Eastern Metals Limited

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C/-Boardroom Pty Ltd
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Sydney NSW 2000
Telephone 0412 234 684
www.easternmetals.com.au
info@easternmetals.com.au

Annual Report for the period commencing 2 September 2020 (incorporation) and ended 30 June 2021

Corporate Directory

Directors

Robert (Bob) Duffin – Non-Executive Chairman

Wayne Rossiter – CEO & Managing Director

Cathy Moises – Deputy Chair and Lead Independent Non-Executive Director

Dr Jason Berton – Independent Non-Executive Director

Gary Jones – Non-Executive Director (resigned 13 August 2021)

Company Secretary and Chief Financial Officer

Ian Morgan

Registered Office

Level 12, 225 George Street

Sydney NSW 2000

Telephone

+1300 737 760 or +61 2 9290 9600

Principal Place of Business

94A Louisa Road

Birchgrove NSW 2041

Email

info@easternmetals.com.au

Website

www.easternmetals.com.au

Securities Exchange

Australian Securities Exchange (ASX)

ASX Code: EMS

Securities Registry

Boardroom Pty Ltd

Level 12

225 George Street

SYDNEY NSW 2000

Telephone

1300 737 760 (in Australia)

+61 2 9290 9600 (International)

Auditor

RSM Australia Partners

Level 13

60 Castlereagh Street

SYDNEY NSW 2000

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Directors' Report

The Directors present their report, together with the financial statements of Eastern Metals Limited ('**the Company'**) at the end of and during the period ended 30 June 2021.

Directors

The Directors of the Company at any time during or since the end of the financial period are:

Bob Duffin BSc (Hons), MSc (Hons), Grad Dip Mgt, FAusIMM (Non-Executive Chairman)

Appointed 2 September 2020

He is a company director with more than 45 years' experience in resource exploration, project assessment, mining investment analysis, and company management.

Bob commenced his career with the Geological Survey of New South Wales and has held senior positions in the exploration divisions of Peko-Wallsend Limited and MIM Holdings Limited, two of Australia's largest mining companies at the time. He is a former managing director of an international resource exploration consulting and contracting firm, and general manager of a listed mining investment company. He has lived and worked in mining communities, including periods in Kalgoorlie in Western Australia and Mount Isa in Queensland, where he worked on exploration programs for many commodities, including copper, other base metals, gold, uranium and iron ore. He later worked as a mining analyst with three stockbroking firms and was head of research at one of Australia's leading brokers in the 1980s.

Bob is a former Non-Executive Director of several listed companies, including Centennial Coal, Midwest Corporation, Ferrowest, Burmine, Austmin Gold, Mt Lyell, the UK resources investment company Europa Minerals Group, and Mancala, a mining contractor. Most recently, he was Chairman of WPG Resources Limited.

Wayne Rossiter BE (Mining), CA, MAppFin, MAusIMM, GMAICD CEO & Managing Director

Appointed 2 September 2020

He is a mining engineer and chartered accountant. Wayne has held senior finance and management roles in resource and energy companies, developing knowledge and experience in transitioning companies from the exploration stage through to development and into production. His range of experience includes precious metals, gold, iron ore, underground coal gasification, coal seam gas, coal, and conventional oil and gas, with global experience covering Australia, Africa, China, Indonesia, the USA, the UK, the former Soviet Republic of Georgia and the Middle East.

Most recently, Wayne is also an advisor at Novus Capital and he is former Chief Executive Officer of WPG Resources Limited.

Cathy Moises BSc (Hons), Dip SIA Deputy Chair and Independent Non-Executive Director

Appointed 26 July 2021

She is a geologist and mining investment analyst who has transitioned to corporate roles and a career more recently as an independent non-executive director of several listed companies. In her career as a mining analyst, she worked with McIntosh (now Merrill Lynch), County Securities (now Citigroup), Evans and Partners, and Patersons Securities, where she was head of research. She then moved to the corporate sector where she became head of investor relations and business development at Perseus Mining.

She is independent chair of Pacific Gold and an independent non-executive director of WA Kaolin, Arafura Resources, Australian Potash, Podium Minerals, and Pearl Gull. She is also an independent member of the investment committee at Argonaut Securities. Her key areas of industry experience include gold, base metals, mineral sands and the rare earths sector.

Jason Berton BEc BSc (Hons) PhD Independent Non-Executive Director

Appointed 26 July 2021

He is a geologist and company director. He started his career as an exploration and mine geologist at the Plutonic gold mine in Western Australia then moved to BHP Billiton in South Australia, where he worked on the Olympic Dam mine expansion project. He has also worked with SRK, an international firm of consulting geologists, and spent two years in private equity assessing resource sector investment opportunities. He is former Managing Director of Estrella Resources, and is a director of PolarX, where he played a major role in negotiating the acquisition of key tenements in North America.

Jason's honours thesis was focussed on the geology of the Lake Cargelligo area in New South Wales, close to the Company's Browns Reef deposit, and his doctorate was in structural geology. He has strong entrepreneurial and corporate skills, as well as a very firm understanding of structural geology and its role in the formation of metalliferous orebodies.

Gary Jones, BSc FAusIMM Non-Executive Director

Appointed 2 September 2020 Resigned 13 August 2021

He is a geologist with more than 50 years professional experience in mineral exploration and resource and reserve estimation for various type of mineral deposits including porphyry copper-gold, epithermal gold, base metals and iron ore. He is Managing Director of Geonz Associates Ltd, a leading New Zealand firm of consulting geologists, and has been an independent consultant to the mining industry for more than 30 years during which time he completed assignments in many parts of the world including Australia, Indonesia, North and South America, Canada, and New Zealand.

Company Secretary and Chief Financial Officer

Ian Morgan B Bus, M Com Law, Grad Dip App Fin, CA, AGIA, MAICD, F Fin

Appointed 1 July 2021

Ian is a member of Chartered Accountants Australia and New Zealand and the Governance Institute of Australia, with over 35 years of experience. Ian provides secretarial and advisory services to a range of companies, including holding the position of Company Secretary and CFO for other listed public companies.

