



20 March 2023

SCHEME BOOKLET REGISTERED BY ASIC

Essential Metals Limited (ASX:ESS) (**Essential** or the **Company**) refers to its previous announcements:

- released on 9 January 2023 in relation to the execution of a Scheme Implementation Agreement with Tianqi Lithium Energy Australia Pty Ltd (**TLEA**) under which TLEA proposed to acquire all the shares in Essential by way of a scheme of arrangement (**Scheme**) for \$0.50 per share in cash; and
- released on 17 March 2023 in relation to the orders made by the Federal Court of Australia (sitting in Perth) that Essential convene a meeting of Essential shareholders to consider and vote on the Scheme (**Scheme Meeting**) and approving dispatch of an explanatory statement providing information about the Scheme, together with the Notice of Scheme Meeting (together, the **Scheme Booklet**), to Essential Shareholders.

Scheme Booklet

Essential confirms that the Australian Securities and Investments Commission (**ASIC**) has today registered the Scheme Booklet. A copy of the Scheme booklet is **attached** to this announcement and will also be made available on Essential's website at <https://www.essscheme.com.au/>. For details of how you will receive your Scheme Booklet, please refer to the Company's previous announcement made on 17 March 2023.

Essential shareholders should carefully read and consider the Scheme Booklet in its entirety, including the materials accompanying it, before deciding how to vote at the Scheme Meeting. If after reading the Scheme Booklet you have any questions about the Scheme Booklet or the Scheme, please contact the Essential Shareholder Information Line on 1300 290 691 (within Australia) or +61 2 9066 4081 (outside Australia) between 8:30am and 6:00pm (Sydney time) Monday to Friday, excluding public holidays. If you are in any doubt about what action you should take, please consult your broker or financial, legal, taxation or other professional adviser immediately.

Independent Expert's Report

The Scheme Booklet includes a copy of the independent expert's report prepared by BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**). The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Essential Shareholders, in the absence of a superior offer. The Independent Expert's conclusion should be read in context with the full Independent Expert's Report and the Scheme Booklet.

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**Recommendation of the Essential Directors**

The Essential Directors unanimously recommend that Essential shareholders vote in favour of the Scheme at the Scheme Meeting, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential shareholders. Subject to the same qualifications, each of the Essential Directors will vote, or procure the voting of, all Essential shares in which they have a relevant interest in favour of the Scheme.¹

Scheme Meeting

The Scheme Meeting will be held at the Quest Apartment Hotels, 54 Kings Park Road, West Perth WA 6005 at 9:00am (AWST) on Thursday, 20 April 2023. All Essential shareholders registered as at 5:00pm (AWST) on Tuesday, 18 April 2023 will be eligible to vote at the Scheme Meeting and are encouraged to do so. Further information on how to participate in and vote at the Scheme Meeting is set out in the Scheme Booklet.

This ASX release has been approved by the Board of Directors.

For further information:

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Essential Metals Limited

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¹ In considering the unanimous recommendation and intentions of the Essential Board to vote in favour of the Scheme, Essential Shareholders should have regard to section 1.2 of the Scheme Booklet (in relation to the unanimous recommendation of the Essential Board) and sections 9.3 and 9.5 of the Scheme Booklet (which concerns the treatment of Essential Performance Rights held by Mr Timothy Spencer and Essential Options held by all Directors in connection with the Scheme). The amounts that may be payable under the Option Cancellation Deeds if the Scheme proceeds are \$225,000 to Mr Timothy Spencer, \$150,000 to Mr Craig McGown, \$90,000 to Mr Paul Payne and \$195,000 to Mr Warren Hallam. All unvested Performance Rights held by Mr Timothy Spencer will vest should the Court approve the Scheme on the Second Court Date.

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ESSENTIAL METALS

for a sustainable future

SCHEME BOOKLET

In relation to a proposal from Tianqi Lithium Energy Australia Pty Ltd ARBN 649 234 211 (TLEA) to acquire all of the issued shares in Essential Metals Limited ABN 44 103 423 981 (Essential) by way of a scheme of arrangement.

VOTE IN FAVOUR

Your Directors unanimously recommend that you approve the Scheme by voting in FAVOUR of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Essential Shareholders, in the absence of a superior offer.

ESSENTIAL METALS LTD
ABN 44 103 423 981

The Scheme Meeting will be held at 9:00am (AWST) on 20 April 2023 at the Quest Apartment Hotels, 54 Kings Park Road, West Perth WA 6005.

This is an important document and requires your attention. You should read the document in full before deciding whether or not to vote in favour of the Scheme Resolution. If you are in any doubt about what action you should take, please consult your broker or financial, taxation, legal or other professional adviser immediately.

If you have any questions about this Scheme Booklet or the Scheme, please contact the Essential Shareholder Information Line on 1300 290 691 (within Australia) or +61 2 9066 4081 (outside Australia) between 8:30am and 6:00pm (Sydney time) Monday to Friday, excluding public holidays.

This Scheme Booklet is dated 20 March 2023.

Financial Adviser
to Essential Metals



Legal Adviser
to Essential Metals



HopgoodGanim
LAWYERS

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IMPORTANT DATES AND TIMES FOR THE SCHEME

| Key dates and times relating to the Scheme Meeting | |
|--|---------------------------------|
| Date of this Scheme Booklet | 20 March 2023 |
| First Court Date at which the Court made orders convening the Scheme Meeting | 17 March 2023 |
| Last date and time for receipt of Proxy Forms or powers of attorney for the Scheme Meeting | 9:00am (AWST) on 18 April 2023 |
| Time and date for determining eligibility to vote at the Scheme Meeting | 5:00pm (AWST) on 18 April 2023 |
| Scheme Meeting | 9:00am (AWST) on 20 April 2023 |
| Key dates and times for implementation of the Scheme (if Essential Shareholders approve the Scheme by the Requisite Majority at the Scheme Meeting) | |
| Second Court Date | 10:15am (AWST) on 24 April 2023 |
| Effective Date of Scheme This is the date on which the Court order approving the Scheme is lodged with ASIC and the Scheme becomes Effective. Essential Shares will be suspended from trading on ASX from close of trading. | 26 April 2023 |
| Record Date | 28 April 2023 |
| Implementation Date | 5 May 2023 |

All dates and times after the date of the Scheme Meeting are indicative only and are subject to the Court approval process and the satisfaction or, where applicable, waiver of the Conditions Precedent to the implementation of the Scheme (see section 3.6 for more information). All dates and times, unless otherwise indicated refer to the date and time in Perth, Western Australia. Any changes to the above timetable will be announced to ASX and notified on the Essential website at <https://www.essmetals.com.au>.

CORPORATE DIRECTORY

| Essential Metals Limited | Financial Adviser | Legal Adviser | Independent Expert | Share Registry |
|--|---|---|--|--|
| Level 3, 1292 Hay Street, West Perth WA 6005 | Sternship Advisers Level 2, 44A Kings Park Road West Perth WA 6005 | HopgoodGanim Lawyers Level 27, Allendale Square, 77 St Georges Terrace Perth WA 6000 | BDO Corporate Finance (WA) Pty Ltd Level 9, Mia Yellagonga Tower 2, 5 Spring Street Perth WA 6000 | Automic Registry Services Level 5, 191 St Georges Terrace Perth WA 6000 |

IMPORTANT NOTICES

General

This Scheme Booklet is important. Essential Shareholders should carefully read this Scheme Booklet in full before deciding whether or not to vote in favour of the Scheme Resolution required to implement the Scheme.

Defined terms

Capitalised terms used in this Scheme Booklet are defined in section 10 (Definitions and Interpretation) of this Scheme Booklet. Section 10 also sets out some rules of interpretation which apply to this Scheme Booklet.

All \$ references, are references to Australian Dollars unless otherwise stated.

Purpose of this document

The purpose of this Scheme Booklet is to explain the terms of the proposed scheme of arrangement between Essential Metals Limited (Essential) and Tianqi Lithium Energy Australia Pty Ltd (TLEA) and the manner in which it will be implemented (if approved by the Requisite Majority of Essential Shareholders and the Court).

This Scheme Booklet includes the explanatory statement required to be sent to Essential Shareholders in relation to the Scheme pursuant to section 412(1) of the Corporations Act.

This Scheme Booklet is not a disclosure document under Chapter 6D of the Corporations Act.

If you have sold all your Essential Shares, please disregard this Scheme Booklet.

ASIC and ASX

A copy of this Scheme Booklet has been provided to ASIC in accordance with section 411(2) of the Corporations Act and registered with ASIC under section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme.

If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. A copy of this Scheme Booklet has also been lodged with ASX. Neither ASIC or ASX nor any of their officers take any responsibility for the contents of this Scheme Booklet.

Court

A copy of the Scheme Booklet has been lodged with the Court to obtain an order of the Court approving the convening of the Scheme Meeting. Orders made by the Court are made pursuant to section 411 of the Corporations Act.

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that the Scheme Meeting be convened and has approved this Scheme Booklet does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how Scheme Participants should vote; or
- (b) has prepared or is responsible for the contents of the Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Schedule 4 of this Scheme Booklet.

Notice of Second Court Date

At the Second Court Date, the Court will consider whether to approve the Scheme following the votes at the Scheme Meeting.

Any Essential Shareholder may appear at the Second Court Date, which is expected to be held at 10:15am (AWST) on 24 April 2023 at the Federal Court of Australia (Peter Durack Commonwealth Law Courts Building, 1 Victoria Avenue, Perth).

Any Essential Shareholder who wishes to oppose approval of the Scheme at the Second Court Date may do so by filing with the Court and serving on Essential a notice of appearance in the prescribed form, together with any affidavit on which the Essential Shareholder proposes to rely.

Investment decisions

The Scheme Booklet is important and requires your immediate attention. It should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme. This Scheme Booklet is intended for all

Scheme Participants collectively and does not take into account the investment objectives, financial situation and particular needs of each individual Scheme Participant or any other particular person. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or Essential Shares. Before making any investment decision in relation to these matters you should consider, preferably with the assistance of a professional adviser, whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should seek independent financial and taxation advice before making any investment decision in relation to the Scheme or Essential Shares.

Responsibility for information

Other than as set out below, the information contained in this Scheme Booklet has been prepared by and is the sole responsibility of Essential. Except as outlined below, none of TLEA, or any of its respective Related Bodies Corporate, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of such information. The TLEA Information contained in this Scheme Booklet has been prepared by and is the responsibility of TLEA. Neither Essential nor any of its Directors, officers, employees or advisers assume or accept any responsibility for the accuracy or completeness of the TLEA Information. BDO has prepared the Independent Expert's Report (as set out in Schedule 1 to this Scheme Booklet) and takes responsibility for that report. None of Essential or TLEA, nor any of their respective Related Bodies Corporate, directors, officers, employees or advisers assumes any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of Essential, in relation to the information which it has provided to the Independent Expert.

Foreign Scheme Participants

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions, and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

The Scheme Booklet has been prepared in accordance with Australian law and is subject to Australian disclosure requirements. The information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia. Financial information in this Scheme Booklet has been prepared in accordance with Australian Accounting Standards and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

Forward looking statements

Certain statements in this Scheme Booklet relate to the future. Such forward looking statements, which include all information relating to the performance of Essential, are not based solely on historical facts but rather reflect the current expectations of Essential (in relation to the Essential Information) and TLEA (in relation to the TLEA Information). Statements that describe Essential's or TLEA's objectives, plans, goals or expectations, estimates of reserves and resources, timelines for development and production and future costs may be forward looking statements. Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of Essential and TLEA are or may be forward looking statements. Forward looking statements involve known and unknown risks, uncertainties and assumptions and are subject to a variety of other factors that could cause the actual results or performance of Essential to be materially different from what is expressed by such statements. Some of the risks that Scheme Participants may be exposed to are set out in section 7. Forward looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which Essential and TLEA will operate in the future. Accordingly, undue reliance should not be placed on forward looking statements.

Scheme Participants should note that the historical performance of Essential is no assurance of its future performance. Other than what is required by law, none of Essential or TLEA, or their respective Related Bodies Corporate, directors, officers or advisers, represents that, or gives any assurance or guarantees that, the occurrence of events expressed or implied in any forward looking statements will actually occur.

The forward looking statements in this Scheme Booklet reflect the views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, Essential and TLEA, and their respective Related Bodies Corporate, officers, directors and advisers, disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

Charts, maps and diagrams

Any diagrams, charts, maps, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at the date of the Scheme Booklet.

Privacy

Essential may collect personal information in the process of implementing the Scheme. This information may include the names, contact details and security holdings of Essential Shareholders and the names of persons appointed by Essential Shareholders to act as proxy, corporate representative or attorney at the Scheme Meeting. The primary purpose of collecting this information is to assist Essential in conducting the Scheme Meeting and to enable the Scheme to be implemented by Essential in the manner described in this Scheme Booklet. Personal information may be disclosed to ASX, the Registry, print and mail service providers, authorised securities brokers, securities authorities and to Related Bodies Corporate of Essential and TLEA. Essential Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access personal information that has been collected. An Essential Shareholder may contact the Share Registry if they wish to exercise these rights.

Essential Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the Scheme Meeting should inform that person of the matters outlined above.

Taxation implications

If the Scheme becomes Effective and is implemented, there will be tax consequences for Scheme Participants which may include tax being payable on any gain on disposal of Essential Shares. For further detail about the general Australian tax consequences of the Scheme, refer to section 8 of this Scheme Booklet. The tax treatment may vary depending on the nature and characteristics of each Essential Shareholder and their specific circumstances. Accordingly, Essential Shareholders should seek professional tax advice in relation to their particular circumstances.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Scheme Booklet. Any discrepancies between totals in tables or financial information, or in calculations, graphs or charts are due to rounding.

Times and dates

All times referred to in this Scheme Booklet are references to times in Australian Western Standard Time (**AWST**), unless otherwise stated. All dates following the Scheme Meeting referred to in this Scheme Booklet are indicative only and, among other things, are subject to the satisfaction or (if permitted) waiver of the Conditions Precedent to the Scheme.

Competent persons statement

See section 9.19 for the Competent Persons Statements and other disclosures required under the Listing Rules in respect of all Mineral Resource data contained in this Scheme Booklet.

Letter from Directors

Dear Essential Metals Limited Shareholders

Scheme Proposal from TLEA

On 9 January 2023, Essential Metals Limited ABN 44 103 423 981 (**Essential** or the **Company**) announced that it had entered into a Scheme Implementation Agreement with Tianqi Lithium Energy Australia Pty Ltd ARBN 649 234 211 (**TLEA**) under the terms of which TLEA will acquire all of the issued shares in the Company by way of a Court approved scheme of arrangement, for consideration of \$0.50 cash per Essential Share.

Implementation of the Scheme is also subject to satisfaction or, if applicable, waiver of customary conditions, including approval by Essential Shareholders and the Court, which are summarised in section 3.6 of this Scheme Booklet.

The purpose of this Scheme Booklet is to provide you with information about the Scheme to assist you in deciding how to vote on the Scheme at the Meeting.

Background on the proposed transaction

The Company has been focussed on advancing the Pioneer Dome Lithium Project towards development. During 2022, in preparation for the completion of a scoping study, the main objectives were to increase confidence in the Mineral Resource by undertaking drilling to define all of the mineralised zones (oxide/weathered, fresh) and to determine the extent of mineralisation along strike and at depth. Further metallurgical testwork was also undertaken across the various mineralised zones.

Advancement of the Pioneer Dome Lithium Project towards development is demonstrated by the recently announced Scoping Study, prepared by Primero, an engineering consultancy, with inputs from other independent consultants and Essential.

Prior to entering into the TLEA Scheme, the Company had informally and formally been approached by a number of parties seeking to discuss a range of transaction structures including project joint venture, and both asset and corporate level transactions.

These non-binding, incomplete and confidential approaches were each carefully considered by the Company and its advisers in the context of determining if any structures and terms could be negotiated that it believed were in the best interests of Essential shareholders, either to advance the Project or by realising value from the Project.

Having tested the market, including by giving a range of experienced and reputable parties the opportunity to undertake due diligence, and having carefully considered options available to the Company, the current Scheme proposal is regarded by the Board as the best outcome for the Company's shareholders (subject to no Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders).

As announced on 26 April 2022, the Company received an unsolicited, confidential, non-binding indicative takeover proposal (**Indicative Proposal**) from a third-party credible lithium industry participant (**Interested Party**) to acquire 100% of the issued capital of Essential by way of an off-market takeover. The Indicative Proposal was incomplete and subject to conditions including the completion of due diligence, a unanimous recommendation by the Essential Board and a 90% minimum acceptance threshold. After deliberations by both parties, the Interested Party advised that in light of the upward trajectory in the trading price of Essential shares at the time, it was unlikely that a transaction would be successfully completed and so the Interested Party withdrew the Indicative Proposal.

In the December 2022 quarter, Essential invited various local and international lithium participants interested in off-take and/or investment to confidentially participate in an 'Expressions of Interest' (EOI) seeking a financing and off-take partnership to assist with advancing the Pioneer Dome Lithium Project

into production. The EOI process achieved one of its primary outcomes, namely to test which of the many parties who had contacted Essential intended to engage in the EOI process. The EOI process was strictly confidential, non-binding and of a preliminary and incomplete nature. The EOI process was paused until further notice following announcement of the proposed Scheme.

Ultimately the project will need to be financed through debt and/or equity on terms that will be dependent on and possibly interlinked with an offtake(s) and such terms need to provide for a sufficient risk adjusted economic return to the Company.

While Essential remains optimistic about its ability to continue to advance the Pioneer Dome Lithium Project, Essential's ability to potentially develop, construct and operate a sustainable operation at the project could be impacted by a range of risk factors as set out in section 7 of this Scheme Booklet.

The Scheme provides Essential shareholders with an opportunity to realise an attractive cash amount of \$0.50 cash per Essential Share which represents a significant premium of 45.7% to the trading prices (based on the 1 month VWAP) of Essential Shares prior to the Announcement Date. The Scheme provides certainty for Essential shareholders in the context of an uncertain economic outlook.

The Essential Board unanimously recommends the Scheme

The Directors of Essential believe that the Scheme is in the best interests of Essential Shareholders subject to no Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders.

The Directors of Essential unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders. Subject to those same qualifications, each member of the Essential Board will vote, or procure the voting of, all Essential Shares in which they have a Relevant Interest in favour of the Scheme.¹

The Directors also hold Options (as detailed in section 9.3). The Options may be exercised into Shares upon payment of the exercise price prior to 8.00am on the Second Court Date or will otherwise be subject to the Option Cancellation Deeds (a private treaty agreement), pursuant to which the Essential Options will be cancelled for consideration equal to the Scheme Consideration less the Option exercise price, as is detailed in section 9.5. It is noted that this arrangement arrives at the same cash position for each Director as though the Options were exercised and the resultant Shares participated in the Scheme. In addition, Timothy Spencer (the Managing Director of Essential) also holds Performance Rights received during his employment tenure as part of the Company's employee incentive schemes (as detailed in section 9.3) and those that have not vested shall vest upon Court approval of the Scheme.¹

Despite these interests in the outcome of the Scheme, each of the Directors consider that, given the importance of the Scheme and their role as Directors of Essential, it is important and appropriate for them to provide a recommendation to Essential Shareholders in relation to voting on the Scheme. In reaching the unanimous decision to recommend the Scheme to Essential Shareholders, subject to the qualifications described above, the Essential Directors considered the current lithium focused development strategy and various alternatives to maximise value for Essential Shareholders, including the assessment of the standalone value creation opportunities. The Scheme Consideration has also been assessed against a range of valuation benchmarks, and the Essential Board's assessment is that, on balance, the Scheme Consideration is likely to provide more certainty of value to Essential Shareholders now than would be available, on a risk adjusted basis, if Essential continued to develop the Pioneer Dome Lithium Project in its own right or in joint venture.

¹ In considering the unanimous recommendation and intentions of the Essential Board to vote in favour of the Scheme, Essential Shareholders should have regard to section 1.2 (in relation to the unanimous recommendation of the Essential Board) and sections 9.3 and 9.5 (which concerns the treatment of Essential Performance Rights held by Mr Timothy Spencer and Essential Options held by all Directors in connection with the Scheme). The amounts that may be payable under the Option Cancellation Deeds if the Scheme proceeds are \$225,000 to Mr Timothy Spencer, \$150,000 to Mr Craig McGown, \$90,000 to Mr Paul Payne and \$195,000 to Mr Warren Hallam. All unvested Performance Rights held by Mr Timothy Spencer will vest should the Court approve the Scheme on the Second Court Date.

The Independent Expert, BDO, has also concluded that the Scheme is in the best interests of Essential Shareholders, in the absence of a superior offer. The full report of the Independent Expert (including the Independent Technical Expert's Report prepared by VRM) is set out in Schedule 1.

Reasons to vote in favour of the Scheme

The key reasons for the Directors' recommendation of the Scheme are set out in sections 1.1 and 1.2 of this Scheme Booklet. In particular:

- ✓ The Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Essential.
- ✓ The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Essential Shareholders (in the absence of a superior offer).
- ✓ The Scheme Consideration of \$0.50 cash per Essential Share represents a significant premium of 45.7% to the trading price (based on the 1 month VWAP) of Essential Shares prior to the Announcement Date.
- ✓ The Scheme Consideration provides Essential Shareholders with certainty of value and the opportunity to realise their investment in cash and will avoid any ongoing risks and uncertainties involved in Essential's operations and future development, including any risks and uncertainties relating to exposure to any future periods of sustained lower lithium prices.
- ✓ Since the Scheme was announced on 9 January 2023, no Superior Proposal has emerged.
- ✓ Development of the Pioneer Dome Lithium Project as a smaller sized lithium operation carries a number of risks for a junior company such as Essential.
- ✓ Development of the Pioneer Dome Lithium Project would require significant capital which Essential currently does not have.
- ✓ Essential Shares might trade at a lower price if the Scheme is not implemented and no Superior Proposal emerges, in the absence of favourable market conditions. Refer to the charts contained in Figure 2 on page 4 showing the share price trends of Essential's lithium peer companies with Australian lithium resources before and after the announcement of the proposed Scheme.
- ✓ No brokerage or stamp duty will be payable by Scheme Participants on the transfer of their Essential Shares under the Scheme.

Potential disadvantages of the Scheme

In forming their unanimous decision to recommend the Scheme to Essential Shareholders, subject to the qualifications described above, the Essential Directors also considered the potential disadvantages of the Scheme proceeding. In particular:

- You may disagree with the Directors' unanimous recommendation.
- You may disagree with the Independent Expert's assessments and/or conclusions and believe that the Scheme is not in your best interests.
- If the Scheme proceeds, you will no longer be an Essential Shareholder.
- A Superior Proposal for Essential may materialise in the future. As at the date of this Scheme Booklet, the Essential Board is not aware of any Superior Proposal.

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- You may prefer to hold shares in Essential as a means to retain exposure to the broader lithium market thematic.
 - You may believe it is in your best interests to maintain your current investment and risk profile by holding shares in Essential.
 - The tax consequences of the Scheme may be adverse to your own financial position or circumstances.

Independent Expert's conclusion

The Board appointed BDO as the Independent Expert to assess the merits of the Scheme. BDO appointed VRM as the Independent Technical Expert to prepare the Independent Technical Expert's Report contained in the Independent Expert's Report, with the scope of work performed by VRM determined by BDO. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of the Essential Shareholders, in the absence of a superior offer.

The Independent Expert has assessed the value of the Essential Shares (on a controlling and diluted basis) to be in the range of \$0.283 and \$0.468 per Essential Share, with a preferred value of \$0.376 per Essential Share.

The Scheme Consideration of \$0.50 cash per Essential Share is above this range and 32.98% above the Independent Expert's preferred value of \$0.376 per Essential Share.

A complete copy of the Independent Expert's Report is included at Schedule 1. You are encouraged to read the Independent Expert's Report in its entirety.

Risk factors

The Essential Board considers that it is appropriate for Essential Shareholders, in considering the Scheme, to be aware that there are a number of risk factors which could materially adversely affect the future operating and financial performance of Essential and the value of Essential Shares. These risk factors are set out in detail in section 7. If the Scheme proceeds, Essential Shareholders will receive the Scheme Consideration and, from implementation of the Scheme, will cease to be Essential Shareholders and will no longer be exposed to these risks. If the Scheme does not proceed, the Essential Board intends to maintain the current lithium focused development strategy, however, note that Essential Shareholders will be exposed to the risks and challenges of delivering future growth and value over the long term.

Essential Directors' conclusion

The Essential Directors unanimously believe that the benefits of the Scheme outweigh its potential disadvantages and the risks associated with an ongoing investment in Essential Shares. Accordingly, the Essential Directors unanimously recommend that Essential Shareholders vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders.

How to Vote

Your vote is important and I encourage you to vote. If you wish for the Scheme to proceed, it is important that you vote in favour of the Scheme.

The Scheme Booklet will be dispatched to Essential Shareholders shortly after its release to ASX. Essential Shareholders who have elected to receive electronic communications will receive an email containing instructions about how to view or download a copy of the Scheme Booklet, as well as instructions on how to lodge their proxies for the Scheme Meeting. Essential Shareholders who have elected to receive communications via post will receive a printed copy of the Scheme Booklet together with a personalised Proxy Form. All other Essential Shareholders will receive a letter, together with a personalised Proxy Form, with instructions about how to view or download a copy of the Scheme Booklet.

Please refer to section 4 and the Notice of Scheme Meeting at Schedule 4 for more instructions on how to attend the Scheme Meeting and how to cast your vote.

Further information

I would again encourage you to read this document carefully and in its entirety as it will assist you in making an informed decision on how to vote. If required, I would encourage you to seek independent financial, legal and taxation advice before making any investment decision in relation to your Essential Shares.

If you require any further information, please call the Essential Shareholder Information Line on 1300 290 691 (within Australia) or +61 2 9066 4081 (outside Australia) between 8.30am and 6.00pm (Sydney time) Monday to Friday, excluding public holidays.

On behalf of the Essential Board, I would like to thank you for your support of Essential. I look forward to your participation in the Scheme Meeting and encourage you to vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders.

Yours sincerely,



Craig McGown
Chairman
Essential Metals Limited

1. Key Considerations Relevant To Your Vote

1.1 Summary

This section is a summary only and is not intended to address all of the relevant issues for Essential Shareholders. Essential Shareholders should read the Scheme Booklet in full. This section should be read in conjunction with other sections of this Scheme Booklet.

Reasons to vote in favour of the Scheme

- ✓ *The Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Essential.*
- ✓ *The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Essential Shareholders (in the absence of a superior offer).*
- ✓ *The Scheme Consideration of \$0.50 cash per Essential Share represents a significant premium of 45.7% to the trading price (based on the 1 month VWAP) of Essential Shares prior to the Announcement Date.*
- ✓ *The Scheme Consideration provides Essential Shareholders with certainty of value and the opportunity to realise their investment in cash and will avoid any ongoing risks and uncertainties involved in Essential's operations and future development, including any risks and uncertainties relating to exposure to any future periods of sustained lower lithium prices.*
- ✓ *Since the Scheme was announced on 9 January 2023, no Superior Proposal has emerged.*
- ✓ *Development of the Pioneer Dome Lithium Project as a smaller sized lithium operation carries a number of risks for a junior company such as Essential.*
- ✓ *Development of the Pioneer Dome Lithium Project would require significant capital which Essential currently does not have.*
- ✓ *Essential Shares might trade at a lower price if the Scheme is not implemented and no Superior Proposal emerges, in the absence of favourable market conditions.*
- ✓ *No brokerage or stamp duty will be payable by Scheme Participants on the transfer of their Essential Shares under the Scheme.*

These reasons are discussed in more detail in section 1.2 below.

Reasons to vote against the Scheme

- *You may disagree with the Directors' unanimous recommendation.*
- *You may disagree with the Independent Expert's assessments and/or conclusions and believe that the Scheme is not in your best interests.*
- *If the Scheme proceeds, you will no longer be an Essential Shareholder.*
- *A Superior Proposal for Essential may materialise in the future. As at the date of this Scheme Booklet, the Essential Board is not aware of any Superior Proposal.*
- *You may prefer to hold shares in Essential as a means to retain exposure to the broader lithium market thematic.*

- *You may believe it is in your best interests to maintain your current investment and risk profile by holding shares in Essential.*
- *The tax consequences of the Scheme may be adverse to your own financial position or circumstances.*

These reasons are discussed in more detail in section 1.3 below.

1.2 Reasons to vote in favour of the Scheme

- (a) **The Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Essential**

In reaching their unanimous recommendation, the Directors assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in the Scheme Booklet. The Directors believe the Scheme Consideration proposed under the Scheme is attractive, and fairly recognises the value of both Essential's existing assets and its growth opportunities. In addition, the Scheme provides certain cash proceeds in the near term which may not be achieved if the Scheme does not proceed.

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders, each of the Directors intends to vote all of the Essential Shares in which they have a Relevant Interest in favour of the Scheme. The interests of the Directors in Essential Shares are set out in section 9.2.

As at the date of this Scheme Booklet, the Essential Board is not aware of any Superior Proposal and has no basis to believe that a Superior Proposal is likely to emerge. The Scheme Implementation Agreement, entered into with TLEA, permits Essential to engage with any party that offers a Superior Proposal, subject to certain conditions in favour of TLEA. A summary of the key terms of the Scheme Implementation Agreement are provided in section 9.11 of this Scheme Booklet.

In considering the unanimous recommendation and intentions of the Essential Board to vote in favour of the Scheme, Essential Directors had regard to the treatment of Essential Options and Performance Rights under the Scheme (refer Section 9.5).

Each of the Directors of Essential hold Essential Options, being in aggregate, 3,700,002 Options (as detailed in section 9.3). The Options may be exercised into Shares upon payment of the exercise price prior to 8.00am on the Second Court Date or will otherwise be subject to the Option Cancellation Deeds (a private treaty agreement), pursuant to which the Essential Options will be cancelled for consideration equal to the Scheme Consideration less the Option exercise price), as is detailed in section 9.5. It is noted that this arrangement arrives at the same cash position for each Director as though the Options were exercised and the resultant Shares participated in the Scheme.

In addition, Timothy Spencer (the Managing Director of Essential) also holds Performance Rights received during his employment tenure as part of the Company's employee incentive schemes (as detailed in section 9.3) and those that have not vested shall vest upon Court approval of the Scheme. Mr Spencer holds 1,970,181 Essential Performance Rights (of which 500,000 have already vested and 1,470,181 will vest upon the Court approving the Scheme under section 411(4)(b) of the Corporations Act, and all will convert to shares prior to the Record Date).

Regard was also given to contractual and other legal entitlements of Directors or officers in the event of potential loss of office at Essential after implementation of the Scheme (refer Section 9.10). Notwithstanding any of the Directors' personal interests in the outcome of the Scheme, the Directors consider that given the importance of the Scheme

and their obligations as Directors, it is important and appropriate for them to provide a recommendation to shareholders in relation to the Scheme.

(b) **The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Essential, in the absence of a superior offer**

The Essential Board appointed BDO as the Independent Expert to opine on whether the Scheme is in the best interests of Essential Shareholders within an Independent Expert's Report.

