

Half Year Financial Statements

Eagle Mountain Mining Limited (ASX:EM2) (Eagle Mountain, or the Company) is pleased to attach the Consolidated Financial Statements for the half year ended 31 December 2022.

This ASX announcement was authorised for release by the Company Secretary on behalf of the Board of Eagle Mountain Mining Limited.

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ABOUT EAGLE MOUNTAIN MINING

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

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

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



LinkedIn



Twitter



EM2 Website

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EAGLE MOUNTAIN MINING

EAGLE MOUNTAIN MINING LIMITED

ABN 34 621 541 204

FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
31 DECEMBER 2022**



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CORPORATE DIRECTORY

DIRECTORS

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

ALTERNATE DIRECTOR

Brett Rowe
(Alternate Director for Charles Bass)

CHIEF EXECUTIVE OFFICER

Tim Mason

COMPANY SECRETARY

Mark Pitts

ASX CODE

EM2

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AUDITORS

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

SHARE REGISTRY

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

COMPETENT PERSON STATEMENT

Where the Company references previous exploration results and the updated Mineral Resource Estimate, it confirms that it is not aware of any new information or data that materially affects the information included in those announcements, and all material assumptions and technical parameters underpinning the exploration results and the Mineral Resource Estimate continue to apply and have not materially changed. In addition, the form and context in which the Competent Persons findings are presented have not been materially modified from the original reports.



DIRECTORS' REPORT

The Directors present the consolidated financial statements of Eagle Mountain Mining Limited ("Eagle Mountain" or the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2022.

DIRECTORS

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

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

CHIEF EXECUTIVE OFFICER

Tim Mason

COMPANY SECRETARY

Mark Pitts

REVIEW OF OPERATIONS

The loss after income tax of the Group for the half year was \$7,533,132 (31 December 2021 restated: \$16,060,395), which includes exploration and evaluation costs of \$5,814,019 (31 December 2021: \$13,555,020).

As at 31 December 2022, the Group had cash assets of \$6,278,780 (30 June 2022: \$11,073,913).

During the reporting period, an updated Mineral Resource Estimate (MRE) was completed resulting in a 12% increase in Measured and Indicated resource tonnes at a 1% Cu cut-off for a Total Resource of 16.5Mt at 1.45% Cu, 15.1g/t Ag and 0.19g/t Au for 240kt Cu metal. (refer Table 1)

Table 1 – Summary of Updated October 2022 MRE Resource Categories at 1% Cu cut-off

Resource Category	Tonnes [Mt]	Cu [%]	Ag [g/t]	Au [g/t]	Contained Cu [t]	Contained Ag [Oz]	Contained Au [Oz]
Measured	2.1	1.57	16.42	0.21	33,000	1,111,000	14,000
Indicated	8.7	1.49	14.94	0.21	129,000	4,178,000	59,000
Subtotal M+I	10.8	1.50	15.23	0.21	162,000	5,290,000	74,000
Inferred	5.7	1.36	14.85	0.15	77,000	2,719,000	28,000
Total M+I+I	16.5	1.45	15.10	0.19	240,000	8,009,000	102,000

Surface drilling results continue to show potential for a resource expansion. An extensive underground mapping and sampling program commenced during the period to improve the quality of the MRE and provide samples for metallurgical test work.

High grade results from resource expansion and infill drilling continued with good widths at Talon and within the Mine envelope.



DIRECTORS' REPORT

The refurbishment of the underground mine was undertaken bringing the underground and surface infrastructure up to the required safety and operational standards and will enable drilling, sampling and other tasks to be completed from underground.

Activities of a corporate nature included a capital raising through a share placement and a Share Purchase Plan.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the reporting period, the Company raised \$3 million (before costs) from the issue of 18,181,818 ordinary shares at \$0.165 per share following a placement to institutional and professional investors, with a further \$2 million being received in February 2023 from the issue of 12,121,213 ordinary shares at \$0.165 per share following the receipt of shareholder approval. In addition, the Company completed a Share Purchase Plan, which raised \$0.7 million during the period.

