



EAGLE MOUNTAIN MINING

ASX Announcement | 28 FEBRUARY 2022

Half Year Financial Statements

Eagle Mountain Mining Limited (ASX:EM2) ("Eagle" or "the Company") is pleased to attach the Consolidated Financial Statements for the half year ended 31 December 2021.

For further information please contact:

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This Announcement has been approved for release by the Board of Eagle Mountain Mining Limited

EAGLE MOUNTAIN MINING LIMITED

Eagle Mountain is a copper-gold explorer focused on the strategic exploration and development of the Oracle Ridge Copper Mine and the highly-prospective greenfields Silver Mountain project, both located in Arizona, USA.

Arizona is at the heart of America's mining industry and home to some of the world's largest copper discoveries such as Bagdad, Miami and Resolution, one of the largest undeveloped copper deposits in the world.

Follow the Company's developments through our website and social media channels



Website <https://eaglemountain.com.au/>



Twitter https://twitter.com/eagle_mining



LinkedIn <https://www.linkedin.com/company/eagle-mountain-mining-ltd/>

EAGLE MOUNTAIN MINING LIMITED | ACN 621 541 204

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EAGLE MOUNTAIN MINING

EAGLE MOUNTAIN MINING LIMITED

ABN 34 621 541 204

FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
31 DECEMBER 2021**



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CORPORATE DIRECTORY

DIRECTORS

Rick Crabb (Non-Executive Chairman)
Charles Bass (Managing Director)
Roger Port (Non-Executive Director)

ALTERNATE DIRECTOR

Brett Rowe
(Alternate Director for Charles Bass)

CHIEF EXECUTIVE OFFICER

Tim Mason

COMPANY SECRETARY

Mark Pitts

ASX CODE

EM2

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Nedlands WA 6009

Email: info@eaglemountain.com.au
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AUDITORS

William Buck Audit (WA) Pty Ltd
Level 3
15 Labouchere Road
South Perth WA 6151

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000



DIRECTORS' REPORT

The Directors present the consolidated financial statements of Eagle Mountain Mining Limited ("Eagle Mountain" or the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2021.

DIRECTORS

The following persons were Directors of Eagle Mountain during the whole of the half year and up to the date of this report, unless stated otherwise:

| | |
|--------------|--|
| Rick Crabb | <i>(Non-Executive Chairman)</i> |
| Charles Bass | <i>(Managing Director)</i> |
| Roger Port | <i>(Non-Executive Director)</i> |
| Brett Rowe | <i>(Alternate Director for Charles Bass)</i> |

CHIEF EXECUTIVE OFFICER

Tim Mason

COMPANY SECRETARY

Mark Pitts

REVIEW OF OPERATIONS

The operating loss after income tax of the Group for the half year was \$15,796,283 (31 December 2020: \$6,526,596), which includes exploration and evaluation costs of \$13,555,020 (31 December 2020: \$3,341,412) and a fair value gain on convertible notes of \$199,872 (31 December 2020: \$2,224,299 loss).

As at 31 December 2021, the Group had cash assets of \$10,929,770 (30 June 2021: \$9,119,371).

During the reporting period, the Group completed a \$16 million placement. Funds from the placement were used to accelerate the drilling program at the Oracle Ridge Copper Project ("Oracle Ridge") with close to 23,800 metres being drilled in the six month period. Three drill rigs operated full time with the aim to expand the existing JORC Mineral Resource, update the existing Mineral Resource Estimate and target some high-priority zones.

To support the ongoing drilling program extensive roadworks occurred during the reporting period to establish new drilling pads and roads.

Land holdings were increased with 39 new claims staked over Golden Eagle, an area approximately 2 kilometres to the east of Oracle Ridge, and OREX.

Activities of a corporate nature included the early repayment of the loan of US\$1 million from Quartz Mountain Mining Pty Ltd by the issue of 1,744,000 ordinary shares.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the reporting period, the Company raised \$16 million (before costs) from the issue of 24,615,385 ordinary shares at \$0.65 per share following a placement to institutional and professional investors.

Other than the matter above, there were no significant changes in the Group's state of affairs during the half year.