The Independent Expert has analysed Essential's business and, in light of this analysis, the Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Essential Shareholders in the absence of a superior offer.

The Independent Expert has assessed the value of the Essential Shares (on a controlling and diluted basis) to be in the range of \$0.283 and \$0.468 per Essential Share, with a preferred value of \$0.376 per Essential Share.

The Scheme Consideration of \$0.50 cash per Essential Share is above this range and 32.98% above the Independent Expert's preferred value of \$0.376 per Essential Share.

Based on the Scheme Consideration of \$0.50 cash per Essential Share, the Independent Expert has concluded that the Scheme is in the best interests of Essential Shareholders (in the absence of a superior offer).

The reasons why the Independent Expert reached its conclusion are set out in the Independent Expert's Report, a copy of which is contained in Schedule 1 of this Scheme Booklet. The Directors encourage you to read this report in full.

(c) **The Scheme Consideration of \$0.50 cash per Essential Share represents a significant premium of 45.7% to the trading price (based on the 1 month VWAP) of Essential Shares prior to the Announcement Date**

Under the terms of the Scheme, subject to the Scheme becoming effective, Essential Shareholders who are registered as such on the Record Date will receive a cash payment of \$0.50 for each Essential Share held on the Record Date.

The Scheme Consideration of \$0.50 cash per Essential Share represents a significant premium to the trading prices of Essential Shares prior to the Announcement Date, as set out below:

- 44.9% to the closing Essential Share price of \$0.3450 per Essential Share on 6 January 2023, being the last trading day before the Announcement Date;
- 51.5% to the 5 day Essential VWAP of \$0.3300 per Essential Share up to and including 6 January 2023, being the last trading day before the Announcement Date;
- 51.7% to the 15 day Essential VWAP of \$0.3297 per Essential Share up to and including 6 January 2023, being the last trading day before the Announcement Date; and
- 45.7% to the 1 month Essential VWAP of \$0.3432 per Essential Share up to and including 6 January 2023, being the last trading day before the Announcement Date.

If the Scheme is not implemented and no Superior Proposal emerges, it is possible the price of Essential Shares may fall from current levels (\$0.475 per Essential Share as at market close on the Last Practicable Date). As at the date of this Scheme Booklet, the

Essential Board is not aware of any Superior Proposal and has no basis to believe that a Superior Proposal is likely to emerge.

The graph below shows the premiums to the Essential Share price prior to the Announcement Date.

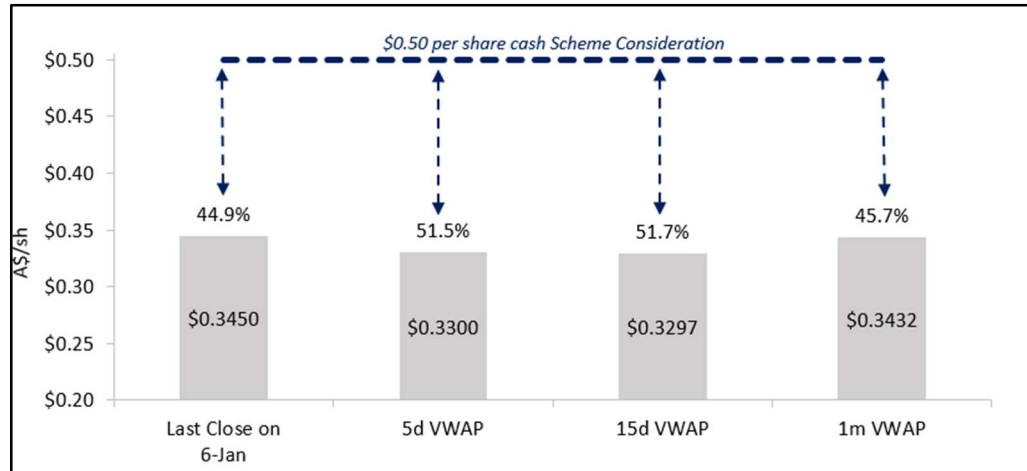


Figure 1 – Scheme Consideration premia

Source: IRESS. Market data as at 17 January 2023.

- (d) **The Scheme Consideration provides Essential Shareholders with certainty of value and the opportunity to release their investment in cash and will avoid any ongoing risks and uncertainties involved in Essential’s operations and future development, including any risks and uncertainties relating to exposure to any future periods of sustained lower lithium prices**

The all-cash Scheme Consideration provides Essential Shareholders with certainty and immediate value for their Essential Shares.

In contrast, if the Scheme does not proceed, the amount which Essential Shareholders will be able to realise for their Essential Shares in terms of price, will necessarily be uncertain and subject to a number of risks outlined in section 7 of this Scheme Booklet.

The Scheme removes these risks and uncertainties for Essential Shareholders and allows Essential Shareholders to exit their investment in Essential at a price that the Directors consider attractive.

- (e) **No Superior Proposal has emerged**

The Scheme has been widely publicised since its announcement on 9 January 2023 and up until the date of this Scheme Booklet, no Superior Proposal has emerged.

As at the date of this Scheme Booklet, the Essential Board is not aware of any Superior Proposal.

If a Superior Proposal emerges, this will be announced to ASX, and your Essential Directors would carefully consider such a Superior Proposal and advise Essential Shareholders accordingly.

- (f) **Development of the Pioneer Dome Lithium Project as a smaller sized lithium operation carries a number of risks for a junior company such as Essential**

If the Scheme is not implemented, Essential will remain an independent entity listed on ASX and will be subject to a number of risks outlined in section 7 of this Scheme Booklet.

The Essential Directors believe the Scheme Consideration of \$0.50 cash per Essential Share appropriately balances the potential value of the Pioneer Dome Lithium Project with the risks that Essential would have to address or otherwise mitigate in achieving the value. In particular:

- i. While significant work has been undertaken, the Pioneer Dome Lithium Project is still relatively early stage. A Scoping Study has recently been published on the Pioneer Dome Lithium Project, however further feasibility studies and evaluation would be required before a potential development decision could be considered by the Essential Directors;
- ii. the Pioneer Dome Lithium Project does not have a published JORC Ore Reserve and so there is still significant risk and uncertainty as to the economics and risk profile of a future mining operation;
- iii. potential development of the Pioneer Dome Lithium Project will carry a number of technical, operational and financial risks. Refer to risks outlined in section 7 of this Scheme Booklet for further information;
- iv. while progress has been made by Essential in relation to funding and off-take arrangements, funding a large-scale capital project brings with it a number of challenges for a company the size of Essential; and
- v. the lithium market is a market with uncertain long-term supply and demand characteristics, in which it is difficult to form views on the potential long term price range.

The Scheme Consideration of \$0.50 cash per Essential Share provides Essential Shareholders with certainty of value and the opportunity to realise in full their investment in Essential for cash.

(g) **Development of the Pioneer Dome Lithium Project would require significant capital which Essential currently does not have**

Essential currently does not have the capital to fully develop its Pioneer Dome Lithium Project and would require significant funding to develop the Pioneer Dome Lithium and other exploration assets.

As disclosed in Essential's Scoping Study ASX announcement dated 7 February 2023, an estimated \$350 million will be required to fund development capital expenditure (estimated at \$293 million) and working capital to develop the Pioneer Dome Lithium Project.²

Any additional equity funding may be dilutive to Essential Shareholders and may be undertaken at lower prices than the current market price or Scheme Consideration. Whilst progress has been made to attain future development funding, no assurances can be given that appropriate capital or funding, if and when needed, will be available on terms favourable to Essential or at all.

Should the Scheme not proceed, Essential will evaluate its working capital requirements to determine an appropriate level of funding to ensure it can undertake prefeasibility and/or final feasibility studies and generally advance the project.

² Refer to ASX announcement dated 7 February 2023 titled "Pioneer Dome Scoping Study". Essential confirms that it is not aware of any new information or data that materially affects the information included in the relevant announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant announcement continue to apply and have not materially changed.

(h) **Essential's Shares might trade at a lower price if the Scheme is not implemented and no Superior Proposal emerges, in the absence of favourable market conditions**

The price at which Essential Shares have traded in the market since the announcement of the Scheme has in the opinion of the Essential Directors, been supported by the market expectation that the Scheme will be successfully implemented.

As such, the Directors caution that if the Scheme is not approved and no Superior Proposal emerges, Essential Shares may trade below the current trading levels (and the Scheme Consideration). Refer to the charts contained in Figure 2 on page 4 showing the share price trends of Essential's lithium peer companies with Australian lithium resources before and after the announcement of the proposed Scheme.

In addition, if the Scheme is not implemented, Essential Shares will continue to trade on ASX and will continue to be subject to market volatility. This includes exposure to general securities market movements, the impact of general economic conditions and the demand for listed securities.

Over the twelve months prior to the Announcement Date, Essential Shares traded between a low of \$0.29 per Essential Share on 24 February 2022 and a high of \$0.735 per Essential Share on 20 April 2022. On 6 January 2023, the last trading day prior to the Announcement Date, Essential Shares closed at \$0.345 per Essential Share.

The charts below shows the share price performance of Essential Shares and peer ASX companies with lithium Mineral Resources located in Australia as their primary asset. The chart in Figure 2 shows the share price performance for the Company and peer group for the 12 month period up to the last closing price before the Announcement Date and the chart in Figure 3 shows share price performance for the same companies from the Announcement Date to 15 March 2023.

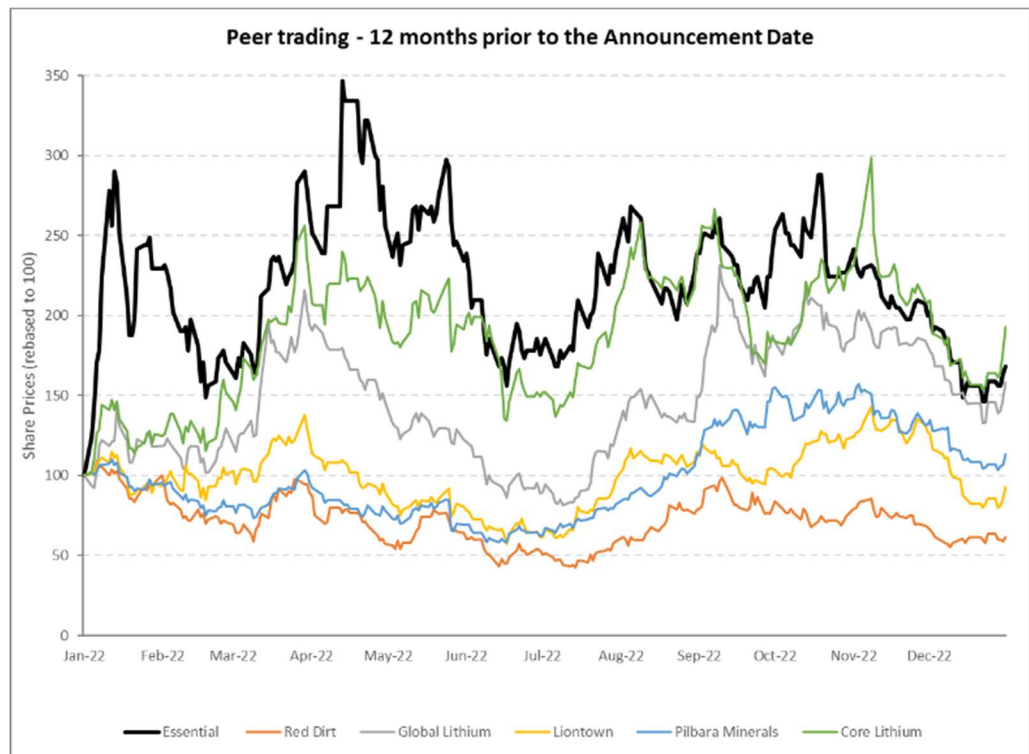


Figure 2 – Essential’s trading performance against peers with Australian lithium mineral resources in the 12 months prior to the Announcement Date

Source: Bloomberg. Market data as at 15 March 2023.

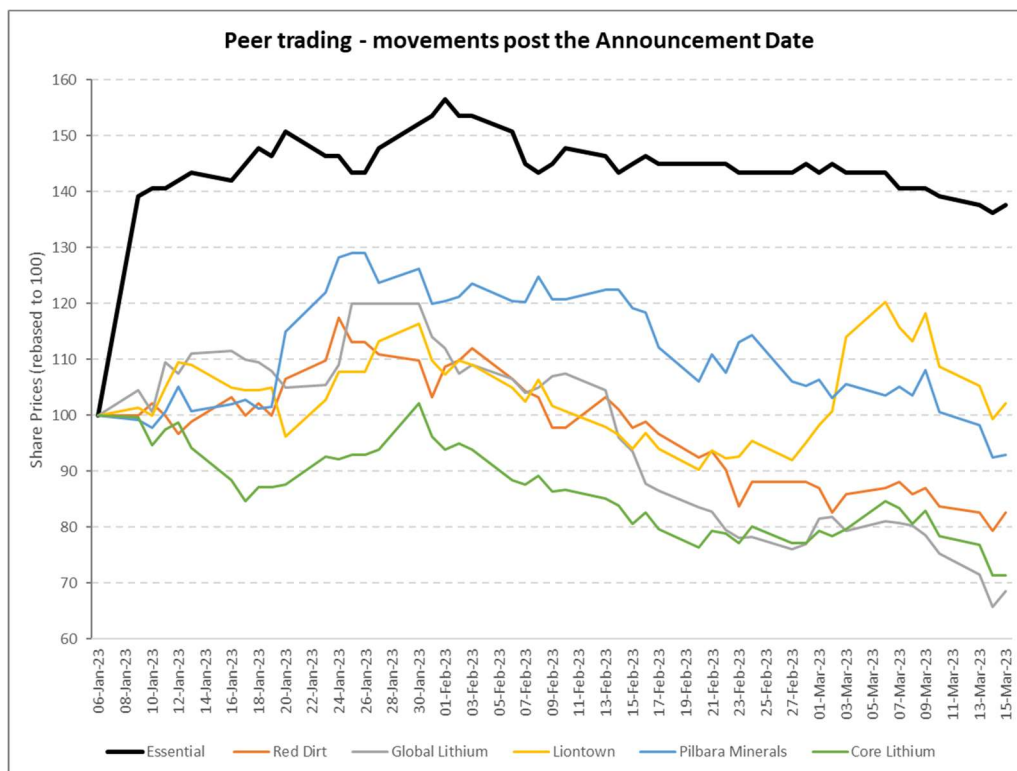


Figure 3 – Essential’s trading performance against peers with Australian lithium mineral resources post-Announcement Date

Source: Bloomberg. Market data as at 15 March 2023.

- (i) **No brokerage will be payable by Scheme Participants on the transfer of their Essential Shares under the Scheme**

Scheme Participants will not be required to pay any brokerage charges or other costs in connection with the disposal of their Essential Shares under the Scheme. Essential Shareholders may incur such charges if they dispose of their Essentials Shares on market or in a manner other than that contemplated by the Scheme.

1.3 Reasons to vote against the Scheme

The Essential Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders. In addition, the Independent Expert has concluded that the Scheme is in the best interests of Scheme Participants, in the absence of a Superior Proposal. However, there may be reasons which lead you to consider voting against the Scheme, including those set out below.

- (a) **You may disagree with the Directors’ unanimous recommendation**

The Essential Directors unanimously recommend that all Essential Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of

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Essential shareholders. You may disagree with the unanimous recommendation of your Essential Directors.

(b) **You may disagree with the Independent Expert's assessments and/or conclusions and believe that the Scheme is not in your best interests**

The Independent Expert has concluded that the Scheme is in the best interests of Scheme Participants, in the absence of a superior offer. You may disagree with the Independent Expert's assessments and/or conclusions. Refer to Schedule 1 for a copy of the Independent Expert's Report.

(c) **If the Scheme proceeds, you will no longer be an Essential Shareholder**

If the Scheme proceeds, you will no longer be an Essential Shareholder and you will not participate in any potential upside that may result from being an Essential Shareholder (including Essential's interests in Essential's assets).

Implementation of the Scheme may result in a disadvantage to those Essential Shareholders who wish to maintain their investment profile.

In particular, you may have a positive outlook on the long term forecasts for lithium prices and prefer to retain exposure to the potential development of the Pioneer Dome Lithium Project, notwithstanding the risks and challenges involved in advancing the project through to production.

(d) **A Superior Proposal for Essential may materialise in the future**

It is possible that a Superior Proposal for Essential, which could be more attractive to Essential Shareholders than the Scheme, may materialise in the future. The implementation of the Scheme would mean that Essential Shareholders would not obtain the benefit of any such proposal.

The Board is not currently aware of any such proposal and notes that since TLEA and Essential announced the Scheme, there has been a significant period of time and ample opportunity for a Superior Proposal for Essential to emerge.

If a Superior Proposal emerges, this will be announced to ASX, and your Essential Directors would carefully consider such Superior Proposal and advise Essential Shareholders accordingly.³

(e) **You may prefer to hold shares in Essential as a means to retain exposure to the broader lithium market thematic**

You may prefer to keep your Essential Shares to preserve your investment in a listed public company that has a lithium project as its primary asset and therefore provides you with a means to maintain an exposure to the broader lithium market thematic, notwithstanding the risk factors relevant to Essential's potential future options (including those set out in section 7 of this Scheme Booklet).

(f) **You may believe it is in your best interests to maintain your current investment and risk profile by holding shares in Essential**

You may prefer to keep your Essential Shares to preserve your investment in a listed public company with the specific characteristics of Essential. In particular, you may consider that despite the risk factors relevant to Essential's potential future options (including those set out in section 7 of this Scheme Booklet), Essential may be able to

³ Shareholders should note that Essential is subject to exclusivity provisions under the Scheme Implementation Agreement (see section 9.11(d)). Subject to certain conditions in favour of TLEA and compliance with the relevant provisions of the Scheme Implementation Agreement, Essential is able to engage with a party which offers a Superior Proposal.

return greater value from its assets by remaining a stand-alone entity, or by seeking alternative corporate transactions in the future. You may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to Essential.

In assessing and recommending the Scheme, the Directors evaluated the benefits and risks of Essential's continuing operations against its other strategic alternatives.

In deciding that they should recommend the Scheme, the Directors determined that, on balance, the earlier and more certain value represented by the Scheme would be more favourable to Essential Shareholders than the options and risks that might otherwise be available to or faced by Essential Shareholders if they were to retain their investment in Essential.

Refer to section 3.11 regarding Essential should the Scheme not proceed.

(g) **The tax consequences of the Scheme may be adverse to your own financial position or circumstances**

If the Scheme is implemented, this may trigger taxation implications for you earlier than would have otherwise been the case. You should carefully read the taxation considerations outlined in section 8 and seek professional taxation advice with respect to individual taxation situations.

1.4 **Other considerations relevant to an Essential Shareholder's vote**

In addition to the factors that the Directors have taken into account in recommending the Scheme to Essential Shareholders or which may lead Essential Shareholders to vote against the Scheme, as described above, the other key considerations that the Directors consider may be relevant to an Essential Shareholder's decision on how to vote on the Scheme Resolution are summarised below.

(a) **The Scheme may be implemented even if you vote against it**

Even if you do not vote on, or vote against, the Scheme Resolution at the Scheme Meeting, the Scheme may still be implemented if the Scheme Resolution is approved by the Requisite Majority of Essential Shareholders and, subsequently, the Court.

(b) **Conditions Precedent**

The Scheme is subject to a number of Conditions Precedent that are summarised in section 3.6. If these Conditions Precedent are not satisfied (or, if applicable, waived), the Scheme will not proceed, even if it is approved by the Requisite Majority of Essential Shareholders at the Scheme Meeting.

(c) **Regulatory approvals**

The Scheme is subject to any required regulatory approvals, including FIRB approval (only if required by the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) as determined by TLEA subsequently to the date of the Scheme Implementation Agreement, acting reasonably).

TLEA has determined that, as at the date of this Scheme Booklet, notification of its proposed acquisition of Essential to FIRB under the FATA and the *Foreign Acquisitions and Takeovers Regulation 2015* (**FATR**) is not required.

Should there be a material development which impacts upon the current timetable or is otherwise material in the context of the Scheme, Essential will provide additional disclosure to Shareholders. Please refer to section 3.6(a)(3) in relation to this Condition

Precedent and section 3.6 in relation to the operation of the Conditions Precedent more broadly.

(d) **Break fee and reverse break fee**

If the Scheme does not become effective, a 'break fee' or 'reverse break fee' payment (in either case, \$1.36 million) may become payable by Essential or TLEA (depending on the circumstances). The circumstances in which such a payment would be payable by Essential or TLEA (as the case may be) are summarised in sections 9.11(e) and 9.11(f).

(e) **Warranties and agreements by Scheme Participants**

Under the Scheme, each Scheme Participant is taken to have warranted to TLEA (and to the extent enforceable, appointed and authorised Essential as its agent to warrant to TLEA) certain matters in respect of its Scheme Shares as are detailed in section 3.10.

(f) **Risks**

If the Scheme becomes Effective, Essential Shareholders will receive the Scheme Consideration, cease to be an Essential Shareholder, and will no longer be exposed to the existing risks relating to Essential's business and an investment in Essential Shares summarised in section 7 (and other risks which Essential may be exposed to). However, if the Scheme does not proceed, Essential will continue to operate as a stand-alone entity listed on ASX, Essential Shareholders will continue to hold their Essential Shares and be exposed to these risks and any opportunities associated with that investment.

While the Directors unanimously recommend that Essential Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders, Essential Shareholders are encouraged to make their own independent assessment as to whether to vote in favour of the Scheme.

(g) **Implications for Essential if the Scheme is not implemented**

If the Scheme is not implemented, Essential Shareholders will retain their Essential Shares and will not receive the Scheme Consideration. A summary of the key risks for Essential and Essential Shareholders if the Scheme is not implemented is set out in section 7.

Transaction related costs of approximately \$594,000 are expected to be incurred by Essential in the event the Scheme does not proceed. Refer to section 9.15 of this Scheme Booklet for more details.

(h) **Exclusivity obligations**

The Scheme Implementation Agreement provides that Essential is subject to certain exclusivity obligations and restrictions, including no existing discussions, no shop, no talk, no due diligence and notification obligations, and also provides that TLEA has a matching right in respect of Competing Proposals. Refer to section 9.11(d) for further information on these arrangements.

(i) **The opinion of the Independent Expert**

The Essential Board appointed BDO as the Independent Expert to opine on whether the Scheme is in the best interests of Essential Shareholders within an Independent Expert's Report. BDO has appointed VRM as the Independent Technical Expert to prepare the Independent Technical Expert's Report contained in the Independent Expert's Report.

A complete copy of the Independent Expert's Report is attached at Schedule 1 to this Scheme Booklet. You are encouraged to read the Independent Expert's Report in its entirety.

(j) **You may wish to sell your Essential Shares on market**

You may wish to sell your Essential Shares on market before the closing of trading on ASX on the Effective Date (currently expected to be 26 April 2023) at the then prevailing market price (which could include prices at or above the Scheme Consideration).

If you sell your Essential Shares on market, you may be required to pay brokerage, and different tax consequences may apply compared to those that would arise if you retained your Essential Shares until the Scheme is implemented.

2. Frequently Asked Questions

This Scheme Booklet contains detailed information on the Scheme. The following section provides summary answers to some basic questions you may have in relation to the Scheme and will assist you to locate further detailed information in this Scheme Booklet.

| Question | Answer | More information |
|--|---|----------------------|
| Overview of the Scheme | | |
| What is a scheme of arrangement? | <p>A scheme of arrangement is a legal arrangement between a company and its shareholders and involves a company putting forward a proposal to its shareholders for them to consider, and, if thought fit, approve. Before a scheme of arrangement can come into effect, it must be approved by the shareholders at a meeting (usually referred to as a scheme meeting), by;</p> <ul style="list-style-type: none"> • unless the Court orders otherwise, a majority in number (more than 50%) of the shareholders present and voting at the scheme meeting (either in person or by proxy, corporate representative or attorney); and • at least 75% of the total number of votes cast on the resolution at the scheme meeting by shareholders entitled to vote on the resolution. <p>It must also be approved by the Court.</p> <p>Once the scheme of arrangement is approved by the shareholders and the Court, it binds all shareholders to the proposal (including those who may have voted against it or may not have voted at all).</p> | Section 3 |
| What is the Scheme? | The Scheme proposes that TLEA will acquire all of the issued shares in Essential by way of a Court approved scheme of arrangement. | Section 3.1 |
| Who is TLEA? | TLEA is an incorporated joint venture owned 51% by Tianqi Lithium Corporation, a global energy materials company listed on the Shenzhen and Hong Kong Stock Exchanges capitalised as at 13 February 2023 at ~US\$21 billion, and 49% by IGO Limited (ASX: IGO), a mining and processing company which produces metals critical for clean energy and as at 13 February 2023 capitalised at ~\$11 billion. TLEA owns an integrated lithium business, including a 51% interest in the Greenbushes Lithium Operation (Albemarle Corp, 49%) and 100% of the Kwinana Lithium Hydroxide Refinery, both located in Western Australia. | Sections 6.1 and 6.2 |
| Is TLEA related to Essential? | No, TLEA does not have any current association or affiliation with Essential outside of the Scheme. | |
| How is TLEA funding the Scheme Consideration? | TLEA or one of its wholly owned Subsidiaries will provide Essential with sufficient funds to fund the Scheme Consideration by no later than 12 noon on the Business Day before the Implementation Date. TLEA will provide this amount using its cash reserves and is not considering debt funding for the Scheme. | Section 6.5 |
| What are TLEA's intentions for Essential if the | If the Scheme is implemented, TLEA intends to conduct a detailed review of Essential's assets, operations and employee requirements. Based on its current | Section 6.6 |

| Question | Answer | More information |
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| Scheme is implemented? | understanding of Essential's business and subject to completion of the detailed review, TLEA intends to continue to operate the Essential business in substantially the same manner as it is currently being operated. | |
| Is this a takeover? | The Scheme is not a takeover offer, it is a scheme of arrangement. However, if the Scheme is implemented, the outcome will be similar to a successful 100% takeover offer in that all of the Essential Shares on issue will be transferred to TLEA. | |
| Scheme Consideration | | |
| What is the Scheme Consideration? | If the Scheme is approved and implemented, Scheme Participants will receive the Scheme Consideration from TLEA, being \$0.50 cash for each Essential Share held by a Scheme Participant as at the Record Date. | Section 3.4 |
| When will I be paid the Scheme Consideration? | If the Scheme is approved and implemented, it is expected Scheme Participants will be paid on the Implementation Date which is currently scheduled for 5 May 2023. | Section 3.5 |
| What premium does the Scheme Consideration represent? | <p>The Scheme Consideration of \$0.50 cash per Essential Share represents a significant premium to trading prices of Essential Shares prior to the Announcement Date, including;</p> <ul style="list-style-type: none"> • 44.9% to the closing Essential Share price of \$0.3450 per Essential Share on 6 January 2023, being the last trading day prior to the Announcement Date; • 51.5% to the 5 day Essential VWAP of \$0.3300 per Essential Share up to and including 6 January 2023, being the last trading day prior to the Announcement Date; • 51.7% to the 15 day Essential VWAP of \$0.3297 per Essential Share up to and including 6 January 2023, being the last trading day prior to the Announcement Date; and • 45.7% to the 1 month Essential VWAP of \$0.3432 per Essential Share up to and including 6 January 2023, being the last trading day prior to the Announcement Date. | Section 1.2(c) |
| How will I be paid the Scheme Consideration? | <p>Unless otherwise directed by Scheme Participants before the Record Date, the Scheme Consideration will be paid on the Implementation Date by;</p> <ul style="list-style-type: none"> • a cheque for the relevant amount in Australian currency to the Scheme Participant by prepaid post to their registered address (as at the Record Date), such cheque being drawn in the name of the Scheme Participant (or in the case of joint holders, in accordance with the procedures set out in clause 4.5 of the Scheme of Arrangement); or • an electronic funds transfer for the relevant amount in Australian currency into an account with any Australian ADI, before the Record Date by an appropriate authority from the Scheme Participant. | Section 3.5 |

| Question | Answer | More information |
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| Is TLEA bound to provide the Scheme Consideration? | <p>Yes – under the Scheme and the Deed Poll, TLEA must (subject to the Scheme becoming effective) provide the Scheme Consideration to Scheme Participants on the Implementation Date (which is currently scheduled for 5 May 2023).</p> <p>Under the Scheme, Scheme Participants appoint Essential as their agent and attorney to enforce the Deed Poll on their behalf, with such appointment to take effect upon the Scheme becoming effective.</p> | |
| What are the tax consequences of the Scheme for me? | <p>Section 8 provides a general description of the Australian income tax, capital gains tax, GST and stamp duty implications for Scheme Participants who dispose of their shares.</p> <p>You should consult with your own tax adviser in light of your individual circumstances.</p> | Section 8 |
| Will I have to pay brokerage? | <p>No, you will not have to pay any brokerage fees in connection with this Scheme.</p> | Section 1.2(i) |
| What will be the effect of the Scheme? | <p>If the Scheme is approved by the Requisite Majority of Essential Shareholders and the Court, and if all other conditions of the Scheme are satisfied (or waived, if applicable);</p> <ul style="list-style-type: none"> • all of your Essential Shares will be transferred to TLEA with effect from the Implementation Date; • in exchange you will receive the Scheme Consideration for each Essential Share you hold; and • Essential will become a wholly owned subsidiary of TLEA. | Sections 3.1 and 3.7(f) |
| What do your Directors recommend? | <p>The Essential Directors unanimously recommend that you vote in favour of the Scheme. Each Essential Director has committed to vote the Essential Shares they have a Relevant Interest in, in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Essential Shareholders.</p> <p>The reasons for the Essential Directors' recommendation and other matters that you may wish to consider are outlined in the Chairman's Letter, FAQs and in Sections 1.2 and 3.2 of this Scheme Booklet.</p> | Chairman's Letter, Section 1.2 and 3.2 |
| What is the Independent Expert's conclusion? | <p>BDO, as the Independent Expert, has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Essential Shareholders, in the absence of a superior offer.</p> <p>The Independent Expert has assessed the value of the Essential Shares (on a controlling and diluted basis) to be in the range of \$0.283 and \$0.468 per Essential Share, with a preferred value of \$0.376 per Essential Share.</p> <p>The Scheme Consideration of \$0.50 cash per Essential Share is above this range and 32.98% above the Independent Expert's preferred value of \$0.376 per Essential Share.</p> | Section 3.3 and Schedule 1 |