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

EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to the end of the reporting period and following shareholder approval, the Company raised \$2 million from the issue of approximately 12.1 million shares at \$0.165 per share.

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, William Buck Audit (WA) Pty Ltd, to provide the Directors of the Group with an Independence Declaration. This Independence Declaration is set out on the following page and forms part of this Directors' Report for the half year ended 31 December 2022.

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

Rick Crabb
Chairman

Dated at Perth this 15th day of March 2023

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

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2022 there have been:

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

William Buck

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

Amar Nathwani

Amar Nathwani
Director
Dated this 15th day of March 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half Year Ended 31 December 2022

	Notes	31 December 2022 A\$	31 December 2021 (Restated) A\$
Operations			
Other income		-	3,514
Interest revenue		8,679	340
Administration and other costs		(736,492)	(1,423,604)
Employee expenses – non-exploration		(311,332)	(322,879)
Employee expenses – equity based	13	(209,160)	(393,332)
Finance costs		(189,579)	(223,460)
Depreciation expense		(310,962)	(274,068)
Exploration and evaluation costs		(5,814,019)	(13,555,020)
Net change in fair value of convertible notes	10	182	(64,240)
Fair value gain on loan repayment		-	70,958
Gain on foreign currency exchange		29,551	121,396
Loss before income tax		(7,533,132)	(16,060,395)
Income tax expense		-	-
Loss after income tax from operations		(7,533,132)	(16,060,395)
Other comprehensive income/(loss)			
<i>Other comprehensive income that may be re-classified to profit or loss in subsequent periods</i>			
Gain on foreign currency exchange		63,942	14,585
Total comprehensive loss for the period		(7,469,190)	(16,045,810)
Basic and diluted loss per share		Cents (2.8)	Cents (7.4)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		31 December 2022	30 June 2022 (Restated)
	Note	A\$	A\$
Current Assets			
Cash and cash equivalents		6,278,780	11,073,913
Trade and other receivables		208,550	310,680
Total Current Assets		6,487,330	11,384,593
Non-Current Assets			
Exploration and evaluation expenditure	6	11,029,907	10,774,803
Property, plant and equipment	7	2,958,435	1,222,386
Right-of-use assets	8	470,581	592,606
Bonds and deposits		289,023	284,241
Total Non-Current Assets		14,747,946	12,874,036
TOTAL ASSETS		21,235,276	24,258,629
Current Liabilities			
Trade and other payables		1,495,808	1,000,636
Employee leave liabilities		139,162	143,431
Lease liabilities	9	265,551	246,870
Borrowings	10	1,878	3,797
Provisions	6	410,979	435,477
Total Current Liabilities		2,313,378	1,830,211
Non-Current Liabilities			
Lease liabilities	9	250,705	385,182
Employee leave liabilities		22,777	15,104
Borrowings	10	10,566,097	10,232,242
Total Non-Current Liabilities		10,839,579	10,632,528
TOTAL LIABILITIES		13,152,957	12,462,739
NET ASSETS		8,082,319	11,795,890
Equity			
Issued capital	12	82,048,337	78,501,878
Reserves	13	6,907,367	6,734,688
Accumulated losses		(80,873,385)	(73,440,676)
TOTAL EQUITY		8,082,319	11,795,890

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



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half Year Ended 31 December 2022