Nature of Operations and Principal Activities

Eastern Metals Limited is an early-stage mineral exploration company.

The Company was incorporated on 2 September 2020 in anticipation of the Initial Public Offering by the Company and listing of its shares on the Australian Securities Exchange.

Dividends

There were no dividends paid or declared by the Company to members during or since the end of the financial period.

Review of Operations and Outlook[1]

Eastern Metals is a base and precious metals exploration company which owns three projects located in the Northern Territory and New South Wales. These are the Arunta Project in the Northern Territory, and the Cobar and Thomson Projects in New South Wales. Each of these Projects consists of from one to three granted exploration licences. Our flagship assets are the Home of Bullion project at Barrow Creek, part of our Arunta Project, and the Browns Reef zinc-lead-silver deposit, part of our Cobar Project. These flagship assets are classified as Advanced Exploration Projects under the Valmin Code.

Our team has spent several years searching for advanced mineral exploration assets with resource or near resource status, where we believe potential exists to increase the metal inventory with further well targeted exploration. Our team has enjoyed a level of prior success in securing projects such as these that are non-core assets of larger companies, but it has become more difficult in recent years with increasing competition for these prized assets. We were pleased when we identified two such projects owned by subsidiaries of Wesfarmers Limited, these are our Arunta Project which contains a copper-dominated massive sulphide resource at the Home of Bullion project, and Browns Reef in our Cobar Project, which is a zinc-dominated polymetallic sulphide deposit.

The total Identified Mineral Resource at Home of Bullion is 2.5 million tonnes averaging 1.8% copper, 2.0% zinc, 36g/t silver, 1.2% lead and 0.14g/t gold. We will be seeking to grow this resource, with further drilling. In addition, there are other base metals targets for early testing both along strike from Home of Bullion, and at Prospect D, as well as lithium potential in this tenement.

Our Cobar Project includes the Browns Reef deposit where the Exploration Target is 27 to 37 million tonnes averaging between 1.3-1.4% zinc, 0.6- 0.7% lead, 9-10g/t silver and 0.2-0.3% copper. The potential quantity and grade of this Exploration Target are conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

[1] Refer to the Company's Prospectus dated 18 August 2021

We have identified targets both within and outside the existing Exploration Target zone at Browns Reef that we are excited about, and we have taken out two additional exploration licences as well in this area.

Our Thomson Project, where we hold two exploration licences, is quite different to the other two projects in that the targets are in the basement rocks beneath younger cover. Limited drilling by other exploration companies and interpretation by public authorities suggests the basement rocks could be similar to those in the Cobar area. Past drilling has returned anomalous levels of base metal values close to the source of subtle but well-defined magnetic anomalies, but we believe that many of the anomalies have not been thoroughly tested by previous drill holes. Subtle but well-defined magnetic anomalies are common features of orebodies in the Cobar area. Our approach here will be to work up targets through careful analysis of the high-quality data already available, and possibly seek external funding for the high cost, potentially high reward drilling.

There are "walk-up" drilling targets in all three Project areas. The Board believes that early testing of these targets enhances the scope for achieving exploration success, in preference to greenfield exploration which can be costly and time-consuming. That way, we hope to build shareholder value early in the life of the Company.

Our Directors, Management and Principal Consultants have vast experience with these types of base and precious metal assets. Our commodity exposure, principally copper along with other base and precious metals, positions us well for meeting the demand for these metals driven in part by the growing electric vehicle market, as well as for the more traditional industrial uses of base metals. Our team's collective experience with the mineral systems of the Northern Territory and Central Western New South Wales has been built up over more than 50 years. Our knowledge of polymetallic and gold deposits, and our team's track record in these environments, fills me with much confidence. I hope you, as a potential investor in the Company, will come to share my enthusiasm.

Eastern Metals is an early-stage mineral exploration company.

Corporate

Financial

The Company incurred a $445,453 loss after tax for the period ended 30 June 2021.

Events Subsequent to the Reporting Date

On 9 July 2021, the Company issued 3,750,000 options for an exercise price of $0.30 each to the Company's key managements persons and consultants.

During the period ended 30 June 2021, Eastern Metals Limited received application monies totalling $420,000 from applicants for the issue of 5,250,000 of the Company's ordinary fully paid shares (**Shares**). The Shares were issued on 26 July 2021.

Also on 26 July 2021, the Company issued:

1. 126,000 Shares for advisory services to the Company, totalling $25,200; and

2. An additional $500,000 was received in relation to the converting note referred to in Note A5. The Company then issued 11,666,667 Shares to repay the total converting note outstanding at 30 June 2021 ($700,000).

On 18 August 2021, the Company issued a Prospectus for the offer (**Offer**) of a minimum of 22,500,000 Shares at an issue price of $0.20 each to raise $4,500,000 (**Minimum Subscription**) and a maximum of 30,000,000 Shares at an issue price of $0.20 each to raise up to $6,000,000 (**Maximum Subscription**). One attaching option was offered to be issued for each three Shares issued.

The Company has successfully raised the Maximum Subscription of $6,000,000 before transaction costs. The ASX has considered the application and decided to admit *Eastern Metals* to the Official List of ASX and to quote its securities, subject to the satisfaction of certain conditions precedent which are expected to be achieved within the month of October 2021.

On 11 October 2021, the Company issued 30,000,0000 Shares and 10,000,000 options to the IPO investors.

On 11 October 2021, the Company issued 4,500,000 options to the IPO Lead Manager and its nominees.

All options outstanding expire three years from the date of the Company's successful ASX listing.

Other than the items mentioned above, no other matters or circumstances have arisen since the end of the period which significantly affected, or may significantly affect, the operations of the Company, the results of these operations or the Company's state of affairs in future financial periods.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the Company during the financial period.