| Question | Answer | More information |
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| | <p>The rationale as to why the Independent Expert has reached that conclusion is set out in the Independent Expert's Report at Schedule 1 of this Scheme Booklet.</p> <p>The Directors encourage you to read the Independent Expert's Report in full before deciding on how to vote on the Scheme. If the Independent Expert changes its conclusion (either in the Independent Expert's Report or any update of it), the Board will consider the revised opinion and may change their recommendation. In these circumstances, Essential may terminate the Scheme Implementation Agreement.</p> | |
| Voting Considerations | | |
| <p>What are the key reasons to vote in favour of the Scheme?</p> | <p>Reasons why you may consider voting in favour of the Scheme include;</p> <ul style="list-style-type: none"> • The Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Essential Shareholders. • The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Essential Shareholders (in the absence of a superior offer). • The Scheme Consideration of \$0.50 cash per Essential Share represents a significant premium of 45.7% to the recent trading price (based on the 1 month VWAP) of Essential Shares prior to the Announcement Date. • The Scheme provides Essential Shareholders with certainty of value and the opportunity to realise their investment in cash and will avoid any ongoing risks and uncertainties involved in Essential's operations and future development, including any risks and uncertainties relating to exposure to any future periods of sustained lower lithium prices. • Since the Announcement Date on 9 January 2023, no Superior Proposal has emerged. • Development of the Pioneer Dome Lithium Project as a smaller sized lithium operation carries a number of risks for a junior company such as Essential. • Development of the Pioneer Dome Lithium Project would require significant capital which Essential currently does not have. • Essential Shares might trade at a lower price if the Scheme is not implemented and no Superior Proposal emerges, in the absence of favourable market conditions. Refer to the charts contained in Figure 2 on page 4 showing the share price trends of Essential's lithium peer companies with Australian lithium resources before and after the announcement of the proposed Scheme. | <p>Sections 1.1 and 1.2</p> |

| Question | Answer | More information |
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| | <ul style="list-style-type: none"> No brokerage or stamp duty will be payable by Scheme Participants on the transfer of their Essential Shares under the Scheme. | |
| <p>Is FIRB approval required under the proposed Scheme?</p> | <p>The Scheme is subject to any required regulatory approvals, including FIRB approval (only if required by the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth) (FATA) as determined by TLEA subsequently to the date of the Scheme Implementation Agreement, acting reasonably).</p> <p>TLEA has determined that, as at the date of this Scheme Booklet, notification of its proposed acquisition of Essential to FIRB under the FATA and the <i>Foreign Acquisitions and Takeovers Regulation 2015</i> (FATR) is not required.</p> | <p>Sections 1.4(c) and 3.6</p> |
| <p>What are the key reasons to vote against the Scheme?</p> | <p>Reasons why you may consider voting against the Scheme include:</p> <ul style="list-style-type: none"> You may disagree with the Directors' unanimous recommendation. You may disagree with the Independent Expert's conclusion and believe that the Scheme is not in your best interests. If the Scheme proceeds, you will no longer be an Essential Shareholder. A Superior Proposal for Essential may materialise in the future. As at the date of this Scheme Booklet, the Essential Board is not aware of any Superior Proposal. You may prefer to hold shares in Essential as a means to retain exposure to the broader lithium market thematic. You may believe it is in your best interests to maintain your current investment and risk profile by holding shares in Essential. The tax consequences of the Scheme may be adverse to your own financial position. | <p>Sections 1.1 and 1.3</p> |
| <p>Are there any other considerations relevant to my vote on the Scheme?</p> | <p>In addition to the factors that the Board has taken into account in recommending the Scheme to Essential Shareholders or which may lead Essential Shareholders to vote against the Scheme, as described above, the other key considerations that the Board considers may be relevant to an Essential Shareholder's decision on how to vote on the Scheme Resolution include;</p> <ul style="list-style-type: none"> even if you do not vote on, or vote against, the Scheme Resolution at the Scheme Meeting, the Scheme may still be implemented if the Scheme Resolution is approved by the Requisite Majority of Essential Shareholders and, subsequently, the Court; the Scheme is subject to a number of Conditions Precedent. If these Conditions Precedent are not satisfied (or, if applicable, waived), the Scheme will not proceed, even if it is approved by the Requisite Majority of Essential Shareholders at the Scheme Meeting; and | <p>Section 1.4</p> |

| Question | Answer | More information |
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| | <ul style="list-style-type: none"> there are risks for Essential Shareholders if the Scheme becomes, or does not become, Effective (see section 7). | |
| Implementation of the Scheme | | |
| What are the key steps required to implement the Scheme? | <p>The key remaining steps to implement the Scheme are;</p> <ul style="list-style-type: none"> approval of the Scheme Resolution by Essential Shareholders at the Scheme Meeting; the satisfaction (or, if applicable, waiver) of the remaining Conditions Precedent; Court approval of the Scheme at the Second Court Date; and lodgement of the Court order with ASIC, which will cause the Scheme to become Effective. <p>Following lodgement of the Court order with ASIC, the Scheme will become Effective and will be implemented. If the Scheme is implemented;</p> <ul style="list-style-type: none"> Scheme Participants will receive the Scheme Consideration of \$0.50 in cash for each Essential Share held by a Scheme Participant as at the Record Date; and all Essential Shares will be transferred to TLEA. | Section 3.7 |
| Is the Scheme subject to any conditions? | <p>Implementation of the Scheme is subject to a number of outstanding Conditions Precedent that are summarised in section 3.6.</p> <p>The full details of the Conditions Precedent are contained in clause 3.1 of the Scheme Implementation Agreement, a summary of which is provided in clause 9.11.</p> <p>All of the Conditions Precedent need to be satisfied or waived (where capable of waiver) before the Scheme can be implemented.</p> | Section 3.6 |
| Can all the Conditions Precedent be waived? | <p>No. The Conditions Precedent relating to approval from Essential Shareholders and the Court, and there being no regulatory restraint that restricts or materially prohibits the implementation of the Scheme, cannot be waived. The other Conditions Precedent can only be waived by the party for whose benefit the condition operates, or where both parties benefit, by consent.</p> | Section 3.6 |
| Where and when will the Scheme Meeting be held? | <p>The Scheme Meeting will be held at 9:00am (AWST) on 20 April 2023 at the Quest Apartment Hotels, 54 Kings Park Road, West Perth WA 6005.</p> | Sections and 3.7(a) and 4.2 |
| What happens if the Scheme Resolution is approved at the Meeting? | <p>If the Scheme Resolution is approved, Essential will apply to the Court for orders approving the Scheme.</p> | Section 3.7(b) |
| What happens if the Scheme is approved by the Court? | <p>If the Scheme is approved by the Court at the Second Court Date (expected to be held on 24 April 2023), Essential anticipates lodging the orders with ASIC on the day following Court approval, at which time the Scheme will become Effective (this date being, the Effective Date).</p> | Section 3.7(c) |

| Question | Answer | More information |
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| What happens after the Scheme becomes Effective? | Essential Shares will be suspended from further trading on ASX from close of trading on the Effective Date. | Section 3.7(d) |
| What happens on the Implementation Date? | On the Implementation Date, subject to Essential paying (or procuring payment of) the aggregate amount of the Scheme Consideration in the manner contemplated by the Scheme, your Essential Shares will be transferred to TLEA in consideration for \$0.50 cash per Essential Share. TLEA will become the holder of all Essential Shares held by Scheme Participants. | Section 3.7(f) |
| Do I have to give any warranties in relation to my Essential Shares? | <p>Yes. Each Scheme Participant (including those who vote against the Scheme and those who do not vote);</p> <ul style="list-style-type: none"> irrevocably agrees to the transfer of their Essential Shares together with all rights and entitlements attaching to those Essential Shares in accordance with the Scheme; irrevocably agrees to the variation, cancellation or modification of the rights attached to their Essential Shares constituted by or resulting from the Scheme; irrevocably agrees to, on the direction of TLEA, destroy any holding statements or share certificates relating to their Essential Shares; and is deemed to have warranted to TLEA and, to the extent enforceable, appointed and authorised Essential as its agent to warrant to TLEA that all its Essential Shares (including any rights and entitlements attaching to those Essential Shares) will, at the date of the transfer of them to TLEA, be fully paid and free from all security interests including mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind, and that it has full power and capacity to sell and to transfer those Essential Shares together with any rights and entitlements attaching to such shares to TLEA under this Scheme. | Section 3.10 |
| Voting Details | | |
| What vote is required to approve the Scheme? | Approval of the Scheme requires at least 50% of the Essential Shareholders who vote on the Scheme Resolution to vote in favour of that resolution and then their votes must be at least 75% of the total number of votes cast on the Scheme Resolution. | Section 3.7(a) |
| Is voting compulsory? | No, voting is not compulsory. However, your vote is important. If you cannot attend the Scheme Meeting, you should complete and return the Proxy Form enclosed with this Scheme Booklet. | Section 4 |
| Can TLEA vote? | No. TLEA, nor its associates, does not hold any interest in Essential Shares at the date of this Scheme Booklet. However, if it (or its associates) were to hold any interest, | |

| Question | Answer | More information |
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| | neither TLEA nor any of its Related Bodies Corporate can vote at the Scheme Meeting. | |
| How do I vote? | <p>If you are registered as a holder of Essential Shares at 5.00pm (AWST) on 18 April 2023, you can vote on the Scheme by doing one of the following;</p> <ul style="list-style-type: none"> • by attending and voting at the Scheme Meeting in person; • by appointing a proxy (including by lodging your proxy form online) or attorney to attend and to vote on your behalf; and • in the case of a corporation which is an Essential Shareholder, by appointing an authorised corporate representative to attend and vote on its behalf. <p>If you choose to vote by proxy or power of attorney, your completed proxy or power of attorney needs to be received by the Registry by no later than 9:00am (AWST) on 18 April 2023.</p> | Section 4.4 |
| What happens if I do not vote? | <p>If the Scheme is implemented, your Essential Shares will be transferred to TLEA in consideration for \$0.50 cash per Essential Share. This will be the case even if you did not attend the Scheme Meeting or did not vote or you voted against the Scheme at the Scheme Meeting.</p> <p>If the Scheme is not implemented, you will not receive the Scheme Consideration and you will remain an Essential Shareholder.</p> | Section 4.3 |
| When will the results of the Scheme Meeting be available? | The results of the Scheme Meeting will be announced on ASX's website (www.asx.com.au) shortly after its conclusion and will also be made available on Essential's website at https://www.essmetals.com.au . | |
| Can I keep my Essential Shares? | <p>If the Scheme is implemented, your Essential Shares will be transferred to TLEA. This will be the case even if you did not attend the Scheme Meeting or did not vote or you voted against the Scheme at the Scheme Meeting. You will receive \$0.50 cash per Essential Share when your Essential Shares are transferred to TLEA.</p> <p>If the Scheme does not become Effective and is therefore not implemented, you will continue to hold your Essential Shares.</p> | |

| Question | Answer | More information |
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| <p>Can I sell my Essential Shares on ASX?</p> | <p>Yes, you can sell your Essential Shares on ASX up to and including the Effective Date (currently expected to be 26 April 2023). Trading in Essential Shares on ASX will be suspended following close of trading on the Effective Date, so you will not be able to sell your Essential Shares on ASX after that time.</p> <p>If you sell your Essential Shares on ASX;</p> <ul style="list-style-type: none"> • you may pay brokerage on the sale; and • you will not receive the Scheme Consideration. <p>Shareholders will also be able to sell their Essential Shares privately following the Effective Date provided that the transfer is lodged with the Share Registry by no later than 5:00pm on the day on which the Record Date occurs.</p> | |
| <p>What are my options?</p> | <p>You may;</p> <ul style="list-style-type: none"> • vote for or against the Scheme at the Scheme Meeting (in person or by proxy, attorney or, if applicable, corporate representative); • sell your Essential Shares on market at any time before the close of trading on ASX on the Effective Date; • sell your Essential Shares privately following the Effective Date provided that the transfer is lodged with the Share Registry by no later than 5:00pm on the day of the Record Date; or • do nothing, in which case, if the Scheme becomes Effective and is implemented, your Essential Shares will be transferred to TLEA and you will receive the Scheme Consideration, or, if the Scheme does not become Effective and is not implemented, you will continue to hold your Essential Shares. | |
| <p>What happens if a Competing Proposal emerges?</p> | <p>Until the Scheme becomes Effective, there is nothing preventing other parties from making unsolicited approaches to Essential. However, the ability to respond, and the degree of any such response by Essential will be determined having regard to the provisions of the Scheme Implementation Agreement (amongst other matters).</p> <p>If, during the Exclusivity Period, Essential or any of its Related Bodies Corporate or representatives receives a Competing Proposal and the Essential Directors determine to take action in reliance on the 'fiduciary exception' to the 'no talk' restriction in the Scheme Implementation Agreement;</p> <ul style="list-style-type: none"> • (Notification of approaches) Essential must notify TLEA in writing of the identity of the competing bidder and the material terms and conditions of the Competing Proposal within 24 hours of becoming aware (subject to the fiduciary carve-out); • (Matching right) if the Essential Board determines that the Competing Proposal is, or could reasonably be expected to lead to, a Superior | <p>Section 9.11(d)</p> |

| Question | Answer | More information |
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| | <p>Proposal, TLEA will be given a period (at least two Business Days after the provision of the material terms and conditions of the Competing Proposal) during which TLEA may make a matching or superior proposal to the terms of the Competing Proposal (Counterproposal), and during this period Essential must not enter into, or agree to enter into, any binding documentation to give effect to the Competing Proposal; and</p> <ul style="list-style-type: none"> • (Bidder Counterproposal) if the Essential Board determines that TLEA’s Counterproposal would provide an equivalent or superior outcome for Essential shareholders than that offered under the Competing Proposal, Essential and TLEA must agree and enter into such documentation (or amendments to documentation) to give effect to TLEA’s Counterproposal. If the Essential Board determines that TLEA’s Counterproposal would not provide an equal or superior outcome to Essential shareholders, then TLEA may submit a revised Counterproposal within a further period of two Business Days. <p>If a Competing Proposal for Essential emerges prior to the Second Court Hearing, the Essential Directors will carefully consider the Competing Proposal and determine whether it is a Superior Proposal. The Essential Directors will keep you informed of any material developments regarding Superior Proposals. Further details about the exclusivity provisions in the Scheme Implementation Agreement are set out in section 9.11(d).</p> | |
| Other | | |
| <p>Could a break fee or reverse break fee become payable?</p> | <p>Yes, in certain specific circumstances a ‘break fee’ or ‘reverse break fee’ of \$1.36 million may become payable by either Essential to TLEA or TLEA to Essential. These specific circumstances are detailed in sections 9.11(e) and 9.11(f).</p> <p>Relevantly however, Essential will not be required to pay the ‘reverse break fee’ to TLEA if the Scheme becomes Effective, notwithstanding the occurrence of an event which would otherwise require the payment of such a fee to TLEA.</p> | <p>Sections 9.11(e) and 9.11(f).</p> |
| <p>What are the prospects of receiving a Superior Proposal?</p> | <p>Since the Scheme was announced on 9 January 2023, no Superior Proposal has emerged.</p> <p>Given the time that has elapsed since the announcement of the Scheme, the Essential Directors’ view is that a Superior Proposal is unlikely to emerge prior to the Scheme Meeting. It is possible that, if Essential were to continue as an independent company, a Superior Proposal for Essential may emerge in the future.</p> | |
| <p>How was the Independent Expert appointed?</p> | <p>The Essential Board undertook a review of potential independent experts, having regard to their expertise and previous experience in similar transactions.</p> | |

| Question | Answer | More information |
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| | <p>BDO was selected as the Independent Expert after this process and has confirmed its independence and ability to act as Independent Expert on the Transaction.</p> <p>BDO appointed VRM as the independent Technical Specialist to prepare the Technical Specialist Report included in this Scheme Booklet according to a scope of work determined by BDO.</p> | |
| <p>Who can I contact if I have further questions about this Scheme Booklet or the Scheme?</p> | <p>If you have any further questions about this Scheme Booklet or the Scheme, please call the Essential Shareholder Information Line on 1300 290 691 (within Australia) or +61 2 9066 4081 (outside Australia) between 8.30am and 6.00pm (Sydney time) Monday to Friday, excluding public holidays. Please note that the Essential Shareholder Information Line cannot provide any financial, taxation or investment advice and cannot give an opinion on the merits of the Scheme. If you have any questions about your individual financial or taxation circumstances, please consult your broker or financial, taxation, legal or other professional adviser immediately.</p> | |

3. Outline of the Scheme

3.1 Introduction

This summary identifies key features of the Scheme and must be read in conjunction with the additional detailed information for Essential Shareholders set out in this Scheme Booklet. You are urged to read this Scheme Booklet in its entirety.

On 9 January 2023, Essential announced to ASX that it had entered into the Scheme Implementation Agreement with TLEA under which it is proposed that TLEA will acquire all of the issued shares in Essential by way of a Court approved scheme of arrangement under Part 5.1 of the Corporations Act, for an offer consideration of \$0.50 cash per Essential Share.

In accordance with the Scheme Implementation Agreement, the Scheme and the Deed Poll, TLEA will acquire all of the Essential Shares and pay the Scheme Consideration. Each of Essential and TLEA has agreed to the due and punctual performance of all of its respective obligations under or in connection with the Scheme Implementation Agreement, the Scheme (in respect of Essential only) and the Deed Poll (in respect of TLEA only), including the payment of the Scheme Consideration by TLEA pursuant to the Deed Poll.

If the Scheme is implemented, TLEA will acquire all of the Essential Shares held by Essential Shareholders and Essential will become a wholly owned subsidiary of TLEA. Subject to the Scheme becoming Effective, Essential will request that ASX remove Essential from the official list of ASX on the Business Day after the Implementation Date. The Scheme is subject to various Conditions Precedent, including (among other things), approval by the Requisite Majority of Essential Shareholders at the Scheme Meeting, and approval by the Court pursuant to section 411(4)(b) of the Corporations Act on the Second Court Date.

3.2 Essential Directors' unanimous recommendation and voting intentions

The Directors unanimously recommend that Essential Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders. Each of the Directors will (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders) vote or cause the voting of any Essential Shares held by or on behalf of that Director at the time of the Scheme Meeting, in favour of the Scheme.

The reasons to vote in favour of or against the Scheme, as considered by the Directors, are set out in section 1. The implications for Essential Shareholders if the Scheme does not proceed are set out in section 3.11.

Before making a decision about the Scheme, you should read the Scheme Booklet in its entirety and if you are in doubt about what action you should take, contact your professional adviser.

The Directors of Essential hold, in aggregate, 4,597,011 Essential shares, being 1.7% of Essential (on an undiluted basis). Timothy Spencer, Managing Director of Essential, holds 1,970,181 Essential Performance Rights (of which 500,000 have already vested and 1,470,181 will vest upon the Court approving the Scheme under section 411(4)(b) of the Corporations Act, and all will convert to shares prior to the Record Date) and each of the directors of Essential hold Essential Options, being in aggregate, 3,700,002 options (which may be converted into shares prior to the Record Date or will otherwise be subject to an Option Cancellation Deed to be cancelled for consideration equal to the share Scheme consideration less the option exercise price). Refer to sections 9.2, 9.3 and 9.5 for interests of Directors. Managing director, Timothy Spencer, also has employment related contractual and other legal entitlements arising in connection with any loss of office that may occur as a result of or in connection with implementation of the Scheme (refer Section 9.10). Notwithstanding any of the directors' personal interests in the outcome of the Scheme, each Director considers that given the importance of the Scheme and their obligations as directors, it is important and appropriate for them to provide a recommendation to shareholders in relation to the Scheme.

3.3 Independent Expert

Essential has engaged BDO as the Independent Expert to prepare a report to ascertain whether the Scheme is in the best interests of Essential Shareholders. The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Essential Shareholders (in the absence of a superior offer).

The Independent Expert has assessed the value of the Essential Shares (on a controlling and diluted basis) to be in the range of \$0.283 and \$0.468 per Essential Share, with a preferred value of \$0.376 per Essential Share.

The Scheme Consideration of \$0.50 cash per Essential Share is above this range and 32.98% above the Independent Expert's preferred value of \$0.376 per Essential Share.

The full report can be found in Schedule 1 of this Scheme Booklet.

3.4 Scheme Consideration

If the Scheme becomes Effective, Essential Shareholders who are registered in the Register on the Record Date will receive a cash payment of \$0.50 for each Essential Share held by Essential Shareholders on the Record Date.

Where the calculation of the Scheme Consideration to be provided to a particular Scheme Participant would result in the Scheme Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down to the nearest whole cent. The details regarding fractional entitlements are set out in full in clause 5.2 of the Scheme Implementation Agreement.

3.5 Payment of the Scheme Consideration

Unless otherwise directed by Scheme Participants before the Record Date, the Scheme Consideration will be paid on the Implementation Date by:

- (a) a cheque for the relevant amount in Australian currency to the Scheme Participant by prepaid post to their registered address (as at the Record Date), such cheque being drawn in the name of the Scheme Participant (or in the case of joint holders, in accordance with the procedures set out in clause 4.5 of the Scheme of Arrangement); or
- (b) an electronic funds transfer for the relevant amount in Australian currency into an account with any Australian ADI, before the Record Date by an appropriate authority from the Scheme Participant.

3.6 Conditions to the Scheme

The implementation of the Scheme is subject to a number of Conditions Precedent which are set out in full in section 3.1 of the Scheme Implementation Agreement.

(a) Outstanding Conditions Precedent

The Conditions Precedent that remain outstanding as at the date of this Scheme Booklet are summarised as follows:

- (1) Essential Shareholders approving the Scheme by the necessary Requisite Majority at the Scheme Meeting (or any adjournment or postponement of the Scheme Meeting).
- (2) The Court approving the Scheme under section 411(4)(b) of the Corporations Act.

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- (3) All regulatory approvals, including FIRB approval, required to implement the Scheme are obtained (if any).
 - (4) Each Essential Optionholder has either;
 - (A) exercised the Essential Options held by them, in accordance with their terms;
 - (B) agreed unequivocally and irrevocably in writing to exercise the Essential Options held by them, in accordance with their terms, prior to the Record Date; or
 - (C) entered into an Option Cancellation Deed.
 - (5) No temporary restraining order, preliminary or permanent injunction or other temporary, preliminary or final order issued by any court of competent jurisdiction, no preliminary or final decision, determination, notice of objection, or order issued by any Regulatory Authority or any other legal restraint, in each case preventing any of the transactions contemplated by the Scheme Implementation Agreement.
 - (6) The Independent Expert, having issued its report which concludes that the Scheme is in the best interests of Essential Shareholders, not changing its conclusions or publicly withdrawing its conclusions.
 - (7) No Material Adverse Change occurring.
 - (8) No Prescribed Occurrence occurring.
 - (9) The representations and warranties of Essential being true and correct in all material respects.
 - (10) The representations and warranties of TLEA being true and correct in all material respects.

Each of the outstanding Conditions Precedent (with the exception of Court approval) must be satisfied or (if applicable) waived before 8.00am on the Second Court Date. The Conditions Precedent relating to approval of Essential Shareholders, approval by the Court and no restraints cannot be waived. If these Conditions Precedent are not satisfied the Scheme will not proceed. The other Conditions Precedent may be waived by the party for whose benefit the condition operates, or where the condition operates for the benefit for both parties, by consent.

If there is a breach or non-fulfilment of a Condition Precedent (which is not waived in accordance with the Scheme Implementation Agreement), an event occurs of which either party becomes aware will prevent a Condition Precedent being satisfied, or the Scheme has not become Effective by the End Date, then either party can give notice to the other requiring the parties to consult. The purpose of such consultation is to determine whether: (1) to extend the time for satisfaction of the relevant Condition Precedent or to adjourn or change the date of an application to the Court; (2) the transaction may proceed by way of alternative means or methods; (3) to extend the End Date; or (4) to do all or any combination of the matters listed in (1) to (3). If the parties are unable to reach agreement within 5 Business Days after the delivery of the relevant consultation notice, then either party may terminate the Scheme Implementation Agreement by writing to the other party (unless the relevant Condition Precedent is only for the benefit of one party, in which case that party may either wave the Condition Precedent or terminate the Scheme Implementation Agreement).

As at the date of this Scheme Booklet, the Essential Directors are not aware of any reason why a Condition Precedent referred to above is not likely to be satisfied in the time required by the Scheme Implementation Agreement.

(b) **Conditions Precedent that have already been satisfied**

As at the date of this Scheme Booklet, the Condition Precedent in clause 3.1(d) of the Scheme Implementation Agreement has been satisfied – each Essential Optionholder has entered into an Option Cancellation Deed.

3.7 **Key steps for implementing the Scheme**

The key steps to implement the Scheme and relevant information concerning these steps are set out below. Key dates and times in relation to the Scheme are set out at the beginning of this Scheme Booklet. These dates are indicative only and subject to change. Essential will announce to ASX any change to the dates in the timetable set out in the "IMPORTANT DATES AND TIMES FOR THE SCHEME" section of this Scheme Booklet.

(a) **Scheme Meeting**

The Scheme Meeting to approve the Scheme is scheduled to be held at the Quest Apartment Hotels, 54 Kings Park Road, West Perth WA 6005 on 20 April 2023 at 9.00am (AWST). Voting eligibility for the Scheme Meeting will be determined as at 5.00pm (AWST) on 18 April 2023.

At the Scheme Meeting, Essential Shareholders will be asked to approve the Scheme by voting in favour of the Scheme Resolution. The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting set out in Schedule 4. The fact that the Court has ordered that the Scheme Meeting be convened is no indication that the Court has a view as to the merits of the Scheme or as to how Essential Shareholders should vote on the Scheme Resolution. On these matters, Essential Shareholders must reach their own decision.

For the Scheme to proceed, votes "in favour of" the Scheme Resolution at the Scheme Meeting must be received from the Requisite Majority of Essential Shareholders. A Requisite Majority for the Scheme Resolution are;

- (1) a majority in number (more than 50%) of eligible Essential Shareholders who are present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of a corporation, its duly appointed corporate representative), unless the Court orders otherwise; and
- (2) at least 75% of the total number of votes cast on the Scheme Resolution by eligible Essential Shareholders.

Voting at the Scheme Meeting will be conducted by poll. Essential Shareholders who are registered on the Register at 5.00pm (AWST) on 18 April 2023 will be entitled to vote at the Scheme Meeting. Instructions on how to vote at the Scheme Meeting are set out in section 4.4 and the Notice of Scheme Meeting at Schedule 4.

(b) **Second Court Date and Court approval of the Scheme**

In the event that;

- (1) the Scheme Resolution is approved by the Requisite Majority of Essential Shareholders at the Scheme Meeting; and
- (2) all other Conditions Precedent (other than Court approval of the Scheme) have been satisfied (or, if applicable, waived),

then Essential will apply to the Court for orders approving the Scheme at the Second Court Date, which is expected to be held on or around 24 April 2023.

(c) **Effective Date**

If the Court makes orders approving the Scheme, Essential will lodge with ASIC an office copy of the Court orders given under section 411(4)(b) of the Corporations Act approving the Scheme and the Scheme will then become Effective (being the Effective Date). It is likely this lodgement will occur the day after the Court approves the Scheme.

Once the Scheme becomes Effective;

- (1) TLEA must, no later than the Business Day before the Implementation Date, deposit or procure the deposit in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Participants, into an Australian dollar denominated Trust Account operated by Essential as trustee for the Scheme Participants;
- (2) Essential will pay the Scheme Consideration to the Scheme Participants (in the manner described in section 3.5) on the Implementation Date; and
- (3) subject to the payment of the aggregate Scheme Consideration by TLEA (as described in section 3.7(c)(1)), Essential will become bound to take the steps required for TLEA to become the holder of all Essential Shares.

(d) **Suspension from trading in Essential Shares on ASX**

If the Scheme becomes Effective, Essential intends to apply to ASX for Essential Shares to be suspended from trading on ASX from the close of trading on the Effective Date.

(e) **Record Date and entitlement to Scheme Consideration**

Those Essential Shareholders on the Register on the Record Date (which is currently expected to be 5:00pm (AWST) on 28 April 2023) will be the Scheme Participants and will be entitled to receive the Scheme Consideration in respect of the Essential Shares they hold at that time.

(1) Dealings in Essential Shares on or prior to the Record Date

To establish the identity of the Scheme Participants, dealings in Essential Shares or other alterations to the Register will only be recognised by Essential provided that;

- (A) in the case of dealings of the type to be effected on CHESS, the transferee is registered in the Register as the holder of the relevant Essential Shares by the Record Date; and
- (B) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Record Date at the place where the Register is kept,

and Essential will not accept for registration, or recognise for any purpose (except a transfer to TLEA pursuant to this Scheme and any subsequent transfer by TLEA or its successors in title), any transmission application or transfer in respect of Essential Shares received on or after the Record Date, or received prior to the Record Date but not in registrable or actionable form.

(2) Dealings after the Record Date

If the Scheme becomes Effective, each Scheme Participant, and any person claiming through any Scheme Participant, must not dispose of or purport or agree to dispose of any Essential Shares or any interest in them after the Record Date.

Essential will, until the Scheme Consideration has been paid and TLEA has been entered in the Register as the holder of all of the Essential Shares, maintain the Register in accordance with the provisions of section 5 of the Scheme.

As from the Record Date (and other than for TLEA following the Implementation Date), all share certificates and holding statements for the Essential Shares will cease to have effect as documents of title, and each entry on the Register (other than for TLEA) at that date will cease to have any effect other than as evidence of entitlement to the Scheme Consideration.

(f) **Implementation**

Subject to TLEA providing, or procuring the provision of, the Scheme Consideration to each Scheme Participant in accordance with the terms of the Scheme of Arrangement (in the manner contemplated in 3.7(c) above) on the Implementation Date, Essential will;

- (1) pay or procure the payment of such amount of cash as is due to each Scheme Participant as Scheme Consideration;
- (2) execute on behalf of the Scheme Participants, instruments of transfer of the Essential Shares to TLEA; and
- (3) register all transfers of the Essential Shares to TLEA.

3.8 Delisting of Essential

If the Scheme becomes Effective, Essential will apply for termination of the official quotation of Essential Shares on ASX, and the removal of Essential from ASX's official list immediately following the Implementation Date.

3.9 End Date

If the Scheme has not become Effective on or before the End Date (being 30 June 2023, or such other date as is agreed in writing between the parties), either party is able to terminate the Scheme Implementation Agreement. If the Scheme Implementation Agreement is terminated, the Scheme will not proceed.

3.10 Warranties by Scheme Participants

Scheme Participants' attention is drawn to the warranties that Scheme Participants will be taken to have given if the Scheme takes effect, in clause 7.3 of the Scheme (see Schedule 3). Pursuant to clause 7.3 of the Scheme, each Scheme Participant;

- (a) irrevocably agrees to the transfer of their Essential Shares together with all rights and entitlements attaching to those Essential Shares in accordance with the Scheme;
- (b) irrevocably agrees to the variation, cancellation or modification of the rights attached to their Essential Shares constituted by or resulting from the Scheme;
- (c) irrevocably agrees to, on the direction of TLEA, destroy any holding statements or share certificates relating to their Essential Shares; and
- (d) is deemed to have warranted to TLEA and, to the extent enforceable, appointed and authorised Essential as its agent to warrant to TLEA that all its Essential Shares (including any rights and entitlements attaching to those Essential Shares) will, at the

date of the transfer of them to TLEA, be fully paid and free from all security interests including mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind, and that it has full power and capacity to sell and to transfer those Essential Shares together with any rights and entitlements attaching to such shares to TLEA under this Scheme.

The Scheme is set out in full in Schedule 3 of this Scheme Booklet.