	Issued capital A\$	Option capital A\$	Foreign currency translation reserve A\$	Share based payment reserve A\$	Common control reserve A\$	Accumulated losses A\$	Total A\$
Balance at 1 July 2021	45,601,593	4,500	272,208	8,268,608	(3,014,276)	(44,550,789)	6,581,844
Correction of misstatement-Note 10	-	-	(12,435)	-	-	1,853,922	1,841,487
Balance at 1 July 2021 (restated)-Note 10	45,601,593	4,500	259,773	8,268,608	(3,014,276)	(42,696,867)	8,423,331
Loss for the period	-	-	-	-	-	(16,060,395)	(16,060,395)
Other comprehensive income for the period net of income tax	-	-	14,585	-	-	-	14,585
Total comprehensive loss for the period	-	-	14,585	-	-	(16,060,395)	(16,045,810)
Issue of shares	16,003,000	-	-	-	-	-	16,003,000
Capital raising costs	(767,725)	-	-	-	-	-	(767,725)
Share issue for loan repayment	1,299,280	-	-	-	-	-	1,299,280
Vesting of options/performance rights	-	-	-	1,196,132	-	-	1,196,132
Exercise/cancellation of options	138,646	(4,500)	-	(24,591)	-	4,236	113,791
Balance at 31 December 2021 (restated)	62,274,794	-	274,358	9,440,149	(3,014,276)	(58,753,026)	10,221,999
Balance at 1 July 2022	78,501,878	-	184,045	9,446,196	(3,014,276)	(74,604,789)	10,513,054
Correction of misstatement-Note 10	-	-	118,723	-	-	1,164,113	1,282,836
Balance at 1 July 2022 (restated)-Note 10	78,501,878	-	302,768	9,446,196	(3,014,276)	(73,440,676)	11,795,890
Loss for the period	-	-	-	-	-	(7,533,132)	(7,533,132)
Other comprehensive income for the period net of income tax	-	-	63,942	-	-	-	63,942
Total comprehensive loss for the period	-	-	63,942	-	-	(7,533,132)	(7,469,190)
Issue of shares	3,742,300	-	-	-	-	-	3,742,300
Capital raising costs	(195,841)	-	-	-	-	-	(195,841)
Vesting of options/performance rights	-	-	-	209,160	-	-	209,160
Cancellation of options	-	-	-	(100,423)	-	100,423	-
Balance at 31 December 2022	82,048,337	-	366,710	9,554,933	(3,014,276)	(80,873,385)	8,082,319

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Half Year Ended 31 December 2022

	31 December 2022	31 December 2021
Note	A\$	A\$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(1,045,257)	(835,868)
Payments for exploration and evaluation	(5,989,180)	(12,405,032)
Payments for interest and other financing costs	(26,029)	(26,086)
Interest received	8,679	340
Other revenue (including government grant assistance)	-	3,513
Net cash used in operating activities	(7,051,787)	(13,263,133)
Cash Flows from Investing Activities		
Refunds/(payments) for bonds and deposits	-	1,367
Payments for acquisition of exploration assets	(17,916)	-
Payments for purchase of fixed assets	(1,222,892)	(319,914)
Net cash used in investing activities	(1,240,808)	(318,547)
Cash Flows from Financing Activities		
Proceeds from the issue of shares and options	3,773,300	16,116,791
Costs of the issue of shares and options	(195,840)	(821,446)
Repayment of borrowings	(5,694)	(5,216)
Repayment of lease liabilities	(122,172)	(102,938)
Net cash generated by financing activities	3,449,594	15,187,191
Net (decrease)/increase in cash held	(4,843,001)	1,605,511
Cash and cash equivalents at the beginning of the period	11,073,913	9,119,371
Effect of foreign currency exchange on cash and cash equivalents	47,868	204,888
Cash and cash equivalents at the end of the period	6,278,780	10,929,770

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2022

NOTE 1 BASIS OF PREPARATION OF HALF YEAR REPORT

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* ("AASB 134"). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 30 June 2022 annual financial statements and any public announcements made by the Group during the half year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

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

Basis of preparation

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

These accounting policies are consistent with those previously disclosed in the 30 June 2022 annual financial statements unless otherwise stated.

The half year financial report was approved by the Board of Directors on 15th March 2023.