DIRECTORS' REPORT

EVENTS SUBSEQUENT TO THE REPORTING DATE

The impact of the COVID-19 pandemic is ongoing. The situation is dependent on measures imposed by the governments of Australia, the United States and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. It is not practicable to estimate the potential impact, positive or negative, after the reporting date.

Other than as stated above, there has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, William Buck Audit (WA) Pty Ltd, to provide the Directors of the Group with an Independence Declaration. This Independence Declaration is set out on the following page and forms part of this Directors' Report for the half year ended 31 December 2021.

This report has been made in accordance with a resolution of the Board of Directors.

Rick Crabb
Chairman

Dated at Perth this 28th day of February 2022

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF EAGLE MOUNTAIN MINING LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2021 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (WA) Pty Ltd
ABN 67 125 012 124

CM

Conley Manifis

Director

Dated this 28th day of February 2022

ACCOUNTANTS & ADVISORS

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the Half Year Ended 31 December 2021

| | Notes | 31 December 2021 A\$ | 31 December 2020 A\$ |
|---|-------|----------------------------|----------------------------|
| Operations | | | |
| Other income | | 3,514 | 50,000 |
| Interest revenue | | 340 | 432 |
| Forgiveness of loan – Paycheck Protection Program | | - | 147,921 |
| Administration and other costs | | (1,423,604) | (351,407) |
| Employee expenses – non-exploration | | (322,879) | (291,206) |
| Employee expenses – equity based | | (393,332) | (242,555) |
| Finance costs | | (223,460) | (193,222) |
| Depreciation expense | | (274,068) | (225,036) |
| Exploration and evaluation costs | | (13,555,020) | (3,341,412) |
| Net change in fair value of convertible notes | 9 | 199,872 | (2,224,299) |
| Fair value gain on loan repayment | | 70,958 | - |
| Gain on foreign currency exchange | | 121,396 | 144,188 |
| Loss before income tax | | (15,796,283) | (6,526,596) |
| Income tax expense | | - | - |
| Loss after income tax from operations | | (15,796,283) | (6,526,596) |
| Other comprehensive income/(loss) | | | |
| <i>Other comprehensive income that may be re-classified to profit or loss in subsequent periods</i> | | | |
| Loss on foreign currency exchange | | (49,607) | (141,762) |
| Total comprehensive loss for the period | | (15,845,890) | (6,668,358) |
| Loss attributable to: | | | |
| Owners of the parent | | (15,796,283) | (5,381,668) |
| Non-controlling interests | | - | (1,144,928) |
| | | (15,796,283) | (6,526,596) |
| Total comprehensive loss attributable to: | | | |
| Owners of the parent | | (15,845,890) | (5,538,812) |
| Non-controlling interests | | - | (1,129,546) |
| | | (15,845,890) | (6,668,358) |
| | | Cents | Cents |
| Basic and diluted loss per share | | (7.3) | (3.8) |

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



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Note | 31 December 2021 A\$ | 30 June 2021 A\$ |
|--|------|----------------------------|------------------------|
| Current Assets | | | |
| Cash and cash equivalents | | 10,929,770 | 9,119,371 |
| Trade and other receivables | | 257,249 | 306,131 |
| Total Current Assets | | 11,187,019 | 9,425,502 |
| Non-Current Assets | | | |
| Exploration and evaluation expenditure | 6 | 9,816,375 | 9,474,278 |
| Property, plant and equipment | | 1,168,812 | 977,951 |
| Right-of-use assets | 7 | 434,331 | 531,202 |
| Bonds and deposits | | 269,864 | 260,459 |
| Total Non-Current Assets | | 11,689,382 | 11,243,890 |
| TOTAL ASSETS | | 22,876,401 | 20,669,392 |
| Current Liabilities | | | |
| Trade and other payables | | 2,341,822 | 1,073,654 |
| Employee leave liabilities | | 123,811 | 105,268 |
| Lease liabilities | 8 | 230,910 | 211,127 |
| Borrowings | 9 | 8,866 | 1,340,297 |
| Total Current Liabilities | | 2,705,409 | 2,730,346 |
| Non-Current Liabilities | | | |
| Lease liabilities | 8 | 233,151 | 340,781 |
| Employee leave liabilities | | 11,967 | 9,708 |
| Borrowings | 9 | 11,345,442 | 11,006,713 |
| Total Non-Current Liabilities | | 11,590,560 | 11,357,202 |
| TOTAL LIABILITIES | | 14,295,969 | 14,087,548 |
| NET ASSETS | | 8,580,432 | 6,581,844 |
| Equity | | | |
| Issued capital | 11 | 62,274,794 | 45,601,593 |
| Option capital | | - | 4,500 |
| Reserves | 12 | 6,648,474 | 5,526,540 |
| Accumulated losses | | (60,342,836) | (44,550,789) |
| TOTAL EQUITY | | 8,580,432 | 6,581,844 |