3.11 **Consequences if the Scheme is not approved at the Scheme Meeting or is not approved by the Court**

If the Scheme is not approved by the Requisite Majority of Essential Shareholders at the Scheme Meeting or, having been approved at the Scheme Meeting, is not approved by the Court, TLEA will not acquire your Essential Shares under the Scheme and you will not receive the Scheme Consideration. In addition, if the Scheme does not proceed;

- (a) Essential will continue to be listed on ASX;
- (b) decisions in relation to the future of Essential will continue to be made by the Board; and
- (c) Essential will continue to be exposed to the risk factors outlined in section 7.

The Directors caution that if the Scheme is not approved, the price of the Essential Shares may fall.

If the Scheme does not proceed, the Board intends to continue to operate Essential as a listed public company. Essential will continue to pursue its exploration, development and strategic growth objectives focused on the creation of value for all Essential Shareholders.

If the Scheme does not proceed, the Board has not formed any plans to make any significant changes to the business of Essential and in particular;

- (a) there will not be any immediate impact on Essential employees. Essential intends to use its best endeavours to retain its current employees; and
- (b) to the extent economically feasible, there will not be any immediate impact on Essential's continuing activities and plans to continue to advance its primary asset, being the Pioneer Dome Lithium Project.

The Directors believe that the Scheme is in the best interests of Essential Shareholders, including having regard to the Independent Expert's Report, in the absence of a Superior Proposal. As at the date of this Scheme Booklet, no Superior Proposal has emerged. If the Scheme does not proceed, Essential will continue to be faced with exploration and project development risks typical for a junior resources sector company (refer to section 7.3 for more information on the risks) in contrast with the certainty of \$0.50 cash consideration per Essential Share payable under the Scheme.

For further details, please also refer in particular to section 13.2 of the Independent Expert's Report (set out in Schedule 1).

3.12 **Tax consequences for Scheme Participants**

The transfer of your Essential Shares in accordance with the Scheme may have tax implications for you. You should seek your own professional advice regarding your individual tax consequences. A summary of the relevant Australian tax implications for Scheme Participants is contained in section 8.

3.13 **What to do next**

Read the remainder of this Scheme Booklet in full before making any decision on the Scheme.

Essential Shareholders should refer to section 1 for further guidance on reasons to vote in favour or against the Scheme and section 7 for guidance on the risk factors associated with the Scheme.

4. Scheme Meeting and Voting Information

4.1 Read this Scheme Booklet carefully

This Scheme Booklet provides information necessary for you to make a decision as to how to vote on the Scheme at the Scheme Meeting. The Directors recommend that you read this Scheme Booklet in its entirety.

Essential Shareholders should refer to sections 1.1, 1.2 and 1.3 of this Scheme Booklet for further guidance on the reasons to vote in favour of or against the Scheme, and to section 1.4 for other important considerations relating to your vote. The Scheme Booklet does not take into account the investment objectives, financial situation and particular needs of any individual Essential Shareholder.

There are answers to questions that you may have in section 2. If you have any other questions about this Scheme Booklet or the Scheme, please contact the Essential Shareholder Information Line on 1300 290 691 (within Australia) or +61 2 9066 4081 (outside Australia) between 8.30am and 6.00pm (Sydney time) Monday to Friday, excluding public holidays.

4.2 Scheme Meeting

The Scheme Meeting will be held at the Quest Apartment Hotels, 54 Kings Park Road, West Perth WA 6005 on 20 April 2023 at 9:00am (AWST).

At the Scheme Meeting, the Scheme Resolution will be proposed to the Essential Shareholders.

4.3 Exercising your vote

Essential Shareholders eligible to vote at the Scheme Meeting may vote by attending the Scheme Meeting in person, or by proxy, attorney or, in the case of a corporation which is an Essential Shareholder, by a corporate representative.

Essential Shareholders may elect not to vote at the Scheme Meeting. If the Scheme is implemented, such Essential Shareholders will have their Essential Shares transferred to TLEA by operation of the Scheme and receive the Scheme Consideration. If the Scheme is not implemented, such Essential Shareholders will retain their Essential Shares.

4.4 Voting

Essential Shareholders may vote;

- (a) **in person**, by attending the Scheme Meeting. Essential Shareholders who wish to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting by properly identifying themselves;
- (b) **by proxy**:
 - (1) use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/loginsah> or scan the QR code below using your smartphone:



(Note: Login & Click on 'Meetings'. Use the Holder Number as shown at the top of the Proxy Voting Form); or

- (2) by completing, signing and lodging a Proxy Form for the Scheme Meeting in accordance with the instructions set out in the form. Proxy Forms should be submitted to the Registry as indicated on the Proxy Form and must be received by the Registry not less than 48 hours before the time for holding the Scheme Meeting or adjourned meeting as the case may be. A validly appointed proxy will be admitted to the Scheme Meeting upon providing evidence of their name and address;
- (c) **by attorney**, by appointing an attorney to attend and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the Registry. Powers of attorney and authorities should be sent to the Registry as indicated in the Proxy Form and must be received by the Registry not less than 48 hours before the time for holding the Scheme Meeting or adjourned meeting, as the case may be. An attorney will be admitted to the Scheme Meeting upon identifying themselves and providing written evidence of their appointment and the identity of the appointer; and
- (d) **by corporate representative**, in the case of a body corporate which is an Essential Shareholder, by appointing a corporate representative to attend and vote at the Scheme Meeting on behalf of that Essential Shareholder and providing a duly executed certificate of appointment (in accordance with section 250D and 253B of the Corporations Act) prior to admission to the Scheme Meeting.

4.5 Voting entitlement

Each Essential Shareholder who is registered on the Register at 5.00pm (AWST) on 18 April 2023 is entitled to attend and to vote at the Scheme Meeting. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

Where Essential Shares are held by joint holders, only one of the joint holders is entitled to vote. If more than one holder votes in respect of jointly held Essential Shares, only the vote of the holder whose name appears first in the Register will be counted.

4.6 Your vote is important

For the Scheme to proceed, the Scheme Resolution must be approved by the Requisite Majority at the Scheme Meeting. The Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders.

If you are unable to attend the Scheme Meeting, the Directors recommend that you lodge your Proxy Form via one of the methods noted above in section 4.4 and otherwise in accordance with the instructions on the Proxy Form.

4.7 Selling your Essential Shares

The Scheme does not preclude Essential Shareholders from selling some or all of their Essential Shares on market, provided they do so before close of trading on ASX on the Effective Date.

Essential Shareholders who are considering selling some or all of their Essential Shares should have regard to the prevailing trading prices of Essential Shares and compare those to the Scheme Consideration. Essential Shareholders may ascertain the current trading prices of Essential Shares through ASX's website (www.asx.com.au).

Essential Shareholders who are considering selling some or all of their Essential Shares should also contact their stockbroker for information on how to effect the sale, and should also contact their financial, taxation, legal and professional advisers.

Essential Shareholders who sell some or all of their Essential Shares on the market may;

- For personal use only
- (a) receive payment (which may vary from the Scheme Consideration) for the sale of their Essential Shares sooner than they would receive the Scheme Consideration;
 - (b) may incur a brokerage charge; and
 - (c) may be liable for tax on the disposal of their Essential Shares.

Essential Shareholders who sell some or all of their Essential Shares on the market will not be able to participate in the Scheme or, if one emerges, a Superior Proposal, in respect of those Essential Shares that they have sold.

4.8 Further information

If you have any questions or require further information, please contact the Essential Shareholder Information Line on 1300 290 691 (within Australia) or +61 2 9066 4081 (outside Australia) between 8.30am and 6.00pm (Sydney time) Monday to Friday, excluding public holidays.

If you are in any doubt about anything in this Scheme Booklet, please contact your legal, taxation, financial or other professional adviser.

5. Information about Essential

5.1 Corporate Profile - Essential

Essential is a mineral resources company which has its corporate head office in West Perth, Australia. The Company was incorporated in January 2003 and was listed on ASX in December 2003. Essential's flagship project is the Pioneer Dome Lithium Project in Western Australia that includes a lithium Mineral Resource containing 129,000 tonnes of lithium oxide, which it is progressing towards development.⁴ Essential also holds an early-stage lithium project, two early-stage gold exploration projects and interests in joint ventures exploring for gold and nickel.

Detailed information about Essential is available on its website www.essmetals.com.au and on ASX's website www.asx.com.au (ASX:ESS).

5.2 Essential's Corporate Structure

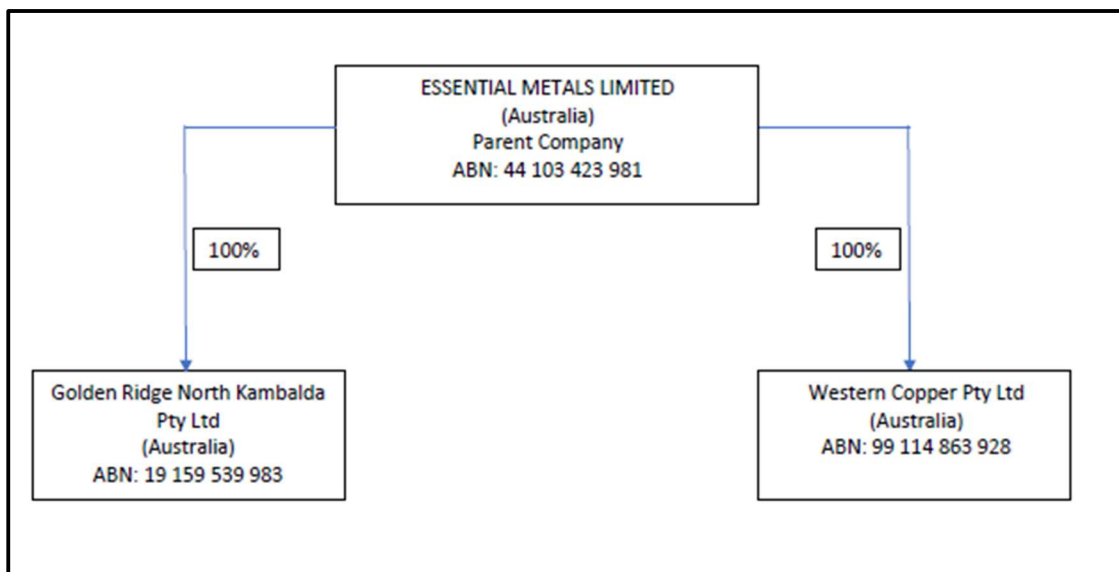


Figure 4 – Corporate structure of Essential Metals Limited

5.3 Summary of Essential's portfolio

Essential has interests in several Western Australian located exploration projects, detailed as follows:

Pioneer Dome Lithium Project

This is Essential's flagship project (Essential: 100% all minerals) and it is located in the core of Western Australia's lithium corridor in the Eastern Goldfields, approximately ~150km south of Kalgoorlie and 275km north of the deep-water port of Esperance with the Coolgardie-Esperance Highway around 10km from the eastern edge of the Project.

⁴ Refer to ASX announcement dated 20 December 2022 titled "Dome North Resource upgrade". Essential confirms that it is not aware of any new information or data that materially affects the information included in the relevant announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant announcement continue to apply and have not materially changed.



Figure 5 – Location of the Pioneer Dome Project

The Project contains the Dome North lithium Mineral Resource, as follows:

Table 1. Dome North Mineral Resource by Category: (0.3% Li₂O cut-off grade)⁵

| Classification | Tonnes (Mt) | Li ₂ O % | Ta ₂ O ₅ ppm | Contained Li ₂ O (t) | Fe ₂ O ₃ % |
|----------------|-------------|---------------------|------------------------------------|---------------------------------|----------------------------------|
| Measured | - | - | - | - | - |
| Indicated | 8.6 | 1.23 | 55 | 105,000 | 0.46 |
| Inferred | 2.6 | 0.92 | 62 | 24,000 | 0.55 |
| Total | 11.2 | 1.16 | 57 | 129,000 | 0.48 |

Note: Appropriate rounding applied.

During 2022, Essential advanced the Project by undertaking Resource focussed drill programmes and metallurgical testwork aimed at improving the quality and confidence of the Mineral Resource. The future objective is to de-risk the project through evaluation and development studies, starting with a Scoping Study that was announced on 7 February 2023 and engagement with potential project offtakers and financiers, which has been paused since the announcement of the Scheme.

⁵ Refer to ASX announcement dated 20 December 2022 titled “Dome North Resource upgrade”. Essential confirms that it is not aware of any new information or data that materially affects the information included in the relevant announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant announcement continue to apply and have not materially changed.

A mining lease application over the Dome North lithium Resource and its surrounds (totalling 2,412 hectares) was submitted on 6 September 2022. On 25 January 2023, the State Deed to finalise the mining lease application was lodged with DMIRS. On 16 February 2023, Mining Lease 15/1896 was granted for a term of 21 years and in respect of approximately 2,409 hectares.

Scoping Study results

On 7 February 2023, Essential released an ASX announcement containing the results, assumptions and other material information concerning a scoping study undertaken to ascertain whether to proceed to more definitive studies on the viability of the Pioneer Dome Lithium Project.

The key findings of the Pioneer Dome Lithium Project Scoping Study were as follows:

- The Study demonstrates the potential viability of a standalone mining and processing operation.
- The Study, which was prepared by Primero, a leading engineering firm with significant lithium project experience, with inputs from other experienced consultants and from the Essential Metals team, resulted in a Base Case NPV10% (real, after tax) of \$367 million.⁶
- The Study is based on;
 - a Mineral Resource estimate of 11.2Mt @ 1.16% Li₂O containing 129,000 lithium tonnes;
 - metallurgical testwork which demonstrates the potential to produce a saleable lithium concentrate; and
 - mine optimisation modelling which generated economic open pits totalling 8.8Mt of process plant feed at 1.11% Li₂O, an average strip ratio of 13.3:1 and a mine life of 7.3 years.
- The positive results of the Scoping Study support the commencement of detailed studies.

The following cautionary statements were included in the ASX announcement:

- The Scoping Study is a preliminary technical and economic study to determine the potential viability of the Pioneer Dome Lithium Project. It is based on low level technical and economic assessments that are not sufficient to support the estimation of Ore Reserves. Further exploration and evaluation work and appropriate studies are required before Essential will be able to estimate any Ore Reserves or to provide any assurance of an economic development case.
- Approximately 94% of the Life-of-Mine (LOM) Production Target is in the Indicated Mineral Resource category with only 6% in the Inferred Mineral Resource category. Essential has concluded that it has reasonable grounds for disclosing a Production Target which includes the 6% Inferred Mineral Resources given the characteristics of the deposits and the location of the Inferred Resources within the deposits.
- There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of further Measured or Indicated Resources or that the Production Target or preliminary economic assessment will be realised.
- It should be noted that the term “ore” was used in the announcement to describe mineralised material that mine optimisation modelling considered potentially economic.

⁶ Refer to ASX announcement dated 7 February 2023 titled “Pioneer Dome Scoping Study”. Essential confirms that it is not aware of any new information or data that materially affects the information included in the relevant announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant announcement continue to apply and have not materially changed.

It should not be confused with the stricter definition of economically extractable material as denoted by ore in an “Ore Reserve”.

- The Scoping Study is based on various material assumptions (as listed in the announcement), including the availability of funding. While Essential considers all the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the Scoping Study will be achieved.
- To achieve the range of outcomes indicated in the Scoping Study, funding of in the order of ~\$350 million will likely be required to cover capital expenditure and working capital. Investors should note that there is no certainty that Essential will be able to raise that amount of funding when needed.
- It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Essential's existing shares.
- It is also possible that Essential pursues other ‘value realisation’ strategies such as a sale, partial sale or joint venture of the project, such as is contemplated under the Scheme detailed in this Booklet.
- Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the Scoping Study.

Horse Rocks Lithium Project

The Horse Rocks Lithium Project is comprised of one tenement located approximately 60km north-northwest of the Pioneer Dome Lithium Project. Whilst the Project is located in proximity to lithium occurrences (e.g. the Mount Marion lithium mine is approximately 15km to the northeast), initial exploration activities have not determined the presence of pegmatite fractionation or lithium mineralisation thus far.

Gold Projects

Essential has two early-stage gold projects located near Kalgoorlie.

The Golden Ridge Gold Project (Essential: 100% non-nickel rights) is located 20km south-east of Kalgoorlie and is highly prospective for gold and nickel mineralisation. The Project lies within the well-endowed Menzies-Boorara Shear Zone that hosts the Paddington, Boorara and Golden Ridge Deposits.

The Juglah Dome Project (Essential: 100% all minerals) is located ~60km east-south-east of Kalgoorlie and is prospective for gold mineralisation. Exploration by previous owners identified multiple gold targets using soil geochemistry and drilling. The Project lies in a similar geological setting to the Majestic and Imperial Deposits, located 10km to the north-west, and the Daisy Complex to the west, which forms part of Silver Lake Resources Limited's Mt Monger Operations.

Joint Venture Interests

In addition to the Company's 100% owned and managed lithium and gold assets, Essential also holds an interest in 7 joint venture projects, as set out in the following table:

| Project | Mineral asset | Details |
|----------------|----------------------|--|
| Acra Project | Gold | The Acra Project is near Kalgoorlie. Northern Star Resources Limited (ASX:NST) has earned a 75% project interest and continues to fully fund exploration programmes until approval of a mining |

| | | |
|----------------------------|----------------------|--|
| | | proposal by DMIRS is received, with Essential holding a 25% interest. |
| Kangan Project | Gold | The Kangan Project is in the West Pilbara and is part of a joint venture (precious metals only) with Novo Resources Corp (TSX:NVO). Novo Resources Corp is funding 100% of the gold exploration programmes until a decision to mine is made, with Essential holding a 30% interest. |
| Balagundi Project | Gold and base metals | The Balagundi Project is subject to a farmin and joint venture agreement where Black Cat Syndicate Limited (ASX:BC8) (Black Cat) is earning a 75% interest in the project (which is located at Bulong, near Kalgoorlie). Black Cat's commitment is to fully fund the gold exploration programmes until a decision to mine is made, with Essential retaining a 25% interest. |
| Larkinville Project | Gold | Essential holds a 25% free-carried interest in the Larkinville Project near Kambalda, WA, with Maximus Resources Ltd (ASX:MXR). |
| Blair-Golden Ridge Project | Nickel | The nickel mineral rights on the Blair-Golden Ridge Project, which includes the suspended Blair Nickel Sulphide Mine, are subject to a farmin and joint venture with Australian Nickel Company Limited, a nickel exploration specialist which is earning up to a 75% interest in the nickel rights. Essential will retain a 25% free-carried interest up to a decision to mine. |
| Wattle Dam Project | Nickel | Essential holds a 20% free-carried interest (nickel only) in the Wattle Dam Project near Kambalda, WA, with Maximus Resources Limited (ASX:MXR). |
| Maggie Hays Project | Nickel | Essential holds a 20% free-carried interest in the Maggie Hays Project near Lake Johnson, WA, with Poseidon Nickel Limited (ASX:POS) |

Refer to Annexure A of this Scheme Booklet for a table containing Essential's tenement portfolio.

5.4 **Directors and senior management of Essential**

(a) **Directors**

The Directors of Essential as at the date of the Scheme Booklet are as follows:

- (1) Craig McGown – Independent Non-Executive Chair
- (2) Timothy Spencer – Managing Director
- (3) Paul Payne – Independent Non-Executive Director
- (4) Warren Hallam – Independent Non-Executive Director

Mr McGown is an investment banker with over 40 years of experience consulting to companies in Australia and internationally, particularly in the natural resources sector. He holds a Bachelor of Commerce degree, was a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia. Mr McGown is an executive director of the corporate advisory business New Holland Capital Pty Ltd and prior to that appointment was the chairman of DJ Carmichael Pty Limited. Mr McGown also chairs the Harry Perkins Institute for Respiratory Health, a not-for-profit organisation focused on prevention and treatment of all forms of respiratory disease. Mr

McGown brings to the Board a comprehensive knowledge of equity and debt markets and financing of resource projects.

Mr Spencer has over 25 years' experience in the resources sector and precious metals markets, working in various executive, accounting, treasury and finance roles including with three mining companies as an executive director and/or Chief Financial Officer and Company Secretary as well as with a large gold refining and trading enterprise. Mr Spencer joined the Company in October 2017, and prior to his appointment as Managing Director has served in the roles of Chief Executive Officer, Chief Financial Officer and Company Secretary.

Mr Payne is a Fellow of the Australasian Institute of Mining and Metallurgy and an experienced geologist with a strong technical background as well as senior executive and board experience across a range of commodities in both Australia and internationally. Mr Payne's experience includes the role of founding Managing Director of Dacian Gold Limited where he was instrumental in the initial major gold discoveries at its Mount Morgans project. Mr Payne is currently non-executive director of a number of ASX listed resource companies and continues to provide expert technical services to the resources industry through his consultancy PayneGeo.

Mr Hallam is a metallurgist, a mineral economist and holds a Graduate Diploma in Business. He has over 35 years of technical and commercial experience across numerous commodities and businesses within the resources industry including with top-tier mining companies Western Mining Corporation, Metals X Limited, Westgold Resources Limited and is currently Chairman of ASX listed Kingfisher Mining Limited and Nico Resources Limited. Mr Hallam was a member of the senior leadership team at Metals X (both as Executive Director and Managing Director) and played a critical role in the development of Metals X as a leading global tin producer and top-10 gold producer. Mr Hallam also held a range of senior operation, strategic and business development roles with diversified ASX-100 resource company Western Mining Corporation.

(b) **Essential senior management**

The senior management personnel of Essential as at the date of the Scheme Booklet are:

- (1) Andrew Dunn – Exploration Manager
- (2) Greg Fitzgerald – Company Secretary
- (3) Robert Sills – General Manager – Marketing and Strategy

5.5 **Essential securities and capital structure**

(a) **Essential securities on issue**

As at the date of this Scheme Booklet, the capital structure of Essential comprised of the following securities:

| Type of security | Number on issue |
|------------------------------|-----------------|
| Essential Shares | 267,566,694 |
| Essential Options | 3,700,002 |
| Essential Performance Rights | 3,544,104 |

| Terms of Essential Options | Number on issue |
|---|------------------|
| Options expiring 30-Sep-24 and exercisable at \$0.125 | 200,000 |
| Options expiring 30-Sep-24 and exercisable at \$0.175 | 200,000 |
| Options expiring 30-Sep-24 and exercisable at \$0.225 | 200,000 |
| Options expiring 31-Jan-24 and exercisable at \$0.25 | 500,000 |
| Options expiring 31-Jan-24 and exercisable at \$0.35 | 500,000 |
| Options expiring 31-Jan-24 and exercisable at \$0.45 | 500,000 |
| Options expiring 30-Jun-24 and exercisable at \$0.25 | 533,334 |
| Options expiring 30-Jun-24 and exercisable at \$0.35 | 533,334 |
| Options expiring 30-Jun-24 and exercisable at \$0.45 | 533,334 |
| Total of Options | 3,700,002 |

See section 9.5 for further information about the terms of the Essential Options and the treatment of the Essential Options and Essential Performance Rights in connection with the Scheme.

(b) **Substantial Essential Shareholders**

Based on publicly available information, as at the Last Practicable Date, Essential has received notification(s) from the following substantial shareholder(s) in accordance with section 671B of the Corporations Act:

| Name | Number of Essential Shares | Percentage shareholding |
|---|----------------------------|-------------------------|
| Odey Asset Management LLP and Odey Investment Plc | 21,929,094 | 8.20% |

(c) **Top 20 Essential Shareholders**

Based on the Register as at the Last Practicable Date, the top 20 Essential Shareholders held approximately 36.94% of the Essential Shares, as set out in the following table:

| | Name | Number of Essential Shares | Percentage shareholding |
|----|--|----------------------------|-------------------------|
| 1. | CITICORP NOMINEES PTY LIMITED | 25,085,768 | 9.38% |
| 2. | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 22,533,220 | 8.42% |
| 3. | NATIONAL NOMINEES LIMITED | 10,276,480 | 3.84% |
| 4. | WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C> | 6,765,070 | 2.53% |
| 5. | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 4,485,717 | 1.68% |

| | | | |
|-----|---|-------------------|---------------|
| 6. | BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | 3,596,726 | 1.34% |
| 7. | BNP PARIBAS NOMS PTY LTD <DRP> | 2,763,549 | 1.03% |
| 8. | DAY LIVIN PTY LTD | 2,698,000 | 1.01% |
| 9. | MRS SARA BROWNELL | 2,355,000 | 0.88% |
| 10. | BASILDENE PTY LTD <WARREN BROWN SUPER FUND A/C> | 2,302,235 | 0.86% |
| 11. | IONIKOS PTY LTD <MCGOWN SUPER FUND A/C> | 1,970,364 | 0.74% |
| 12. | MR THOMAS WAYNE SPILSBURY & MRS MARCEY EVA SPILSBURY <TIGER SUPER FUND A/C> | 1,910,080 | 0.71% |
| 13. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,761,362 | 0.66% |
| 14. | MR CHRISTOPHER ALLAN EAGLESHAM | 1,750,000 | 0.65% |
| 15. | MR MARK KEVIN PROCTOR | 1,497,905 | 0.56% |
| 16. | UBS NOMINEES PTY LTD | 1,484,030 | 0.55% |
| 17. | NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT> | 1,450,860 | 0.54% |
| 18. | RAFE PTY LTD <THE TOMASICH SUPER FUND A/C> | 1,400,000 | 0.52% |
| 19. | MR GABRIEL BERRA | 1,395,000 | 0.52% |
| 20. | CERTANE CT PTY LTD <BC1> | 1,361,514 | 0.51% |
| | TOTAL | 98,842,880 | 36.94% |

5.6 Recent Essential Share performance

The charts below shows the share price performance of Essential Shares and peer ASX companies with lithium Mineral Resources located in Australia as their primary asset. The chart in Figure 6 shows the share price performance for the Company and peer group for the 12 month period up to the last closing price before the Announcement Date and the chart in Figure 7 shows share price performance for the same companies from the Announcement Date to 15 March 2023.

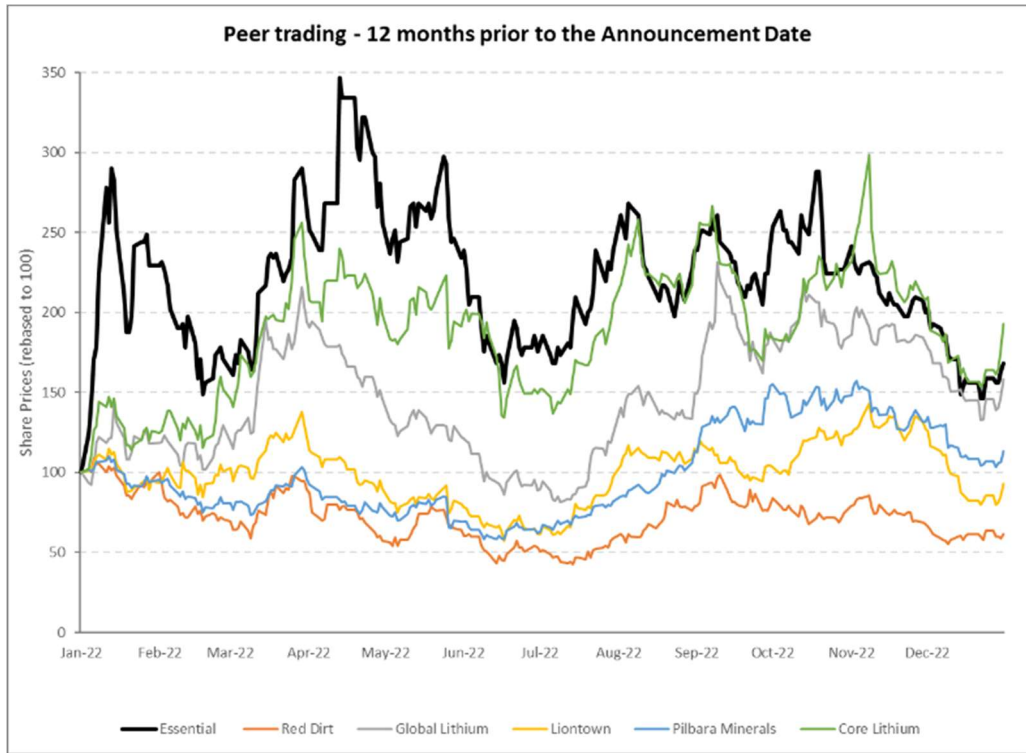


Figure 6 – Essential’s trading performance against peers with Australian lithium mineral resources in the 12 months prior to the Announcement Date

Source: Bloomberg. Market data as at 15 March 2023.

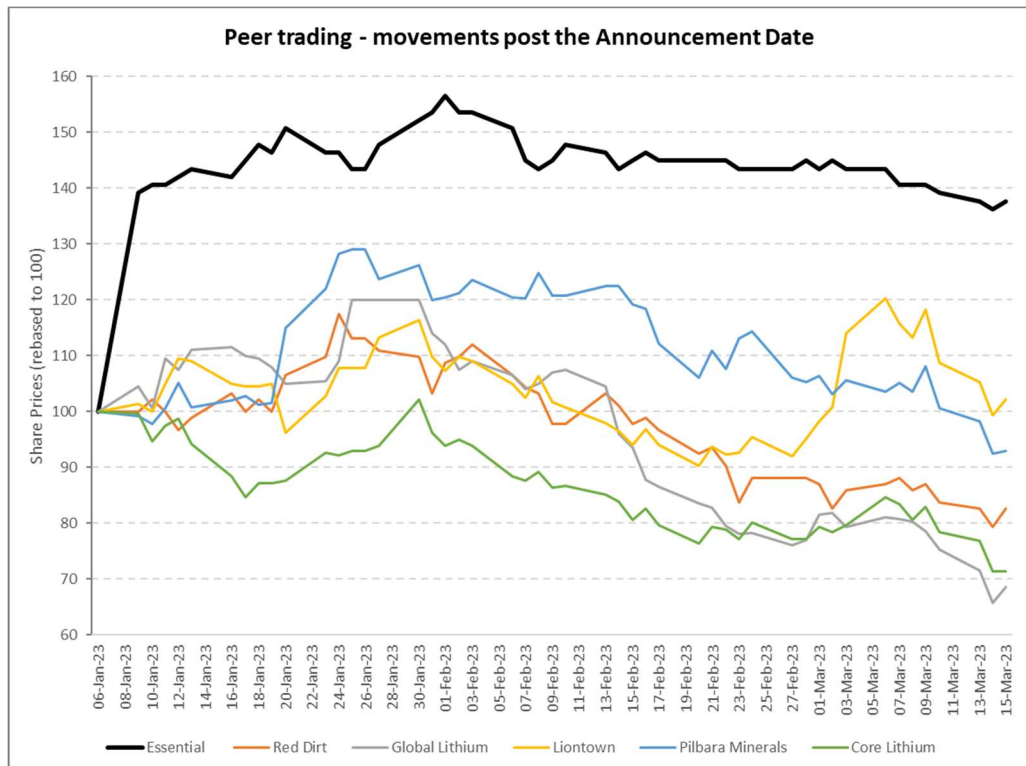


Figure 7 – Essential’s trading performance against peers with Australian lithium mineral resources post-Announcement Date

Source: Bloomberg. Market data as at 15 March 2023.

