	**-**	(2,796)
Farmin arrangement for Kangan JV – carrying value transferred to profit/(loss)	**-**	(209)
Farmin arrangement for Balagundi JV – carrying value transferred to profit/(loss)	**(40)**	-
Exploration expenditure written off	**(518)**	(413)
Closing balance at 30 June	**13,666**	10,393

Note:

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

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

The Group's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to indigenous people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims. Exploration write-downs totalled $518,000 which related primarily to the write-down of costs pertaining to tenements surrendered during the year.

18. MINE PROPERTIES

	2020	2019
	$'000	$'000
Balance at the beginning of the year	**-**	-
Rehabilitation asset		
Additions	**-**	628
Amortisation	**-**	(628)
Impairment	**-**	-
Mine development		
Transfers from capitalised mineral exploration	**-**	2,796
Amortisation	**-**	(2,796)
Impairment	**-**	-
Balance at the end of the year	**-**	-

19. RIGHT-OF-USE ASSETS

Non-current	**2020**
	$'000
Cost	
Opening balance at 1 July	**-**
Additions	**-**
Recognised on transition to AASB 16	**347**
Closing balance at 30 June	**347**
Accumulated depreciation	
Opening balance at 1 July	**-**
Depreciation charge for the period	**(72)**
Closing balance	**(72)**
Carrying amount – opening balance	**-**
Carrying amount – closing balance	**275**

Note: The Group has a non-cancellable office operating lease for a three-year period up to 29 April 2021, including an option to extend the lease for an additional three years to 30 April 2024. The Group has recognised this lease based on the application of AASB 16. A maturity analysis in respect to this lease is included under the lease liability note 23. Further to the above-mentioned lease the Group has two separate month-to-month rolling leases, equating to $4,500, in respect of houses located close to the Group's projects. These leases contain clauses where either the Company or the lessor can terminate the lease agreements on short notice and these leases are treated as short-term leases. The lease expenditure on these two leases are included as corporate and other expenses in the statement of profit or loss and other comprehensive income.

20. PLANT, EQUIPMENT AND MOTOR VEHICLES

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

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

20. PLANT, EQUIPMENT AND MOTOR VEHICLES (continued)

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

	Plant & office equipment	Computer equipment	Software	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000
Cost or valuation					
At 30 June 2018	167	186	42	178	573
Additions	21	8	26	29	84
Disposals	-	-	-	(47)	(47)
At 30 June 2019	188	194	68	160	610
Accumulated depreciation and impairment					
At 30 June 2018	(140)	(176)	(1)	(178)	(495)
Depreciation charge	(18)	(6)	(20)	(7)	(51)
Write-offs/Adjustments	-	-	-	47	47
At 30 June 2019	(158)	(182)	(21)	(137)	(498)
Net book value					
At 30 June 2018	27	10	41	-	78
At 30 June 2019	30	12	47	23	112

21. TRADE AND OTHER PAYABLES

	2020	2019
	$'000	$'000
Current (Unsecured)		
Trade creditors	**365**	354
Other creditors and accruals	**286**	747
Total trade and other payables	**651**	1,101

Amounts shown as current are expected to be settled within 12 months. Information relating to the Group's exposure to foreign exchange risk is provided in Note 29.

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.

22. PROVISIONS

	2020	2019
	$'000	$'000
Current		
Employee entitlements[1]	**56**	178
Rehabilitation provision[2]	**696**	628
Total current provisions	**752**	806

Notes:

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

[2] - The provision for rehabilitation of the Sinclair Mine Site is an estimation of work to be carried out such as earthmoving, removal of facilities and restoring of affected areas. The provision represents the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs will be reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date. The provision was increased from $628,000, recorded at 30 June 2019, due to a reassessment of post closure management/monitoring activities by an independent third-party specialist.

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23. LEASE LIABILITIES

The Group's head office in Western Australia is recognised as a Right-of-use ("ROU") asset. Refer to Note 19 for assets recognised in line with the adoption of *AASB 16 Leases* and amortisation expensed to the Statement of Comprehensive Profit or Loss and Other Comprehensive Income during the current financial year.

	2020	2019
	$'000	$'000
Maturity Analysis		
Year 1	**64**	-
Year 2	**64**	-
Year 3	**64**	-
Year 4	**64**	-
Year 5	**33**	-
Onwards	**-**	-
	289	-
Less unearned interest		
Analysed as:		
Current	**64**	-
Non-current	**225**	-
Total lease liabilities	**289**	-

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

24. CONTRIBUTED EQUITY

(a) Ordinary shares on issue – fully paid

	2020	2019	**2020**	2019
	Shares	Shares	**$'000**	$'000
Total contributed equity	**1,508,758,765**	1,507,425,165	**41,184**	41,184

Ordinary shares

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

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

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 25.

