



EMETALS
— LIMITED —

ABN 71 142 411 390

Interim Financial Report

31 December 2021

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DIRECTORS' REPORT

Your directors submit the financial report of eMetals Limited ("the Company"), and its controlled entities (Group) for the half-year ended 31 December 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mathew Walker	Executive Director
Gary Lyons	Non-executive Chairman
Teck Wong	Non-executive Director

Review and Results of Operations

Principal Activities

The principal activity of the Group during the financial period was mineral exploration within Australia.

No significant change in the nature of these activities occurred during the financial period.

Review of Operations

Highlights during the period and since the end of the period include:

SALMON GUMS PROJECT

Salmon Gums holds two exploration license applications known as E63/2126 and E63/2127 (Applications) in the south of Western Australia situated respectively 82 kilometres east and 18 kilometres northeast of the small town of Salmon Gums (Figure 1).

The Applications cover areas underlain by meta-granites of Archaean to Proterozoic age. These granitic rocks are situated within the Albany – Fraser Orogen on the south and southeastern margins of the Yilgarn Craton.

Outcrop of the meta-granites within the Applications is rare with most of the tenement overlain by Cainozoic sediments, aeolian sands and salt lakes. Whilst there are no known occurrences of mineralization in either area very little prospecting or exploration has been historically conducted.

From a study of the open file reports available on WAMEX(A106697, A97441), the previous exploration which has been conducted has predominantly been for gold and to a lesser extent for uranium and base metals. In the period 2006 to 2008 Toro Energy Ltd completed 10 air-core drillholes within E63/2127 and assayed the resulting spoil for iron, copper, gold, nickel, lead, zinc, and uranium in a search for uranium mineralization. In the period 2011 to 2012 AngloGold Ashanti (Australia) Ltd completed fence lines of auger drillholes across E63/2127 in a search for gold. Results from this small amount of exploration activity for a variety of commodities were inconclusive and it is notable that no exploration for rare earth element mineralization (REE) over the tenement area has been conducted.