Likely developments and expected results of operations

The Company intends to continue its exploration, development and production activities on its existing projects and to acquire further suitable projects for exploration as opportunities arise.

Environmental Regulation

The Board believes that the Company has adequate systems in place for the management of its environmental requirements.

Based on results of enquiries made, the Directors are not aware of any significant breaches during the period covered by this report.

Directors' Report (continued)

Directors' Meetings

During the period 2 September 2020 to 30 June 2021, there were four Board meetings where Directors were eligible to attend and attended in person or by alternate during the financial period by each of the Directors of the Company:

Director	Eligible to Attend	Attended
Robert Duffin	4	4
Wayne Rossiter	4	4
Gary Jones	4	4
Cathy Moises	-	-
Jason Berton	-	-

There were no meetings of the Audit Committee during the period ended 30 June 2021.

Movements in Securities Held by Directors

The movement during the financial period in the number of securities of the Company held, directly, Indirectly or beneficially, by each specified Director, including their personally related entities, is as follows:

A. Shares

Director	Issued at 2 September 2020	Share Splits	Balance at 30 June 2021
	Number	Number	Number
Robert Duffin	1	2,499,999	2,500,000
Wayne Rossiter	1	2,499,999	2,500,000
Gary Jones	1	2,499,999	2,500,000
Cathy Moises	-	-	-
Jason Berton	-	-	-

B. Options Exercise Price $0.30 Each Expiring After Three (3) Years Commencing ASX Listing

Director	Issued at 2 September 2020	Granted during the period to 30 June 2021	Balance at 30 June 2021
	Number	Number	Number
Robert Duffin	-	1,000,000	1,000,000
Wayne Rossiter	-	4,000,000	4,000,000
Gary Jones	-	1,000,000	1,000,000
Cathy Moises	-	-	-
Jason Berton	-	-	-

Directors' Report (continued)

Shares Under Option as at Today's Date

Each option offers the holder the right to be issued one ordinary fully paid Company share upon payment of the exercise price to the Company.

Expiry date	Exercise Price	Options outstanding at 2 September 2020	Options granted since 2 September 2020	Options exercised and shares issued since 2 September 2020	Options outstanding at the date of this report
		Number	Number	Number	Number
After Three (3) Years Commencing ASX Listing	$0.30	-	14,250,000	-	14,250,000

Indemnification and Insurance of Officers and Auditor

Indemnification and Insurance

The Company indemnifies current and former Directors and Officers for any loss arising from any claim by reason of any specified act committed by them in their capacity as a Director or Officer (subject to certain exclusions as required by law).

The Company has paid insurance premiums in respect of directors' and officers' liability. Insurance cover relates to liabilities that may arise from their position (subject to certain exclusions as required by law).

Details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability insurance are not disclosed. Such disclosure is prohibited under the terms of the policy.

The Company has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such by an officer or auditor.

Audit Services

During the period ended 30 June 2021, the Company expensed an amount of $25,000 payable to its auditor, RSM Australia Partners, for audit services provided to the Company and Eastern Metals Limited.

Proceedings on 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.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration made under Section 307C of the *Corporations Act 2001* (Cth) is set out on page 34.

Directors' Report (continued)

Previously Reported Information

Information in this report references previously reported exploration results extracted from Eastern Metals Limited's Prospectus dated 18 August 2021.

The Prospectus is available to view on the Eastern Metals Limited website www.easternmetals.com.au or on the ASX website www.asx.com.au.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Signed in accordance with a resolution of the Board of Directors.

Robert (Bob) Duffin
Chairman
Sydney
15 October 2021

Statement of Profit or Loss and Other Comprehensive Income

Period Ended 30 June 2021

	Note	Period ended 30 June 2021 $
Other Income		**55**
Expenses		
Administration expenses	D1	**(201,616)**
Share based payments expense	A5	**(243,892)**
Total expenses		**(445,508)**
Loss before income tax		**(445,453)**
Income tax benefit	D2	**-**
Net loss attributable to the members of the Company		**(445,453)**
Other comprehensive income, net of income tax		**-**
Total comprehensive loss for the period		**(445,453)**
		Cents
Loss per share – basic	D3	**(10.41)**
Loss per share - diluted	D3	**(10.41)**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying Notes.

Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021
		$
Current assets		
Cash and cash equivalents	A7	**380,602**
Trade and other receivables	A8	**4,156**
Total current assets		**384,758**
Exploration and evaluation assets	A11	**86,393**
Tenement deposits		**40,000**
Total non-current assets		**126,393**
Total assets		**511,151**
Current liabilities		
Trade and other payables	A9	**540,209**
Total current liabilities		**540,209**
Total non-current liabilities		**-**
Total liabilities		**540,209**
Net asset deficiency		**(29,058)**
Equity		
Issued capital	A5	**3**
Converting note	A5	**200,000**
Share based payment reserve	A5	**243,892**
Share issue costs		**(27,500)**
Accumulated losses		**(445,453)**
Deficit		**(29,058)**

The above Statement of Financial Position should be read in conjunction with the accompanying Notes.