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



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half Year Ended 31 December 2021

| | Issued capital | Option capital | Foreign currency translation reserve | Share based payment reserve | Common control reserve | Accumulated losses | Non-controlling interest | Total |
|---|-------------------|----------------|--------------------------------------|-----------------------------|------------------------|---------------------|--------------------------|------------------|
| | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ |
| Balance at 1 July 2020 | 15,322,265 | 4,500 | 390,899 | 1,105,348 | (3,014,276) | (12,381,375) | (189,929) | 1,237,432 |
| Loss for the period | - | - | - | - | - | (5,381,668) | (1,144,928) | (6,526,596) |
| Other comprehensive income for the period net of income tax | - | - | (157,144) | - | - | - | 15,382 | (141,762) |
| Total comprehensive loss for the period | - | - | (157,144) | - | - | (5,381,668) | (1,129,546) | (6,668,358) |
| Issue of shares | 5,850,000 | - | - | - | - | - | - | 5,850,000 |
| Capital raising costs | (585,325) | - | - | - | - | - | - | (585,325) |
| Vesting of options/performance rights | - | - | - | 661,587 | - | - | - | 661,587 |
| Exercise of options | 144,000 | - | - | (144,000) | - | - | - | - |
| Balance at 31 December 2020 | 20,730,940 | 4,500 | 233,755 | 1,622,935 | (3,014,276) | (17,763,043) | (1,319,475) | 495,336 |
| Balance at 1 July 2021 | 45,601,593 | 4,500 | 272,208 | 8,268,608 | (3,014,276) | (44,550,789) | - | 6,581,844 |
| Loss for the period | - | - | - | - | - | (15,796,283) | - | (15,796,283) |
| Other comprehensive income for the period net of income tax | - | - | (49,607) | - | - | - | - | (49,607) |
| Total comprehensive loss for the period | - | - | (49,607) | - | - | (15,796,283) | - | (15,845,890) |
| Issue of shares | 16,003,000 | - | - | - | - | - | - | 16,003,000 |
| Capital raising costs | (767,725) | - | - | - | - | - | - | (767,725) |
| Share issue for loan repayment | 1,299,280 | - | - | - | - | - | - | 1,299,280 |
| Vesting of options/performance rights | - | - | - | 1,196,132 | - | - | - | 1,196,132 |
| Exercise/cancellation of options | 138,646 | (4,500) | - | (24,591) | - | 4,236 | - | 113,791 |
| Balance at 31 December 2021 | 62,274,794 | - | 222,601 | 9,440,149 | (3,014,276) | (60,342,836) | - | 8,580,432 |

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half Year Ended 31 December 2021