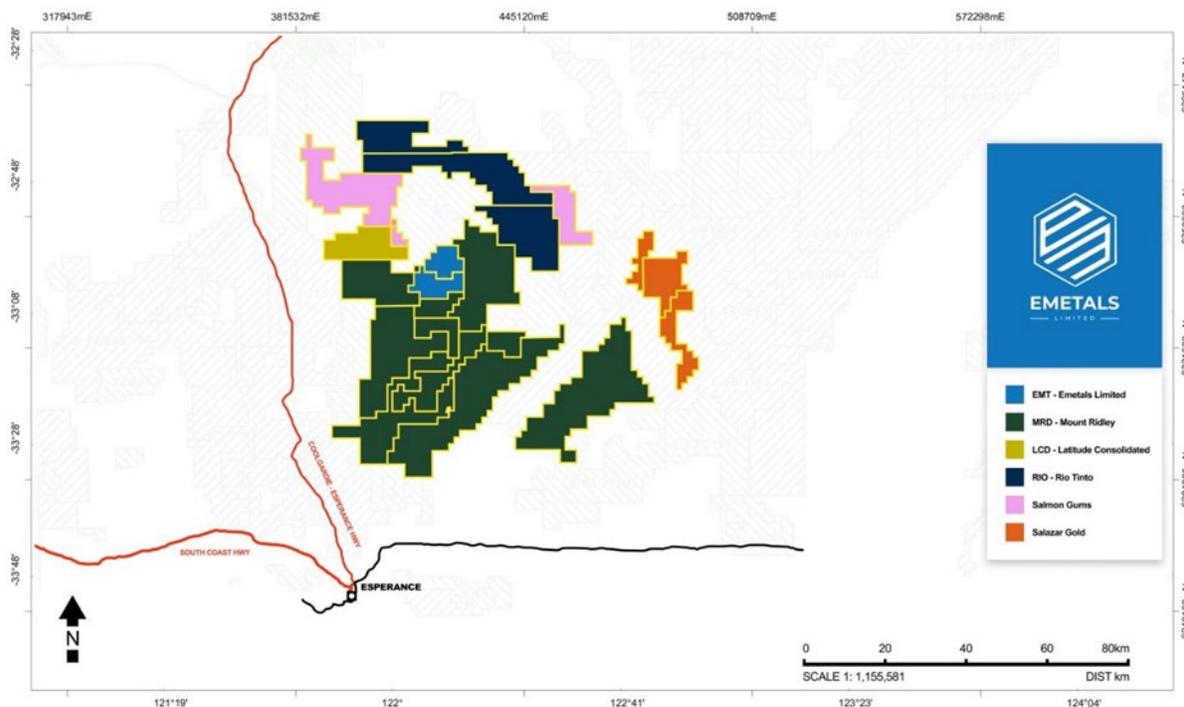


Figure 1: Salmon Gums Minerals Pty Ltd – Project Location.

Mount Ridley Mines Ltd (ASX: MRD) (MRD) has recently discovered REE mineralisation approximately 35 kilometres southeast of E63/2127 and at a similar distance southwest of E63/2126. This mineralisation is situated in a clay horizon in similar lithologies to the Mount Ridley occurrence and derived from granitoid rocks. The mineralisation appears to average approximately 0.1% TREEO with even higher levels recorded up to approximately 1% TREEO (refer announcement ASX:MRD, 13 September 2021, Rare Earth Element Targets Extended). The MRD REE mineralisation occurs over a strike length of approximately 25 kilometres oriented in a northeast direction and appears to be similar to the clay-hosted REE mineralisation currently mined in China. Additionally, Salazar Gold Pty Ltd has recently discovered significant REE mineralisation approximately 20 kilometres southeast of E63/2126. Whilst the nature of this mineralisation remains unknown it is considered significant that REE occurrences are located in close proximity to the Applications.

Whilst the Applications have no known REE mineralisation, they have only been explored previously for gold and to a lesser extent base metals and uranium. It is not surprising that there has been no previous exploration for REE in this region as there is practically no outcrop mitigating against prospectors discovering any sort of mineralisation. Additionally, this 'China' style of REE occurrences nearby require a specific soil sampling and drilling target program which has never been carried out on the Salmon Gums ground.

The proximity of other known REE mineralisation would suggest that the Project area is also prospective for this type of mineralisation. This clay-hosted REE mineralisation discovered by MRD nearby may extend onto or be duplicated within the targeted tenements and further investigations on the Salmon Gums ground is warranted.

TWIN HILLS GOLD PROJECT

The Twin Hills Project consists of a single granted exploration license (E29/950) located approximately 30 kilometres northeast of Menzies and 150 kilometres north of Kalgoorlie in the Eastern Goldfields of Western Australia. The tenement covers an area of approximately 30 square kilometres and extends over about 10 kilometres of strike of the greenstone sequence that hosts the excised historical Twin Hills gold mine. The tenement covers the north and south extension of the shear zone which is the interpreted host of mineralisation at Twin Hills.

The Company's initial round of RC drilling in February 2021 returned significant gold mineralisation from several holes, with previously reported best results of:

- **THRC008 12m @ 0.62ppm from 40m, and 1m @ 4.10ppm from 44m, and 2m @ 2.24ppm from 49m**
- **THRC014 3m @ 1.97ppm from 44m**
- **THRC015 1m @ 4.4g/t from 32m**

Based on the mineralisation discovered to date and the sparse drill spacing, EMT drilled a further 25 aircore holes (using RC hammer where appropriate) to ~40m depth and followed up the initial RC results with a further 6 RC holes for 550m drilled to test around the initial discovery holes. Refer to the ASX release dated 4 August 2021 for a list of all drill hole details.

RC holes were sampled on a 1m basis and assayed via aqua regia digest. Aircore holes were sampled by scoop on a 4m basis and assayed via aqua regia digest.

Results

Significant results for the RC holes are reported below:

THRC018	1m @ 1.22g/t Au from 32m
THRC021	5m @ 23.67g/t Au including 1m @ 113.47g/t Au from 62m
THRC022	2m @ 0.78g/t Au from 64m
	2m @ 0.84g/t Au from 88m

Significant results for the AC holes are considered to be >4m at >0.1g/t Au. These results are from composite samples and have not been resampled on a 1m basis.