Statement of Changes in Equity

Period Ended 30 June 2021

	Note	Ordinary fully paid shares $	Converting Note $	Accumulated Losses $	Share based payment reserve $	Share Issue Costs $	**Total Equity $**
Balance at 2 September 2020	A5	3	-	-	-	-	**3**
Net loss attributable to the members of the Company		-	-	(445,453)	-	-	**(445,453)**
Other comprehensive income for the period, net of tax		-	-	-	-	-	**-**
Total comprehensive income for the period		-	-	(445,453)	-	-	**(445,453)**
Contributions of equity, net of transaction costs	A5	-	200,000	-	-	(27,500)	**172,500**
Equity settled share-based payments for the period	A5	-	-	-	243,892	-	**243,892**
Balance at 30 June 2021		**3**	**200,000**	**(445,453)**	**243,892**	**(27,500)**	**(29,058)**

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

Statement of Cash Flows

Period Ended 30 June 2021

	Note	**Period Ended 30 June 2021 $**
Cash flows used in operating activities		
Receipts from customers		**55**
Payments to suppliers and employees		**(119,847)**
Net cash used in operating activities	A6	**(119,792)**
Cash flows used in investing activities		
Payments for exploration and evaluation assets		**(39,965)**
Payments for tenement deposits		**(30,000)**
Net cash used in investing activities		**(69,965)**
Cash flows from financing activities		
Proceeds from loan	C3	**150,359**
Proceeds from share applications	A9	**420,000**
Net cash generated from financing activities		**570,359**
Net increase in cash and cash equivalents		**380,602**
Opening Cash and cash equivalents at 2 September 2020		**-**
Closing Cash and cash equivalents at 30 June 2021	A7	**380,602**

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes.

Notes to the Financial Statements

Period Ended 30 June 2021

General Information

The financial statements cover Eastern Metals Limited ("the Company") as an individual entity. The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, 29 September 2021.

The Notes to the financial statement are set out in the following main sections:

Section A – Key Financial Information and Preparation Basis

Section B – Risk and Judgement

Section C – Key Management Personnel and Related Party Disclosures

Section D – Other Disclosures

Section A – Key Financial Information and Preparation Basis

A. This section sets out the basis upon which the Company's financial statements have been prepared as a whole and explains the results and performance of the Company that the Directors consider most relevant in the context of the operations of the entity.

A1. *Statement of Compliance*

The Company's financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001* (Cth). The Company's financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

A2. *Historical cost convention*

The financial report is prepared on the historical cost basis other than share-based transactions that are assessed at fair value.

A3. *Critical accounting judgements, estimates and assumptions*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the financial period are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company's operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the reporting period but may impact profit or loss and equity. Refer to Note A5 for further information.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the Company will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Recovery of deferred tax assets

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

A4. *Going Concern*

The Board has prepared these Financial Statements on a going concern basis having consideration of the factors below:

- As stated in Note A15, on 18 August 2021 the Company issued a Prospectus for the offer (**Offer**) for a minimum of 22,500,000 Shares at an issue price of $0.20 each to raise $4,500,000 (Minimum Subscription) and a maximum of 30,000,000 Shares at an issue price of $0.20 each to raise up to $6,000,000 (Maximum Subscription). One attaching option was offered to be issued for each three Shares issued.
- The Company has successfully raised the Maximum Subscription of $6,000,000 before transaction costs. The ASX has considered the application and decided to admit *Eastern Metals* to the Official List of ASX and to quote its securities, subject to the satisfaction of certain conditions precedent which are expected to be achieved within the month of October 2021.

A5. *Capital and Reserves*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share capital

Ordinary shares issued and fully paid	Date	Number of shares	Issue Price per share	$
Balance	2 September 2020	3	$1.00	3
Share split	1 January 2021	6,749,997	-	-
Share split	19 March 2021	750,000	-	-
Balance	**30 June 2021**	**7,500,000**		**3**

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Ordinary shares have no par value.

No dividends have been declared or paid by the Company during or since the end of the financial period.

The Company's Board may resolve that the whole or any portion of profits, reserve or other account which is available for distribution, be distributed to shareholder in the same proportions in which they would be entitled to receive it if distributed by way of dividend, or in accordance with relevant terms of issue of any shares or securities.

If the Company is wound up, whether voluntarily or otherwise, the liquidator may divide among all or any of the contributories, as the liquidator thinks fit, in specie or in kind, any part of the assets of the Company, and may vest any part of the assets of the Company in trustees for the benefit of all or any of the contributories as the liquidator thinks fit.

In the event of winding up of the Company, ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation.

Converting Note

On 6 March 2021 REC Investment Management Pty Limited (**REC**), a company related to the Company's Director Robert Duffin, subscribed for a converting note issued by the Company. The principal amount of the note was $700,000 maturing 30 June 2021. The Note automatically converts into the Company's ordinary fully paid shares for the price of $0.06 per share upon the Company's initial public offer, completion of an offer to acquire all the Company's shares, sale of the Company's business and assets, or REC gives notice of conversion, unless agreed otherwise. To this extent, the converting note has been disclosed as equity.

At 30 June 2021, the balance of the converting note was $200,000. Refer Note C3. Subsequent to 30 June 2021, REC subscribed for an additional $500,000, totalling $700,000. On 26 July 2021, the converting note was converted and the Company issued 11,666,667 ordinary fully paid shares to REC. Refer Note A15.

Options

Each option provides the right for the option holder to be issued one fully paid share by the Company, upon payment of the exercise price of each option. The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During the period ended 30 June 2021 there were no shares issued on the exercise of options. 6,000,000 unquoted options were granted during the period ended 30 June 2021.

Details of options over ordinary shares in the Company that were granted, exercised, vested and expired during the financial period are as follows:

Period ended 30 June 2021

Unquoted options – each with a $0.30 exercise price and expiring 3years after the Company lists on the ASX.

Grant Date	Balance at 2 September 2020		Granted during the period	Exercised during the period	**Balance at 30 June 2021**	
	Vested Number	Unvested Number	Number	Number	**Vested Number**	**Unvested Number**
21 April 2021	-	-	6,000,000	-	**-**	**6,000,000**

Options expenses for the period ended 30 June 2021 totalled $243,892.

Share Based Payment Reserve

	Number of Options Granted	**$**
Balance at 2 September 2020	-	-
Equity settled share-based payments for the period	6,000,000	243,892
Balance at 30 June 2021	**6,000,000**	**243,892**

Unlisted Options

The fair value of the unlisted options was calculated at the date of grant using the Black Scholes option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised as an expense in each reporting period.