| | 31 December 2021 | 31 December 2020 |
|--|--------------------------|-------------------------|
| Note | A\$ | A\$ |
| Cash Flows from Operating Activities | | |
| Payments to suppliers and employees | (835,868) | (623,509) |
| Payments for exploration and evaluation | (12,405,032) | (2,938,400) |
| Payments for interest and other financing costs | (26,086) | (17,664) |
| Interest received | 340 | - |
| Other revenue (including government grant assistance) | 3,513 | 50,000 |
| Net cash used in operating activities | <u>(13,263,133)</u> | <u>(3,529,573)</u> |
| Cash Flows from Investing Activities | | |
| Refunds/(payments) for bonds and deposits | 1,367 | (144,701) |
| Payments for acquisition of exploration assets | - | - |
| Payments for purchase of fixed assets | (319,914) | - |
| Net cash used in investing activities | <u>(318,547)</u> | <u>(144,701)</u> |
| Cash Flows from Financing Activities | | |
| Proceeds from the issue of shares and options | 16,116,791 | 5,850,000 |
| Payments for the issue of shares and options | (821,446) | (317,248) |
| Proceeds from borrowings | - | 144,701 |
| Repayment of borrowings | (5,216) | (5,283) |
| Repayment of lease liabilities | (102,938) | (58,970) |
| Net cash generated by financing activities | <u>15,187,191</u> | <u>5,613,200</u> |
| Net increase in cash held | 1,605,511 | 1,938,926 |
| Cash and cash equivalents at the beginning of the period | 9,119,371 | 507,750 |
| Effect of foreign currency exchange on cash and cash equivalents | 204,888 | (94,475) |
| Cash and cash equivalents at the end of the period | <u>10,929,770</u> | <u>2,352,201</u> |

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2021

NOTE 1 BASIS OF PREPARATION OF HALF YEAR REPORT

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* ("AASB 134"). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 30 June 2021 annual financial statements and any public announcements made by the Group during the half year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

These accounting policies are consistent with those previously disclosed in the 30 June 2021 annual financial statements unless otherwise stated.

The half year financial report was approved by the Board of Directors on 28 February 2022.

Going concern basis for the preparation of financial statements

The Group has incurred a loss after income tax of \$15,796,283 and a net operating cash outflow of \$13,263,133 during the half year ended 31 December 2021. The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

During the reporting period, the Group successfully raised \$16 million (before costs) pursuant to a placement to institutional and sophisticated investors. The Directors will continue to manage the Group's activities with due regard to current and future funding requirements. The Directors reasonably expect that the Company will be able to raise sufficient capital to fund the Group's exploration and working capital requirements, and that the Group will be able to settle debts as and when they become due and payable. On this basis, the Directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

Adoption of new and revised Accounting Standards

There has been no impact to the financial statements arising from new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Group for the reporting period ended 31 December 2021.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation

The financial statements of subsidiary companies are included in the consolidated financial statements from the date control commences until the date control ceases. The financial statements of subsidiary companies are prepared for the same reporting period as the parent company, using consistent accounting policies.

Inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation. Investments in subsidiary companies are accounted for at cost in the individual financial statements of the Company.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2021

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The estimates, judgements and assumptions disclosed as at 30 June 2021 are still valid for this half year reporting period. In addition, the following key judgements, estimates and assumptions apply to this reporting period:

Valuation of derivative liability

As part of the acquisition of the Oracle Ridge Copper Mine, a US\$6,423,000 secured note was issued to Vincere Resource Holdings LLC. Up to US\$3,000,000 of the secured note can be converted into shares of the Company upon the occurrence of various conversion trigger events at variable conversion prices. At each reporting period, the fair value of the embedded derivative liability component of the secured note is derived and a number of assumptions have been made at the reporting date. These assumptions are outlined in note 9.

NOTE 3 SEGMENT INFORMATION

AASB 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group operates in one segment, being exploration for mineral resources. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

The Group has exploration claims and the Oracle Ridge Copper Mine in Arizona, United States of America and operates in both Australia and USA.

Information regarding the non-current assets by geographical location is reported below. No geographical location segment information is provided in relation to revenue and profit or loss for the half year ended 31 December 2021 or the year ended 30 June 2021.