THAC009	8m @ 0.31g/t Au from 52m
THAC013	4m @ 0.13g/t Au from 36m
	12m @ 0.23g/t Au from 48m
THAC016	4m @ 0.12g/t Au from 56m

Results show anomalous gold in fresh amphibolite and granitoid with numerous assays reporting in excess of 100ppb Au. The high-grade result in THRC021 occurs within a sheared porphyry dyke and amphibolite. The orientation of mineralization is unknown at this stage however the anomalous zone is interpreted to strike NW-SE and potentially plunge to the southeast below THAC009 (8m @ 0.31g/t Au).

Further work is required to define the orientation, continuity and depth of the high grade gold on the Project. EMT is planning a further round of infill and extensional drilling along the southern and northern extent of the mineralized zone.

THE RAJ TANTALITE PROSPECT

The Raj Prospect is a swarm of tantalite bearing pegmatites hosted within amphibolite and metasediment where previous reconnaissance results had shown a swarm of feldspar-quartz mica pegmatites up to 400m in length contained up to 0.1% Ta₂O₅ (see ASX release dated 12 November 2020).

GASCOYNE RARE METALS PROJECTS

No work was conducted on the Gascoyne Rare Metals Projects during the period.

COWALINYA REE PROJECT

No work was conducted on the Cowalinya REE Project during the quarter.

POONA PROJECT

The Company has entered into a binding Heads of Agreement ("the agreement") with Scorpion Minerals Limited (ASX: SCN) to sell a 100% interest in tenements E 20/896, E 20/963, E 20/964 and a 90% interest in E 20/885 (collectively the "tenements" or "Poona Project") which cover a combined 904 square kilometers in the Murchison Goldfield of Western Australia. Under the agreement, the Company will receive a cash consideration of \$12,500 and 4,000,000 fully paid ordinary shares in SCN. The Company will also receive a 0.5% net smelter return (NSR) royalty in respect of minerals mined from the Tenements should commercial mining be undertaken.

On 7 February 2022, SCN has completed all due diligence activities to acquire the Poona Project from the Company. SCN will now move to issue 4,000,000 fully paid ordinary shares in SCN to the Company to complete the acquisition of 100% interest in the Tenements.

Tenement schedule

Tenements	Projects	No of Shares	Granted	Expires	Area (Blocks)
E46/1095	COOKES CREEK	100	5/04/2017	4/04/2022	13
E46/1163	COOKES CREEK	100	8/02/2018	7/02/2023	3
E63/2049	DEMPSTER	100	21/09/2020	20/09/2025	26
E63/2066	FITZGERALD	100	10/12/2020	9/12/2025	31
E70/5654	KENT	100	23/12/2020	22/12/2025	9
E20/0963	KYARRA	100	1/07/2021	30/06/2026	67
E20/0964	KYARRA	100	1/07/2021	30/06/2026	148
E09/2464	LYNDON	100	8/07/2021	7/07/2026	69
E09/2463	LYONS	100	6/07/2021	5/07/2026	28
E09/2472	LYONS	100	29/07/2021	28/07/2026	40
E20/0976	MEKA	100	2/08/2021	1/08/2026	19
E09/2114	NARDOO WELL	100	28/08/2015	27/08/2025	42
E09/2358	NARDOO WEST	100	13/03/2019	12/03/2024	35
E20/0885	POONA	90	26/07/2016	25/07/2021	50
E20/0896	POONA	100	9/10/2017	8/10/2022	32
E09/2302	PYRAMID HILL	100	18/05/2020	17/5/2025	34
E29/0950	TWIN HILLS	100	23/09/2015	22/09/2025	10
E09/2156	YINNETHARRA	100	6/02/2017	5/02/2022	35
E29/1163	MARMION	100	-	-	7
E29/1164	MARMION	100	-	-	5

Ordinary shares under option

At the date of this report, there are 445,000,000 options over ordinary shares on issue.