Financial Position

The Group has incurred a loss after income tax of \$7,533,132 and a net operating cash outflow of \$7,051,787 during the half year ended 31 December 2022. The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

During the reporting period, the Group successfully raised \$3.7 million, with a further \$2 million being received in February 2023, pursuant to a placement to institutional and sophisticated investors. The Directors will continue to manage the Group's activities with due regard to current and future funding requirements. The Directors reasonably expect that the Company will be able to raise sufficient capital to fund the Group's exploration and working capital requirements and has the ability to reduce expenditure should there be a shortfall in forecasted capital raisings, and that the Group will be able to settle debts as and when they become due and payable. On this basis, the Directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

Adoption of new and revised Accounting Standards

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Group for the reporting period ended 31 December 2022.

Critical accounting estimates

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

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

Principles of consolidation

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

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2022

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The estimates, judgements and assumptions disclosed as at 30 June 2022 are still valid for this half year reporting period. In addition, the following key judgements, estimates and assumptions apply to this reporting period:

Valuation of derivative liability

As part of the acquisition of the Oracle Ridge Copper Mine, a US\$6,423,000 secured note was issued to Vincere Resource Holdings LLC. Up to US\$3,000,000 of the secured note can be converted into shares of the Company upon the occurrence of various conversion trigger events at variable conversion prices. At each reporting period, the fair value of the embedded derivative liability component of the secured note is derived and a number of assumptions have been made at the reporting date. These assumptions are outlined in note 10.

NOTE 3 SEGMENT INFORMATION

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

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

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

Information regarding the non-current assets by geographical location is reported below. No geographical location segment information is provided in relation to revenue and profit or loss for the half year ended 31 December 2022 or the year ended 30 June 2022.

Reconciliation of Non-Current Assets by Geographical Location

	31 December 2022 A\$	30 June 2022 A\$
Australia	330,557	325,526
United States of America	14,417,389	12,548,510
	14,747,946	12,874,036

NOTE 4 DIVIDENDS

No dividends were paid or proposed during the period.

The Company has no franking credits available as at 31 December 2022.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2022

NOTE 5 LOSS FROM ORDINARY ACTIVITIES

	31 December 2022	31 December 2021 (Restated)
	A\$	A\$
Included in the loss before income tax are the following specific items of income/(expenses):		
Fair value gain on repayment of Quartz loan	-	70,958
Fair value gain/(loss) on derivative liability (note 10)	182	(64,240)
Interest and finance costs paid/payable on borrowings	(167,356)	(197,784)
Interest paid/payable on leases	(22,223)	(25,676)
Share based payments expense – employees	(209,160)	(393,332)
Share based payments expense – corporate advisory	-	(802,800)

NOTE 6 EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2022	30 June 2022
	A\$	A\$
Movement during the period		
Carrying value – beginning of the period	10,774,803	9,474,278
Capitalisation of tailings storage facility costs ¹	73,800	435,477
Effect of movement in foreign currency exchange rates	181,304	865,048
Carrying value – end of the period	11,029,907	10,774,803

¹ The Group acquired an existing tailings storage facility (“TSF”) with the purchase of the Oracle Ridge Copper Project. The TSF is covered by a permit issued by the Arizona Department of Environmental Quality which includes a condition that the TSF be upgraded to meet current engineering standards. During the reporting period, the estimated cost of the upgrade was increased by US\$50,000 to a total of US\$350,000. This cost has been provided for in the financial statements as an adjustment to the cost of acquisition of the Oracle Ridge Copper Project.

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

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

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

	31 December 2022	30 June 2022
	A\$	A\$
Net book value of plant and equipment	2,958,435	1,222,386

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2022

NOTE 7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improve- ments A\$	Office equipment furniture A\$	Field equipment & vehicles A\$	Mine plant & equipment A\$	Mine Properties ¹ \$A	Total A\$
Opening net book value	100,182	29,793	348,785	743,626	-	1,222,386
Cost of additions	-	7,618	-	53,487	1,755,390	1,816,495
Depreciation charge	(42,163)	(9,594)	(46,611)	(84,584)	-	(182,952)
Foreign exchange movement	1,302	81,467	13,724	6,013	-	102,506
Closing net book value	59,321	109,284	315,898	718,542	1,755,390	2,958,435

¹ Refurbishment of the underground infrastructure.