(b) Share movements during the year

	Date	Number of shares	Issue price cents	$'000
Opening Balance 1 July 2018		**1,448,502,009**		**39,999**
Share based payment	03/07/18	3,043,478	2.3	70
Share based payment	31/08/18	2,500,000	2.1	53
Exercise of options	02/08/18	66,666	6.0	4
Share issue for prospect acquisition	26/03/19	3,313,012	1.75	58
Share issue per farm-in agreement	01/10/18	50,000,000	2.0	1,000
Closing balance 30 June 2019		**1,507,425,165**		**41,184**
Share issue upon conversion of rights[1]	25/07/19	1,333,600	-	-
Closing balance at 30 June 2020		**1,508,758,765**		**41,184**

Note:

[1] - Pursuant to the Group's Incentive Performance Rights Plan, a total of pre-consolidation 4,000,000 Performance Rights with vesting conditions in in the form of performance hurdles related to the 2019 financial year were issued to Mr David Crook, following approval by shareholders at the Group's Annual General Meeting held on 20 November 2018. The Board of Directors determined that 1,333,600 pre-consolidation Performance Rights vested due to the respective performance hurdle being achieved and the remainder of the pre-consolidation Performance Rights totalling 2,666,400 lapsed due to the respective performance hurdles not being achieved. Mr Crook elected to convert the vested performance rights into fully paid ordinary shares which were issued on 25 July 2019 for nil consideration.

25. EQUITY INCENTIVES

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

2020	Opening balance	Granted	Exercised	Expired/ cancelled	Closing balance
Unlisted share options					
Exercisable at 2.6 cents on or before 27/10/20	2,233,333	-	-	-	2,233,333
Exercisable at 5 cents on or before 27/10/20	2,233,333	-	-	-	2,233,333
Exercisable at 7.5 cents on or before 27/10/20	2,233,333	-	-	-	2,233,333
Exercisable at 2.5 cents on or before 30/05/20	12,000,000	-	-	(12,000,000)	-
Exercisable at 3.5 cents on or before 30/11/21	12,000,000	-	-	-	12,000,000
Exercisable at 4.5 cents on or before 30/11/22	12,000,000	-	-	-	12,000,000
Exercisable at 2.5 cents on or before 31/01/24	-	5,000,000	-	-	5,000,000
Exercisable at 3.5 cents on or before 31/01/24	-	5,000,000	-	-	5,000,000
Exercisable at 4.5 cents on or before 31/01/24	-	5,000,000	-	-	5,000,000
Total unlisted share options	**42,699,999**	**15,000,000**	**-**	**(12,000,000)**	**45,699,999**
Unlisted performance rights					
Exercisable on or before 30/06/19	1,333,600	-	(1,333,600)	-	-
Exercisable on or before 14/10/24	-	8,195,456	-	-	8,195,456
Exercisable on or before 31/01/24	-	5,000,000	-	-	5,000,000
Exercisable on or before 31/12/23	-	1,000,000	-	-	1,000,000
Total unlisted performance rights	**1,333,600**	**14,195,456**	**(1,333,600)**	**-**	**14,195,456**
Total equity incentives	**44,033,599**	**29,195,456**	**(1,333,600)**	**(12,000,000)**	**59,895,455**

25. EQUITY INCENTIVES (continued)

2019	Opening balance	Granted	Exercised	Expired/ cancelled	Closing balance
Listed share options					
Exercisable at 6 cents on or before 31/07/18	44,339,669	-	(66,666)	(44,273,003)	-
Total listed share options	**44,339,669**	**-**	**(66,666)**	**(44,273,003)**	**-**
Unlisted share options					
Exercisable at 2.6 cents on or before 27/10/20	2,233,333	-	-	-	2,233,333
Exercisable at 5 cents on or before 27/10/20	2,233,333	-	-	-	2,233,333
Exercisable at 7.5 cents on or before 27/10/20	2,233,333	-	-	-	2,233,333
Exercisable at 5.4 cents on or before 04/09/18	3,270,400	-	-	(3,270,400)	-
Exercisable at 6 cents on or before 31/07/18	6,000,000	-	-	(6,000,000)	-
Exercisable at 2.5 cents on or before 30/05/20	-	12,000,000	-	-	12,000,000
Exercisable at 3.5 cents on or before 30/11/21	-	12,000,000	-	-	12,000,000
Exercisable at 4.5 cents on or before 30/11/22	-	12,000,000	-	-	12,000,000
Total unlisted share options	**15,970,399**	**36,000,000**	**-**	**(9,270,400)**	**42,699,999**
Unlisted performance rights					
Vested on or before 30/06/19	-	4,000,000	-	(2,666,400)	1,333,600
Total unlisted performance rights	**-**	**4,000,000**	**-**	**(2,666,400)**	**1,333,600**
Total equity incentives	**60,310,068**	**40,000,000**	**(66,666)**	**(56,209,803)**	**44,033,599**

26. SHARE-BASED PAYMENTS

The expense recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in relation to share-based payments is disclosed note 9.