Reconciliation of Non-Current Assets by Geographical Location

| | 31 December 2021 A\$ | 30 June 2021 A\$ |
|--------------------------|----------------------------|------------------------|
| Australia | 136,561 | 202,911 |
| United States of America | 11,552,821 | 11,040,979 |
| | <u>11,689,382</u> | <u>11,243,890</u> |

NOTE 4 DIVIDENDS

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2021.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2021

NOTE 5 LOSS FROM ORDINARY ACTIVITIES

| | 31 December 2021 A\$ | 31 December 2020 A\$ |
|---|----------------------------|----------------------------|
| Included in the loss before income tax are the following specific items of income/(expenses): | | |
| Forgiveness of loan (note 9) | - | 147,921 |
| Fair value gain on repayment of Quartz loan | 70,958 | - |
| Fair value gain/(loss) on derivative liability (note 9) | 199,872 | (2,224,299) |
| Interest and finance costs paid/payable on borrowings | (197,784) | (178,074) |
| Interest paid/payable on leases | (25,676) | (15,148) |
| Share based payments expense – employees | (393,332) | (242,555) |
| Share based payments expense – corporate advisory | (802,800) | - |

NOTE 6 EXPLORATION AND EVALUATION EXPENDITURE

| | 31 December 2021 A\$ | 30 June 2021 A\$ |
|---|----------------------------|------------------------|
| Movement during the period | | |
| Carrying value – beginning of the period | 9,474,278 | 10,378,496 |
| Effect of movement in foreign currency exchange rates | 342,097 | (904,218) |
| Carrying value – end of the period | 9,816,375 | 9,474,278 |

Carried forward exploration and evaluation expenditure represents the exploration asset acquisition costs recognised on the acquisition of Silver Mountain Mining Pty Ltd and the Oracle Ridge Copper Mine.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

NOTE 7 RIGHT-OF-USE ASSETS

| | 31 December 2021 A\$ | 30 June 2021 A\$ |
|------------------------------|----------------------------|------------------------|
| Opening balance | 531,202 | 208,493 |
| Right-of-use asset additions | - | 439,957 |
| Depreciation expense | (111,711) | (129,324) |
| Foreign currency differences | 14,840 | 12,076 |
| | 434,331 | 531,202 |

The Group leases land and buildings for its offices in Perth, Australia and Arizona, USA under agreements with terms of up to five years.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2021

NOTE 8 LEASE LIABILITIES

| | 31 December 2021 A\$ | 30 June 2021 A\$ |
|--|----------------------------|------------------------|
| Current liability | 230,910 | 211,127 |
| Non-current liability | 233,151 | 340,781 |
| | 464,060 | 551,908 |
| Movement in lease liabilities | | |
| Opening balance | 551,908 | 229,210 |
| Increase in liability due to additional leases | - | 439,957 |
| Principal repayments (net of interest) | (102,938) | (129,017) |
| Foreign currency differences | 15,090 | 11,758 |
| Balance at the end of the period | 464,060 | 551,908 |

NOTE 9 BORROWINGS

| | 31 December 2021 A\$ | 30 June 2021 A\$ |
|---|----------------------------|------------------------|
| Current | | |
| Vehicle loan amounts due within one year ¹ | 8,866 | 10,156 |
| Loans from related parties ² | - | 1,330,141 |
| | 8,866 | 1,340,297 |
| Non-current | | |
| Loan – derivative liability | 3,215,047 | 3,297,591 |
| Loan – debt liability | 8,130,395 | 7,705,643 |
| Subtotal loan ³ | 11,345,442 | 11,003,234 |
| Vehicle loan amounts due after one year | - | 3,479 |
| | 11,345,442 | 11,006,713 |

¹ Vehicle loan amounts are secured over assets with a net book value of A\$25,784 (2021: A\$28,440) held by Silver Mountain Mining Operations Inc.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2021

NOTE 9 BORROWINGS (continued)

² The Company entered into an unsecured loan agreement with a Director-related entity, Quartz Mountain Mining Pty Ltd ("Quartz") as trustee for the Bass Family Trust. The principal of US\$1,000,000 attracted interest at 2% per annum with the first three months being interest free. The loan's maturity date was deferred from 27 October 2020 to 31 December 2021. In September 2020, shareholders approved the issue of 950,000 options to Quartz as satisfaction of interest owing to 31 December 2021. In August 2021, Quartz agreed to accept 1,744,000 shares in consideration for the repayment of US\$1,000,000 which represented an effective issue price of 78.4 cents per share (a premium of 10% to the closing price on 25 August 2021). The share issue was completed following shareholder approval in October 2021.