5.7 Financial profile of Essential

(a) Historical financial information

This section 5.7 contains financial information relating to Essential extracted from the audited financial statements of Essential for the years ending 30 June 2021 and 30 June 2022 and the audit reviewed financial statements of Essential for the half year ending 31 December 2022.

The historical financial information in this section 5.7 is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet only.

The historical financial information of Essential presented in this section 5.7 is in an abbreviated form and does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. Essential considers that for the purposes of this Scheme Booklet the historical financial information presented in an abbreviated form is more meaningful to Essential Shareholders.

The historical financial information of Essential presented in this Scheme Booklet has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards and is presented on a stand-alone basis, and accordingly, does not reflect any impact of the implementation of the Scheme (or the transactions contemplated by it).

Further detail about Essential's historical financial performance can be found in Essential's financial statements for the financial years ended 30 June 2021 (which are included in the Annual Report in respect of that financial year, which Essential released to ASX on 24 September 2021) and 30 June 2022 (which are included in the Annual Report in respect of that financial year, which Essential released to ASX on 28 September 2022). The audit reviewed financial statements of Essential for the half year ending 31 December 2022 can be found in the Half Year Report in respect of that half year, which Essential released to ASX on 8 March 2023. Copies of these documents can be obtained, free of charge, from ASX's website (www.asx.com.au) or from the Essential website (www.essmetals.com.au).

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(b) **Historical consolidated statement of profit or loss and other comprehensive income for full year ended 30 June 2021, 30 June 2022 and half year ended 31 December 2022**

| | 31 December 2022 (Reviewed Accounts) \$'000 | 30 June 2022 (Audited) \$'000 | 30 June 2021 (Audited) \$'000 |
|--|---|--|--|
| CONTINUING OPERATIONS | | | |
| Other income | 411 | 526 | 567 |
| Interest income | 94 | 30 | 46 |
| Exploration expenditure | - | (3) | (100) |
| Employee benefits expense (incl. director fees) | (363) | (783) | (738) |
| Compliance & regulatory expenses | (132) | (188) | (166) |
| Consultancy expenses | (144) | (274) | (93) |
| Business development & investor relations | (188) | (219) | (106) |
| Administration costs | (86) | (143) | (133) |
| Interest expense | (12) | (10) | (17) |
| Exploration and evaluation expenditure written off | - | (113) | (477) |
| Depreciation - Right-of-use assets | (22) | (32) | (84) |
| Depreciation - Plant, equipment and motor vehicles | (3) | (14) | (23) |
| Loss on disposal of plant, equipment and motor vehicles | - | (18) | (35) |
| Foreign exchange differences | - | (1) | (22) |
| Share based payments | (45) | (165) | (107) |
| LOSS BEFORE TAX | (490) | (1,407) | (1,383) |
| Income tax | - | - | - |
| LOSS FOR THE PERIOD FOR CONTINUING OPERATIONS | (490) | (1,407) | (1,383) |
| OTHER COMPREHENSIVE LOSS | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation of foreign operations | - | (91) | (17) |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Changes in the fair value of financial assets | (38) | 75 | (172) |
| TOTAL OTHER COMPREHENSIVE LOSS | (38) | (16) | (155) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD NET OF INCOME TAX | (528) | (1,423) | (1,538) |
| LOSS PER SHARE FROM CONTINUING OPERATIONS | | | |
| Basic and diluted net loss per share attributable to ordinary equity holders | (0.19c) | (0.59c) | (0.77c) |

(c) **Historical consolidated statement of financial position for full year ended 30 June 2021, 30 June 2022 and half year ended 31 December 2022**

| | 31 December 2022 (Reviewed Accounts) \$'000 | 30 June 2022 (Audited) \$'000 | 30 June 2021 (Audited) \$'000 |
|--|---|--|--|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 9,779 | 10,527 | 5,466 |
| Trade and other receivables | 459 | 443 | 15 |
| Investments | 75 | 113 | 273 |
| Prepayments | 15 | 44 | 36 |
| TOTAL CURRENT ASSETS | 10,328 | 11,127 | 5,790 |
| NON-CURRENT ASSETS | | | |
| Exploration and evaluation expenditure | 19,438 | 16,726 | 15,430 |
| Right-of-use assets | 231 | 253 | 171 |
| Plant, equipment and motor vehicles | 97 | 95 | 147 |
| Bank restricted deposits | 21 | 21 | 22 |
| TOTAL NON-CURRENT ASSETS | 19,787 | 17,095 | 15,770 |
| TOTAL ASSETS | 30,115 | 28,221 | 21,560 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 239 | 564 | 223 |
| Provisions | 739 | 1,122 | 755 |
| Lease Liabilities | 21 | 43 | 47 |
| TOTAL CURRENT LIABILITIES | 999 | 1,729 | 1,025 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | 229 | 210 | 132 |
| TOTAL NON-CURRENT LIABILITIES | 229 | 210 | 132 |
| TOTAL LIABILITIES | 1,228 | 1,938 | 1,157 |
| NET ASSETS | 28,887 | 26,283 | 20,403 |
| EQUITY | | | |
| Contributed equity | 53,237 | 50,150 | 44,538 |
| Reserves | 1,357 | 1,350 | 1,193 |
| Accumulated losses | (25,707) | (25,217) | (25,328) |
| TOTAL EQUITY | 28,887 | 26,283 | 20,403 |

(d) **Historical consolidated statement of cash flows for full year ended 30 June 2021, 30 June 2022 and half year ended 31 December 2022**

| | 31 December 2022 (Reviewed Accounts) \$'000 | 30 June 2022 (Audited) \$'000 | 30 June 2021 (Audited) \$'000 |
|--|---|--|--|
| CASH FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | - | - | 369 |
| Payments to suppliers and employees | (845) | (1,500) | (1,225) |
| Interest received | 57 | 20 | 22 |
| Other income received | 11 | 13 | 21 |
| Exploration expensed | - | (3) | (100) |
| Income tax paid | (4) | - | 36 |
| NET CASH USED IN OPERATING ACTIVITIES | (781) | (1,470) | (877) |
| INVESTING ACTIVITIES | | | |
| Payments for exploration and evaluation | (3,012) | (2,787) | (2,512) |
| Payments for plant and equipment | (27) | (17) | (72) |
| Receipts from sales of plant, equipment and motor vehicles | - | - | 35 |
| Proceeds from the relinquishment of tenement rights | - | 401 | 325 |
| Proceeds from the sale of listed investments | - | - | 322 |
| Proceeds from the sale of subsidiaries | - | - | - |
| Payments relating to the disposal of subsidiaries | - | - | - |
| Payments for the purchase of royalty rights | - | - | (150) |
| Government incentives received | - | - | 131 |
| NET CASH FROM INVESTING ACTIVITIES | (3,039) | 962 | (1,921) |
| FINANCING ACTIVITIES | | | |
| Repayment of lease liabilities | (15) | (50) | (81) |
| Proceeds from the issue of shares | 3,087 | 5,965 | 4,190 |
| Payments for share issue transaction costs | - | (346) | (236) |
| NET CASH FROM FINANCING ACTIVITIES | 3,072 | 5,569 | 3,873 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (748) | 5,061 | 1,075 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 10,527 | 5,466 | 4,391 |
| Effect of foreign exchange rate changes | - | - | - |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 9,779 | 10,527 | 5,466 |

(e) **Material changes in Essential's financial position**

Other than;

- (1) the accumulation of losses in the ordinary course of trading; and
- (2) as disclosed in this Scheme Booklet or as otherwise disclosed to ASX by Essential, including particularly clause 5.7 arising from the audit reviewed financial statements of Essential for the half year ending 31 December 2022,

to the knowledge of the Directors, the financial position of Essential has not changed materially since 30 June 2022, being the last date of the period to which the financial statements for the financial year for the year ended 30 June 2022 relate. Copies of Essential's periodic reports can be obtained from Essential's website at www.essmetals.com.au, ASX's website at www.asx.com.au and from Essential free of charge following a request in writing via email: info@essmetals.com.au, or, by post: PO Box 1787 West Perth WA 6872, to be received before the Scheme is approved by the Court.

5.8 Directors' intentions for the business

The Corporations Regulations require a statement by the Directors of their intentions regarding Essential's business. If the Scheme is implemented, TLEA has stated that it intends to reconstitute the Board as appropriate for such an entity. It is for the reconstituted Board to determine its intentions as to;

- (a) the continuation of the business of Essential or how the existing business will be conducted;
- (b) any major changes to be made to the business of Essential; or
- (c) the future employment of the present employees of Essential,

and accordingly, it is not possible for the Directors to provide such a statement at this time. Essential Shareholders should refer to section 6.6 as to the intentions of TLEA.

5.9 Publicly available information about Essential

Essential is a disclosing entity as defined in the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules. Broadly, these require Essential to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Essential is also required to prepare and lodge with ASIC and ASX both annual and half-year financial statements.

Further announcements concerning Essential will continue to be made available on ASX's website (www.asx.com.au, ASX:ESS), or alternatively Essential's website (www.essmetals.com.au) after the date of this Scheme Booklet.

6. Overview of TLEA

6.1 Introduction

This section 6 forms part of the TLEA Information and has been prepared by, and is the responsibility of, TLEA. This section 6 contains information relating to TLEA and outlines how TLEA is funding the Scheme Consideration and its vision, intentions, views and opinions in relation to Essential.

Essential and its Directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the information in this section.

6.2 Overview of TLEA

TLEA is an incorporated joint venture owned 51% by Tianqi Lithium Corporation and 49% by IGO Limited. Tianqi Lithium Corporation is a global energy materials company listed on both the Shenzhen and Hong Kong Stock Exchanges and capitalised as at 13 February 2023 at ~US\$21 billion. IGO Limited is an ASX 100 listed exploration, mining, and processing company which produces metals critical for clean energy and is capitalised as at 13 February 2023 at ~\$11 billion.

TLEA owns an integrated lithium ore to chemical business, including a 51% interest in the Greenbushes lithium operation (Albemarle Corp, 49%), operated by Talison Lithium, and 100% of the Kwinana lithium hydroxide refinery, both located in Western Australia.

The summarised corporate structure of TLEA as at the date of this Scheme Booklet is set out below.

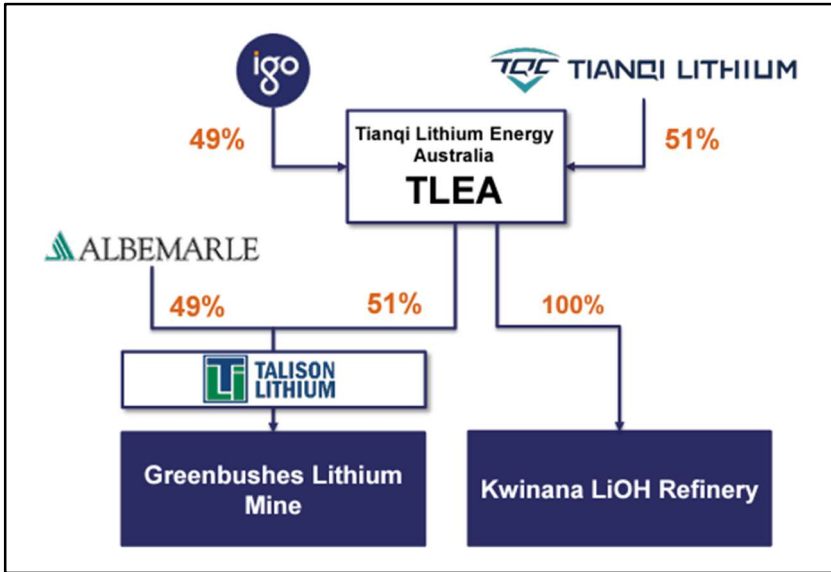


Figure 8 – Summarised TLEA Corporate Structure

TLEA is passionate about delivering products needed to help decarbonise the world, while also paving the way for advanced manufacturing in Australia. Through its upstream mining and downstream processing assets, TLEA is enabling future-facing technologies including the electrification of transport and energy storage.

As a purpose led organisation with strong values and a culture of creating a legacy of success, being outcome focused, empowering one another, collaborating openly, and focusing on innovation, TLEA aims to become a key global lithium supplier.

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TLEA has built the first battery-grade lithium hydroxide refinery in Australia, and in doing so has pioneered a new local industry and paved the way for Australia to be a major player in decarbonising the world's economy.

Overview of TLEA's Operations

TLEA is headquartered in the Perth CBD and oversees an operating hard rock spodumene mine located in Greenbushes and a lithium hydroxide chemical refinery located in Kwinana.

A map showing the locations of TLEA's operating mining and refining assets is set out below:



Figure 9 – TLEA operating asset locations

Greenbushes Lithium Mine

Greenbushes is operated by Talison Lithium, an incorporated joint venture owned by TLEA (51%) and Albemarle Corporation (49%). Through Talison Lithium, TLEA has significant expertise in the development and operation of hard rock lithium mining assets, in addition to the construction and operation of spodumene mineral processing infrastructure.

The Greenbushes mine is located ~250kms south of Perth and is a large-scale, long life, low cost hard rock lithium mine and producer of high quality spodumene concentrate. Formerly a tin mine, Greenbushes is the longest continuously operated mining area in Western Australia and has been an active lithium mine since 1983. It consists of a large open pit mine with three onsite concentrator facilities producing spodumene concentrate of both technical and chemical grade qualities.

TLEA continues to invest in the development and expansion of the Greenbushes mine. The mine has a spodumene concentrate production capacity of ~1.5Mtpa (on a 100% basis) following an expansion via a tailings retreatment plant; and future chemical grade plant #3 (expected to commission in 2025) to increase spodumene concentrate production capacity up to 2.0Mtpa. The current Talison Lithium mine life has been estimated at ~21 years given known mineral resources.



Figure 10 – Greenbushes lithium mine main pit

Kwinana Lithium Hydroxide Plant

The Kwinana plant is one of the first fully automated battery grade lithium hydroxide refineries globally, and the first to be built in Australia. Kwinana is ~40kms south of Perth, Western Australia, located adjacent to major supply chain logistics and ~200kms north of Greenbushes which supplies the refinery with spodumene concentrate.

Since 2016, over \$1 billion has been invested to build and optimise the Kwinana plant. More than 900 employees and contractors were employed during the design and construction phase, with more than 200 people employed to operate the refinery.

The Kwinana plant consists of two individual production trains with a combined nameplate capacity of 48,000tpa of lithium hydroxide once in full production (24ktpa per train). Train 1 has completed a programme of commissioning and commenced a period of production ramp-up. Train 2 is partly complete and TLEA is working with contractors to recommence the construction and subsequent commissioning of train 2 which is expected to employ an increasing number of local contractors and staff.

In May 2022, TLEA proudly announced the manufacture of Australia's first battery grade lithium hydroxide monohydrate. The integration of the mining and chemical manufacture in Western Australia offers significant benefits including the development of new industries, a reduction in carbon footprint, empowering local talent, increasing supply chain resilience and enabling circular economy benefits.

Lithium hydroxide from Kwinana will be sold to leading international battery manufacturers, which are demanding high quality, ethically produced lithium hydroxide for their latest generation of high-performance lithium-ion batteries.

Following TLEA's investment, additional lithium refineries are now being planned and constructed in Western Australia to underpin the development of a new lithium chemical industry in Australia.



Figure 11 – Kwinana lithium hydroxide refinery

6.3 Directors and management of TLEA

(a) TLEA Board

The TLEA Board comprises of two Tianqi Lithium Corporation nominee directors, two IGO Limited nominee directors and an independent director. As at the date of this Scheme Booklet, the TLEA Board comprises of:

| Name | Position |
|----------------|----------------------|
| Anqi Jiang | Chair |
| Frank Ha | Director |
| Matt Dusci | Director |
| Michael Nossal | Director |
| James Clarke | Independent Director |

(b) TLEA Senior Management

As at the date of this Scheme Booklet, TLEA’s key management personnel are, in addition to the members of the TLEA Board listed above:

| Name | Position |
|-----------------|-------------------------------------|
| Raj Surendran | Chief Executive Officer |
| Struan Richards | Chief Financial Officer |
| Chris Tylich | General Counsel & Company Secretary |
| Paul De Nardi | Head of Corporate Development |
| Sarah Terrell | Head of Human Resources |

6.4 Rationale for TLEA’s acquisition of Essential

TLEA is committed to invest and grow its position in the lithium industry given the positive long-term market fundamentals and strong demand growth outlook for battery grade lithium chemicals. Securing additional lithium resources will become increasingly important as a key competitive advantage enabling future growth.

The Essential acquisition aligns with TLEA’s broader strategy of asset diversification and desire to further develop new lithium resources to underpin growth.

TLEA intends to accelerate the Essential lithium exploration activities to bring new resources into production and address the market deficit for lithium materials. Development of the Pioneer Dome Lithium Project will provide TLEA with exposure to a new lithium mining area and further processing optionality for the world-class lithium hydroxide refinery at Kwinana.

The boards of both TLEA and Essential (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Essential Shareholders) believe the proposed acquisition represents the best value path forward for both sets of shareholders. Essential shareholders are receiving an immediate premium to last close prior to the Announcement Date, and a significant premium to the 30-day volume average weighted price. This includes a:

- 44.9% premium to Essential's last close on 6 January 2023; and
- 45.7% premium to Essential's 1-month VWAP up to and including 6 January 2023.

The reasons to vote in favour of the Scheme are discussed in more detail in section 1.2.

6.5 TLEA's funding arrangements for provision of Scheme Consideration

a) Overview

The Scheme Consideration is \$0.50 in cash per Essential Share. If the Scheme is implemented, Scheme Participants will be entitled to receive the Scheme Consideration per Scheme Share held on the Record Date.

The maximum aggregate amount of cash payable by TLEA to Essential shareholders under the Scheme will be approximately \$136M, based on the number of:

- Essential Shares on issue at the Last Practicable Date (being 267,566,694 Essential Shares);
- Essential Performance Rights at the Last Practicable Date (being 3,544,104 Essential Performance Rights); and
- Essential Options at the Last Practicable Date (being 3,700,002 Essential Options).

TLEA or one of its wholly owned Subsidiaries will provide Essential with sufficient funds to fund the Scheme Consideration. TLEA intends to fund the Scheme Consideration using its cash reserves and is not considering debt funding for the Scheme.

b) Cash Funding

The Scheme Meeting is currently proposed to be held in April 2023, with the Implementation Date scheduled for 5 of May 2023. As at the date of this Scheme Booklet, TLEA has sufficient cash reserves to fund the Scheme Consideration.

TLEA's cash and cash equivalents are not otherwise committed and are available to fund the Proposed Transaction, subject to working capital requirements. Further cash will be accumulated as TLEA's operations generate surplus cash flow ahead of the Implementation Date.

For the 12 months ended 31 December 2022, TLEA's shareholders have received in excess of \$1 billion in dividends from TLEA. The expectation is that there will be dividends payable in 2023. Given the investment in Essential, an appropriate amount of funds will be maintained in TLEA to fund the Scheme consideration together with ongoing business requirements.

On the basis of the arrangements described above, TLEA is of the opinion that it has a reasonable basis for holding the view, and holds the view, that it will be able to satisfy the funding commitments described in this section 6.5.

6.6 TLEA's intentions if the Scheme is implemented

The statements set out in this section 6.6 are based on information concerning Essential and its business, and the general business environment that is known to TLEA at the time of preparation of this Scheme Booklet. However, TLEA does not currently have knowledge of all information that is necessary to determine all the operational, commercial, taxation and financial implications of its current intentions.

If the Scheme is implemented, TLEA intends to conduct a detailed review of Essential's assets, operations and employee requirements. TLEA's final decisions on these matters will only be made in light of all material facts and circumstances at the relevant time and after having had the opportunity to review Essential's information in more detail after implementation of the Scheme.

Accordingly, the statements set out in this section 6.6 are statements of current intention only and may change as new information becomes available or as circumstances change.

If the Scheme becomes Effective, the current intentions of TLEA are set out below.

(a) Business, operations and assets

Based on its current understanding of Essential's business and subject to completion of the review referred to above, TLEA intends to continue to operate the Essential business in substantially the same manner as it is currently being operated. This will include proceeding with Essential's existing planned exploration and development projects (including the development of its key asset, the Pioneer Dome Lithium Project). However, TLEA will review Essential's operations to determine and implement improvements to deliver optimal outcomes for the TLEA Group.

(b) Essential Board

If the Scheme is implemented, TLEA will replace the Essential Board and its Subsidiaries with nominees of TLEA (who are yet to be identified as at the date of this Scheme Booklet).

(c) Employees and management team

TLEA recognises that the Essential employees and management team are an integral part, and key to the success, of TLEA's business.

TLEA may make changes to employee and management roles as a result of potential duplication or redundancy of some roles arising from Essential becoming part of the TLEA group and no longer being listed, although no determination has been made in respect of such changes. If redundancies do occur, the relevant employees will receive benefits in accordance with their contractual and other legal entitlements.

(d) Delisting of Essential

If the Scheme is implemented, an application will be made to ASX for Essential to be removed from ASX's official list, with effect from on or shortly after the Implementation Date.

6.7 Relevant interests in Essential's Shares

As at the date of this Scheme Booklet, TLEA and its Associates have no Relevant Interest in Essential's Shares.

6.8 **No dealing in Essential Shares in previous four months**

Apart from TLEA's offer to acquire all of Essential's Shares under the Scheme, none of TLEA nor to the best of its knowledge any of its Associates has provided or agreed to provide consideration for any Essential Shares under any other transaction during the period of four months before the date of this Scheme Booklet.

6.9 **No pre-transaction benefits to Essential Shareholders**

During the four months before the date of this Scheme Booklet, other than as set out in this Scheme Booklet, none of TLEA nor to the best of its knowledge any of its Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to vote in favour of the Scheme or dispose of Essential Shares, where the benefit was not offered to all Essential Shareholders.

6.10 **No pre-transaction benefits to Essential officers**

None of TLEA nor to the best of its knowledge any of its Associates will be making any payment or giving any benefit to any current officers of Essential as compensation for, or otherwise in connection with their resignation from their respective offices if the Scheme is implemented, other than as set out in section 6.6.

6.11 **Additional information**

Except as set out in this section 6, at the date of this Scheme Booklet there is no other information about TLEA or its intentions regarding Essential that is material to the making of a decision by an Essential Shareholder in relation to the Scheme, which is within the knowledge of any director of TLEA and has not previously been disclosed to Essential Shareholders.

7. Summary of Key Risks

7.1 Introduction

There are existing risks relating to Essential's business and investment in Essential which will continue to be relevant to Essential Shareholders if the Scheme does not become Effective. These risks include but are not limited to the risks outlined below.

This section outlines:

- (a) General investment risks (refer to section 7.2);
- (b) Specific risks associated with your current investment in Essential (refer to section 7.3); and
- (c) Specific risks relating to the Scheme (refer to section 7.4).

This section 7 is a summary only. There may be additional risks and uncertainties not currently known to Essential which may also have a material adverse effect on Essential's financial and operational performance now or in the future.

If the Scheme is approved and implemented, Scheme Participants will receive the Scheme Consideration, cease to be an Essential Shareholder, and will no longer be exposed to the risks set out below (and other risks to which Essential may be exposed).

You should carefully consider the risks summarised in this section 7, as well as the other information contained in this Scheme Booklet generally, before voting on the relevant Scheme Resolution. You should consult your legal, financial, taxation or other professional adviser if you are unclear or uncertain about any matter mentioned in this section 7 or elsewhere in this Scheme Booklet.

7.2 General investment risks

As with any entity with listed securities on ASX, the future prospects, operating and financial performance of Essential and the value of Essential Shares may be affected by a variety of factors. These factors may include;

- (a) changes in investor sentiment and overall performance of Australian and international stock markets;
- (b) changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- (c) economic and political factors in Australia and internationally, including economic growth;
- (d) changes in legislation and government, fiscal, monetary and regulatory policies including foreign investment and government or political intervention in export and import markets;
- (e) uncertainty around the likelihood, timing, franking or quantum of future dividends;
- (f) failure to make or integrate any future acquisitions or business combinations (including the realisation of synergies), significant one-time write-offs or restructuring charges, and unanticipated costs and liabilities;
- (g) changes in accounting or financial reporting standards; and
- (h) changes in taxation laws (or their interpretation).

7.3 **Specific risks associated with your current investment in Essential**

There are a range of business-specific risks associated with your current investment in Essential Shares, as set out below. You will only continue to be exposed to these risks if the Scheme does not proceed and you retain your investment in Essential Shares. While Essential has in place what it considers are appropriate policies and procedures to help manage these risks, there is no guarantee that Essential will be able to manage or mitigate these risks completely. Furthermore, certain aspects of these risks (or Essential's ability to respond to and manage them) may be partly or wholly outside of Essential's control.

(a) **Estimate risk in Mineral Resources**

Essential has estimated an Indicated and Inferred Mineral Resource at its Pioneer Dome Lithium Project. The Scoping Study completed in February 2023 (refer to ASX announcement dated 7 February 2023) to assess the business case for raising further funding to proceed with more detailed studies is a preliminary technical and economic study of the potential viability of the Pioneer Dome Lithium Project.

It is based on low level technical and economic assessments that are not sufficient to support the estimation of Ore Reserves. Further exploration and evaluation work and appropriate studies are required before Essential will be in a position to estimate any Ore Reserves or to provide any assurance of an economic development case.

The Mineral Resource is an estimate only and is based on interpretations, knowledge, experience and industry practice which may change when new techniques or information becomes available. You should be aware that inclusion of material in a Mineral Resource estimate does not require a conclusion that material may be economically extracted at the tonnages indicated, or at all. Estimates that are valid when made may change significantly when new information becomes available.

In addition, lithium (spodumene) concentrate price fluctuations, as well as increased production costs or reduced throughput and/or recovery rates, may render reserves and resources uneconomic and so may materially affect the estimates.

(b) **Project approvals and permitting**

Essential's activities are subject to various legislation, regulation and approvals. The introduction of any new legislation, be it amendments, the application of developments in existing common law or policies or the interpretation of those laws or policies could have a material adverse effect on Essential. Changes in government regulations may adversely affect the financial performance or the current and proposed operations generally of Essential.

In addition, Essential's projects may require from time to time various regulatory approvals by government for their operation and accordingly must comply with those approvals, applicable laws, regulations, guidelines and policies.

Specifically, Essential may require licences and approvals in relation to environmental matters, exploration, development and production of lithium, gold or nickel. There is a risk that Essential may not obtain, or may be delayed in obtaining the necessary licences and approvals in relation to its operations. This may affect the timing and scope of Essential's operations. The loss of granted tenements or concessions or the delay in obtaining lease or concession renewals may have a material adverse effect on Essential.

(c) **Pioneer Dome Lithium Project development risk**

The future value of Essential is materially dependent on the success or otherwise of the activities directed towards the development of the Pioneer Dome Lithium Project. New mining operations (particularly sole development projects) can often experience a range of issues during planning, development, construction and mine start-up, which could

delay the commencement of production. Risks include uncertainties associated with projected continuity of mineralisation, fluctuations in grades and value of lithium being mined, and a range of potential unforeseen operational and technical problems.

Developments may also be adversely affected or hampered by a variety of non-technical issues such as limitations on activities due to land access, power and water infrastructure and supply, seasonal changes, indigenous, heritage and environmental legislation, supply chain issues, mining legislation and many other factors, including capital cost increases, beyond the control of Essential.

Accordingly, there is no certainty the Pioneer Dome Lithium Project will progress to a profitable mining operation.

(d) **Results of studies**

Essential has recently completed a Scoping Study at the Pioneer Dome Lithium Project as per the ASX announcement dated 7 February 2023. Further feasibility studies and evaluation will be required before a potential development decision could be considered by the Essential Directors. These studies have been or will be completed within certain parameters designed to determine the technical and economic feasibility of the Pioneer Dome Lithium Project within certain limits.

There can be no certainty that these studies will confirm the technical and economic viability of the Pioneer Dome Lithium Project or confirm the results of previous studies undertaken by Essential. Even if future studies are completed and support the development of the Pioneer Dome Lithium Project, there can be no guarantee that the Pioneer Dome Lithium Project will be successfully brought into production.

The ability for Essential to complete a study may be dependent on Essential's ability to raise further funds to fund completion of the study.

(e) **Title**

All of the permits and licences in which Essential has an interest, will be subject to applications for grant of subsequent permits or licences (as the case may be). The renewal or grant of the terms of each permit or licence is usually at the discretion of the relevant government authority.

Additionally, permits are subject to a number of government specific legislative conditions. The inability to meet these conditions could affect the standing of a permit or restrict its ability to be renewed.

If a permit or licence is not renewed or granted, Essential may suffer significant damage through opportunity to develop and discover any Mineral Resources on that permit.

(f) **Changes in commodity price**

Essential's possible future revenues, based on its existing assets, will be from sale of lithium concentrate, gold, nickel and/or from royalties gained from potential joint ventures or from mineral projects sold. Consequently, Essential's potential future earnings could be closely related to the price of lithium concentrate, gold and nickel.

Fluctuations in the market price of lithium concentrate, gold and nickel could have a material impact on both the value of Essential's assets and Essential Shares. Commodity prices react to a variety of forces that are outside of the control of Essential including demand for minerals, forward selling by producers, production cost levels in major producing regions and macroeconomic factors, e.g. inflation, interest rates, currency exchange rates and global and regional demand for, and supply of minerals. Accordingly, the value of Essential Shares can be influenced by price fluctuations.

If the market price of lithium concentrate, gold and nickel were to fall below the costs of production and remain at such a level for any sustained period, Essential may curtail or suspend some or all of its potential future exploration and/or mining activities.

(g) **Lithium market**

The Pioneer Dome Lithium Project is seeking to produce a lithium spodumene concentrate. Demand for, and pricing of, spodumene concentrate is sensitive to a variety of external factors, most of which are beyond Essential's control. In particular, the supply and demand of lithium in various feedstock forms (including spodumene concentrate) is growing rapidly in response to the growth in manufacturing of electric vehicles.

There is a risk that the growth in electric vehicle production does not proceed at a sufficient rate or similar rate to support future growth in lithium product supply. There is also a risk that electric vehicle manufacturers adopt different technologies that may be less reliant on the use of lithium products. As a result, there is a risk that the long term spodumene concentrate price could settle at a point that could materially affect Essential's financial performance in the future.

Declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such reassessment may be the result of a management decision or may be required under financing arrangement related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Spodumene concentrate is not a commodity for which hedging or derivative transactions are commonly used to manage commodity price risk.

(h) **Off-take risk**

Lithium concentrates are commonly sold to customers under offtake contracts. Essential is yet to secure any lithium concentrate offtake contracts with potential customers. The Company's ability to generate sufficient revenue or to secure financing for the Pioneer Dome Lithium Project could be dependent upon its ability to secure offtakes covering future production at prices and on terms which support the economics and funding of the Company's projects.

(i) **Foreign exchange risk**

Lithium spodumene concentrate prices and potential future capital equipment purchases, operating inputs and services relating to the Pioneer Dome Lithium Project will likely be denominated in US dollars. Essential's income and expenditure are and will be taken into account in Australian dollars. This exposes Essential to the fluctuations and volatility of the rate of exchange between these currencies as determined by international currency markets.