(a) Unlisted share options over unissued shares

The following table illustrates the number and weighted average exercise prices of and movements in unlisted share options during the current and prior financial years:

	2020		2019	
	Number	Weighted average exercise price cents	Number	Weighted average exercise price cents
Outstanding at the beginning of the year	42,699,999	3.68	60,310,068	5.9
Granted during the year	15,000,000	3.5	36,000,000	3.15
Exercised during the year	-	-	(66,666)	6.0
Expired/cancelled during the year	(12,000,000)	2.5	(53,543,403)	5.7
Outstanding at the end of the year	**45,699,999**	**4.0**	**42,699,999**	**3.68**
Vested and exercisable at the end of the year	45,699,999	4.0	42,699,999	3.68

The range of exercise prices for options outstanding at the end of the current and prior financial years was 2.5 cents and 7.5 cents (pre-consolidation).

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

The fair value of options granted during the year ended 30 June 2020 was $112,000 (30 June 2019: $312,000). The following table illustrates the inputs used to calculate the fair value of unlisted share options issued during the current financial year and their resulting valuations on a pre-consolidation basis:

Item	Unlisted Options	Unlisted Options	Unlisted Options
Underlying security share price	$0.012	$0.012	$0.012
Exercise price	$0.025	$0.035	$0.045
Grant date	31/01/2020	31/01/2020	31/01/2020
Expiry date	31/01/2024	31/01/2024	31/01/2024
Days to expiry	1,461	1,461	1,461
Number of options issued	5,000,000	5,000,000	5,000,000
Volatility	108.16%	108.16%	108.16%
Risk-free interest rate	0.66%	0.66%	0.66%
Valuation per option	$0.0081	$0.0074	$0.0069
Valuation per option class	$40,500	$37,000	$34,500

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 21 November 2017.

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.

(b) Unlisted Performance Rights

Refer to note 25 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 2020 was $155,000 (30 June 2019: $72,000).

The Company has in place an Incentive Performance Rights Plan (approved by shareholders on 21 November 2017) which is a long-term incentive plan ("LTIP") and under the LTIP the Board may issue performance rights to employees and directors. A performance right is a right to be issued an ordinary share upon the satisfaction of certain performance conditions that are attached to the performance right, the conditions of which are determined by the Board.

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.

27. RESERVES

	2020 $'000	2019 $'000
Equity incentive reserve	**405**	309
Financial asset revaluation reserve	**10**	(210)
Foreign exchange reserve	**74**	108
Total reserves	**489**	207

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 4.10 and accumulated in a separate reserve in equity. Amounts are reclassified to the statement of profit or loss and other comprehensive income 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.

	2020 $'000	2019 $'000
Equity incentive reserve		
Opening balance	**309**	794
Equity incentives issued during the year	**180**	384
Transfer of lapsed options to accumulated losses	**(84)**	(822)
Lapsed/cancelled equity incentives	**-**	(47)
Closing balance	**405**	309

The equity incentive reserve records items recognised on valuation of director, employee and contractor equity incentives. Information relating to the Group's Equity Incentive Plans, 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 25.

28. ACCUMULATED LOSSES

	2020 $'000	2019 $'000
Accumulated losses at the beginning of the year	**(25,288)**	(26,378)
Net profit attributable to members	**1,361**	273
Transfer from equity incentive reserve re: expired options	**84**	822
Transfer from financial asset revaluation reserve – derecognition of investment	**-**	(5)
Accumulate losses at the end of the year	**(23,843)**	(25,288)

29. 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), credit risk and liquidity risk. Different methods are used to measure and manage these risk exposures. Liquidity risk is monitored through the ongoing review of available cash and future commitments for exploration expenditure. Exposure to liquidity risk is limited by anticipating liquidity shortages and ensures capital can be raised in advance of shortages. It is the Board's policy that no speculative trading in financial instruments be undertaken so as to limit exposure to price risk.