NOTE 8 RIGHT-OF-USE ASSETS

	31 December 2022 A\$	30 June 2022 A\$
Opening balance	592,606	531,302
Right-of-use asset additions	-	261,426
Depreciation expense	(128,010)	(230,840)
Foreign currency differences	5,985	30,818
	470,581	592,606

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

NOTE 9 LEASE LIABILITIES

	31 December 2022 A\$	30 June 2022 A\$
Current liability	265,551	246,870
Non-current liability	250,705	385,182
	516,256	632,052
Movement in lease liabilities		
Opening balance	632,052	551,908
Increase in liability due to additional leases	-	261,426
Principal repayments	(122,172)	(249,703)
Foreign currency differences	6,376	68,421
Balance at the end of the period	516,256	632,052

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2022

NOTE 10 BORROWINGS

	31 December 2022	30 June 2022 (Restated)
	A\$	A\$
Current		
Vehicle loan amounts due within one year ¹	1,878	3,797
Non-current		
Loan – derivative liability ²	456,411	449,035
Loan – debt liability ²	10,109,686	9,783,207
	10,566,097	10,232,242

¹ Vehicle loan amounts are secured over assets with a net book value of A\$17,752 (June 2022: A\$23,278) held by Silver Mountain Mining Operations Inc.

² Under the terms of the purchase agreement of the Oracle Ridge Copper Mine in Arizona in the United States of America, Wedgetail Operations LLC, a subsidiary in which the Company now holds a 100% interest, entered into a US\$6,423,000 secured loan with Vincere Resource Holdings LLC. The loan is secured over all of the assets of Wedgetail Operations LLC, has a ten-year term and accrues interest at 3.15% per annum for the first five years with no interest accruing thereafter.

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

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

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

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

The face value of US\$6,423,000 at inception was deemed to comprise the value of the derivative liability (or conversion right), with the residual being the debt liability component. The debt liability component of the secured loan is amortised at each reporting period using the effective interest method. The derivative liability component is revalued at each reporting date over the life of the secured loan.

Fair Value Measurement

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

The derivative liability has been categorised as Level 3 in the fair value hierarchy and the fair value at the end of the reporting period was A\$456,411.

There were no transfers between levels during the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2022

NOTE 10 BORROWINGS (continued)

Correction of significant misstatement of fair value of the conversion right

An independent valuation was undertaken on initial recognition of the conversion right. At each reporting date since initial recognition, the conversion right has been independently revalued. During the 31 December 2022 reporting period, it was discovered that the fair value of the conversion right had been miscalculated at the preceding reporting dates. As a consequence, an updated independent valuation of the fair value of the conversion right was undertaken to establish the fair value of the conversion rights that should have been reported. As a result, the total value of the loan was found to have been overstated in prior periods. The reported value of the liability has been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

Statement of Financial Position (extract)	30 June 2022 (Reported) \$A	Increase/ (decrease) \$A	30 June 2022 (Restated) \$A	30 June 2021 (Reported) \$A	Increase/ (decrease) \$A	1 July 2021 (Restated) \$A
Derivative Liability	2,797,229	(2,348,194)	449,035	3,297,591	(2,817,711)	479,880
Debt Liability	8,717,849	1,065,358	9,783,207	7,705,643	976,224	8,681,867
Net assets	10,513,054	1,282,836	11,795,890	6,581,844	1,841,487	8,423,331
Foreign exchange reserve	184,045	118,723	302,768	272,208	(12,435)	259,773
Retained earnings	(74,604,789)	1,164,113	(73,440,676)	(44,550,789)	1,853,922	(42,696,867)
Total equity	10,513,054	1,282,836	11,795,890	6,581,844	1,841,487	8,423,331