(j) **Product risk**

Essential's possible future products, particularly lithium spodumene concentrate, must meet the existing and future customer specifications. These may pertain to mineralogy, fraction sizing, deleterious elements, ESG standards including carbon footprint, quantities and timing.

Failure to meet potential customer specifications may result in deliveries being rejected, punitive penalties or discounts deducted from the sale price and/or the customer seeking compensation due to the effects of the non-delivery of in-specification lithium concentrate.

(k) **Joint venture risk**

Essential is currently, and may in the future become a party to joint venture agreements governing the exploration and development of its projects. As with any joint venture, there is a risk that one or more of Essential's joint venture partners may default in their joint venture obligations or not act in the best interests of the joint venture. This may have an adverse effect on the interests and prospects of Essential.

(l) **Access to personnel and labour market risk**

Retaining and recruiting qualified personnel is critical to Essential's success. Competition for suitably qualified personnel is very strong and Essential, as with other entities in the mining industry, is exposed to challenges associated with attracting and retaining appropriately qualified personnel (including in connection with, or as a result of, impacts of COVID-19). If Essential cannot attract, motivate and retain suitably qualified personnel, and if those personnel do not operate effectively, it could adversely affect Essential's current exploration, development and future production operations and its future growth plans.

(m) **Access to contractors and service providers**

Given the high levels of activity in the resources industry currently, it may be difficult for the Company to procure access to the necessary services to undertake further exploration, feasibility and mine development related activities at its key projects.

(n) **Competition risk**

The lithium industry in which Essential is involved is subject to domestic and global competition. Although Essential will undertake all reasonable due diligence in its business decisions and operations, Essential will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the performance and price of Essential Shares.

(o) **Cost escalation, inflation and price increase risks**

The mining industry, particularly in Western Australia, is currently experiencing impacts related to cost escalation and price increases for inputs, services, equipment and labour. All costing and pricing used by the Company to estimate capex, opex and future funding required to deliver the Pioneer Dome Lithium Project are best estimates based on the Scoping Study as per Essential's ASX announcement on 7 February 2023. There can be no certainty that costs, and prices will not increase (including due to inflation in the ordinary course) between now and the Company making contractual commitments for each of the relevant Pioneer Dome Lithium Project inputs.

(p) **Financing risk**

Essential's continued ability to operate its business and effectively implement its business plan over time will depend in part on its ability to raise additional funds for future operations and to repay or refinance debts as they fall due.

There is risk that Essential may not be able to access equity or debt capital markets to support its business objectives.

If additional funds are raised through the issue of equity securities, the capital raising may be dilutive to Essential Shareholders (if Essential determines that a pro rata entitlement offer is not the most appropriate method of equity fundraising or Essential Shareholders elect not to participate in such entitlement offers) and such securities may, subject to requisite shareholder approval, have rights, preferences or privileges senior to those holding Essential Shares.

If sufficient funds are not available from capital markets to satisfy Essential's short, medium and long-term capital requirements, then this may adversely impact on Essential's operational, financial performance and financial position.

(q) **Material contracts**

The ability of Essential to operate its business will depend on the performance of the counterparties under various agreements it has entered into or may enter into in the future. If any counterparties do not meet their obligations under the respective agreements, this may impact on Essential's business and financial returns.

(r) **Environmental risk**

Essential's operations and activities are subject to extensive environmental laws and regulations in Australia. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted.

Significant liability could be imposed on Essential for damages, clean-up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by Essential or its subsidiaries, or non-compliance with environmental laws or regulations. Essential proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage.

(s) **Native title and Aboriginal heritage**

The area of the tenements which the Company has an interest in or will in the future acquire such an interest in, may be subject to native title rights and interests. If native title rights do exist (and have not been extinguished), the ability of the Company to gain access to tenements (through obtaining consent of the native title claimants or holders, or any relevant landowners as applicable), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

Two of the tenements comprising the Pioneer Dome Project are wholly overlapped by the Ngadju Part B (WCD 2017/002) native title determination (**Ngadju Determination**). The interests of the Ngadju people are represented by the Ngadju Native Title Aboriginal Corporation RNTBC (**NNTAC**). A number of other tenements are also overlapped by native title claims and determinations.

The grant of a mining tenement (where the grant constitutes a future act under the *Native Title Act 1993* (Cth) (**NT Act**)) attracts procedural processes under the NT Act. Where exploration licences have been applied for or granted over land (where the extinguishment of native title has not been confirmed), the future act provisions of the NT Act apply on future conversion to a mining lease. The future act process on conversion to a mining lease requires the parties to progress through the right to negotiate process under Subdivision P, Division 3, Part 2 of the NT Act, which has resulted in a section 31 deed and ancillary agreement or an indigenous land use agreement (**ILUA**) (being a voluntary agreement between a native title claimant group and others about the use and management of land and waters).

Part of the area of E15/1515 was recently converted to M15/1896 (conversion 658055) and according to the tenement register, has cleared the right to negotiate procedure, resulting in the grant of M15/1896.

Whilst Essential and NNTAC have agreements in place covering heritage protection and mining activities that include various forms of compensation to the benefit of NNTAC,

including a royalty linked to the sale of lithium minerals, there is potential for other compensation liability in respect of the tenements which overlap the determination area. The probability and potential quantum of native title compensation risk is uncertain.

Aboriginal cultural heritage

The NT Act recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. Separate legislation in each State and Territory of Australia (and at a Commonwealth level) also governs the protection of Aboriginal heritage, and regulates proposed impacts of development where site avoidance will not be possible. Native title and associated Aboriginal heritage matters may impact on Essential's operations and future plans (legally, and from a social licence to operate/external affairs perspective).

A "valid" exploration or mining tenement from a native title perspective (ie a tenement that, where applicable, has been granted in compliance with the relevant requirements of the NT Act) prevails over native title to the extent of any inconsistency for the duration of the title. In essence, while native title can co-exist with a valid exploration or mining tenement, the exploration or mining tenement holder may exercise their legal rights in priority to the traditional owners exercising their native title rights and interests.

There might be current or future circumstances where the validity of Essential's tenure (from a native title perspective) is challenged in the context of native title claims proceedings. These factors could have a material adverse effect on Essential's business, results of operations, financial condition and prospects.

There may be circumstances in which Essential might be found liable to pay native title compensation in relation to its tenure and/or operations thereon (including compensation for past native title impacts before the relevant tenure was acquired by Essential, where tenure is acquired from a third party and Essential was not the original grantee). No assurance can be given that Essential will be successful in defending any compensation claims or mitigating any native title compensation awards.

There may be Aboriginal heritage in or near the vicinity of Essential's current, planned, proposed or future operations. Impacting Aboriginal heritage is usually a criminal offence carrying significant penalties. Even when (where applicable) regulatory approvals are obtained that permit impacts on heritage, proceeding with operations in that situation can still carry significant external affairs risk that may impact a proponent's social licence to operate.

Heritage legislation and policy across Australia, at both a Commonwealth and State/Territory level, is also the subject of numerous ongoing and proposed reforms exposing projects to additional risk.

In Western Australia, it is anticipated that the new cultural heritage legislation (*Aboriginal Cultural Heritage Act 2021 (WA) (ACH Act 2021)*) will come into effect this year and the existing *Aboriginal Heritage Act 1972 (WA) (AH Act)* is expected to be repealed. The repeal of the AH Act will mark the end of the section 18 approvals process under the AH Act, and proponents will need to undertake a due diligence assessment for activities that may harm Aboriginal cultural heritage, and depending on the classification of the activity (the classification of such activities will be specified in the regulations, which are being prepared), a proponent may require an Aboriginal Cultural Heritage (**ACH**) permit or an approved or authorised ACH plan.

(t) Industrial risk

Industrial disruptions, work stoppages and accidents in the course of Essential's operations could result in losses and delays, which may adversely affect profitability.

(u) **Insurance arrangements**

Essential intends to ensure that insurance is maintained within ranges of coverage that Essential believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance, however, can be given that Essential will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

Insurance of risks associated with minerals exploration is not always available and, where available, the costs can be prohibitive. There is a risk that insurance premiums may increase to a level where Essential considers it unreasonable or not in its interests to maintain insurance cover or not to a level of coverage which is in accordance with industry practice. Essential will use reasonable endeavours to insure against the risks it considers appropriate for Essential's needs and circumstances. However, no assurance can be given that Essential will be able to obtain such insurance coverage in the future at reasonable rates or that any coverage it arranges will be adequate and available to cover claims.

(v) **Exploration expenditure risk**

The terms of Essential's granted tenements include minimum expenditure requirements. Whilst Essential has raised and allocated funds for its exploration program to, in part, meet these expenditure requirements the actual expenditure Essential undertakes may be insufficient to meet those requirements. Whilst there is a risk that the terms of the tenements may not be able to be complied with, Essential intends to mitigate this risk by re-evaluating their exploration program and budget, or considering other options including, where appropriate in accordance with normal industry practice, surrendering parts of its tenements in order to manage its minimum expenditure obligations.

(w) **Exploration, evaluation and development risks**

Mineral exploration, development and production are high-risk undertakings. While Essential believes it has good quality assets, even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Development and mining activities will be subject to numerous operational risks, many of which are beyond Essential's control. Operations may be curtailed, delayed or cancelled as a result of factors such as adverse weather conditions, mechanical difficulties, shortages in or increases in the costs of consumables, spare parts, plant and equipment, external services failure (such as energy and water supply), industrial disputes and action, difficulties in commissioning and operating plant and equipment, IT system failures, mechanical failure or plant breakdown, and compliance with governmental requirements.

Hazards incidental to the development and mining of mineral properties such as unusual or unexpected geological formations may be encountered, seismic activity, wall failure, cave-ins or slides, burst dam banks, flooding, fires, interruption to, or the increase in costs of, services (such as water, fuel or transport), sabotage, community, government or other interference and interruption due to inclement or hazardous weather conditions. Industrial and environmental accidents could lead to substantial claims against Essential for injury or loss of life, and damage or destruction to property, as well as regulatory investigations, clean up responsibilities, penalties and the suspension of operations.

Essential will endeavour to take appropriate action to mitigate these operational risks (including by ensuring legislative compliance, properly documenting arrangements with counterparties, and adopting industry best practice policies and procedures) or to insure against them, but the occurrence of any one or a combination of these events may have a material adverse effect on the Essential Group's performance and the value of its assets.

(x) **Metallurgical risks**

The economic viability of mineralisation depends on a number of factors such as the development of an economic process route for concentrates, which may or may not ultimately be successful. Further, changes in mineralogy may result in inconsistent or lower recovery rates.

(y) **COVID-19 risk**

The global economic outlook is facing continuing uncertainty due to the current COVID-19 pandemic, which has had, and will likely continue to have, a significant direct and indirect impact on global capital markets, commodity prices, foreign exchange rates, supply chains and labour availability and flexibility. The likelihood and severity of any potential impacts are however impossible to accurately predict. Any COVID-19 infections on site or amongst Company employees could result in delays or suspensions of the Company's operations.

Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty caused by the COVID-19 pandemic, also adversely impact the Company's operations, financial position and prospects. The Company is monitoring the situation closely to anticipate and circumvent any potential supply chain disruptions, but there is a risk that adverse impacts of COVID-19 will not be able to be mitigated in practice.

(z) **Litigation risk**

All industries, including the mining industry, may be subject to legal claims whether or not they have merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which Essential is or may become subject could have a material effect on its financial position, results of operations or Essential's activities. As at the date of this Scheme Booklet, Essential is not aware of any litigation or disputes being undertaken which is material in the context of Essential and its subsidiaries taken as a whole.

(aa) **Unknown risks**

Additional risks and uncertainties not currently known to Essential may also have a material adverse effect on Essential's financial and operational performance. The information set out in this section 7 does not purport to be, nor should it be construed as, an exhaustive overview of the risks which may affect Essential.

7.4 **Specific risks relating to the Scheme**

(a) **Tax consequences**

If the Scheme becomes Effective, there will be tax consequences for the Scheme Participants which may include tax being payable. For further details regarding the general Australian tax consequences of the Scheme refer to section 8 of this Scheme Booklet. The tax consequences may vary depending on the nature and characteristics of Scheme Participants and their specific circumstances. Accordingly, you should seek professional tax advice in relation to your specific circumstances.

(b) **Risks if the Scheme is implemented**

If the Scheme is implemented, you will no longer be an Essential Shareholder and will forgo any future benefits that may result from being an Essential Shareholder. In particular, if the Scheme is implemented, you will not be able to participate in the future financial and share performance of Essential, retain any exposure to Essential's business or assets or have the opportunity to share in any value that could be generated by Essential in the future. However, there is no guarantee as to Essential's future performance, or its future share price and financial performance, as is the case with all investments. Essential Shareholders may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of Essential, or may incur transaction costs in undertaking any new investment.

(c) **Approvals may be delayed, conditioned or not obtained**

There is the risk that the Court may not approve the Scheme, or may only be willing to approve the Scheme subject to conditions that Essential and / or TLEA (as applicable) are not prepared to accept. There is also a risk that some or all of the aspects of the Essential Shareholder and Court approvals required for the Scheme to proceed may be delayed.

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8. Tax Implications for Scheme Participants

8.1 Scope

The following is a general summary of the potential Australian tax consequences for Scheme Participants disposing of their shares under the Scheme and has been prepared on the basis of the existing Australian tax laws and administrative practices applicable as at the date of this Scheme Booklet, which may be subject to change periodically (including with retrospective effect).

The comments below on income tax are based on the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth) (collectively referred to as the **Tax Act**) and relevant Australian Taxation Office pronouncements as at the date of this Scheme Booklet. It is not intended to be authoritative or complete statement of the law applicable to particular circumstances of any Scheme Participant.

This section only discusses Australian tax considerations. Section 8.2(a) is relevant to Scheme Participants who are Australian residents for tax purposes and section 8.2(b) is relevant to non-resident Scheme Participants. Both sections 8.2(a) and 8.2(b) only apply to Scheme Participants who hold their Essential Shares on capital account for Australian income tax purposes. Section 8.3 is relevant for all Scheme Participants.

This summary does not consider the taxation implications for those Scheme Participants who hold their Essential Shares on revenue account, as trading stock or as assets used in carrying on a business or who are subject to the “taxation of financial arrangements” rules in division 230 of the Tax Act in relation to gains and losses on their Essential Shares. Scheme Participants who fall within these circumstances should seek their own independent tax advice.

Except where otherwise stated, this summary does not apply to Scheme Participants that are partnerships, trusts, or individuals who are partners of the partnership or beneficiaries of the trusts. If a partnership or trust is a Scheme Participant, the partners of the partnership or the beneficiaries of the trust should consult their own tax advisers in relation to the Australian taxation consequences to the partnership or trust (as applicable) participating in the Scheme.

All Scheme Participants are advised to seek independent professional advice in relation to their particular circumstances. Non-resident Scheme Participants should seek their own advice on income tax consequences.

8.2 Australian income tax consequences of the Scheme

This section applies to Essential Shareholders who hold their Essential Shares on capital account.

In general, the Capital Gains Tax (**CGT**) regime operates to include gains resulting from the growth of capital assets (CGT assets) in a taxpayer’s taxable income, in the income tax year in which the agreement effecting the disposal of those assets is entered into. Concessions may be available to certain taxpayers, most notably to individuals, trusts and complying superannuation entities where the CGT assets are held for more than 12 months.

It should also be noted that the tax consequences will vary depending on the identity of the Scheme Participant. Certain exemptions available to individuals and trusts may not be available to companies and different tax rates will also apply.

(a) Australian Resident Scheme Participants

Capital Gains Tax – general

Scheme Participants holding their Essential Shares on capital account will trigger a CGT event on the disposal of their Essential Shares under the Scheme and may be subject to CGT.

An Australian tax resident Scheme Participant will make a capital gain equal to the amount by which the capital proceeds from the disposal exceeds the cost base of the Essential Shares disposed of under the Scheme. Subject to the availability of the CGT discount (see below) and any capital losses available to be offset against the capital gain, the net capital gain would be included in the Scheme Participant's assessable income for income tax purposes.

A Scheme Participant will make a capital loss equal to the amount by which the reduced cost base of the Essential Shares disposed of by the Scheme Participant under the Scheme exceeds the capital proceeds from that disposal. A capital loss may be carried forward and used to offset capital gains made in future income years (subject to the satisfaction of certain loss recoupment tests applicable to companies and trusts). Capital losses may be applied to reduce capital gains, but cannot be applied to reduce other categories of income.

Capital proceeds from the disposal

The capital proceeds from the disposal of Essential Shares will consist of the Scheme Consideration.

Cost base of Essential Shares

The cost base of Essential Shares will generally be equal to the cost of acquiring the Essential Shares, including any stamp duty and brokerage fees.

Capital gain

If the capital proceeds from the disposal are greater than the cost base of the Essential Shares (resulting in a capital gain), and after the application of any available CGT discount or capital losses, any net capital gain of the Scheme Participant would be required to be included in their assessable income for income tax purposes.

CGT discount

Any Scheme Participant who is an individual, a trust or a complying superannuation entity may be entitled to apply the CGT discount against any capital gain realised from the disposal of Essential Shares that have been held for more than 12 months prior to their disposal under the Scheme.

If applicable, the CGT discount is applied to the remaining capital gain after it has been reduced by any available capital losses, to arrive at the Scheme Participant's net capital gain. The net capital gain is the amount the Scheme Participant is required to include in their assessable income for income tax purposes. The methodology for calculating the CGT discount for trusts is complex and such trust Scheme Participants and their respective beneficiaries should obtain specific tax advice.

The CGT discount for individuals and trusts is 50% and 33.3% for complying superannuation entities. Companies are not eligible for the CGT discount.

The CGT discount is also not available to Scheme Participants who hold their Essential Shares on revenue account or as trading stock.

Capital Loss

To the extent the capital proceeds received by the Scheme Participant from the disposal of their Essential Shares under the Scheme are less than the Scheme Participant's reduced cost base of those Shares, the Scheme Participant will make a capital loss.

(b) Non-resident Scheme Participants

Non-resident Scheme Participants may disregard capital gains or losses associated with the disposal of their Essential Shares, unless those shares are “taxable Australian property” (**TAP**) at the time of disposal.

Essential Shares will be TAP if, broadly:

- (1) the Scheme Participant and its associates hold a 10% or more shareholding in Essential and the value of the Essential Shares is principally attributable to Australian real property; or
- (2) the Essential Shares have been used by the Scheme Participant at any time in carrying on a business through a permanent establishment in Australia; or
- (3) the Essential Shares are covered by subsection 104-165(3) of the Tax Act (choosing to disregard a capital gain or capital loss on ceasing to be an Australian resident).

A non-resident Scheme Participant who suspects their Essential Shares may constitute TAP should obtain their own independent tax advice concerning their possible Australian income tax obligations.

Non-resident Scheme Participants should also obtain specific advice on the application of the laws in their country of residence in determining the tax consequences of the disposal of Essential Shares.

8.3 Australian goods and services tax and stamp duty

No Australian Good and Services Tax (**GST**) will generally be payable by Scheme Participants in respect of the actual disposal of their interests under the Scheme.

However, GST may be incurred by a Scheme Participant on transaction costs incurred such as fees charged by a professional adviser that they have engaged to advise them on the Scheme. In these circumstances, there may, be some restrictions imposed upon Scheme Participants in respect of their ability to recover any GST paid in the form of tax input credits on such costs incurred. This is a complex area of Australian GST Law and Scheme Participants should seek their own independent GST advice in this regard.

No Australian stamp duty will be payable by Scheme Participants under the Scheme.

9. Other Information

9.1 Introduction

This section includes additional information that the Directors consider is material to a decision on how to vote on the Scheme Resolution to be considered at the Scheme Meeting to approve the Scheme.

In this section, the terms, 'executive officer', 'marketable securities', and 'subsidiary' have the meanings given to them in the Corporations Act.

9.2 Interests of the Directors in Essential Shares

As at the date of this Scheme Booklet, the Directors have the following Relevant Interests in Essential Shares:

| Director | Number of Essential Shares | Percentage Interest in Essential Shares (undiluted basis) |
|---|----------------------------|---|
| Craig McGown (Independent Non-Executive Chair) | 2,177,031 | 0.81% |
| Timothy Spencer (Managing Director) | 1,289,411 | 0.48% |
| Paul Payne (Independent Non-Executive Director) | 930,569 | 0.35% |
| Warren Hallam (Independent Non-Executive Director) | 200,000 | 0.07% |

Each Director will vote or procure the voting of their Director Shares in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of the Essential Shareholders.

No Director has acquired or disposed of a Relevant Interest in any Essential Share or other security in the four month period ending on the date immediately before the date of this Scheme Booklet except for Timothy Spencer, who following approval of shareholders at the Annual General Meeting held on 22 November 2022, was issued 219,718 Performance Rights on 23 November 2022 in accordance with the Company's 2022 Employee Securities Incentive Plan.

9.3 Interests of the Directors in Essential Performance Rights and Essential Options

The table below show the Essential Performance Rights and Essential Options held directly or indirectly by the Directors.

| Director | Number of Essential Performance Rights | Number of Essential Options |
|---|--|-----------------------------|
| Timothy Spencer (Managing Director) | 1,970,181 | 1,500,000 |
| Craig McGown (Independent Non-Executive Chair) | - | 1,000,002 |

| | | |
|---|---|---------|
| Paul Payne (Independent Non-Executive Director) | - | 600,000 |
| Warren Hallam (Independent Non-Executive Director) | - | 600,000 |

The Essential Options and the Essential Performance Rights identified in the table above will be treated as described in section 9.5 below in connection with the Scheme.

9.4 Essential incentive and equity arrangements

(a) Incentive Plan

The Essential Options and Essential Performance Rights currently on issue are governed by the terms of the relevant Incentive Plan from time to time.

A summary of the previous and current Incentive Plans can be found accompanying the Essential notice of annual general meeting for the relevant year, as follows:

- 19 October 2017: Performance Rights Plan and Employee Share Option Plan;
- 26 October 2020: Equity Incentive Plan; and
- 21 October 2022: Employee Incentive Securities Plan.

(b) Long Term Incentive Plan

The Long Term Incentive Plan (**LTIP**) operates in conjunction with the Incentive Plan. The objective of the LTIP is to reward Directors, executives and employees in a manner which aligns this element of remuneration with the creation of shareholder wealth by basing the LTIP on incentive equity securities with attaching vesting hurdles based on total shareholder returns.

9.5 Treatment of Essential Performance Rights and Essential Options in connection with the Scheme

Clause 8 of the Scheme Implementation Agreement requires that before 8.00am on the Second Court Date that Essential has put arrangements in place (including obtaining any necessary ASX waivers) so that all Essential Performance Rights and Essential Options will either vest (and have resulted in the issue of Essential Shares), lapse or otherwise be cancelled or terminated before the Record Date.

Essential Performance Rights

All 3,148,517 Performance Rights issued under the terms of the 2017 Performance Rights Plan and Employee Share Option Plan and the 2020 Equity Incentive Plan automatically vest upon the occurrence of a 'change of control' (which relevantly for present purposes includes, a court approving under section 411(4)(b) of the Corporations Act a scheme of arrangement).

In respect of the Performance Rights issued under the terms of the 2022 Employee Incentive Securities Plan, the plan requires that if a 'change of control' event occurs or the Board determines that such an event is likely to occur, that the Board may in its discretion determine the manner in which any or all of a holder's Performance Rights will be dealt with. Having regard to the 395,587 Performance Rights issued under the 2022 Employee Incentive Securities Plan, the Board has determined that relevantly for present purposes, 269,718 of the Performance Rights will vest upon the Court approving the Scheme under section 411(4)(b) of the Corporations Act.

Therefore, in total, 3,418,235 Performance Rights (including all Performance Rights held by the Managing Director, Mr Timothy Spencer, of which 500,000 have already vested) will have already vested prior to, or will vest upon, the Court approving the Scheme under section 411(4)(b) of the Corporations Act on the Second Court Date.

Essential confirms that it has put in place arrangements with the holders of all Performance Rights which vest as described in the paragraphs above such that Shares will be issued as soon as practicable after such vesting and in any event prior to the Record Date.

Essential Options

Clause 3.1(d) of the Scheme Implementation Agreement requires that before 8.00am on the Second Court Date that each Essential Option Holder has either exercised their Essential Options (or agreed unequivocally and irrevocably in writing to exercise them prior to the Record Date) or entered an Option Cancellation Deed, so that all Essential Options will either have lapsed, been exercised or cancelled as is required by clause 8 of the Scheme Implementation Agreement.

Essential and TLEA have entered into Option Cancellation Deeds with each of the Essential Optionholders. Under the Option Cancellation Deeds, the Option holders agree to have their Options cancelled in return for a cash amount equal to the intrinsic value of the Option (being the Scheme Consideration per share less the exercise price per Option), subject to the Scheme becoming effective and obtaining a waiver from ASX from ASX Listing Rule 6.23.2 (the **Option Cancellation Conditions**).

The Option Cancellation Deeds;

- provide that the Option holders must not to transfer, dispose or otherwise deal with any of the Options (without the prior written consent of Essential and TLEA) from the date of the deed until such Options are cancelled;
- allow the Options to otherwise be exercised in accordance with their terms prior to 8.00am on the Second Court Date;
- terminate if the Option Cancellation Conditions are not satisfied by the End Date or if the Scheme Implementation Agreement is otherwise validly terminated; and
- otherwise contain standard releases, representations and warranties consistent with a document of this nature.

Essential has applied for, and ASX has granted a waiver from ASX Listing Rule 6.23.2 (conditional on full details of the cancellation being set out in the Scheme Booklet and the Scheme becoming effective) to enable Essential to cancel the Essential Options on issue under the Option Cancellation Deeds for the consideration described above.

| Director | Total number of Essential Options | Details Essential Options | Option Cancellation Consideration for each Class | Aggregate Option Cancellation Consideration |
|--|-----------------------------------|---|--|---|
| Timothy Spencer (Managing Director) | 1,500,000 | 500,000 Options exercisable at \$0.25 each on or before 31 Jan 2024 | \$125,000 | \$225,000 |
| | | 500,000 Options exercisable at \$0.35 each on or | \$75,000 | |

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| | | | | |
|---|-----------|--|-------------|-----------|
| | | before 31 Jan 2024 | | |
| | | 500,000 Options exercisable at \$0.45 each on or before 31 Jan 2024 | \$25,000 | |
| Craig McGown (Independent Non-Executive Chair) | 1,000,002 | 333,334 Options exercisable at \$0.25 each on or before 31 Jan 2024 | \$83,333.50 | \$150,000 |
| | | 333,334 Options exercisable at \$0.35 each on or before 31 Jan 2024 | \$50,000.10 | |
| | | 333,334 Options exercisable at \$0.45 each on or before 31 Jan 2024 | \$16,666.70 | |
| Paul Payne (Independent Non-Executive Director) | 600,000 | 200,000 Options exercisable at \$0.25 each on or before 31 Jan 2024 | \$50,000 | \$90,000 |
| | | 200,000 Options exercisable at \$0.35 each on or before 31 Jan 2024 | \$30,000 | |
| | | 200,000 Options exercisable at \$0.45 each on or before 31 Jan 2024 | \$10,000 | |
| Warren Hallam (Independent Non-Executive Director) | 600,000 | 200,000 Options exercisable at \$0.125 each on or before 30 Sep 2024 | \$75,000 | \$195,000 |
| | | 200,000 Options exercisable at \$0.175 each on or before 30 Sep 2024 | \$65,000 | |
| | | 200,000 Options exercisable at \$0.225 each on or before 30 Sep 2024 | \$55,000 | |

Note: Aggregate Option Consideration rounded to nearest whole dollar.

9.6 **Securities in TLEA held by, or on behalf of, the Directors**

As at the date of this Scheme Booklet, no securities in TLEA are held by, or on behalf of, any of the Directors.

For completeness, Mr Warren Hallam holds an indirect interest in 14,016 IGO Limited Shares (the 49% joint-venture partner of TLEA).

9.7 **Directors' interest in any contract with TLEA**

Other than as set out in this Scheme Booklet, no Director or their Associate has entered into, or otherwise has any interest, in any contract with TLEA or any Related Body Corporate of TLEA.

9.8 **Other interests of the Directors**

(a) **Interests of the Directors**

As at the date of this Scheme Booklet, no Essential Director has any interest, whether as a director, member or creditor of Essential or otherwise, which is material to the Scheme, other than;

- (1) in their capacity as a holder of Essential Shares, Essential Performance and Essential Options;
- (2) in connection with the D&O Deeds, as described in section 9.8(b); and/or
- (3) as otherwise disclosed in this Scheme Booklet.

(b) **D&O Deeds**

Essential has entered into deeds of indemnity, insurance and access with the Directors and Officers on customary terms (**D&O Deeds**). Under the Scheme Implementation Agreement, TLEA acknowledges and agrees that provided Essential provides TLEA with the terms (including the price) of the Run Off cover described below prior to purchasing it, that;

- (1) prior to the Implementation Date, Essential will arrange and pay all premiums required for run off directors' and officers' liability cover (**Run Off Cover**) to be put in place for the benefit of each director and officer; and
- (2) the Run Off Cover will cover claims made up to 7 years after the Implementation Date in respect of conduct or matters occurring on or before the Implementation Date.

9.9 **Directors' interest in agreements connected with or conditional on the Scheme**

Other than the Option Cancellation Deed, the deeds of release described below or as otherwise described in this Scheme Booklet, as at the date of this Scheme Booklet, there is no agreement or arrangement made between any Essential Director and any other person, including TLEA, in connection with or conditional on the outcome of this Scheme.

The Essential Group and each of the Directors intend to enter into individual deeds of release. The deeds provide for the resignation of the Directors from the Essential Group, procured by Essential at the request of TLEA in accordance with the Scheme Implementation Agreement. Under the deeds, each Director unconditionally and irrevocably releases the Target Group from all claims (including those relating to their directorship or the cessation of that directorship), except in relation to a claim relating to the D&O Deeds, the D&O Insurance Policy, the Run Off Cover or a breach of the deed of release. Similarly, the Essential Group releases the director

from all claims (including those relating to their directorship or the cessation of that directorship) to the extent permitted by law and except in relation to a claim relating to a breach of the deed of release.

The deeds confirm that: (1) the Directors will continue to have the benefit of the D&O Deeds and the Run Off Cover following their cessation as a director; (2) Essential will pay the Directors all director's fees that are payable in the ordinary course until their cessation; and (3) in respect of the Managing Director (Timothy Spencer) only, the payment of the amounts referred to in section 9.10 pursuant to the terms of his employment contract.

The operative provisions of the deeds of release come into effect on each director's cessation date as a director and the deeds will automatically terminate should that cessation date not occur by the End Date.

9.10 **Payments or benefits to the Directors, secretary or officers**

Paragraph 8302(d) of Part 3 of Schedule 8 of the Corporations Regulations requires this Scheme Booklet to set out particulars of any payment or benefit made or given to any Essential Director, secretary or executive officer of Essential or a Related Body Corporate as compensation for loss of, or consideration for or in connection with his or her retirement from, office in Essential or a Related Body Corporate.