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

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

Categories of Financial Instruments

	2020	2019
	$'000	$'000
Financial assets at amortised cost		
Cash and cash equivalents	**4,391**	2,713
Trade and other receivables	**410**	76
Investments in equity instruments designated as at FVOCI		
Investments	**568**	306
Total financial assets	**5,369**	3,095
Financial liabilities at amortised cost		
Trade and other payables	**601**	1,100
Total financial liabilities	**601**	1,100

Fair value hierarchy

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

Recurring fair value measurements At 30 June 2020	Level 1 $'000	Level 2 $'000	Total $'000
Financial assets			
Financial assets at fair value through other comprehensive income			
Australian listed equity securities	100	-	100
Canadian listed equity securities	468	-	468
Total financial assets	**568**	**-**	**568**
Recurring fair value measurements at 30 June 2019			
Financial assets			
Financial assets at fair value through other comprehensive income			
Australian listed equity securities	1	-	1
Canadian listed equity securities	305	-	305
Total financial assets	**306**	**-**	**306**

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

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

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

Specific financial risk exposures and management

(a) Market Risk – Interest rate risk management

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

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

(b) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the Group monitors its ongoing exploration cash requirements and raises equity funding as and when appropriate to meet such planned requirements. The Group has no undrawn financing facilities other than unused balances on company credit cards. Trade and other payables, the only financial liability of the Group, are due within 3 months.

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

Liquidity and interest risk table

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

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

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

2019	Weighted average interest rate	Less than 1 month	1-3 months	3 months-<5 years	No fixed term	Total
		$'000	$'000	$'000	$'000	$'000
Financial assets						
Financial assets at amortised cost						
Non-interest bearing	-	75	-	-	-	75
Variable interest rate	0.75%	713	-	-	-	713
Fixed interest rate	2.50%	-	2,000	-	-	2,000
Investments in equity instruments designated as at FVOCI						
Investments		-	-	-	306	306
Total financial assets	**1.98%**	**788**	**2,000**	**-**	**306**	**3,094**
Financial liabilities at amortised cost						
Non-interest bearing	-	1,102	-	-	-	1,102
Variable interest rate	-	-	-	-	-	-
Fixed interest rate	-	-	-	-	-	-
Total financial liabilities	**-**	**1,102**	**-**	**-**	**-**	**1,102**

(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 'Big Four' Australian banks.

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. Concerning pollucite sales, the offtaker is contractually required to settle deliveries of product before they are exported.

(d) Commodity price risk

During and at the end of the 12 month reporting period ended 30 June 2020, the Group was potentially subject to commodity price risk for the sale of its pollucite ore. However, the risk was mitigated by the offtake agreement containing a fixed price scale in US dollars based on the product's caesium oxide grade.

(e) Foreign exchange risk

The Group includes a wholly owned Canadian subsidiary. This Canadian subsidiary has a limited number of suppliers that invoice in foreign currencies and therefore foreign exchange risk is minimal. On 20 June 2018, the Group entered into an offtake and loan facility agreement where the offtake partner advanced US$4,800,000 to fund the mining activities at the Sinclair Mine. The offtake agreement resulted in sales denominated in U.S. dollars. During the financial year ended 30 June 2019, the funds for the loan advance and cash receipt sales were received in U.S. dollars and converted into Australian dollars, removing the exchange risk. The loan was repaid by the delivery of product (priced in U.S. dollars) from the Sinclair Mine. During the financial year ended 30 June 2020 cash receipt sales were received in U.S. dollars and converted into Australian dollars, removing the exchange risk, with the exception of US$194,000 in customer sales receipts receivable at the end of the current reporting period. This was subsequently received on 1 July 2020.

(f) Price risk on investments

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The Group's investments are listed on the Australian Securities Exchange (ASX) and Toronto Stock Exchange Venture (TSXV).

Sensitivity

The sensitivity analyses below has been determined based on the exposure to equity price risks at the reporting date. The table below summarises the impact of increases/decreases if the investment's share price had increased or decreased by 10% with all other variables held constant, and that the Group's equity instrument moved in line with the indexes.

Impact on other components of equity		
	2020	2019
	$'000	$'000
TSXV index – increase 10%	**47**	15
TSXV index – decrease 10%	**(47)**	(15)
ASX index – increase 10%	**10**	-
ASX index – decrease 10%	**(10)**	-

Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as FVOCI.

(g) Capital risk management

The Group's objectives when managing capital are to:

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders or issue new Shares. No dividends were paid or provided for during the financial period (2019: 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.

30. GROUP COMPOSITION

(a) List of subsidiaries

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

(b) Third party interests

Project	Third party partner or third party holder	Third party participating equity At 30 June 2020
Acra (Gold)	Northern Star Limited ("NST")	NST hold a 75% interest. Ardea Resources Limited retains 100% of the nickel laterite rights on E27/278, E27/520, E28/1746.
Kangan (Gold)	Novo Resources Corp. ("NOV")	Novo may earn a 70% interest in gold and precious metals rights.
Balagundi (Gold)	Black Cat Syndicate Limited ("BCS")	BCS may earn a 75% interest.
Larkinville (Gold/Nickel)	Maximus Resources Limited	75% on gold minerals and 80% on nickel minerals
Wattle Dam (Gold/Nickel)	Maximus Resources Limited	100% on gold minerals and 80% on nickel minerals
Cessna (Nickel)	Milford Resources Pty Ltd ("Milford")	Essential may earn an 80% interest
Maggie Hays Hill (Nickel)	Poseidon Nickel Ltd	80% all minerals
Fairwater (Nickel)	National Minerals Pty Ltd ("NM")	NM 25% free carried interest
Ravensthorpe (Royalty)	ACH Minerals Pty Ltd (ACH")	100% (Group retains a royalty)
Ravensthorpe (Royalty)	Galaxy Lithium Australia Limited ("GXY")	GXY 100% lithium & tantalum on E74/379, E74/399 & E74/406. ACH all other minerals. Group retains a royalty.