³ In November 2019, the Group acquired an 80% interest in the Oracle Ridge Copper Mine in Arizona in the United States of America, and in May 2021 the additional 20% interest was acquired. Under the terms of the purchase agreement, Wedgetail Operations LLC, now a wholly owned subsidiary, entered into a US\$6,423,000 secured loan with Vincere Resource Holdings LLC. The loan is secured over all of the assets of Wedgetail Operations LLC, has a ten-year term and accrues interest at 3.15% per annum for the first five years with no interest accruing thereafter.

Under the terms of the agreement, the lender has the right to convert up to US\$1,000,000 of the secured loan into ordinary shares of the Company upon each of the following three conversion trigger events:

- i. The completion of a preliminary feasibility study;
- ii. A commitment is made to proceed with a bankable feasibility study; and
- iii. A commitment is made to commission the financing of the project as evidenced by a feasibility study sufficient to obtain third party financing.

The terms of the agreement prevent the issue of ordinary shares to the lender where the cumulative number of shares held as a result of exercising the conversion rights would exceed 10% of the Company's ordinary shares on issue.

The conversion price of each conversion right held by the lender is an amount equal to a 20% discount to the 30 day volume weighted average price of the Company's shares for the 30 days immediately after the date of public announcement of the applicable conversion trigger event.

On initial recognition, the face value of US\$6,423,000 is deemed to comprise of the value of the derivative liability (or conversion right), with the residual being the debt liability component. Subsequently, the derivative liability component is revalued at each reporting date over the life of the secured loan. The debt liability component of the secured loan is amortised at each reporting period using the effective interest method. Interest capitalised on the debt liability is approximately US\$106,000 for the six months to 31 December 2021.

Fair Value Measurement

The derivative liability component of the US\$6,423,000 loan is measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore the category in which the asset or liability is placed can be subjective.

The derivative liability has been categorised as Level 3 in the fair value hierarchy and the fair value at the end of the reporting period was A\$3,215,047.

There were no transfers between levels during the reporting period.

An independent valuation of the derivative liability has been undertaken at 31 December 2021 using a Monte Carlo simulation model with the following assumptions:

| Assumptions | Conversion Event 1 | Conversion Event 2 | Conversion Event 3 |
|-------------------------------|--------------------|--------------------|--------------------|
| Valuation date | 31 December 2021 | 31 December 2021 | 31 December 2021 |
| Spot price (A\$) ¹ | \$0.595 | \$0.595 | \$0.595 |
| Exercise price ² | 0.481 | 0.485 | 0.506 |
| Risk free rate | 0.54% | 0.96% | 1.34% |
| Expected future volatility | 100% | 100% | 100% |
| Expiry date ³ | 25 November 2023 | 25 November 2024 | 25 November 2025 |

¹ The last traded price of the Company's shares on the ASX on 31 December 2021.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2021

NOTE 9 BORROWINGS (continued)

² Exercise price is equal to a 20% discount to the estimated volume weighted average price of the Company's shares for the 30 days immediately after the public announcement of the applicable conversion trigger event.

³ The expiry date is the estimated date on which the conversion right will be exercised for each tranche of conversion rights. The expiry date is reviewed at each reporting date.

Based on the above assumptions, the revaluation of the derivative liability resulted in a fair value gain of A\$199,872 which has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

In relation to the restriction of conversion rights up to 10% of the ordinary shares on issue, the valuation is based on the number of shares on issue at the valuation date.

| | 31 December 2021 A\$ | 30 June 2021 A\$ |
|---|----------------------------|------------------------|
| Reconciliation of movement in Level 3 derivative liability | | |
| Balance at the start of the period | 3,297,591 | 1,134,644 |
| Loss/(gain) recognised in profit or loss | (199,872) | 2,277,075 |
| Effect of movement in foreign currency exchange rates | 117,328 | (114,128) |
| | 3,215,047 | 3,297,591 |

Unobservable inputs for fair value measurement

In determining the fair value measurement of the derivative liability, certain observable inputs including the share price and exercise price of the conversion rights are used, together with unobservable inputs.