Significant events after the balance date

On 13 January 2022, the Company announced that it has completed the allotment of 250,000,000 Tranche 2 Placement Shares at an issue price of \$0.0125 per Share to sophisticated and professional investors, with 1-for-1 free attaching options exercisable at \$0.03 expiring on 30 September 2025, to raise \$3,125,000 (before costs). The Company received \$1,534,053 in the period ended 31 December 2021, which is shown as unissued share capital in the financial statements.

On 13 January 2022, the Company announced that it had issued 15,000,000 fully paid ordinary shares pursuant to the Binding Heads of Agreement to acquire 100% of the issued capital of Salmon Gums Minerals Pty Ltd (ACN 651 315 258) (**Salmon Gums**). Salmon Gums holds two highly prospective tenement applications in the Albany Fraser Range Province of Western Australia (ELA2126 and ELA2127).

On 19 January 2022, the Company announced that it had issued 30,000,000 fully paid ordinary shares and 30,000,000 unlisted options to RM Corporate Finance Pty Ltd (**Lead Manager**) or its nominee. This is the share-based fee component with the remaining fee being cash settled at the election of the Lead Manager.

On 4 February 2022, the Company announced that it had issued 40,000,000 fully paid ordinary shares and 40,000,000 unlisted options as part of the director participation of the placement to professional and sophisticated investors that was completed on 13 January, as approved by shareholders at the General Meeting held on 6 January 2022.

Significant changes in the state of affairs

There have not been any further significant changes in the state of affairs during the half year ended 31 December 2021, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company.

Financial position

The cash balance as at 31 December 2021 was \$3,020,396.

Operating results

The loss of the Company for the period was \$1,043,775 (31 December 2020: \$419,385).

Auditor Independence and Non-Audit Services

Section 307C of the Corporation Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 9 and forms part of this directors' report for the half-year ended 31 December 2021.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Gary Lyons
Non-Executive Chairman
Perth, Western Australia; Dated this 23rd February 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of eMetals Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
23 February 2022



N G Neill
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 December 2021

		Consolidated	
	Notes	31 Dec 2021	31 Dec 2020
		\$	\$
Other income	2	371	32,847
Administration expenses	2	(169,244)	(157,498)
Director and Executive fees		(84,220)	(164,220)
Exploration expenditure expensed		(109,348)	(108,293)
Share-based payment expenses	4	(23,566)	(160,471)
Fair value gain on financial assets		-	138,250
Loss on sale of financial assets		(13,003)	-
Impairment of deferred exploration and evaluation expenditure	7	(644,765)	-
Loss before income tax expense		(1,043,775)	(419,385)
Income tax expense		-	-
Loss after tax from continuing operations		(1,043,775)	(419,385)
Net loss for the period		(1,043,775)	(419,385)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,043,775)	(419,385)
Basic and diluted loss per share (cents per share)		(0.24)	(0.10)

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes, which form an integral part of the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2021

	Notes	Consolidated	
		31 Dec 2021 \$	30 Jun 2021 \$
CURRENT ASSETS			
Cash		3,020,396	686,415
Trade and other receivables		12,404	73,623
Assets held for sale	5	272,000	-
Financial Assets	6	-	296,250
Total Current Assets		3,304,800	1,056,288
NON-CURRENT ASSETS			
Deferred exploration expenditure	7	2,226,993	2,798,092
Total Non-Current Assets		2,226,993	2,798,092
TOTAL ASSETS		5,531,793	3,854,380
CURRENT LIABILITIES			
Trade and other payables		47,383	133,814
Total Current Liabilities		47,383	133,814
TOTAL LIABILITIES		47,383	133,814
NET ASSETS		5,484,410	3,720,566
SHAREHOLDERS' EQUITY			
Share capital	3	16,087,155	14,837,155
Unissued share capital	3	1,534,053	-
Share based payments reserve	4	1,196,479	1,172,913
Accumulated losses		(13,333,277)	(12,289,502)
TOTAL EQUITY		5,484,410	3,720,566