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 4.8. There were no capital commitments or contingent liabilities arising out of the Group's third-party interest activities as at 30 June 2020 (30 June 2019: Nil).

31. CONTINGENT LIABILITIES

There were no material contingent liabilities not disclosed in the financial statements of the Group as at 30 June 2020 (2019: Nil).

32. 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 $760,000 (2019: $650,000).

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). This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners, amounting to $1,633,000 (2019: $1,301,000).

(b) Capital commitments

There were no ongoing capital commitments as at 30 June 2020 (2019: Nil).

33. SUBSEQUENT EVENTS

A General Meeting was held on 7 July 2020. The following resolutions were passed by poll:

- as a special Resolution, the change of Company name from Pioneer Resources Limited to Essential Metals Limited;
- as an ordinary Resolution, a capital consolidation, where the number of issued securities and unissued equity incentives decreased using a fixed ratio of 10:1;
- as an ordinary Resolution, the issue of 10,000,000 unlisted pre-consolidation share options to Related Party Mr Craig McGown; and
- as an ordinary Resolution, the issue of 6,000,000 unlisted pre-consolidation share options to Related Party Mr Paul Payne.

Effective 14 July 2020, the Australian Securities and Investments Commission formally issued a new Certificate of Registration to complete the name change from Pioneer Resources Limited to Essential Metals Limited.

Mr Warren Hallam was pointed to the Board of Essential Metals Limited as an independent non-executive director with effect from 1 August 2020.

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

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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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.

34. RELATED PARTIES

Parent entity and subsidiaries
The ultimate parent entity of the Group is Essential Metals Limited (formally Pioneer Resources Limited at 30 June 2020). Interests in other entities are set out in note 30.

Key management personnel
Key management personnel compensation comprised the following:

	2020	2019
	$'000	$'000
Current disclosed KMP		
Short-term employee benefits	**584**	375
Post-employment benefits	**44**	23
Share-based payments	**142**	79
Employment termination payments	**-**	-
	770	477
Former disclosed KMP		
Short-term employee benefits	**422**	513
Post-employment benefits	**38**	32
Share-based payments	**(63)**	257
Employment termination payments	**145**	-
	542	802
Total key management personnel compensation	**1,312**	1,279

Other director related party transactions
Mr Payne, a non-executive director of Essential Metals Limited, held a relevant interest in Payne Geo Consultancy Pty Ltd which received $4,200 from the Group (2019: Nil) for the provision of geological consultancy services received during the current reporting period.

During the current reporting period payments totalling $14,000 were paid as employee expenses and superannuation for mining operational assistance work undertaken by Managing Director Timothy Spencer's son. Mr Spencer was Chief Financial Officer and Company Secretary at the time the payments were made. In the prior year payments totalling $4,000 were paid as employee expenses and superannuation for mining operational assistance work undertaken by both David Crook and Timothy Spencer's sons.

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

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

35. REMUNERATION OF AUDITORS

	2020	2019
	$'000	$'000
Deloitte and related network firms		
Audit services		
Audit or review of financial reports	**54**	32
Other services		
Taxation compliance services	**28**	63
Total	**82**	95

The auditor of the group is Deloitte Touche Tohmatsu.

36. PARENT ENTITY INFORMATION

	2020	2019
	$'000	$'000
Current assets	**5,362**	7,192
Total assets	**13,584**	18,097
Current liabilities	**1,459**	1,906
Total liabilities	**1,684**	-
Contributed equity	**41,184**	41,184
Accumulated losses	**(29,699)**	(25,008)
Equity incentive reserve	**405**	309
Asset revaluation reserve	**10**	(209)
Foreign currency revaluation reserve	**-**	-
(Loss)/profit for the period	**(4,691)**	287
Total comprehensive loss for the period	**(4,423)**	(268)

Other information

The parent entity has not guaranteed any loans for any entity during 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 31. The parent entity did not have contractual commitments at the end of the current or prior financial year other than disclosed in Note 32.