The unobservable inputs used in the valuation of the derivative liability are deemed to be:

1. Issued capital – as the conversion rights are restricted to not more than 10% of the ordinary shares on issue, any increase in issued shares may impact the number of conversion rights that can be exercised; and
2. Timing of the three milestones to be achieved (conversion trigger events).

The Level 3 unobservable inputs and sensitivity are as follows:

| Unobservable Input | Change in input | Sensitivity |
|----------------------------------|-----------------|--|
| Shares on Issue | +15% | A 15% increase in share capital has no impact on the fair value as the number of shares to be issued upon the exercise of the conversion rights remains unchanged. |
| Date of conversion trigger event | -6 months | A decrease of 6 months in achieving the first and subsequent milestones will result in a decrease in fair value of approximately \$216,593. |
| Date of conversion trigger event | +6 months | An increase of 6 months in achieving the first and subsequent milestones will result in an increase in fair value of approximately \$180,371. |

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2021

NOTE 10 SHARE BASED PAYMENTS

Options

During the period, the Company issued 2,000,000 unlisted options, pursuant to the terms of a corporate advisory mandate, as shown below:

| Number of Options | Vesting Date | Expiry Date | Value of Options |
|-------------------|-----------------|-----------------|------------------|
| 2,000,000 | 12 October 2021 | 12 October 2023 | \$802,800 |

The options were valued using the Black-Scholes option valuation methodology, with the following assumptions:

| Issue Date | Number of options granted | Expiry date | Risk free interest rate used | Volatility applied | Value per Option (cents) |
|-----------------|---------------------------|-----------------|------------------------------|--------------------|--------------------------|
| 12 October 2021 | 2,000,000 | 12 October 2023 | 0.16% | 115.9% | 40.14 |

The value of options is apportioned over the vesting period of the options. A total expense of \$1,195,812 has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2021 in respect of options vesting during the period.

During the reporting period, 2,816,000 options vested, 568,953 options (including 218,953 entitlement options) were exercised and 200,749 options were cancelled.

Subsequent to the end of the reporting period, 1,000,000 options vested. No options have been issued, exercised or cancelled subsequent to the end of the reporting period.

Performance Rights

During the period, 35,000 performance rights vested. No performance rights were granted, issued, exercised or cancelled during the period.

An expense of \$320 has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2021 in respect of performance rights vesting during the period.

Subsequent to the end of the reporting period, no performance rights were granted, issued, exercised or cancelled.

Ordinary Shares

During and subsequent to the end of the reporting period, no ordinary shares were granted.

NOTE 11 ISSUED CAPITAL

6 Months to 31 December 2021

| | Shares | A\$ |
|--|-------------|------------|
| Balance at 1 July 2021 | 202,669,630 | 45,601,593 |
| Placement shares issued at \$0.65 | 24,620,001 | 16,003,000 |
| Shares issued to repay loans | 1,744,000 | 1,299,280 |
| Shares issued on exercise of options (note 10) | 568,953 | 138,646 |
| Less: share issue costs | - | (767,725) |
| Balance at 31 December 2021 | 229,602,584 | 62,274,794 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2021