There is no payment or other benefit that is proposed to be made or given to any Director, secretary or executive officer of Essential (or any of its Related Bodies Corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Essential (or any of its Related Bodies Corporate) in connection with, or that is materially affected by the implementation of, the Scheme.

Pursuant to the terms of his employment contract, upon loss of his office Timothy Spencer (Managing Director) shall receive six months' salary in lieu of notice (equal to \$150,000, less PAYG tax), plus superannuation at the statutory rate, in addition to payment of other accrued employment benefits (e.g. annual leave). Pursuant to the terms of his employment contract, upon loss of his office Robert Sills (GM – Marketing & Strategy) shall receive two months' salary in lieu of notice (equal to \$45,000, less PAYG tax), plus superannuation at the statutory rate, in addition to payment of other accrued employment benefits (e.g. annual leave).

9.11 **Key terms of the Scheme Implementation Agreement**

On 8 January 2023, Essential and TLEA entered into the Scheme Implementation Agreement, which governs the conduct of the Scheme.

A summary of the key terms of the Scheme Implementation Agreement is set out below. A full copy of the Scheme Implementation Agreement was released to ASX on the Announcement Date, being 9 January 2023 and can be obtained from www.asx.com.au.

On 28 February 2023 the parties agreed minor variations to the Scheme Implementation Deed, including to reduce the period following the Effective Date in respect of the definition of "Record Date" to 2 Business Days, to amend the definition of "Court" to the Federal Court of Australia or such other court of competent jurisdiction as agreed between the parties and to adjust the definition of "Option Cancellation Deed" to note that the Options will be cancelled with effect on the Implementation Date.

Capitalised terms used in this section 9.11 which are not otherwise defined have the meaning given to them in the Scheme Implementation Agreement.

(a) **Conditions Precedent**

Implementation of the Scheme is subject to the Conditions Precedent summarised in section 3.6 of this Scheme Booklet and set out in full in clause 3.1 of the Scheme Implementation Agreement.

(b) **Board recommendation**

The Scheme Implementation Agreement requires that Essential procure that the Board unanimously recommend that Essential Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert concluding in the Independent Expert's Report that the Scheme is in the best interests of Essential Shareholders.

The Scheme Implementation Agreement also requires Essential to procure that the Board collectively, and the Board members individually, do not change, withdraw or modify their recommendation or voting intention (namely, to cause any Essential Shares in which they have a Relevant Interest to be voted in favour of the resolution to approve the Scheme) or make a public statement that is inconsistent with their recommendation or voting intention, unless;

- (1) the Independent Expert concludes in the Independent Expert's Report that the Scheme is not in the best interests of Essential Shareholders;
- (2) there is a Superior Proposal and, after taking relevant steps, the Board determines that it no longer considers the Scheme to be in the best interests of Essential Shareholders;
- (3) the change, withdrawal or modification occurs because of a requirement or request by a court or Regulatory Authority; or
- (4) the Board determines after receiving legal advice that, by virtue of the directors' duties of the Board members, it is required to change, withdraw or modify its recommendation.

(c) **Obligations to implement the Scheme**

Essential must take all steps reasonably necessary, and TLEA must use its best endeavours to assist Essential, to implement the Scheme in accordance with the timetable.

(d) **Exclusivity provisions**

The Scheme Implementation Agreement provides for exclusivity provisions. These restrictions apply to Essential from the date of the Scheme Implementation Agreement (being 8 January 2023) until the earlier of the End Date, the termination of the Scheme Implementation Agreement and the Implementation Date (**Exclusivity Period**).

The Scheme Implementation Agreement contains the following customary exclusivity provisions (see section 9 of the Scheme Implementation Agreement):

- (1) '*no shop*': Essential not being permitted to directly or indirectly solicit, invite, facilitate or encourage any Competing Proposal or any enquiries, negotiations or discussions with any Third Party or communicate any intention to do any things which may reasonably be expected to lead to an actual, proposed or potential Competing Proposal.
- (2) '*notification of approaches*': If Essential;
 - (A) receives or becomes aware of an approach or attempt by any person regarding any actual, proposed or potential Competing Proposal; or
 - (B) receives or becomes aware of a proposal made to Essential or any member of the Essential Group or its representatives regarding an actual proposed or potential Competing Proposal,

Essential must notify TLEA in writing within 24 hours, provide details of the party making the proposal, the terms of the proposal and any material updates to the proposal.

- (3) *'matching right'*: Essential must not and must procure that each of its Related Bodies Corporate do not enter into any legally binding agreement, arrangement or understanding to undertake to give effect to a Competing Proposal and must use reasonable endeavours to procure that none of the Directors change, withdraw or modify their recommendation for the Scheme, publicly recommend, support or endorse a Competing Proposal or make any public statement to the effect that they may do so at a future point in time unless (among other things) Essential has given TLEA at least 2 Business Days to provide a matching or Superior Proposal to the terms of the Competing Proposal (**Counterproposal**). If the Essential Board determines that TLEA's Counterproposal would provide an equivalent or superior outcome for Essential shareholders than that offered under the Competing Proposal, Essential and TLEA must agree and enter into such documentation (or amendments to documentation) to give effect to TLEA's Counterproposal. If the Essential Board determines that TLEA's Counterproposal would not provide an equal or superior outcome to Essential shareholders, then TLEA may submit a revised Counterproposal within a further period of two Business Days.
- (4) *'no talk and no due diligence'*: During the Exclusivity Period, Essential must not, and must ensure that its representatives and Related Bodies Corporate do not, except with the prior written consent of TLEA directly or indirectly;
- (A) enter into, continue or participate in any negotiations or discussions with any Third Party in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal;
 - (B) negotiate, accept or enter into (or offer or agree to negotiate, accept or enter into) any agreement, arrangement or understanding with any Third Party in relation to a Competing Proposal or which may reasonably be expected to lead to an actual, proposed or potential Competing Proposal;
 - (C) disclose, provide or make available any information to a Third Party for the purposes of enabling that party to make (or with a view of obtaining, or which would reasonably be expected to encourage or lead to) an actual, proposed or potential Competing Proposal or any agreement, arrangement or understanding that might be reasonably expected to lead to a Competing Proposal; or
 - (D) communicate any intention to do any of the things listed above,
- even if that person's Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Essential, any member of the Essential Group, any of its representatives or the person has publicly announced the Competing Proposal.
- (5) *'Exclusivity of due diligence'*: Essential must not, and must ensure that neither it nor any member of the Essential Group or any of its representatives enable any other person (other than TLEA) to undertake due diligence investigations on or make available to any other person (other than TLEA) or permit any other person (other than TLEA) to receive any non-public information relating to any member of the Essential Group, any of the operations or assets of the business of the Essential Group or any part thereof in relation to an actual, proposed or potential Competing Proposal.
- (6) *'Limitation to no talk and no due diligence'*: Essential's 'no-talk', 'no due diligence' 'notification of approaches' and 'exclusivity of due diligence' obligations do not

apply to the extent that they restrict Essential from taking or refusing to take any action with respect to a genuine Competing Proposal provided that the Board has first determined, acting in good faith, that;

- (A) after consultation with its financial advisers, such a genuine Competing Proposal is, or could reasonably be considered to become, a Superior Proposal; and
- (B) after receiving written legal advice from its external legal advisers, taking or refusing to take such action in compliance with Essential's 'no-talk', 'no due diligence', 'notification of approaches' and 'exclusivity of due diligence' obligations in relation to such genuine Competing Proposal would be reasonably likely to constitute a breach of the Board's fiduciary or statutory obligations,

provided that to the extent Essential, any member of the Essential Group or its representatives propose to provide information to which Essential's 'notification of approaches' obligation applies, Essential has entered into a binding confidentiality agreement with the relevant person who will receive that information, and either;

- (C) the terms of the confidentiality agreement are no less favourable to Essential than the Confidentiality Deed; or
- (D) Essential agrees to amend the terms of the Confidentiality Deed such that the obligations imposed on TLEA under that agreement are no less favourable to TLEA than the obligations imposed on the relevant person who will receive that information are to that other person.

(e) **Break fee**

The Scheme Implementation Agreement contains a customary break fee of \$1,360,000 payable by Essential to TLEA which will be triggered if;

- (1) a Competing Proposal is announced before the earlier of the Second Court Date and termination of the Scheme Booklet, and within 12 months after the date of the Scheme Booklet, the Third Party who announced the Competing Proposal (or any of its Associates) completes that Competing Proposal);
- (2) during the Exclusivity Period, one or more of the Directors fail to recommend the Scheme or publicly change, modify or withdraw their recommendation or voting intention or publicly recommend, support or endorse a Competing Proposal, unless it occurs after;
 - (A) the failure to recommend, or the change to or withdrawal of a recommendation to vote in favour of the Scheme occurs because of a requirement or request by a court or a Regulatory Authority that one or more Board members abstain or withdraw from making a recommendation that Essential Shareholders vote in favour of the Scheme;
 - (B) the Independent Expert has concluded that the Scheme is not in the best interests of Essential Shareholders;
 - (C) the Independent Expert changes or publicly withdraws its conclusion that the Scheme is in the best interests of Essential Shareholders; or
 - (D) Essential has become entitled to terminate the Scheme Implementation Agreement for material breach by TLEA and has given the appropriate notice to TLEA; or

- (3) TLEA terminates the Scheme Implementation Agreement for material breach by Essential or for a Prescribed Occurrence in respect of Essential.

(f) **Reverse break fee**

The Scheme Implementation Agreement contains a reverse break fee of \$1,360,000 payable by TLEA to Essential which will be triggered if;

- (1) Essential terminates the Scheme Implementation Agreement for material breach by TLEA; or
- (2) TLEA does not pay or procure the payment of the Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Agreement, the Scheme and the Deed Poll.

(g) **Representations and warranties**

The Scheme Implementation Agreement contains customary representations and warranties given by each of Essential and TLEA to each other.

These representations and warranties are set out in Schedule 1 (in the case of TLEA) and Schedule 2 (in the case of Essential) of the Scheme Implementation Agreement.

(h) **Conduct of Essential's business**

The Scheme Implementation Agreement requires Essential carry on its business and operations in the ordinary and normal course and in a manner generally consistent (subject to any applicable laws and regulations) with past practice, and must not make any significant change to the nature or scale of any activity comprised in its business and operations.

Essential must procure that its business and operations are substantially consistent with the manner in which the business and operations were conducted in the 12 month period prior to the date of the Scheme Implementation Agreement (subject to all applicable laws, regulations and requirements of Regulatory Authorities), including;

- (1) complying in all material aspects with all material contracts to which an Essential Group member is a party to;
- (2) using reasonable endeavours to preserve and maintain the value of its business and assets, the services of its current officers and material employees and its current relationships with Regulatory Authorities, joint venturers, customers, suppliers, landlords, licensors, licensees and others with whom it has business dealings;
- (3) protecting and maintaining each of its assets in the normal course and consistent with past practices and maintaining appropriate and adequate insurance in respect of each of those assets which are insurable;
- (4) keeping and maintaining proper records of all its dealings and transactions relating to its business and operations;
- (5) ensuring that all amounts owing to trade or other creditors of the entity are paid in accordance with applicable payment terms;
- (6) consulting with TLEA and adopting any reasonable comments from TLEA in relation to the preparation and approval of any budget or business plan relating to Essential businesses or operations;

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- (7) ensuring that there is no occurrence in relation to Essential within their control that would constitute or be likely to constitute a Material Adverse Change;
 - (8) not undertaking any action which would, or would reasonably be expected to, give rise to a Prescribed Occurrence; and
 - (9) conducting its business and operations in accordance with all applicable laws and regulations and sound industry practice.

Essential will be able to take actions;

- expressly permitted or required to be done by Essential under the Scheme, Deed Poll or Scheme Implementation Agreement;
- that has been disclosed by Essential prior to the date of the Scheme Booklet;
- where Essential has first consulted in writing with TLEA and TLEA has, acting reasonably, approved the proposed matter or not objected to the proposed matter in writing within 5 Business Days of having been so consulted;
- to avoid the occurrence of a Material Adverse Change; and
- required by law or otherwise arising as a result of any court or Regulatory Authority order, injunction or undertaking.

(i) **Mining Lease Application**

From the date of the Scheme Implementation Agreement until the Implementation Date, Essential must keep TLEA reasonably informed of any fact, matter or circumstance relating to the Mining Lease Application (including the status and process of the Mining Lease Application) and not do anything without the prior written consent of TLEA in relation to the Mining Lease Application, other than to lodge the State Deed.

(j) **Termination rights**

TLEA may terminate the Scheme Implementation Agreement at any time before 8.00am on the Second Court Date if;

- (1) there is a failure of the Conditions Precedent and the parties are unable to reach an agreed resolution in respect of the same;
- (2) Essential is in material breach of the agreement and that breach remains unremedied;
- (3) there is:
 - (A) a Material Adverse Change in respect of Essential;
 - (B) a Prescribed Occurrence in respect of Essential;
- (4) the Essential Shareholders do not agree to the Scheme at the Scheme Meeting by the requisite majorities;
- (5) a Director publicly withdraws, fails to make or adversely changes their recommendation or voting intention or publicly recommends, supports or endorses a Competing Proposal, for any reason;
- (6) where Essential enters into any legally binding agreement, arrangement or understanding in relation to any actual, proposed or potential Competing Proposal; or

- (7) any of the following occur at any time before 8.00am on the Second Court Date;
- (A) Essential surrenders or relinquishes any part of E15/1515;
 - (B) Essential is notified after the date of the agreement by any Regulatory Authority that it is required to surrender or relinquish any part of E15/1515; or
 - (C) Essential becomes aware after the date of the Scheme Implementation Agreement of any fact, matter or circumstance which would cause a reasonable recipient of such information to consider that it is more likely than not that any part of E15/1515 will need to be surrendered or relinquished,

other than contemplated by the Mining Lease Application in order to give effect to the grant of mining lease 15/1896.

Essential may terminate the Scheme Implementation Agreement at any time before 8.00am on the Second Court Date if;

- there is a failure of the Conditions Precedent and the parties are unable to reach an agreed resolution in respect of the same;
- TLEA is in material breach of the agreement and that breach remains unremedied; or
- a majority of Essential Directors publicly withdraw, fail to make or adversely change their recommendation or voting intention or publicly recommended a Competing Proposal, and, if required to do so, pays the break fee to TLEA.

9.12 **Consents and disclaimer of advisers and experts**

HopgoodGanim Lawyers has given its written consent to be named in the Scheme Booklet, and for the provision of the summary in section 8 of this Scheme Booklet, as the solicitors to Essential in the form and context in which it is named and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Federal Court of Australia.

Sternship Advisers has given its written consent to be named in the Scheme Booklet as the financial adviser to Essential's Directors in the form and context in which it is named and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Federal Court of Australia.

Automic Registry Services, as the Registry, has given its written consent to be named in the Scheme Booklet as the Registry in the form and context in which it is named and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Federal Court of Australia.

BDO, as the Independent Expert, has given its written consent to;

- (a) to be named in the Scheme Booklet as the independent expert in the form and context in which it is named; and
- (b) the inclusion of the Independent Expert's Report in this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet in the form and context in which they are made,

and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Federal Court of Australia.

VRM, as the Technical Specialist, has given its written consent to the inclusion of the Technical Specialist Report in this Scheme Booklet and to the references to the Technical Specialist Report in this Scheme Booklet being made in the form and context in which each such reference is included and has not withdrawn its consent prior to lodgement of the Scheme Booklet with ASIC and the Federal Court of Australia.

Each of the above persons;

- (a) has not authorised or caused the issue of this Scheme Booklet and does not otherwise make or purport to make any statement in this Scheme Booklet;
- (b) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than, in the case of the statement or report included in this Scheme Booklet with the consent of that party;
- (c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than a reference to its name or statement or report, if any, which has been included in this Scheme Booklet with the consent of that party; and
- (d) will be entitled to receive professional fees charged in accordance with their normal basis of charging or as otherwise disclosed in the Scheme Booklet.

9.13 Independent advice

Essential Shareholders should consult their own independent financial, legal, taxation or other professional adviser if they have any queries regarding;

- (a) the Scheme;
- (b) the taxation implications for them if the Scheme is implemented;
- (c) the recommendations of the Directors in this Scheme Booklet and intentions in relation to the Scheme as set out in this Scheme Booklet; and
- (d) any other aspects of this Scheme Booklet.

9.14 No unacceptable circumstances

The Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Essential that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

9.15 Fees and expenses

The aggregate amount of the fees and expenses expected to be incurred by Essential in connection with the Scheme is approximately \$2,054,000 (excluding GST). This includes the following amounts (all excluding GST):

- (a) fees and expenses paid or payable (excluding GST) to Essential’s professional advisers (including its financial, legal, accounting, communications and tax advisers) of approximately \$1,878,000 if the Scheme becomes effective or \$518,000 if it does not become effective;
- (b) fees paid or payable to the Independent Expert and the Technical Expert of approximately \$86,000 in aggregate; and
- (c) Registry costs, fees and expenses associated with the Court proceedings, costs relating to design, printing and dispatch of this Scheme Booklet, expenses associated with

convening and holding the Scheme Meeting and other general and administrative expenses in connection with the Scheme, of approximately \$90,000 in aggregate.

Of this, approximately \$694,200 will be paid irrespective of whether the Scheme becomes effective (and is implemented).

These amounts do not include the transaction costs that may be incurred by TLEA in relation to the Scheme.

9.16 Other material information

Except as set out in this Scheme Booklet, in the opinion of the Board, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director or of any Related Body Corporate of Essential which has not been previously disclosed to the Essential Shareholders.

9.17 Continuous disclosure

Essential is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules. Essential has an obligation (subject to limited exceptions) to notify ASX immediately upon becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Essential Shares. Copies of documents filed with ASX may be obtained from ASX's website.

In addition, Essential is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC in relation to Essential may be obtained from, or inspected at, an ASIC office.

9.18 Supplementary information

If between the date of lodgement of this Scheme Booklet for registration with ASIC and the Second Court Date Essential becomes aware of any of the following;

- (a) a material statement in this Scheme Booklet becomes false and misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter arising which would have been required to be included in this Scheme Booklet if it has arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

then Essential intends to publish supplementary material by:

- (e) placing an advertisement in a prominently published newspaper that is circulated throughout Australia; or
- (f) releasing that material to ASX (www.asx.com.au) and posting the supplementary document on Essential' website at <https://www.essmetals.com.au>;

The form which the supplementary material may take, and whether a copy will be sent to Essential Shareholders, will depend on the nature and timing of the new or changed circumstances and the supplementary material. In each case, Essential will obtain any necessary regulatory or court approvals prior to release or dispatch of the supplementary material.

9.19 **Competent Persons Statement**

The information in this Scheme Booklet that relates to Essential's lithium Mineral Resources is extracted from Essential's ASX release dated 20 December 2022 titled "Dome North Resource upgrade" and is available at <https://www.essmetals.com.au> or www.asx.com.au. Essential confirms that it is not aware of any new information or data that materially affects the information included in that original market announcement and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed. Essential confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the announcement date.

9.20 **Directors' statement**

The issue of this Scheme Booklet has been authorised by the Board, and this Scheme Booklet has been signed by or on behalf of the Directors. The Board has given (and not withdrawn) its consent to lodgement of this Scheme Booklet with ASIC.

Signed for and on behalf of Essential Metals Limited:



Craig McGown

Non-Executive Chairman
Essential Metals Limited

10. Definitions and Interpretation

10.1 Definitions

In this Scheme Booklet (including the annexures and schedules) except where the context otherwise requires, the following terms shall bear the following meanings:

\$, A\$ or AUD\$ means Australian dollars.

2022 Employee Incentive Securities Plan means the Employee Incentive Securities Plan approved by Essential Shareholders on 22 November 2022.

ADI has the meaning given to this term in the Corporations Act.

Announcement Date means 9 January 2023, being the date upon which Essential announced the Scheme to ASX.

AWST means Australian Western Standard Time.

ASIC means the Australian Securities and Investment Commission.

Associate in relation to each party, has the meaning given in sections 11, 12 and 16 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.

BDO means BDO Corporate Finance (WA) Pty Ltd ACN 124 031 045.

Board means the board of Directors of Essential from time to time.

Business Day has the meaning given to this term in the Scheme Implementation Agreement.

CGT means capital gains tax.

CHESS the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited ABN 49 008 504 532.

Competing Proposal has the meaning given to the term in the Scheme Implementation Agreement.

Constitution means the constitution of Essential as approved by Essential Shareholders on 22 November 2022.

Conditions Precedent has the meaning given to the term 'Condition' in the Scheme Implementation Agreement and as summarised in section 3.6 of this Scheme Booklet.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia.

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

D&O Deeds has the meaning given to the term in section 9.8(b).

Deed Poll means the deed poll dated 13 March 2023, which was executed by TLEA prior to the First Court Date, a copy of which is set out in Schedule 2.

Directors mean the directors of Essential from time to time.

Disclosed means fairly disclosed:

- (a) by Essential to TLEA prior to the date of the Scheme Implementation Agreement in the Essential due diligence materials provided; or
- (b) in documents that were publicly available prior to the date of this agreement, including from any announcement made by Essential on ASX, public filings of Essential with ASIC, in records maintained by the PPS Register, in searches of public records as to the Tenements maintained by DMIRS or in records maintained by relevant Courts.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective, which is currently expected to be 26 April 2023.

End Date has the meaning given to this term under the Scheme Implementation Agreement.

Essential means Essential Metals Limited ABN 44 103 423 981.

Essential Group means Essential and each of its Related Bodies Corporate.

Essential Information means all information included in this Scheme Booklet and all information provided by or on behalf of Essential to the Independent Expert to enable the Independent Expert's Report to be prepared and completed, but does not include the TLEA Information, the Independent Expert's Report or any other expert report (including the Technical Specialist Report).

Essential Optionholder means each person who is registered in the Essential Option Register as the holder of an Essential Option.

Essential Options means an option as set out in the table in section 5.5(a).

Essential Option Register means the register of optionholders of Essential maintained in accordance with the Corporations Act.

Essential Performance Rights means a performance right as set out in the table in section 5.5(a).

Essential Shares means fully paid ordinary shares in Essential.

Essential Shareholders means the holders of Essential Shares.

First Court Date means the date of the first hearing of the application made to the Court for an order pursuant to section 411(1) of the Corporations that the Scheme Meeting be convened, which occurred on 17 March 2023.

GST has the meaning given to the term in section 8.3.

GST Law has the meaning given to that term in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Incentive Plan means an employee equity incentive plan as operated by Essential from time to time.

Independent Expert means BDO.

Independent Expert's Report means the Independent Expert's report dated 15 March 2023 as set out in Schedule 1 to this Scheme Booklet including the Technical Specialist Report.

Implementation Date means the fifth Business Day after the Record Date or such other date and time as Essential and TLEA agree.

Last Practicable Date means 15 March 2023, being the last practicable date before the date of this Scheme Booklet.

Listing Rules means the official listing rules of ASX.

Material Adverse Change has the meaning as defined in the Scheme Implementation Agreement, being any event, matter, change or circumstance occurring, discovered or announced between the date of the Scheme Implementation Agreement and 8:00 am on the Second Court Date (including any action taken by a Regulatory Authority) which, whether individually or when aggregated with all such events, matters, changes, or circumstances or things of a like kind has had or will have (after taking into account any matter which offsets the impact of the event, change or circumstance and in each case other than those events, changes or circumstances);

- (c) have a material adverse effect on the Essential Group's interest in the Tenements or the ability of the Essential Group to exploit its interest in the Tenements as held at the date of the Scheme Implementation Agreement; or
- (d) the effect of diminishing the consolidated net assets of the Essential Group by at least 20% compared to the consolidated net assets of Essential as at 30 June 2022;

other than those events, changes or circumstances;

- (e) contemplated or required to be done by Essential under the Scheme Implementation Agreement, the Scheme of Arrangement or the Deed Poll (or reasonably necessary to the foregoing);
- (f) where Essential has first consulted in writing with TLEA in relation to the matter and TLEA has, acting reasonably, approved the proposed matter or has not objected to the proposed matter in writing within 5 Business Days of having been so consulted;
- (g) done or not done at the written request of TLEA, including any consequences arising as a result of such matters;
- (h) that have been Disclosed by Essential prior to the date of the Scheme Implementation Agreement; or
- (i) resulting from:
 - (1) the actual or anticipated change of control of Essential contemplated by the Scheme; or
 - (2) a change in:
 - (A) any legislation or regulation (including any generally accepted accounting principles or the interpretation of them), any judicial or administrative interpretation of the law or any practice or policy of a Regulatory Authority (whether or not retrospective in effect); or
 - (B) general industry, regulatory, political, market or economic conditions; or
- (j) relating to any material adverse change or disruption to existing financial markets or economic conditions of Australia, the United Kingdom, the United States of America, Hong Kong or Singapore; or
- (k) any outbreak or escalation of war or major hostilities or act of terrorism.

Mining Lease Application means the application for mining lease 15/1896 lodged by the Company with DMIRS on 6 September 2022.

Notice of Scheme Meeting means the notice in relation to the Scheme Meeting, as set out in Schedule 4.

Option Cancellation Deed means the option cancellation deeds (in a form acceptable to TLEA and Essential, acting reasonably and consistent with usual and standard terms, and incorporating the consideration for Essential Options, being the Scheme Consideration less the applicable exercise price) entered into between TLEA, Essential and each Essential Optionholder under which, subject to the Essential obtaining a requisite ASX waiver of Listing Rule 6.23.2 to cancel the Essential Options and the Scheme becoming Effective, the parties agree to cancel all Essential Options held by each Essential Optionholder, with effect on the Implementation Date.

Prescribed Occurrence has the meaning as defined in the Scheme Implementation Agreement.

Proxy Form means the proxy form for the Scheme Meeting enclosed with this Scheme Booklet.

Record Date means 5:00pm AWST time on the second Business Day following the Effective Date or such other date and time as Essential and TLEA agree in writing.

Register means the register of members of Essential.

Registry or Share Registry means Automic Registry Services.

Regulatory Authority means;

- (a) any government or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; and
- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.

Related Body Corporate has the meaning given to that term in the Corporations Act.

Relevant Interest has the meaning given in the Corporations Act.

Requisite Majority means the threshold for approval of a resolution on a scheme of arrangement between a body and its members under Part 5.1 of the Corporations Act, being 'in favour' of the resolution received from;

- unless the Court orders otherwise, a majority in number (more than 50%) of the members who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and
- at least 75% of the votes cast on the resolution.

Run Off Cover has the meaning given to the term in section 9.8(b).

Scheme Booklet means this document and the schedules hereto.

Scheme or Scheme of Arrangement means the proposed scheme of arrangement between Essential and the Essential Shareholders under Part 5.1 of the Corporations Act in the form of Schedule 4, subject to any alterations or conditions made or required by the Court under section

411(6) of the Corporations Act and agreed in writing by TLEA and Essential with the approval of the Court.

Scheme Consideration means \$0.50 cash for each Essential Share held as at the Record Date.

Scheme Implementation Agreement means the deed dated 8 January 2023 between Essential and TLEA, a full copy of which was announced to ASX by Essential on 9 January 2023 and varied on 28 February 2023, and a summary of which is provided in Section 9.11.

Scheme Meeting means a meeting of Essential Shareholders ordered by the Court under section 411(1) of the Corporations Act to be convened for the purposes of the Scheme.

Scheme Participants means each holder of Essential Shares as at the Record Date.

Scheme Resolution means the resolution in relation to the Scheme to be voted on at the Scheme Meeting, as set out in the Notice of Scheme Meeting.

Scoping Study means the Scoping Study announced by the Company on 7 February 2023.

Second Court Date means the date of the first hearing of the application made to the Court for an order pursuant to section 411(4) of the Corporations Act approving the Scheme.

Spodumene means a pyroxene mineral with the chemical formula, $\text{LiAlSi}_2\text{O}_6$, consisting of lithium aluminium inosilicate and is a source of lithium.

State Deed means the Deed for Grant of Mining Tenement in relation to the Mining Lease Application between Essential, with the Ngadju Native Title Aboriginal Corporation RNTBC, the State of Western Australia and the Minister for Mines and Petroleum pursuant to section 31 of the Native Title Act.

Superior Proposal means a bona fide Competing Proposal which the Board, acting in good faith and after receiving advice from external legal advisers, considers to be:

- (a) reasonably capable of being completed; and
- (b) more favourable to Essential Shareholders than the Scheme.

Technical Specialist or Independent Technical Expert means VRM.

Technical Specialist Report or Independent Technical Expert's Report means the report of the Technical Specialist dated 24 February 2023 contained within the Independent Expert's Report.

TLEA means Tianqi Lithium Energy Australia Pty Ltd ARBN 649 234 211.

TLEA Group means TLEA and each of its Related Bodies Corporate.

TLEA Information means all information regarding TLEA and the TLEA Group, provided by or on behalf of TLEA to Essential or the Independent Expert to enable the Scheme Booklet to be prepared and completed and applications for regulatory approvals to be made including all of the information in section 6.

Third Party has the meaning given to this term under the Scheme Implementation Agreement.

Trust Account means an Australian dollar denominated trust account operated by or on behalf of Essential as trustee for the Scheme Participants, as nominated by Essential and notified to TLEA at least 5 Business Days prior to the Implementation Date, being the account into which TLEA will deposit an amount equal to the total Scheme Consideration in accordance with clause 5.1 of the Scheme Implementation Agreement.

VRM means Valuation and Resources Management Pty Ltd ACN 632 859 780.

10.2 Interpretation

In this Scheme Booklet (including the schedules), except where the context otherwise requires;

- (a) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any statutory instrument issued under, that legislation or legislative provision;
- (b) a word denoting the singular number includes the plural number and vice versa;
- (c) a word denoting an individual or person includes a corporation, firm, authority, government or governmental authority and vice versa;
- (d) a word denoting a gender includes all genders;
- (e) a reference (other than in the appendices) to a Clause is to a Clause of this Scheme Booklet; a reference to a schedule is to a schedule to this Scheme Booklet; and schedules to this Scheme Booklet form part of this Scheme Booklet;
- (f) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;
- (g) a reference to any party to the Scheme, or any other document or arrangement, includes that party's executors, administrators, substitutes, successors and permitted assigns;
- (h) a reference to a "subsidiary" of a body corporate is to a body corporate which is a subsidiary of the first-mentioned body corporate under section 46 of the Corporations Act;
- (i) a reference to "\$" or to "cents" is (unless otherwise specified) to an amount in Australian currency;
- (j) a reference to the "holder" of Shares at a particular time includes a reference to a person who, as a result of a dealing received by Essential or its Registry on or before that time, is entitled to be entered in the register of members as the holder of Essential Shares;
- (k) words and phrases defined elsewhere in this Scheme Booklet shall have the meaning there ascribed to them;
- (l) words and phrases defined in the Corporations Act shall have the meaning there ascribed to them;
- (m) the word "includes" in any form is not a word of limitation;
- (n) headings are for convenience of reference only and do not affect interpretation; and
- (o) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning.

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ESSENTIAL METALS LIMITED Independent Expert's Report

15 March 2023

Financial Services Guide

15 March 2023

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Essential Metals Limited ('Essential') to provide an independent expert's report on the proposed scheme of arrangement ('the Scheme') with Tianqi Lithium Energy Australia Pty Ltd (an incorporated joint venture owned 51% by Tianqi Lithium Corporation and 49% by IGO Limited) ('TLEA'). You are being provided with a copy of our report because you are a shareholder of Essential and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act') as a retail client.