END OF THE FINANCIAL REPORT

Directors' Declaration

For the year ended 30 June 2020

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 2020 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 2020 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

25 September 2020

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2
Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of Essential Metals Limited (formerly known as Pioneer Resources Limited)

Opinion

We have audited the financial report of Essential Metals Limited (formerly known as Pioneer Resources Limited) (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. This matter was 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of capitalised exploration and evaluation expenditure	
As at 30 June 2020 the Group has $13,664,000 of capitalised exploration expenditure as disclosed in Note 17. Significant judgement is applied in determining the treatment of exploration and evaluation expenditure including: • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether the facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.	Our procedures included, but were not limited: • Obtaining an understanding of management's process to evaluate the carrying value of capitalised mineral exploration assets; • Testing on a sample basis, evaluation expenditure to confirm the nature of the costs incurred, and the appropriateness of the classification between asset and expense; • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date and challenging management's consideration of the Group's ability to recoup the capitalised costs through future development or sale of the areas of interest; • Evaluating whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Assessing whether any facts or circumstances existed to suggest impairment testing was required including expenditure incurred on areas of interest during the year ended 30 June 2020 and planned expenditure for the year ended 30 June 2021; and • Assessing the appropriateness of the disclosures in Note 17 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report , Additional ASX Disclosures and Shareholder Information which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Chairman's Report and Chief Executive Officers report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Chairman's Report and Chief Executive Officers report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

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.

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

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

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

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

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

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

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

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

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

Deloitte.

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in on pages 14 to 24 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Essential Metals Limited (formerly known as Pioneer Resources Limited), for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

PSPink

Penelope Pink
Partner
Chartered Accountants
Perth, 25 September 2020

Additional Shareholder Information

As at 23 September 2020

The following additional information is required by the Australian Securities Exchange. The information was current as at 23 September 2020.

(a) Top 20 quoted shareholders

On 7 July 2020 shareholders of Essential Metals Limited approved a capital consolidation, where the number of issued securities and unissued equity incentives decreased using a fixed ratio of 10:1. The capital consolidation was completed prior to 19 August 2020. The following table of quoted securities reflects the top 20 quoted shareholders on a post capital consolidation basis:

Rank	Holder name	%	Number of shares
1	BEATONS CREEK GOLD PTY LTD	3.31%	5,000,000
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1.97%	2,975,309
3	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1.44%	2,173,116
4	XSTRATA NICKEL AUSTRALASIA INVESTMENTS PTY LTD	1.42%	2,139,694
5	CITICORP NOMINEES PTY LIMITED	1.29%	1,984,189
6	MR THOMAS WAYNE SPILSBURY & MRS MARCEY EVA SPILSBURY <TIGER SUPER FUND A/C>	1.15%	1,729,524
7	BASILDENE PTY LTD <WARREN BROWN SUPER FUND A/C>	1.05%	1,580,020
8	MR WARREN THOMAS BROWN & MRS ROSLYN UNA BROWN <WT & RU BROWN FAMILY A/C>	0.99%	1,488,242
9	RAFE PTY LTD <THE TOMASICH SUPER FUND A/C>	0.93%	1,400,000
10	MR MARK KEVIN PROCTOR	0.88%	1,332,514
11	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	0.87%	1,317,158
12	MR CHRISTOPHER ALLAN EAGLESHAM	0.83%	1,250,000
13	MR CEDRIC DESMOND PARKER	0.73%	1,100,000
14	SEVENTH VEMALUX PTY LTD	0.71%	1,074,851
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	0.71%	1,065,589
16	MONEX BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	0.70%	1,058,526
17	IONIKOS PTY LTD <MCGOWN SUPER FUND A/C>[1]	0.69%	1,040,953
18	CLAYMORE INVESTMENTS PTY LTD <WALDECK S/F A/C>	0.66%	1,000,000
18	FRANCIS HOLDINGS (WA) PTY LTD	0.66%	1,000,000
19	WIP FUNDS MANAGEMENT PTY LTD <PORTER FAMILY S/F A/C>	0.60%	900,000
20	MR PETER GRANT ALLEWAY & MRS COLLEEN GLORIA ALLEWAY <ALLEWAY FAMILY A/C>	0.57%	865,000
		22.16%	**33,438,685**

Note:

[1] - Beneficial owner is Non-Executive Chairman of the Company, Craig McGown, who has a total shareholding of 1,040,943 ordinary shares.

(b) Distribution of quoted ordinary shares

Size of parcel	Number of share holders	Number of shares
1 – 1,000	474	178,257
1,001 – 5,000	1,053	3,162,659
5,001 – 10,000	685	5,577,136
10,001 – 100,000	1,416	49,589,710
100,000 +	278	92,368,665
Total	**3,906**	**150,876,427**

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

The number of shareholders holding less than a marketable parcel of fully paid ordinary shares as at 23 September 2020 was 1,303 (holding 2,252,989 shares).