Fair value at grant date	$0.104525
Share price at grant date	$0.20
Grant date	21 April 2021
Exercise price per option	$0.30
Expected volatility (weighted average)	98.1%
Risk free interest rate (based on government bonds)	0.10%
Dividend yield	0.00%

The Company's accounting policy for the treatment of equity-settled share-based payment arrangements granted to employees

The grant-date fair value of equity-settled share-based payment arrangements granted to employees and consultants is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Notes to the Financial Statements (continued)

A6. *Cash Flow Reconciliation*

		2021
Cash flows from operating activities		**$**
Net loss attributable to members of the Company		**(445,453)**
Less: Non-cash expenditure		
Options expense	A5	**243,892**
		(201,561)
Plus / (Less) Changes in working capital:		
Increase in other receivables		**(3,308)**
Increase in accounts payable and accruals		**85,077**
Net cash used in operating activities		**(119,792)**

A7. *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the statement of cash flows presentation purposes, cash and cash equivalents comprise the below.

	2021
	$
Cash on hand	**380,602**
Cash and cash equivalents in the statements of cash flows	**380,602**

A8. *Current Assets Trade and Other Receivables*

Other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are stated at amortised cost less any allowance for expected credit losses. (see Note B3).

	2021
	$
Current	
Goods and services tax receivable	**4,156**
	4,156

A9. *Current Liabilities Trade and Other Payables*

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these transactions are measured at amortised cost.

	Note	**2021**
		$
Current		
Accruals		**116,055**
Amount payable to a director related entity	C3	**4,154**
Share application funds payable	A10	**420,000**
		540,209

A10. *Share Application Monies*

During the period ended 30 June 2021, Eastern Metals Limited received application monies totalling $420,000 from applicants for the issue of 5,250,000 of the Company's ordinary fully paid shares. These shares had not yet been issued as at the financial period end.

Notes to the Financial Statements (continued)

At 30 June 2021, Eastern Metals Limited recorded the $420,000 as share application monies payable. The shares were subsequently issued on 26 July 2021 and the balance was transferred to share capital.

A11. *Exploration and Evaluation Assets*

Exploration and evaluation costs are stated at cost less accumulated amortisation and impairment losses (see Note B3).

	2021
	$
Cost	
Balance 2 September 2020	-
Additions	**86,393**
Balance at 30 June 2021	**86,393**
Amortisation	
Balance 2 September 2020	-
Additions	-
Balance at 30 June 2021	-
Carrying amounts	
At 2 September 2020	-
At 30 June 2021	**86,393**

The Company's accounting policy for the treatment of its exploration and evaluation costs is in accordance with the following requirements.

Exploration and evaluation assets are measured at cost.

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the entity has obtained the legal rights to explore an area are recognised in profit or loss. When a licence is relinquished or a project abandoned, the related costs are recognised in the statement of comprehensive income.

An exploration and evaluation asset is only recognised in relation to an area of interest if the following conditions are satisfied:

(a) the rights to tenure of the area of interest are current; and

(b) at least one of the following conditions is also met:

  (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

  (ii) exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. 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 reclassified from exploration and revaluation expenditure to mining property and development assets within property, plant and equipment.

A12. *Segment Reporting*

An operating segment is a component of the Company that engages in business activities whose operating results are reviewed regularly by the Company's Board and for which discrete financial information is available.

For the period ended 30 June 2021, the Company did not trade and had a single operating segment.

Business and geographical segments

The results and financial position of the Company's single operating segment are prepared on a basis consistent with Australian Accounting Standards and thus no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made. Entity-wide disclosures in relation to the Company's product and services and geographical areas are detailed below.

Products and services

The Company currently provides no products for sale.

Geographical areas

The Company's activities are located solely in Australia.

A13. *Commitments*

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the New South Wales Government. These obligations are subject to renegotiation when application for a mining lease is made and at other times.

As at 30 June 2021, these obligations are not provided for in the financial report and are payable as follows:

2021	Exploration expenditure commitments $
Within one year	755,500
One year or later and not later than five years	1,230,500
Later than five years	-
	1,986,000

A14. *Contingencies*

There are no contingent liabilities at 30 June 2021.

Notes to the Financial Statements (continued)

A15. *Subsequent Events*

On 9 July 2021, the Company issued 3,750,000 options for an exercise price of $0.30 each to the Company's key managements persons and consultants.

During the period ended 30 June 2021, Eastern Metals Limited received application monies totalling $420,000 from applicants for the issue of 5,250,000 of the Company's ordinary fully paid shares (**Shares**). The Shares were issued on 26 July 2021.

Also on 26 July 2021, the Company issued:

1. 126,000 Shares for advisory services to the Company, totalling $25,200; and
2. An additional $500,000 was received in relation to the converting note referred to in Note A5. The Company then issued 11,666,667 shares to repay the total converting note outstanding at 30 June 2021 ($700,000).

On 18 August 2021, the Company issued a Prospectus for the offer (**Offer**) of a minimum of 22,500,000 Shares at an issue price of $0.20 each to raise $4,500,000 (**Minimum Subscription**) and a maximum of 30,000,000 Shares at an issue price of $0.20 each to raise up to $6,000,000 (**Maximum Subscription**). One attaching option was offered to be issued for each three Shares issued.

The Company has successfully raised the Maximum Subscription of $6,000,000 before transaction costs. The ASX has considered the application and decided to admit *Eastern Metals* to the Official List of ASX and to quote its securities, subject to the satisfaction of certain conditions precedent which are expected to be achieved within the month of October 2021.

On 11 October 2021 the Company issued 30,000,0000 Shares and 10,000,000 options to the IPO investors.

On 11 October 2021 the Company issued 4,500,000 options to the IPO Lead Manager and its nominees.

All options outstanding expire three years from the date of the Company's successful ASX listing.

Other than the items mentioned above, no other matters or circumstances have arisen since the end of the period which significantly affected, or may significantly affect, the operations of the Company, the results of these operations or the Company's state of affairs in future financial periods.