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes, which form an integral part of the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 December 2021

	Issued Share Capital \$	Unissued Share Capital \$	Consolidated Accumulated Losses \$	Share Based Payments Reserve \$	Total Equity \$
Balance at 1 July 2020	14,245,155	-	(11,380,316)	796,644	3,661,483
Loss for the year	-	-	(419,385)	-	(419,385)
Total comprehensive loss for the period	-	-	(419,385)	-	(419,385)
Options issued during the period	-	-	-	160,471	160,471
Balance at 31 December 2020	14,245,155	-	(11,799,701)	957,115	3,402,569
Balance at 1 July 2021	14,837,155	-	(12,289,502)	1,172,913	3,720,566
Loss for the year	-	-	(1,043,775)	-	(1,043,775)
Total comprehensive loss for the period	-	-	(1,043,775)	-	(1,043,775)
Shares issued during the year	1,250,000	-	-	-	1,250,000
Shares to be issued	-	1,534,053	-	-	1,534,053
Performance rights issued during the period	-	-	-	23,566	23,566
Balance at 31 December 2021	16,087,155	1,534,053	13,333,277	1,196,479	5,484,410

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes, which form an integral part of the interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 December 2021

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
	<i>Inflows/ (Outflows)</i>	<i>Inflows/ (Outflows)</i>
Cash flows from operating activities		
Payments to suppliers and employees	(279,832)	(391,907)
Other receipts from customers	-	7,918
Government grants	-	19,463
Interest received	261	5,466
Interest paid	(299)	-
Net cash used in operating activities	(279,870)	(359,060)
Cash flows from investing activities		
Proceeds from sale of financial assets	283,247	-
Proceeds from sale of tenements	12,500	-
Payments for exploration and evaluation	(465,949)	(515,826)
Net cash used in investing activities	(170,202)	(515,826)
Cash flows from financing activities		
Proceeds from issues of shares	2,784,053	-
Net cash generated by financing activities	2,784,053	-
Net increase / (decrease) in cash held	2,333,981	(874,886)
Cash and cash equivalents at the beginning of the period	686,415	3,026,450
Cash and cash equivalents at the end of the financial period	3,020,396	2,151,564

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes, which form an integral part of the interim financial report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 December 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by EMetals Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year.

(b) Basis of preparation

The interim report has been prepared on a historical cost basis except for the revaluation of selected financial assets. Cost is based on the fair value of the consideration given in exchange for assets.

The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete financial reporting period.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the impact of the new Standards and Interpretations effective 1 July 2021 disclosed in section (d) to this note. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Company's accounting policies and the key estimates of uncertainty were the same as those applied for the year ended 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 December 2021

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NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(d) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable to 31 December 2021

In the period ended 31 December 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the period ended 31 December 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

(e) Going Concern

The interim financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business.

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

The following revenue and expense items are relevant in explaining the performance for the half-year from continuing operations:

	31 Dec 2021	31 Dec 2020
	\$	\$
Income		
Government grant and subsidies	-	19,463
Interest income	261	5,466
Other income	110	7,918
Administration expenses		
Marketing and investor relations expenses	24,000	64,382
Legal	24,841	14,151
Accounting and audit	11,668	14,147
Corporate fees	36,000	36,000
ASX and registry fees	38,582	21,242
Other administration expenses	34,153	7,576
	<u>169,244</u>	<u>157,498</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 December 2021

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NOTE 3: SHARE CAPITAL

	Half-Year to 31 Dec 2021		Year to 30 Jun 2021	
	No.	\$	No.	\$
Ordinary shares on issue	525,000,000	16,087,155	425,000,000	14,837,155
Ordinary shares unissued (refer to Note 10)	122,724,240	1,534,053	-	-
	<u>647,724,240</u>	<u>17,621,208</u>	<u>425,000,000</u>	<u>14,837,155</u>