(d) Substantial shareholders

No substantial shareholding notices have been provided to Essential Metals Limited

(e) Voting rights

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

(f) Unquoted equity securities

Equity security type	Issued to	Number on issue	Exercise price	Expiry date
Options	Staff	223,334	$0.26	27 October 2020
Options	Staff	223,334	$0.50	27 October 2020
Options	Staff	223,334	$0.75	27 October 2020
Options	Directors	894,446	$0.35	30 November 2021
Options	Directors	894,446	$0.45	30 November 2022
Options	Directors	500,000	$0.25	31 January 2024
Options	Directors	500,000	$0.35	31 January 2024
Options	Directors	500,000	$0.45	31 January 2024
Options	Directors	533,334	$0.25	30 June 2024
Options	Directors	533,334	$0.35	30 June 2024
Options	Directors	533,334	$0.45	30 June 2024
Performance Rights	Staff	445,911	n/a	14 October 2024
Performance Rights	Directors	373,637	n/a	14 October 2024
Performance Rights	Directors	500,000	n/a	31 January 2024
Performance Rights	Staff	100,000	n/a	31 December 2023
		6,978,444		

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MINERAL RESOURCE STATEMENTS

The Group has ensured that the Mineral Resources quoted are subject to thorough governance arrangements and internal controls.

The Dome North Lithium Project				
Project area	**Category**	**Tonnes (Mt)**	**Grade (Li_2O %)**	**Tonnes Li_2O ('000s)**
Cade Deposit	Inferred	8.2	1.23	101

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

Glossary
Li_2O – Lithium Oxide
Ni – Nickel Sulphide

Cade Lithium Deposit: The information in this annual report that relates to lithium Mineral Resources for the Cade Lithium Deposit was based on information supplied to and compiled by the Competent Persons Mr David Crook and Mr Lauritz Barnes. This information was originally reported to ASX on 25 November 2019 (JORC 2012) entitled: "*Initial Inferred Mineral Resource for the Cade Spodumene Deposit and Initial Exploration Target for the Dome North Area*". The Company confirms that it is not aware of any new information or data that materially affects the information included in the aforementioned announcement and that all material assumptions and technical parameters underpinning the estimates in the aforementioned announcement continue to apply and have not materially changed. The Company also confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified.

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

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.

Tenement Register

As at 30 June 2020

Tenement Register (Consolidated Basis)

Tenement	Holder	Notes	Status
Golden Ridge Nickel Project Located 30km SE of Kalgoorlie, WA			
E26/186	Golden Ridge North Kambalda Pty Ltd	1	Granted
E26/211	Golden Ridge North Kambalda Pty Ltd	1	Granted
E26/212	Golden Ridge North Kambalda Pty Ltd	1	Granted
M26/220	Golden Ridge North Kambalda Pty Ltd	1	Granted
M26/222	Golden Ridge North Kambalda Pty Ltd	1, 11	Granted
M26/284	Golden Ridge North Kambalda Pty Ltd	1, 11	Granted
M26/285	Golden Ridge North Kambalda Pty Ltd	1, 11	Granted
L26/272	Golden Ridge North Kambalda Pty Ltd	1	Granted
Fairwater Nickel Project Located 220km SE of Kalgoorlie, WA			
E63/1665	Essential Metals Limited/ National Minerals Pty Ltd	10	Granted
E63/1714	Essential Metals Limited/ National Minerals Pty Ltd	10	Under application
E63/2040	Essential Metals Limited/ National Minerals Pty Ltd	10	Under application
Pioneer Dome Project Located 133km SSE of Kalgoorlie, WA			
E15/1515	Essential Metals Limited		Granted
E15/1522	Essential Metals Limited		Granted
E15/1725	Essential Metals Limited		Under application
E63/1669	Essential Metals Limited		Granted
E63/1782	Essential Metals Limited		Granted
E63/1783	Essential Metals Limited		Granted
E63/1785	Essential Metals Limited		Granted
E63/1825	Essential Metals Limited		Granted
L63/77	Essential Metals Limited		Granted
M63/665	Essential Metals Limited		Granted
Kangan Lithium Project Located 80km S of Port Hedland, (Wodgina) WA			
E45/4948	Essential Metals Limited	19	Granted
E47/3318-I	Essential Metals Limited	15, 17	Granted
E47/3321-I	Essential Metals Limited	15, 17	Granted
E47/3945	Essential Metals Limited	19	Granted
Donnelly Lithium Project Located 15km SW of Greenbushes, WA			
E70/4826	Paul Winston Askins	12	Under application
E70/4829	Paul Winston Askins	12	Under application
Regional Projects, Located in WA			
E15/1710	Essential Metals Limited		Granted
E30/509	Essential Metals Limited		Under application
E30/510	Essential Metals Limited		Under application
E27/575	Milford Resources Pty Ltd	18	Granted
E63/1959	Essential Metals Limited		Granted
Balagundi			
E27/558	Essential Metals Limited	19	Granted