Notes to the Financial Statements (continued)

Section B – Risk and Judgement

B. This section outlines the key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period. This section also outlines the significant financial risk the Company is exposed, to which the Directors would like to draw the attention of the readers.

B1. *Financial Risk Management*

Overview

This Note presents information about the Company's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Presently, the Company is in exploration phase, therefore does not earn revenue from sales and therefore has no accounts receivables. At the reporting date, there were no significant credit risks in relation to trade receivables.

Cash and cash equivalents

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	Note	**Carrying Amount 2021 $**
Current		
Cash and cash equivalents	A7	**380,602**
Trade and other receivables	A8	**4,156**
		384,758

Impairment losses

	2021 $
Neither past due nor impaired	-
Past due 1 – 30 days	-
Past due 31 – 90 days	-
Past due 91 + days	-
	-

Based on historic default rates, the Company believes that no impairment allowance is necessary.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The decision on how the Company will raise future capital will depend on market conditions existing at that time.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is not exposed to currency risk and at the reporting date the Company holds no financial assets or liabilities which are exposed to foreign currency risk.

Interest rate risk

The Company is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Company does not use derivatives to mitigate these exposures. The Company adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over three-month rolling periods.

Profile

At the reporting date the interest rate profile of the Company's and the Company's interest-bearing financial instruments was:

	Interest rate 2021	Carrying amount 2021 $
Variable rate instruments		
Financial assets	-	**384,758**
Financial liabilities	-	**(540,209)**
	-	**(155,451)**

Fair value sensitivity analysis for fixed rate instruments

The Company does not have, and therefore does not account for any financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Variable rate instruments
	2021
Profit or loss	$
100bp increase	-
100bp decrease	-

Capital and Reserves Management

The Company's objectives when managing capital and reserves are to safeguard the Company's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital and reserve structure, the Company may return capital to shareholders, issue new shares or sell assets to reduce debt. The Company's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Company's approach to capital management during the period. Risk management policies and procedures are established with regular monitoring and reporting.

The Company is not subject to externally imposed capital requirements.

B2. Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Note	2021	
		Carrying amount	Fair value
		$	$
Financial assets	B1	384,758	384,758
Financial liabilities	A9	(540,209)	(540,209)
		(155,451)	**(155,451)**

B3. *Impairment*

The carrying amounts of the Company's assets other than deferred tax assets (see Note D2), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income unless the asset has been re-valued previously in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation with any excess recognised through the statement of profit or loss and other comprehensive income.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment

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.

B4. *Financial Instruments*

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they reprice.

	Effective interest rate %	**Total $**	6 months or less $	6-12 months $	1-2 years $	2-5 years $	More than 5 years $
2021							
Financial assets	-	384,758	384,758	-	-	-	-
Financial liabilities	-	(540,209)	(540,209)	-	-	-	-
		(155,451)	**(155,451)**	-	-	-	-

Notes to the Financial Statements (continued)

Section C – Key Management Personnel and Related Party Disclosures

C. This section includes information about key management personnel's remunerations, related parties information and any transactions key management personnel or related parties may have had with the Company during the period.

C1. *Key Management Personnel Expenses*

There are no key management personnel expenses for the period ended 30 June 2021 other than the share based payment expense reflected in Note A5.

C2. *Key Management Personnel Disclosures*

Individual Directors and executive compensation disclosures

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures are required by Corporation Regulation 2M.3.03.

Apart from the details disclosed in this Note, no Director has entered into a material contract with the Company during the financial period and there were no material contracts involving Directors' interests existing at period-end.

Directors' transactions with the Company or its controlled entities

There are no amounts payable to Directors and their Director related entities for unpaid Directors' fees, statutory superannuation owed to each Director's superannuation fund, and consulting fees at the reporting date.

C3. *Related Party Disclosures*

During the period ended 30 June 2021, the Company's directors and entities related to the Company's Directors, lent the Company funds and made expenditure on the Company's behalf.

Details of expenditure incurred, reimbursed and outstanding at 30 June 2021 are as follows:

Director	Amount payable by the Company at 2 September 2020	Expenditure paid on the Company's behalf during the period to 30 June 2021	Cash lent to the Company during the period to 30 June 2021	Repayments made during the period to 30 June 2021	**Amount payable by the Company at 30 June 2021**	
					Amount payable	**Converting Note**
	$	$	$	$	**$**	**$**
Robert Duffin	-	53,795	150,359	-	**4,154**	**200,000**
Wayne Rossiter	-	22,500	-	(22,500)	**-**	**-**
Gary Jones	-	154	-	(154)	**-**	**-**

Notes to the Financial Statements (continued)

Section D – Other Disclosures

D. This section includes information that the Directors do not consider to be significant in understanding the financial performance and position of the Company but must be disclosed to comply with the Accounting Standards, the Corporations Act 2001 (Cth) or the Corporations Regulations.

D1. *Administration Expenses*

	Period ended 30 June 2021 $
Accounting fees	(19,986)
Audit fees	(25,000)
Computer software & support costs	(5,460)
Consulting expenses	(33,217)
Legal expenses	(116,872)
Other costs	(1,081)
	(201,616)

D2. *Income Tax*

Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets recorded at each reporting date are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax expense/ income, deferred tax liabilities and deferred tax assets arising from temporary differences are recognised in the financial statements of the Company.

The Company recognises deferred tax assets arising from unused tax losses to the extent that it is probable that future taxable profits of the Company will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the Company.