	Half-Year to 31 Dec 2021		Year to 30 Jun 2021	
	No.	\$	No.	\$
Ordinary shares				
<i>Movement in number of fully paid ordinary shares</i>				
Opening balance	425,000,000	14,837,155	410,200,000	14,245,155
Shares issued on placement	100,000,000	1,250,000	-	-
Shares issued for acquisition of assets	-	-	14,800,000	592,000
Shares to be issued (refer to Note 10)	122,724,240	1,534,053	-	-
Closing balance	<u>647,724,240</u>	<u>17,621,208</u>	<u>425,000,000</u>	<u>14,837,155</u>

NOTE 4: RESERVES

	Half-Year to	Year to
	31 Dec 2021	30 Jun 2021
	\$	\$
Share based payments reserve		
Opening Balance	1,172,913	796,644
Options issued	-	374,740
Performance rights issued	23,566	1,529
Closing Balance	<u>1,196,479</u>	<u>1,172,913</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 December 2021

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NOTE 4: RESERVES (CONTINUED)

	Half-Year to 31 Dec 2021		Year to 30 Jun 2021	
	No.	\$	No.	\$
Company options				
<i>Movement in number of options</i>				
Opening balance	35,000,000	1,171,384	-	796,644
Options issued to directors	-	-	30,000,000	276,540
Options issued for acquisition of assets	-	-	5,000,000	98,200
Closing balance	35,000,000	1,171,384	35,000,000	1,171,384

Performance Rights

On 31 May 2021, a total of 7,500,000 Performance Rights were issued to the Company's consultant. The Performance Rights were issued at nil cost and are subject to a vesting condition, as follows:

- (1) 2,500,000 Class A Performance Rights, to be issued subject to the terms of the consultancy agreement and subject to the vesting on the date that the 15 Day VWAP of the Company's shares is equal to or in excess of \$0.10 per share and engaged with the Company as an eligible employee or contractor at the time of vesting.
- (2) 2,500,000 Class B Performance Rights, to be issued subject to the terms of the consultancy agreement and subject to the vesting on the date that the 15 Day VWAP of the Company's shares is equal to or in excess of \$0.15 per share and engaged with the Company as an eligible employee or contractor at the time of vesting.
- (3) 2,500,000 Class C Performance Rights, to be issued subject to the terms of the consultancy agreement and subject to the vesting on the date that the 15 Day VWAP of the Company's shares is equal to or in excess of \$0.20 per share and engaged with the Company as an eligible employee or contractor at the time of vesting.

The assessed fair value of the performance rights was determined using a Trinomial Barrier option pricing model, taking into account the term of performance rights, the share price at grant date, expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate of the term of the option.

The fair value of the performance rights is recognised over the vesting period of the options, as follows:

	Class A Performance Rights	Class B Performance Rights	Class C Performance Rights
Number	2,500,000	2,500,000	2,500,000
Grant date	31 May 2021	31 May 2021	31 May 2021
Expiry date	30 June 2024	30 June 2024	30 June 2024
Value per Right	\$0.0202	\$0.0201	\$0.0177
Total Value	\$50,500	\$50,250	\$44,250
Charge in period	\$8,207	\$8,167	\$7,192

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 December 2021

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NOTE 5: ASSET HELD FOR SALE

The Company has entered into a binding Heads of Agreement ("the agreement") with Scorpion Minerals Limited (ASX: SCN) to sell a 100% interest in tenements E 20/896, E 20/963, E 20/964 and a 90% interest in E 20/885 (collectively the "tenements" or "Poona Project") which cover a combined 904 square kilometres in the Murchison Goldfield of Western Australia. Under the agreement, the Company will receive a cash consideration of \$12,500 and 4,000,000 fully paid ordinary shares in SCN. The Company will also receive a 0.5% net smelter return (NSR) royalty in respect of minerals mined from the Tenements should commercial mining be undertaken.

On 7 February 2022, SCN has completed all due diligence activities to acquire the Poona Project from the Company. SCN will now move to issue 4,000,000 fully paid ordinary shares in SCN to the Company to complete the acquisition of 100% interest in the Tenements.