Tenement Register

As at 30 June 2020

Tenement	Holder	Notes	Status
Mavis Lake Project, Located 10km East of Dryden, Ontario, Canada			
4208712	International Lithium Corporation	13	Granted
4208713	International Lithium Corporation	13	Granted
4208714	International Lithium Corporation	13	Granted
4251131	International Lithium Corporation	13	Granted
4251132	International Lithium Corporation	13	Granted
4251133	International Lithium Corporation	13	Granted
4251134	International Lithium Corporation	13	Granted
4251135	International Lithium Corporation	13	Granted
4251136	International Lithium Corporation	13	Granted
4251137	International Lithium Corporation	13	Granted
4251138	International Lithium Corporation	13	Granted
4251139	International Lithium Corporation	13	Granted
4251140	International Lithium Corporation	13	Granted
K489140	International Lithium Corporation	13	Granted
K498288	International Lithium Corporation	13	Granted
K498289	International Lithium Corporation	13	Granted
K498290	International Lithium Corporation	13	Granted
K498292	International Lithium Corporation	13	Granted
K498308	International Lithium Corporation	13	Granted
Acra Gold Project Located 60km NE of Kalgoorlie, WA			
E27/278	Essential Metals Limited / Northern Star Resources Limited	2, 8	Granted
E27/438	Essential Metals Limited / Northern Star Resources Limited	2, 8	Granted
E27/491	Essential Metals Limited / Northern Star Resources Limited	8	Granted
E27/520	Essential Metals Limited / Northern Star Resources Limited	2, 8	Granted
E27/548	Essential Metals Limited / Northern Star Resources Limited	8	Granted
E27/579	Essential Metals Limited / Northern Star Resources Limited	2, 8	Granted
E28/1746	Essential Metals Limited / Northern Star Resources Limited	2, 8	Granted
E28/2483	Essential Metals Limited / Northern Star Resources Limited	8	Granted
Wattle Dam Nickel Project Located 65km S of Kalgoorlie, WA			
M15/1101	Maximus Resources Limited	3, 5	Granted
M15/1263	Maximus Resources Limited	3, 5	Granted
M15/1264	Maximus Resources Limited	3, 5	Granted
M15/1323	Maximus Resources Limited	3, 5	Granted
M15/1338	Maximus Resources Limited	3, 5	Granted
M15/1769	Maximus Resources Limited	3, 5	Granted
M15/1770	Maximus Resources Limited	3, 5	Granted
M15/1771	Maximus Resources Limited	3, 5	Granted
M15/1772	Maximus Resources Limited	3, 5	Granted
M15/1773	Maximus Resources Limited	3, 5	Granted
Larkinville Lithium, Nickel Project Located 75km S of Kalgoorlie, WA			
M15/1449	Essential Metals Limited / Maximus Resources Limited	6, 7	Granted
P15/5912	Essential Metals Limited / Maximus Resources Limited	6, 7	Granted
Maggie Hays Hill JV, Located 140km SE of Southern Cross			
E63/1784	Essential Metals Limited / Poseidon Nickel Limited	14	Granted

Tenement Register

As at 30 June 2020

Tenement	Holder	Notes	Status
Ravensthorpe Copper-Gold Project Located 340km SW of Kalgoorlie, WA			
E74/311	ACH Minerals Pty Limited	9	Granted
E74/379-I	Galaxy Lithium Australia Limited	16	Granted
E74/399	Galaxy Lithium Australia Limited	16	Granted
E74/406	Galaxy Lithium Australia Limited	16	Granted
E74/486	ACH Minerals Pty Limited	9	Granted
E74/558	ACH Minerals Pty Limited	9	Granted
E74/559	ACH Minerals Pty Limited	9	Granted
E74/560	ACH Minerals Pty Limited	9	Granted
M74/163	ACH Minerals Pty Limited	9	Granted
P74/349	ACH Minerals Pty Limited	9	Granted
Katanning Gold Project			
E70/5040	Ausgold Exploration Pty Ltd	20	Granted
E70/5042	Ausgold Exploration Pty Ltd	20	Granted
E70/5043	Ausgold Exploration Pty Ltd	20	Granted
E70/5044	Ausgold Exploration Pty Ltd	20	Granted
Juglah Dome Project			
E25/585	Western Copper Pty Ltd	21	Under application

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

Essential Metals Limited
ABN 44 103 423 981
Previously named:
Pioneer Resources Limited
ASX: ESS

72 Kings Park Road
West Perth WA 6005

www.essmetals.com.au