Statement of Profit or Loss or Other Comprehensive Income (extract)	31 Dec 2021 (Reported) \$A	Increase/ (decrease) \$A	31 Dec 2021 (Restated) \$A
Fair value gain/(loss) on convertible notes	199,872	(264,112)	(64,240)
Loss before income tax	(15,796,283)	(264,112)	(16,060,395)
Income tax	-	-	-
Loss after income tax	(15,796,283)	(264,112)	(16,060,395)
Other comprehensive income/(loss)			
- Loss on foreign currency exchange	(49,607)	64,192	14,585
Total comprehensive loss for the period	(15,845,890)	(199,920)	(16,045,810)
Earnings per share	cents	cents	cents
- Basic and diluted loss per share	(7.3)	(0.1)	(7.4)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2022

NOTE 10 BORROWINGS (continued)

Valuation Model Assumptions

The updated valuation of the conversion right has been undertaken at 31 December 2022 with the following assumptions:

Assumptions	Conversion Event 1	Conversion Event 2	Conversion Event 3
Valuation date	31 December 2022	31 December 2022	31 December 2022
Spot price (A\$) ¹	\$0.170	\$0.170	\$0.170
Exercise price ²	\$0.142	\$0.147	\$0.153
Risk free rate	3.41%	3.41%	3.51%
Expected future volatility	90%	90%	90%
Expiry date ³	25 May 2024	25 May 2025	25 May 2026
Probability ⁴	80%	70%	65%

¹ The last traded price of the Company's shares on the ASX on 30 December 2022.

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

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

⁴ Management's estimate as at balance date of the probability of the conversion trigger events being achieved on the expiry dates for each tranche of conversion rights.

Based on the above assumptions, the revaluation of the derivative liability resulted in a fair value gain of A\$182 which has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

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

	31 December 2022 A\$	30 June 2022 (Restated) A\$
Reconciliation of movement in Level 3 derivative liability		
Balance at the start of the period (restated)	449,035	479,880
Gain recognised in profit or loss	(182)	(70,862)
Effect of movement in foreign currency exchange rates	7,558	40,017
	456,411	449,035

Unobservable inputs for fair value measurement

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2022

NOTE 10 BORROWINGS (continued)

The Level 3 unobservable inputs and sensitivity are as follows:

Unobservable Input	Change in input	Sensitivity
Shares on Issue	+25%	A 25% increase in share capital will result in a fair value increase of \$9,709.
Date of conversion trigger event	-6 months	A decrease of 6 months in achieving the first and subsequent milestones will result in a fair value increase of \$7,715.
Date of conversion trigger event	+6 months	An increase of 6 months in achieving the first and subsequent milestones will result in a fair value decrease of \$7,691.

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

NOTE 11 SHARE BASED PAYMENTS

Options

During the reporting period, 2,318,000 options vested and 1,346,153 options were cancelled. No options were issued or exercised during the reporting period.

Subsequent to the end of the reporting period, 1,900,000 options were exercised, 500,000 options vested and 7,015,000 options were cancelled. No options have been issued subsequent to the end of the reporting period.

Performance Rights

During the reporting period, no performance rights were granted, issued, vested, exercised or cancelled.

Subsequent to the end of the reporting period, 100,000 performance rights vested. No performance rights were granted, issued, exercised or cancelled.

Ordinary Shares

During and subsequent to the end of the reporting period, no ordinary shares were granted as a share based payment.

NOTE 12 ISSUED CAPITAL

	6 Months to 31 December 2022		6 Months to 31 December 2021	
	Shares	A\$	Shares	A\$
Balance at 1 July	268,265,063	78,501,878	202,669,630	45,601,593
Placement shares issued at \$0.65	-	-	24,620,001	16,003,000
Shares issued to repay loans	-	-	1,744,000	1,299,280
Placement shares issued at \$0.165	18,181,818	3,000,000	-	-
Shares issued on exercise of options	-	-	568,953	138,646
Shares issued pursuant to Share Purchase Plan at \$0.165/share*	4,498,769	742,300	-	-
Less: share issue costs	-	(195,841)	-	(767,725)
Balance at 31 December	290,945,650	82,048,337	229,602,584	62,274,794