NOTE 6: FINANCIAL ASSETS

	31 Dec 2021	30 Jun 2021
	\$	\$
Listed shares – at fair value	-	296,250

This balance represents the company's shareholding of 1,975,000 shares in Noronex Limited (formerly Lustrum Minerals Limited) (ASX: NRX). During the period, the Company fully sold their shareholding in Noronex Limited.

This note provides information about how the Company determines fair values of various financial assets and liabilities.

Fair value of the Company's financial assets and liabilities that are measured at fair value on a recurring basis

The Company's financial assets are measured at fair value through profit or loss at the end of the reporting period based on Level 1 inputs in the fair value hierarchy.

Measurement of fair value of financial instruments

There have been no transfers between the levels of fair value hierarchy during the half-year.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Company did not measure any financial asset or financial liabilities at fair value on a non-recurring basis as at 31 December 2021.

Fair value of other financial assets and financial liabilities

The Company also has a number of financial instruments which are not measured at fair value in the statement of financial position.

The carrying amounts of the current receivables and current payables are considered to be a reasonable approximation of their fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 December 2021

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NOTE 7: DEFERRED EXPLORATION EXPENDITURE

	Half-Year to	Year to
	31 Dec 2021	30 Jun 2021
	\$	\$
Expenditure brought forward	2,798,092	575,250
Sale of tenements (refer to Note 5)	(284,500)	-
Expenditure incurred during the period	358,166	1,541,819
Acquisition of tenements paid through shares issued	-	592,000
Acquisition of tenements paid through options issued	-	98,200
Write-off of exploration expenditure	-	(59,177)
Impairment expense	(644,765)	-
Cash consideration on acquisition of tenements	-	50,000
Expenditure carried forward	<u>2,226,993</u>	<u>2,798,092</u>

The recoupment of costs carried forward in relation to the above areas of interest in the exploration phase is dependent on the successful development and commercial exploitation or sale of the respective area.

NOTE 8: DIVIDENDS

The directors of the Company have not declared an interim dividend.

NOTE 9: CONTINGENCIES

There were no contingent liabilities or contingent assets as at 31 December 2021.

NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE

On 13 January 2022, the Company announced that it has completed the allotment of 250,000,000 Tranche 2 Placement Shares at an issue price of \$0.0125 per Share to sophisticated and professional investors, with 1-for-1 free attaching options exercisable at \$0.03 expiring on 30 September 2025, to raise \$3,125,000 (before costs). The Company received \$1,534,053 in the period ended 31 December 2021, which is shown as unissued share capital in the financial statements.

On 13 January 2022, the Company announced that it has issued 15,000,000 fully paid ordinary shares pursuant to the Binding Heads of Agreement to acquire 100% of the issued capital of Salmon Gums Minerals Pty Ltd (ACN 651 315 258) (**Salmon Gums**). Salmon Gums holds two highly prospective tenement applications in the Albany Fraser Range Province of Western Australia (ELA2126 and ELA2127).

On 19 January 2022, the Company announced that it has issued 30,000,000 fully paid ordinary shares and 30,000,000 unlisted options to RM Corporate Finance Pty Ltd (**Lead Manager**) or its nominee. This is the share-based fee component with the remaining fee being cash settled at the election of the Lead Manager.

On 4 February 2022, the Company announced that it has issued 40,000,000 fully paid ordinary shares and 40,000,000 unlisted options as part of the director participation of the placement to professional and sophisticated investors that was completed on 13 January, as approved by shareholders at the General Meeting held on 6 January 2022.

DIRECTORS' DECLARATION

In the opinion of the directors of EMetals Limited ('the Company'):

1. the financial statements and notes thereto, as set out on pages 9 to 18, are in accordance with the Corporations Act 2001 including:
 - i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the Company's financial position as at 31 December 2021 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. the interim financial statements and notes there to are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to S.303 (5) of the Corporations Act 2001.



Gary Lyons
Non-Executive Chairman
Dated this 23rd February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of eMetals Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of eMetals Limited ("the company") 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 eMetals Limited does not comply 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 Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the interim 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 interim financial report is not prepared in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity'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*.

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A review of an interim 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
23 February 2022



N G Neill
Partner