Notes to the Financial Statements (continued)

Numerical reconciliation between tax benefit and pre-tax net loss

	Period ended 30 June 2021 $
Net loss attributable to the members of the Company	**(445,453)**
Prima facie Income tax benefit at a tax rate of 26.0%	**115,817**
Permanent differences	
Options expense	**(63,412)**
Capital expenditure deductible	**1,430**
	53,835
Temporary differences	**(8,792)**
Decrease in income tax benefit due to:	
Income tax losses not recognised	**(45,043)**
Income tax benefit on pre-tax net loss	**-**

Temporary differences

	2021 $
Deferred Tax Liability	**22,462**
Deferred Tax Asset	**(31,254)**
	(8,792)

Unrecognised deferred tax assets

Revenue tax losses	**173,245**

The tax losses do not expire under current legislation though these losses are subject to testing under loss recoupment rules in order for them to be utilised. Deferred tax assets have not been recognised in respect of this item because, at this time, it is not probable that future taxable profit will be available against which the benefits can be offset.

At 30 June 2021, the Company had no franking credits available for use in subsequent reporting.

D3. *Earnings per Share*

Basic earnings per share (EPS) is calculated by dividing the net profit or loss attributable to members of the Company for the financial period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue. Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after-tax effect of financial costs associated with dilutive ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary and dilutive potential ordinary shares adjusted for any bonus issue.

Notes to the Financial Statements (continued)

The calculation of basic and diluted loss per share for the period ended 30 June 2021 was based on the net loss attributable to ordinary shareholders of $445,453and a weighted average number of ordinary shares outstanding during the period ended 30 June 2021 of 4,278,975 calculated as follows:

	2021
	$
Net loss attributable to the members of the Company	**(445,453)**
Weighted average number of ordinary shares	
Undiluted Number of Shares	**Number**
Issued ordinary shares at beginning of the period	**3**
Effect of share split 1 January 2021	**4,023,177**
Effect of share split 19 March 2021	**255,795**
Weighted average number of ordinary shares used in calculating basic and diluted profit per share	**4,278,975**
	Cents
Loss per share – basic	**(10.41)**
Loss per share – diluted	**(10.41)**

6,000,000 potential shares were excluded from the calculation of diluted loss per share because they are antidilutive for the period ended 30 June 2021 as the Company is in a loss position.

D4. *Auditor's Remuneration*

	2021
	$
Auditor of the Company - RSM Australia Partners	**25,000**

D5. *Financing Income*

Interest revenue is recognised as interest accrues using the effective interest method

D6. *GST*

Revenue, 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 the expense.

Receivables and payables are stated with the amount of GST included. 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 ATO are classified as operating cash flows.

D7. *New Accounting Standards*

A number of new standards, amendments to, or interpretations of standards are effective for annual periods beginning 1 January 2020. These new standards and amendments have been applied in preparing these financial statements and none of them have had a significant effect on the financial statements of the Company. All of the effective dates in the tables below refer to the beginning of an annual accounting period.

New Accounting Standards and Interpretations not yet mandatory or early adopted: Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the reporting period ended 30 June 2021. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Standard/Interpretation	Effective for the annual reporting period beginning on
AASB 17 Insurance Contracts	January 1, 2023
AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2022
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	January 1, 2022
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018– 2020 and Other Amendments	January 1, 2022
AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts	January 1, 2021
AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 - September 2020	January 1, 2021
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	January 1, 2023

D8. *Current and non-current classification*

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Directors' Declaration

1. In the opinion of the Directors of Eastern Metals Limited ("the Company"):

   (a) the Company's financial statements and notes that are set out on pages 12 to 32 are in accordance with the *Corporations Act 2001* (Cth), including:

      (i) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the financial period ended on that date; and

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

      (iii) the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note A1 to the financial statements; and

   (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.

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and Chief Financial Officer for the financial period ended 30 June 2021.

Signed in accordance with a resolution of the Directors.

Robert (Bob) Duffin
Chairman
Sydney
15 October 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 15 October 2021

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INDEPENDENT AUDITOR'S REPORT
To the Members of Eastern Metals Limited

Opinion

We have audited the financial report of Eastern Metals Limited which comprises the statement of financial position as of 30 June 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

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

Basis for Opinion

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

Other Information

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf.
This description forms part of our auditor's report.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N SHERWOOD

Sydney NSW
15 October 2021

Additional Shareholder Information

Shares

Subject to any rights or restrictions for the time being attached to any class or classes of shares and to the Company's constitution:

(a) on a show of hands, every person present in the capacity of a member or a proxy, attorney or representative (or in more than one of those capacities) has one vote; and

(b) on a poll, every person present who is a member a proxy or who has cast a direct vote, an attorney or representative has:

(i) for each fully paid share that the person holds or represents - one vote; and

(ii) for each share other than a fully paid share that the person holds or represents - that proportion of one vote that the amount paid (not credited) on the share bears to the total amounts paid and payable on the share (excluding amounts credited). Amounts paid in advance of a call are ignored when calculating the proportion.

At 29 October 2021, issued capital was 54,542,667 ordinary fully paid shares held by 384 holders:

Class of shares	If escrowed, end of escrow period	Number of Shares
Quoted ordinary fully paid shares	Not applicable	35,600,000
Unquoted ordinary fully paid shares	25 October 2023 (ASX escrow)	15,886,417
Unquoted ordinary fully paid shares	26 July 2022 (ASX escrow)	3,056,250
Total		**54,542,667**