* Share Purchase Plan offered to eligible shareholders.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2022

NOTE 13 RESERVES

	As at 31 December 2022 A\$	As at 31 December 2021 A\$
Foreign currency translation reserve (restated)-Note 10	366,710	274,358
Share based payments reserve	9,554,933	9,440,149
Common control reserve	(3,014,276)	(3,014,276)
	6,907,367	6,700,231

Movements:

	Period ended 31 December 2022 A\$	Period ended 31 December 2021 A\$
a) Foreign currency translation reserve		
Balance at 1 July (restated)-Note 10	302,768	259,773
Exchange gain for the period	63,942	14,585
Balance at 31 December	366,710	274,358

Foreign currency translation reserve

The foreign currency translation reserve records unrealised exchange gains and losses on translation of controlled entities' accounts during the period.

	Period ended 31 December 2022 A\$	Period ended 31 December 2021 A\$
b) Share based payments reserve		
Balance at 1 July	9,446,196	8,268,608
Fair value of options and performance rights vesting during the period	209,160	1,196,132
Fair value of options exercised during the period	-	(20,355)
Transfer of lapsed options to retained earnings	(100,423)	(4,236)
Balance at 31 December	9,554,933	9,440,149

Share based payments reserve

The share based payments reserve has been used to recognise the fair value of options and performance rights issued and vested but not exercised as at the end of the reporting period.

	Period ended 31 December 2022 A\$	Period ended 31 December 2021 A\$
c) Common control reserve		
Balance at 1 July	(3,014,276)	(3,014,276)
Common control transactions during the period	-	-
Balance at 31 December	(3,014,276)	(3,014,276)

Common control reserve

The amount recognised in the common control reserve represents the excess in fair value consideration given over the net assets acquired on the acquisition of Silver Mountain Mining Pty Ltd from Silver Mountain Mining Nominee Pty Ltd on 7 December 2017.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2022

NOTE 14 SUBSEQUENT EVENTS

Subsequent to the end of the reporting period and following shareholder approval, the Company raised \$2 million from the issue of approximately 12.1 million shares at \$0.165 per share.

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

NOTE 15 CONTINGENT ASSETS AND LIABILITIES

There has been no material change to the contingent assets or liabilities of the Group since 30 June 2022.

NOTE 16 CONTRACTUAL COMMITMENTS

Exploration Expenditure

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

	31 December 2022 A\$	30 June 2022 A\$
Within 1 year	547,107	547,373
After 1 year but not more than 5 years	2,125,107	2,080,621
Total	2,672,214	2,627,994

Operating Lease

The Group has entered into operating leases to rent storage space in Tucson, Arizona and the Group has availed itself of the recognition exemption under AASB16 *Leases*. At 31 December 2022, the total commitments under the lease agreements are as follows:

	31 December 2022 A\$	30 June 2022 A\$
Within 1 year	12,399	3,484
After 1 year but not more than 5 years	18,598	7,258
Total	30,997	10,742

Other Commitments

The drilling contract with Boart Longyear includes a 30 day notice period during which time Boart Longyear is entitled to claim standby rates. The estimated commitment, should the contract be terminated, is approximately US\$65,000.

Other than as stated above, there has been no material change to the contractual commitments of the Group as disclosed in the 30 June 2022 financial report.



DIRECTORS' DECLARATION

The Directors of Eagle Mountain Mining Limited declare that:

- (a) the attached interim financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 December 2022 and of the performance for the period ended on that date of the Group.
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Signed at Perth this 15th day of March 2023.

Rick Crabb
Chairman

Eagle Mountain Mining Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Eagle Mountain Mining Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the Consolidated Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b. complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the 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 Management for the Financial Report

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

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Group's financial position as at 31 December 2022 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*.

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

William Buck

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

Amar Nathwani

Amar Nathwani
Director
Dated this 15th day of March 2023