NOTE 12 RESERVES

| | As at 31 December 2021 A\$ |
|---|--|
| Foreign currency translation reserve | 222,601 |
| Share based payments reserve | 9,440,149 |
| Common control reserve | (3,014,276) |
| | <u>6,648,474</u> |
| Movements: | |
| | Period ended 31 December 2021 A\$ |
| a) Foreign currency translation reserve | |
| Balance at 1 July 2021 | 272,208 |
| Exchange (loss)/gain for the period | <u>(49,607)</u> |
| Balance at 31 December 2021 | <u>222,601</u> |
| Foreign currency translation reserve | |
| The foreign currency translation reserve records unrealised exchange gains and losses on translation of controlled entities' accounts during the period. | |
| | Period ended 31 December 2021 A\$ |
| b) Share based payments reserve | |
| Balance at 1 July 2021 | 8,268,608 |
| Fair value of options and performance rights vesting during the period (note 10) | 1,196,132 |
| Fair value of options exercised during the period (note 10) | (20,355) |
| Fair value of options cancelled during the period | <u>(4,236)</u> |
| Balance at 31 December 2021 | <u>9,440,149</u> |
| Share based payments reserve | |
| The share based payments reserve has been used to recognise the fair value of options and performance rights issued and vested but not exercised as at the end of the reporting period. | |
| | Period ended 31 December 2021 A\$ |
| c) Common control reserve | |
| Balance at 1 July 2021 | (3,014,276) |
| Common control transactions during the period | <u>-</u> |
| Balance at 31 December 2021 | <u>(3,014,276)</u> |
| Common control reserve | |
| The amount recognised in the common control reserve represents the excess in fair value consideration given over the net assets acquired on the acquisition of Silver Mountain Mining Pty Ltd from Silver Mountain Mining Nominee Pty Ltd on 7 December 2017. | |

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2021

NOTE 13 SUBSEQUENT EVENTS

The impact of the COVID-19 pandemic is ongoing. The situation is dependent on measures imposed by the governments of Australia, the United States and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. It is not practicable to estimate the potential impact, positive or negative, after the reporting date.

Other than as stated above, there has not arisen in the interval between the end of the reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTE 14 CONTINGENT ASSETS AND LIABILITIES

The Group acquired an existing tailings storage facility ("TSF") with the purchase of the Oracle Ridge Copper Project. The TSF is covered by a permit issued by the Arizona Department of Environmental Quality ("ADEQ") which includes a condition that the TSF be upgraded to meet current engineering standards. The Group is currently preparing a scope of works for the upgrade which will be presented to the ADEQ for approval.

At the reporting date, there is uncertainty as to what the ADEQ will require. As such, the amount of the obligation cannot be measured with sufficient reliability at the reporting date.

Other than as stated above, there has been no material change to the contingent assets or liabilities of the Group since 30 June 2021.

NOTE 15 CONTRACTUAL COMMITMENTS

Exploration Expenditure

In order to maintain the current tenure status of its exploration assets, the Group has certain obligations and minimum expenditure requirements with respect to unpatented claims and Arizona state exploration permits located in Arizona in the United States of America, as follows:

| | 31 December 2021 A\$ | 30 June 2021 A\$ |
|--|----------------------------|------------------------|
| Within 1 year | 514,175 | 495,458 |
| After 1 year but not more than 5 years | 1,953,335 | 1,886,060 |
| Total | 2,467,510 | 2,381,518 |

Operating Lease

During the current reporting period the Group entered into a low value operating lease to rent storage space in Tucson, Arizona and the Group has availed itself of the recognition exemption under AASB16 Leases. At 31 December 2021, the commitments under the lease agreement are as follows:

| | 31 December 2021 A\$ | 30 June 2021 A\$ |
|--|----------------------------|------------------------|
| Within 1 year | 3,308 | - |
| After 1 year but not more than 5 years | 8,269 | - |
| Total | 11,577 | - |

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2021

NOTE 15 CONTRACTUAL COMMITMENTS (continued)

Other Commitments

A 30 day notice period is required under the drilling contract with Boart Longyear during which time Boart Longyear is entitled to claim standby rates. The estimated commitment, should the contract be terminated, is approximately US\$510,000.

Other than as stated above, there has been no material change to the contractual commitments of the Group as disclosed in the 30 June 2021 financial report.

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DIRECTORS' DECLARATION

The Directors of Eagle Mountain Mining Limited declare that:

- (a) the attached interim financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB 134 – *Interim Financial Reporting*, and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 December 2021 and of the performance for the period ended on that date of the Group.
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Signed at Perth this 28th day of February 2022.

Rick Crabb
Chairman

Eagle Mountain Mining Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Eagle Mountain Mining Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Eagle Mountain Mining Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

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

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

ACCOUNTANTS & ADVISORS

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Independent auditor's review report to members (cont.)

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

William Buck Audit (WA) Pty Ltd
ABN: 67 125 012 124

CM

Conley Manifis
Director

Dated this 28th day of February 2022

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