20 Largest Holders by Name of Ordinary Shares and their Share Holdings at 29 October 2021:

Rank	Name	Number of Shares	% of Issued Capital
1	REC Investment Management Pty Ltd	11,666,667	21.39%
2	Aquiline Nominees Pty Ltd <The Aquiline Family A/C>	2,500,000	4.58%
3	Irrawaddy Investments Pty Ltd <Duffin Family A/C>	2,500,000	4.58%
4	Gary James Jones	2,500,000	4.58%
5	Amal Trustees Pty Ltd <Magnolia Capital Ecmc A/C>	1,499,903	2.75%
6	Two Tops Pty Ltd	1,250,000	2.29%
7	Jetosea Pty Ltd	1,125,000	2.06%
8	Mr Phillip Richard Perry	1,050,000	1.93%
9	Citicorp Nominees Pty Limited	861,126	1.58%
10	Certane Ct Pty Ltd <BC1>	850,000	1.56%
11	Yucaja Pty Ltd <The Yoegiar Family A/C>	600,000	1.10%
12	Khe Sanh Pty Ltd <Trading No 2 A/C>	537,500	0.99%
13	Certane Ct Pty Ltd <BC2>	525,000	0.96%
14	HSBC Custody Nominees (Australia) Limited - A/C 2	500,000	0.92%
15	Mr Paul James Madden	500,000	0.92%
16	Wolf Like Me Pty Ltd	425,000	0.78%
17	Storm Enterprises Pty Ltd	410,000	0.75%
18	Fairbrother Holdings Pty Ltd	400,000	0.73%
19	Invesco Nominee Pty Ltd	400,000	0.73%
20	Jindabyne Capital Pty Ltd <Providence Equity A/C>	375,000	0.69%
20	Netwealth Investments Limited <Wrap Services A/C>	375,000	0.69%
	Top 20 holders of ORDINARY SHARES (TOTAL)	**30,850,196**	**56.56%**

Additional Shareholder Information (continued)

Distribution of Share Holders and Share Holdings at 29 October 2021

Range	Holders	Total Shares	% Issued Share Capital
1-1,000	7	1,545	0.00
1,001-5,000	19	56,496	0.10
5,001-10,000	64	622,182	1.14
10,001-100,000	204	9,757,276	17.89
100,001-9,999,999,999	90	44,105,168	80.86
Totals	**384**	**54,542,667**	**100.00**

Unmarketable Parcels at 29 October 2021

	Minimum Parcel Size	Holders	Number of Shares
Minimum $ 500.00 parcel at $ 0.235 per share	2,127	13	13,300

Substantial Shareholder at 29 October 2021

	Number of Shares	Proportion of Issued Shares
Robert H Duffin and Pamela C Duffin (jointly)	14,166,667	26.0%

Unquoted Options

At 29 October 2021 there were 24,250,000 unquoted options on issue.

Exercise Price	Grant Date	Vesting Date	Expiry Date	If escrowed, end of escrow period	Number
$0.30	21 April 2021	25 Oct 2021	25 Oct 2024	25 Oct 2023 (ASX escrow)	**6,000,000**
	9 July 2021	25 Oct 2021	25 Oct 2024		**3,750,000**
	11 Oct 2021	25 Oct 2021	25 Oct 2024		**4,500,000**
Total					**14,250,000**
$0.30	11 Oct 2021	25 Oct 2021	25 Oct 2024	Unescrowed	**10,000,000**
Total					**24,250,000**

Each option provides the right for the option holder to be issued one fully paid share by the Company, upon payment of the exercise price of each option.

None of holders by name of the Company's unlisted options hold 20% or more of the total options on issue.

Distribution of Option Holders and Option Holdings at 29 October 2021 ($0.30 Exercise Price)

Range	Holders	Total Options	% of Total Options
1-1,000	0	0	0.00
1,001-5,000	82	308,311	1.27
5,001-10,000	54	449,185	1.85
10,001-100,000	184	6,109,266	25.19
100,001-9,999,999,999	28	17,383,238	71.68
Totals	**348**	**24,250,000**	**100.00**

Additional Shareholder Information (continued)

Mining Exploration Tenements

The Company holds the following exploration and mining licences.

Tenure	Location	Company's Interest	Status
EL23186	Northern Territory	100%	Current
EL6321	New South Wales	100%	Current
EL9180	New South Wales	100%	Current
EL9136	New South Wales	100%	Current
EL9190	New South Wales	100%	Current
EL9194	New South Wales	100%	Current

Use of Funds

Since its admission to the ASX's official list on 21 October 2021, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

Securities Exchange Listing

The Company's ordinary shares are listed on the Australian Securities Exchange. The Company's ASX code for quoted ordinary shares is EMS.

On-Market Buy Back

There is no on-market buy-back.

Corporate Governance Statement

The Company's Corporate Governance statement is available for members to download and access from Section 11 of the Company's Prospectus dated 18 August 2021. Refer https://easternmetals.com.au/prospectus/.

The Company's Corporate Governance policies and charters are available for members to download and access from https://easternmetals.com.au/company/corporate-governance/.

Annual Review of Mineral Resources and Ore Reserves

Home of Bullion

Home of Bullion is a high-grade volcanogenic massive sulphide (VMS) style deposit developed in two main lodes.

Kidman (ASX: KDR) released a Mineral Resource Estimate for Home of Bullion to the ASX on 29 July 2014:

"Maiden Resource at Home of Bullion" in accordance with the JORC Code 2012. The resource estimate is:

- Indicated Resource: 0.5MT at 2.8% Cu, 3.4% Zn, 56g/t Ag, 1.6% Pb, 0.30g/t Au
- Inferred Resource: 2.0MT at 1.6% Cu, 1.7% Zn, 31g/t Ag, 1.0% Pb, 0.11g/t Au
- Total Resource: 2.5MT at 1.8% Cu, 2.0% Zn, 36g/t Ag, 1.2% Pb and 0.14g/t Au.

Browns Reef

Kidman released an Exploration Target for Browns Reef in its ASX announcement on 20 January 2015 "Clarification to Brown's Reef Announcement", which was based on the results of a total of 52 diamond drill holes and 22 RC holes. Holes were spaced on sections between 60 metres and 200 metres apart in the main mineralised zone. The reported exploration target estimate is 27 to 37 million tonnes averaging between 1.3-1.4% zinc, 0.6- 0.7% lead, 9-10g/t silver and 0.2-0.3% copper. The potential quantity and grade of this Exploration Target are conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

Further details of the Company's Mineral Resources and Ore Reserves are available for members to download and access from the Company's Prospectus dated 18 August 2021. Refer to https://easternmetals.com.au/prospectus/.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements referred to above. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.