Our report and this FSG accompanies the Scheme Booklet required to be provided to you by Essential to assist you in deciding on whether or not to approve the Scheme.

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.

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Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$40,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in Essential.

BDO Audit (WA) Pty Ltd is the appointed Auditor of Essential and of IGO Ltd. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Essential for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. We are also committed to meeting your needs and maintaining a high level of client satisfaction. If you are unsatisfied with a service we have provided you, we have avenues available to you for the investigation and resolution of any complaint you may have.

To make a formal complaint, please use the Complaints Form. For more on this, including the Complaints Form and contact details, see the [BDO Complaints Policy](#) available on our website.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint in writing within 1 business day or, if the timeline cannot be met, then as soon as practicable and investigate the issues raised. As soon as practical, and not more than 30 days after receiving the complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

We are a member of the Australian Financial Complaints Authority (AFCA) which is an External Dispute Resolution Scheme. Our AFCA Membership Number is 12561. Where you are unsatisfied with the resolution reached through our Internal Dispute Resolution process, you may escalate this complaint to AFCA using the below contact details:

| | |
|----------------------|--|
| Mail: | GPO Box 3, Melbourne, VIC 3001 |
| Free call: | 1800 931 678 |
| Website: | www.afca.org.au |
| Email: | info@afca.org.au |
| Interpreter Service: | 131 450 |

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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by Valuation and Resource Management Pty Ltd

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Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

15 March 2023

The Directors
Essential Metals Limited
Level 3, 1292 Hay Street
West Perth WA 6005

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 9 January 2023, Essential Metals Limited ('Essential' or 'the Company') announced that it had entered into a Scheme Implementation Agreement ('SIA') with Tianqi Lithium Energy Australia ('TLEA'), an incorporated joint venture owned 51% by Tianqi Lithium Corporation ('TLC') and 49% by IGO Limited ('IGO'), under which TLEA will acquire the entire issued capital of Essential by way of a scheme of arrangement under the Australian Corporations Act 2001 ('the Scheme'). Under the Scheme, Essential shareholders will receive cash consideration of \$0.50 for every Essential share that is held on the record date ('Scheme Consideration').

All currencies are quoted in Australian Dollars unless otherwise stated.

2. Summary and Opinion

2.1 Requirement for the report

The directors of Essential have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Scheme is in the best interests of the shareholders of Essential ('Shareholders').

Our Report is prepared pursuant to section 411 of the Corporations Act 2001 ('Corporations Act' or 'the Act') and is to be included in the scheme booklet ('Scheme Booklet') prepared by the directors of Essential to assist the Shareholders in their decision whether to approve the Scheme.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guides 60 'Schemes of Arrangements' ('RG 60'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Scheme as outlined in the body of this report. We have considered:

- How the value of an Essential share (on a controlling basis) compares to the value of the Scheme Consideration;

- The likelihood of an alternative proposal offer being made to Essential;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Scheme; and
- The position of Shareholders should the Scheme not proceed.

2.3 Opinion

We have considered the terms of the Scheme as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Scheme is fair and reasonable and therefore in the best interests of Shareholders.

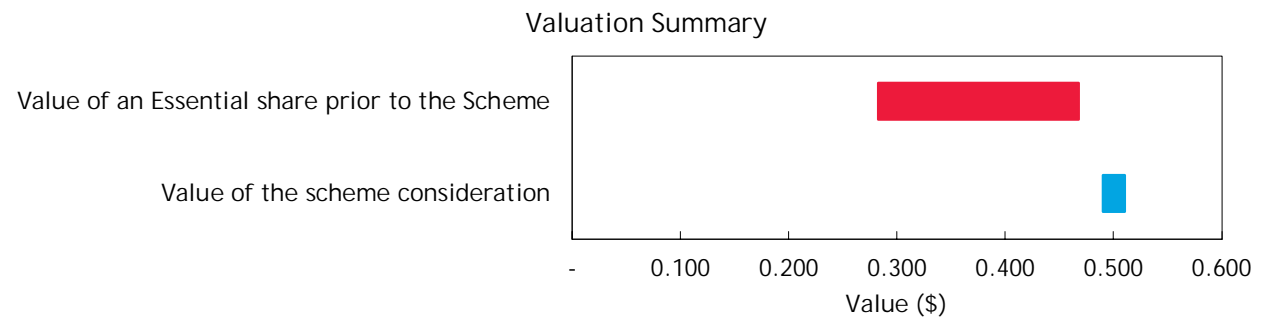
2.4 Fairness

In section 12 we determined that the value of an Essential share (on a controlling and diluted basis) compares to the value of the Scheme Consideration, as detailed below.

| | Ref | Low \$ | Preferred \$ | High \$ |
|---|------|--------|--------------|---------|
| Value of an Essential share prior to the Scheme (controlling and diluted basis) | 10.3 | 0.283 | 0.376 | 0.468 |
| Value per share of Scheme Consideration | 11 | 0.50 | 0.50 | 0.50 |

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and a superior offer, the Scheme is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Scheme; and
- other considerations, including the position of Shareholders if the Scheme does not proceed and the consequences of not approving the Scheme.

In our opinion, the position of Shareholders if the Scheme is approved is more advantageous than the position if the Scheme is not approved. Accordingly, in the absence of any other relevant information and/or a superior offer we believe that the Scheme is reasonable for Shareholders.

The respective advantages and disadvantages of approving the Scheme that we have considered are summarised below:

| ADVANTAGES AND DISADVANTAGES | | | |
|------------------------------|---|---------|---|
| Section | Advantages | Section | Disadvantages |
| 13.3.1 | The Scheme is Fair | 13.4.1 | Shareholders will forego the opportunity to participate in any future upside value growth |
| 13.3.2 | The Scheme provides the certainty of a cash payment for Shareholders | 13.4.2 | Shareholders will lose exposure to battery mineral assets |
| 13.3.3 | The Scheme consideration offered is at a premium to the last traded price of an Essential share prior to the announcement of the Scheme | | |

Other key matters we have considered include:

| Section | Description |
|---------|--|
| 13.1 | Alternative proposals |
| 13.2 | Consequences of not approving the Scheme |

3. Scope of the Report

3.1 Purpose of the Report

The Scheme is to be implemented pursuant to section 411 of the Corporations Act. Part 3 of Schedule 8 to the Corporations Act Regulations 2001 ('Regulations') prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to section 411 of the Act ('Section 411').

An independent expert's report must be obtained by a scheme company if:

- There is one or more common directors; or
- The other party to the scheme holds 30% or more of the voting shares in the scheme company.

The expert must be independent and must state whether or not, in his or her opinion, the proposed scheme is in the best interest of the members of the company the subject of the scheme and set out the reasons for that opinion.

TLEA or its associates, do not hold more than 30% of the voting shares in Essential and there are no common directors between the two companies. Accordingly, there is no requirement for this report pursuant to Section 411. Notwithstanding the fact that there is no legal requirement to engage an independent expert to report on the Scheme, the directors of Essential have requested that BDO prepare this report as if it were an independent expert's report pursuant to Section 411 and to provide an opinion as to whether the Scheme is fair and reasonable and in the best interests of Shareholders.

The requirement for an independent expert's report is also a condition precedent in the SIA, which states that, for the scheme to proceed, the independent expert must conclude that the Scheme is in the best interests of Shareholders and not changing or publicly withdrawing that conclusion before 8:00am on the second court date.

3.2 Regulatory guidance

Neither the Act nor the Regulations defines the term 'in the best interests of'. In determining whether the Scheme is in the best interests of Shareholders, we have had regard to the views expressed by ASIC in RG 111. RG 111 provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

A key matter under RG 111 that an expert needs to consider when determining the appropriate form of analysis is whether or not the effect of the transaction is comparable to a takeover bid and is therefore representative of a change of 'control' transaction.

In the circumstance of a scheme that achieves the same outcome as a takeover bid, RG 111 suggests that the form of the analysis undertaken by the independent expert should be substantially the same as for a takeover. Independent expert reports required under the Act in the circumstance of a takeover are required to provide an opinion as to whether or not the takeover bid is 'fair and reasonable'. While there is no definition of 'fair and reasonable', RG 111 provides some guidance as to how the terms should be interpreted in a range of circumstances.

RG 111 suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism used to effect the transaction.

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, 'in the best interests' must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgment on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the transaction and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposed transaction and form an overall view as to whether shareholders are likely to be better off if the proposed transaction is implemented than if it is not. This assessment is the same as that required for a 'fair and reasonable' assessment in the case of a takeover. If the expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, the expert will also be able to conclude that the scheme is in the best interests of shareholders. An opinion of 'in the best interests' does not imply the best possible outcome for shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities which are the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in three parts:

- A comparison between the value of an Essential share including a premium for control and the Scheme Consideration (fairness - see Section 12 'Is the Scheme Fair?');
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Scheme, after reference to the value derived above (reasonableness - see Section 13 'Is the Scheme Reasonable?'); and
- A consideration of whether the Scheme is in the best interests of Shareholders.

RG 111 states that if a transaction is fair and reasonable then the expert can conclude that the transaction is in the best interests of shareholders; if a transaction is not fair but reasonable an expert can still conclude that the transaction is in the best interests of shareholders; if a transaction is neither fair nor reasonable then the expert would conclude that the transaction is not in the best interests of shareholders.

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the scheme

On 9 January 2023, Essential announced that it had executed a SIA with TLEA, under which it is proposed that TLEA will acquire the entire issued capital of Essential by way of scheme of arrangement under the Corporations Act. If the Scheme becomes effective, Essential shareholders will be entitled to receive the Scheme Consideration of \$0.50 cash for every Essential share that they hold.

The Scheme becoming effective is subject to the following conditions being satisfied or waived where applicable. The conditions precedent that remain outstanding as at the date of our Report are detailed below:

- Essential Shareholders' approval of the Scheme, by the requisite majority of Essential shareholders, in accordance with section 411(4)(a)(ii) of the Corporations Act;
- Court approval of the Scheme, in accordance with section 411(4)(b) of the Corporations Act;
- All regulatory approvals required to implement the Scheme are obtained;
- Each Essential option holder has either:
 - exercised the Essential options held by them, in accordance with their terms;
 - agreed unequivocally and irrevocably in writing to exercise the Essential options held by them in accordance with their terms prior to the record date; or
 - entered into an option cancellation deed.
- No temporary restraining order, preliminary or permanent injunction or other temporary, preliminary or final order issued by any court of competent jurisdiction, no preliminary or final decision, determination, notice of objection, or order issued by any Regulatory Authority or any other legal restraint, in each case preventing any of the transactions contemplated by the SIA;
- The Independent Expert, having issued its report which concludes that the Scheme is in the best interests of Essential Shareholders, not changing its conclusions or withdrawing its report;
- No material adverse change occurring;
- No prescribed occurrence occurring;
- The representations and warranties of Essential being true and correct in all material respects; and
- The representations and warranties of TLEA being true and correct in all material respects.

Each of the outstanding conditions precedent (with the exception of Court approval) must be satisfied or waived (if applicable) before 8:00am on the second court date. The conditions precedent relating to approval of Essential Shareholders, approval by the Court and no restraints cannot be waived. If these conditions precedent are not satisfied the Scheme will not proceed. The other conditions precedent may be waived by the party for whose benefit the condition operates, or where the condition operates for the benefit for both parties, by consent. Further details on the conditions precedent and other terms of the Scheme can be found in the Scheme Booklet.

5. Profile of Essential

5.1 History

Essential is an Australian Securities Exchange ('ASX')-listed lithium, gold and nickel explorer. The Company's flagship asset is its 100% equity interest in the Pioneer Dome Lithium Project ('Pioneer Dome') located in the Eastern Goldfields, Western Australia ('WA'). The Company also holds 100% equity interest in the Juglah Dome Gold Project ('Juglah Dome') and the Golden Ridge Gold Project ('Golden Ridge') located near Kalgoorlie, WA.

The Company was incorporated in 2003 and admitted to the ASX in the same year as the then Pioneer Nickel Limited and was subsequently renamed Pioneer Resources Limited in July 2009. On 23 July 2020, the Company changed its name to 'Essential Metals Limited'. Essential is headquartered in West Perth, WA.

The current directors of Essential are:

- Mr. Timothy Spencer - Managing Director;
- Mr. Craig McGown - Non-Executive Chairman;
- Mr. Paul Payne - Non-Executive Director; and
- Mr. Warren Hallam - Non-Executive Director.

In the following paragraphs, we set out a brief overview of Essential's 100% owned projects.

5.2 Pioneer Dome

Pioneer Dome is located in the Eastern Goldfields, approximately 150 kilometres ('km') south of Kalgoorlie. Pioneer Dome covers an area of 450 square kilometres ('km²') and includes eight exploration licences, one granted mining lease, and one granted miscellaneous licence, with an additional mining lease, granted in February 2023 to cover the Dome North Mineral Resource ('Dome North').

Since the early 1970s, exploration efforts within the current tenement bounds had been primarily focused on nickel and gold. Essential initiated lithium exploration in early 2016, leading to the discovery of the Heller, Davy and Cade deposits in the northern portion of the project area, collectively known as Dome North. Additional exploration work conducted on the eastern margin of Pioneer Dome led to the discovery of pollucite-hosted caesium mineralisation, which was subsequently mined from the Sinclair Caesium Deposit ('Sinclair') in December 2018.

5.3 Dome North

On 25 June 2019, Essential announced the discovery of two spodumene-bearing pegmatites at Dome North, tentatively named Spodumene Target 1 ('Target 1') and Spodumene Target 2 ('Target 2'), both of which collectively marked the first discovery of spodumene at Pioneer Dome. Following the completion of the initial drilling programme, announced on 16 September 2019, Target 2 was renamed 'Cade Deposit', and further drilling on the tenement identified one additional deposit, named the Davy deposit with Target 1 renamed the Heller deposit.

On 25 November 2019, The Company announced a maiden Mineral Resource at the Cade Deposit of 8.2 million tonnes ('Mt') at 1.23% lithium oxide ('Li₂O'), containing 102,000 tonnes of Li₂O. The maiden Mineral Resource was classified as inferred, under the Australasian Code for Reporting of Exploration

Results, Mineral and Ore Reserves (2012 Edition) ('JORC Code'). Subsequently, on 29 September 2020, Essential announced that the Mineral Resource had been upgraded to 11.2 Mt at 1.21% Li₂O, containing 136,000 tonnes, with 51% of the contained Li₂O from the Cade Deposit upgraded to the higher confidence Indicated Category. Essential noted that the increase in Mineral Resource was predominately attributable to the addition of the Heller and Davy deposits.

On 18 December 2020, Essential announced the completion of a metallurgical test work programme conducted by Primero Group Limited ('Primero'), whereby feed material sourced from the Cade Deposit demonstrated a total Li₂O recovery rate of 74%, with subsequent resource development and exploration completed throughout 2021 and 2022. Further metallurgical test work was undertaken on three composite samples, with the result announced on 7 October 2022, which complemented the earlier test work programme completed on the Cade Fresh mineralisation.

The Company announced on 5 September 2022 that Primero had been engaged to conduct a Scoping Study to provide capital and operating cost estimates and the necessary infrastructure requirements to facilitate Dome North's entry into production. Shortly after, Essential reported on 26 September 2022 that it had received formal notification of a Mining Lease Application from the Department of Mines, Industry Regulation and Safety ('DMIRS') concerning the Cade, Heller and Davy deposits.

On 20 December 2022, Essential reported a 50% increase in lithium within the higher confidence Indicated Category held at both the Cade and Davy deposits with the total Mineral Resource updated to 11.2Mt at 1.16% Li₂O. Further, the Company communicated its intention to use the upgraded mineral Resource to conduct a mining optimisation study, the findings of which were intended to be employed to define the mining inventory for the Scoping Study.

Subsequently, on 7 February 2023, Essential announced the outcome of the Scoping Study based on the aforementioned mineral resource upgrade, which indicated the prospective viability of a lithium mining and processing operation at Pioneer Dome.

5.4 Horse Rocks Lithium Project

The Horse Rocks Lithium Project is located approximately 60 km north-northwest of Pioneer Dome and comprises a single tenement. Initial exploration activities have yet to determine the presence of pegmatite fractionation or lithium mineralisation thus far.

5.5 Sinclair

Sinclair was discovered by Essential in 2016, with mining commencing in September 2018 and completing in January 2019. Sinclair was the first mining operation in Australia to extract caesium-rich pollucite commercially, as economic caesium deposits are generally scarce, with only a handful of operations worldwide capable of producing commercially sufficient quantities.

On 17 April 2019, the Company reported that its maiden shipment of pollucite had been received in Canada by its offtake partner, with all pollucite sales concluded shortly after in 2020. Subsequently, following the depletion of the Sinclair ore body, Sinclair was placed into care and maintenance under a Mine Closure Plan that the Company notes is due to be reviewed in the financial year ended 30 June 2023.

5.6 Juglah Dome

Juglah Dome is located approximately 60 km east-southeast of Kalgoorlie and comprises a single 50 km² tenement accessible via existing road infrastructure. In the 1990s, Western Mining Corporation conducted early geochemical sampling across the tenement area. Before Essential acquired the site, numerous owners had engaged in additional exploratory efforts.

Essential announced the start of gold-focused reverse circulation drilling at Juglah Dome in December 2020. Subsequently, in February 2021, Essential declared that the preceding drilling operations at Juglah Dome confirmed the continuity of gold mineralisation. In April 2021, following the completion of the drilling programme, Essential announced the start of air-core drilling at the Juglah Dome to extend the gold mineralisation.

In addition, Essential executed further drilling at Juglah Dome in March 2022, which the Company reported produced additional gold anomalies. Essential noted that planned work on Juglah Dome encompasses the submission of additional gold samples, the evaluation of a southeast expansion of the Gards prospect, the compilation of historical exploration data and further geological mapping of the tenement area.

5.7 Golden Ridge

Golden Ridge is situated 20 km southeast of Kalgoorlie and comprises four mining leases, three exploration licences and one miscellaneous licence. During the 1960s nickel boom, Western Mining Corporation explored Golden Ridge and initially discovered the Blair Nickel-Sulphide Deposit ('Blair'). Subsequently, Blair was mined between 1990 and 2008, with initial operations yielding approximately 32,900 tonnes of contained nickel. Australian Mines purchased Blair and the surrounding tenure in 2005, which it sold to Essential in July 2012.

In July 2021, Essential announced that the Company had intersected numerous zones of gold mineralisation from an air-core drilling programme at Golden Ridge. Essential notes that future work at Golden Ridge would entail the investigation of follow-up drilling in prospective areas and identifying other areas for surface geochemical anomalies and mapping.

5.8 Joint Venture Interests

The Company is engaged in several joint ventures, which are detailed below.

The Acra Project

The Acra Gold Project is located approximately 60 km east of Kalgoorlie and covers an area of 370 km². In October 2016, Essential announced its entry into a joint venture with Northern Star Resources Limited ('Northern Star'). Northern Star had acquired a 75% interest in the Acra Gold Project and continues to fund exploration until approval of a Mining Proposal from DMIRS is received, with Essential retaining a 25% interest.

The Kangan Project

The Kangan Gold Project is located in the West Pilbara region, WA. On 16 December 2020, Essential announced the completion of a farm-in joint venture with Novo Resources Corp ('Novo') and Sumitomo Corporation (since released from the farm-in joint venture). Under the agreement, Novo will fund 100% of

gold exploration programmes until a decision to mine is made, with Essential retaining a 30% interest in gold and precious metals and a 100% interest in all other minerals.

The Balagundi Project

The Balagundi Gold Project is situated 25 km east of Kalgoorlie and covers an area of 40.6 km². On 19 July 2019, Black Cat Syndicate Limited ('Black Cat') announced that it had entered into a farm-in and joint venture agreement with Essential, whereby Black Cat earned a 75% interest and will fully fund gold exploration programmes until a decision to mine is made, with Essential retaining a 25% interest.

The Larkinville Project

The Larkinville Gold and Nickel Project is located approximately 60 km south of Kalgoorlie. Essential holds a 25% free-carried interest for gold rights and 20% for nickel rights, with Maximus Resources Limited holding 75% and 80%, respectively.

The Blair - Golden Ridge Project

On 9 February 2021, Essential announced that it was farming out the nickel rights to Australian Nickel Company Limited ('ANC'), with ANC to earn 75% of the nickel rights through the expenditure of \$4.00 million over four years, with a minimum annual spend of \$0.75 million, with Essential retaining the rights to all other minerals and a 25% free-carried interest up to a decision to mine.

The Wattle Dam Project

The Wattle Dam Nickel Project is located approximately 60 km south of Kalgoorlie, WA. Essential holds a 20% free-carried interest for nickel rights, with Maximus Resources Limited holding the remaining 80% and full rights to all other metals.

The Maggie Hays Nickel Project

The Maggie Hays Nickel Project is located in the Dundas Mineral Field, approximately 100 km west of Norseman. Under the joint venture agreement, Essential holds a 20% free carried interest to the commencement of mining, with the remaining 80% owned by Poseidon Nickel Limited.

5.9 Recent Corporate Events

Capital Raisings

On 18 November 2020, the Company announced it had completed a share placement to institutional and sophisticated investors, with proceeds totalling \$2.05 million before issue costs at an issue price of \$0.085 plus a one-for-two free share option. Further, the Company announced on 16 December 2020 that it had completed a Share Purchase Plan under the same terms to raise a further \$2.14 million.

On 4 August 2021, Essential announced that it was completing a share placement to institutional and sophisticated investors priced at \$0.125 per ordinary share for gross proceeds of \$5.00 million. Essential issued 36,780,000 ordinary shares on 11 August 2021 and the balance of 3,220,000 ordinary shares plus 2,000,000 unlisted broker options (issued to Taylor Collison Limited) were issued on 22 September 2021.

Disposal of Subsidiary

On 25 October 2021, Essential announced that it had agreed to sell its wholly owned Canadian subsidiary Pioneer Canada Lithium Corp., to a subsidiary of Critical Resources Limited ('Critical Resources'). The sale was completed on 4 January 2022 and Essential received the following consideration:

- \$0.75 million cash payment (\$0.375 million withheld pending Canadian foreign income tax assessment);
- 34,000,000 shares in Critical Resources, valued at \$0.022 per share. (\$0.75 million). We note that at the time of sale completion, Critical Resources' share price had increased to \$0.041, valuing the shares at \$1.39 million; and
- Two milestone payments totalling \$1.5 million following the definition of a Mineral Resource estimate at the Mavis Lake Lithium Project.

5.10 Historical Balance Sheet

| Statement of Financial Position | Reviewed as at 31-Dec-22 \$'000s | Audited as at 30-Jun-22 \$'000s | Audited as at 30-Jun-21 \$'000s |
|--|--|---------------------------------------|---------------------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 9,779 | 10,527 | 5,466 |
| Trade and other receivables | 459 | 443 | 15 |
| Investments | 75 | 113 | 273 |
| Prepayments | 15 | 44 | 36 |
| TOTAL CURRENT ASSETS | 10,328 | 11,127 | 5,790 |
| NON-CURRENT ASSETS | | | |
| Exploration and evaluation expenditure | 19,438 | 16,726 | 15,430 |
| Right-of-use assets | 231 | 253 | 171 |
| Plant, equipment and motor vehicles | 97 | 95 | 147 |
| Bank restricted deposits | 21 | 21 | 22 |
| TOTAL NON-CURRENT ASSETS | 19,787 | 17,095 | 15,770 |
| TOTAL ASSETS | 30,115 | 28,222 | 21,560 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 239 | 564 | 223 |
| Provisions | 739 | 1,122 | 755 |
| Lease liabilities | 21 | 43 | 47 |
| TOTAL CURRENT LIABILITIES | 999 | 1,729 | 1,025 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | 229 | 210 | 132 |
| TOTAL NON-CURRENT LIABILITIES | 229 | 210 | 132 |
| TOTAL LIABILITIES | 1,228 | 1,939 | 1,157 |
| NET ASSETS | 28,887 | 26,283 | 20,403 |
| EQUITY | | | |
| Issued capital | 53,237 | 50,150 | 44,538 |
| Reserves | 1,357 | 1,350 | 1,193 |
| Accumulated losses | (25,707) | (25,217) | (25,328) |
| TOTAL EQUITY | 28,887 | 26,283 | 20,403 |

Source: Essential's audited financial statements for the years ended 30 June 2021, 30 June 2022 and reviewed half year financial statement ended 31 December 2022.

Commentary on Historical Statement of Financial Position

- The significant cash flow movements in the cash and cash equivalents balance over the assessed periods are outlined in the table below:

| Significant cash flow movements | Reviewed as at 31-Dec-22 \$'000s | Audited as at 30-Jun-22 \$'000s | Audited as at 30-Jun-21 \$'000s |
|--|--|---------------------------------------|---------------------------------------|
| Opening cash and cash equivalents | 10,527 | 5,466 | 4,391 |
| Proceeds from the issue of shares | 3,087 | 5,965 | 4,190 |
| Proceeds from the sale of listed investments | - | 2,965 | 322 |
| Receipts from customers | - | - | 369 |
| Payments for exploration and evaluation | (3,012) | (2,787) | (2,512) |
| Payments to suppliers and employees | (845) | (1,500) | (1,225) |
| Other cash movements | 22 | 418 | (69) |
| Closing cash and cash equivalents | 9,779 | 10,527 | 5,466 |

- Investments over the assessed period comprises the following:

| Investments | Reviewed as at 31-Dec-22 \$'000s | Audited as at 30-Jun-22 \$'000s | Audited as at 30-Jun-21 \$'000s |
|--|--|---------------------------------------|---------------------------------------|
| Opening balance | 113 | 273 | 568 |
| Acquisition of equity investments | - | 1,394 | 200 |
| Changes recognised in other comprehensive income | - | 75 | (172) |
| Changes recognised directly in retained losses | - | 1,518 | - |
| Disposal of equity investments | - | (3,147) | (323) |
| Current investments - equity instruments | 75 | 113 | 273 |

Note: Reviewed financial statements for the half year ended 31 December 2022 do not provide a breakdown of investments balance.

During the year ended 30 June 2022, Essential completed the sale of its wholly owned Canadian subsidiary Pioneer Canada Lithium Corp. to Critical Resources, for \$0.75 million cash and 34 million Critical Resources listed shares. Further information on this transaction is detailed in Section 5.8 of our Report.

Current investments of \$0.11 million as at 30 June 2022 comprises 1.25 million listed shares in International Lithium Corp., a Toronto Stock Exchange-listed company.

- Exploration and evaluation expenditure over the assessed period comprises the following:

| Exploration and evaluation expenditure | Reviewed as at 31-Dec-22 \$'000s | Audited as at 30-Jun-22 \$'000s | Audited as at 30-Jun-21 \$'000s |
|---|--|---------------------------------------|---------------------------------------|
| Opening balance | 16,727 | 15,430 | 13,666 |
| Expenditure for the period | 2,712 | 3,085 | 2,231 |
| Sale of subsidiary | - | (1,675) | - |
| Foreign currency translation - Mavis Lake | - | - | 10 |
| Exploration expenditure written off | - | (113) | (477) |
| Farmin arrangement for Balagundi JV | - | - | - |
| R&D incentives received during the period | - | - | - |
| Closing balance | 19,348 | 16,727 | 15,430 |

- Trade and other payables over the assessed period comprises the following:

| Trade and other payables | Reviewed as at 31-Dec-22 \$'000s | Audited as at 30-Jun-22 \$'000s | Audited as at 30-Jun-21 \$'000s |
|---------------------------------------|--|---------------------------------------|---------------------------------------|
| Trade creditors | - | 373 | 83 |
| Other creditors and accruals | - | 191 | 140 |
| Total trade and other payables | 239 | 564 | 223 |

Note: Reviewed financial statements for the half year ended 31 December 2022 do not provide a breakdown of trade and other payables balance.

- Provisions as at the various balance dates comprised the following:

| Provisions | Reviewed as at 31-Dec-22 \$'000s | Audited as at 30-Jun-22 \$'000s | Audited as at 30-Jun-21 \$'000s |
|---------------------------------|--|---------------------------------------|---------------------------------------|
| Rehabilitation provision | 696 | 696 | 696 |
| Other provisions | 43 | 426 | 59 |
| Total current provisions | 739 | 1,122 | 755 |

Rehabilitation provision of \$0.70 million over the assessed period pertains to the Sinclair Mine Site. The rehabilitation provision balance corresponds to the anticipated work to be performed, including earthmoving, removal of facilities, and restoration of impacted areas. The Company notes that future rehabilitation costs will be evaluated annually and that any changes to the estimate will be included in the present value of the restoration provision at each reporting date. Further information on Sinclair is detailed in Section 5.4 of our Report.

We note that as at the date of our Report, Essential has not recorded any additional rehabilitation provisions pertaining to its other projects.

5.11 Historical Statement of Comprehensive Income

| Statement of Profit or Loss and Other Comprehensive Income | Reviewed for the half year ended 31-Dec-22 \$'000s | Audited for the year ended 30-Jun-22 \$'000s | Audited for the year ended 30-Jun-21 \$'000s |
|--|---|---|---|
| Revenue from sale of goods | - | - | 106 |
| Cost of sales | - | - | (1) |
| Gross profit | - | - | 105 |
| Other income | 411 | 526 | 567 |
| Interest income | 94 | 30 | 46 |
| Exploration expenditure | - | (3) | (100) |
| Employee benefits expense (incl. director fees) | (363) | (783) | (738) |
| Compliance & regulatory expenses | (132) | (188) | (166) |
| Consultancy expenses | (144) | (274) | (93) |
| Business development & investor relations | (188) | (219) | (106) |
| Administration costs | (86) | (143) | (133) |
| Interest expense | (12) | (10) | (17) |
| Exploration and evaluation expenditure written off | - | (113) | (477) |

| Statement of Profit or Loss and Other Comprehensive Income | Reviewed for the half year ended 31-Dec-22 \$'000s | Audited for the year ended 30-Jun-22 \$'000s | Audited for the year ended 30-Jun-21 \$'000s |
|---|---|---|---|
| Depreciation - right-of-use assets | (22) | (32) | (84) |
| Depreciation - plant, equipment and motor vehicles | (3) | (14) | (23) |
| Loss on disposal of plant, equipment and motor vehicles | - | (18) | (35) |
| Foreign exchange differences | - | (1) | (22) |
| Share based payments | (45) | (165) | (107) |
| Selling costs | - | - | - |
| Other costs from sale of goods - indirect | - | - | - |
| Profit/(loss) before income tax | (490) | (1,407) | (1,383) |
| Income tax | - | - | - |
| Profit/(loss) for the year from continuing operations | (490) | (1,407) | (1,383) |
| Other comprehensive income/(loss): | | | |
| Exchange differences on translation of foreign operations | - | (91) | 17 |
| Changes in the fair value of financial assets | (38) | 75 | (172) |
| Total comprehensive profit/(loss) for the year, net of tax | (528) | (1,423) | (1,538) |

Source: Essential's audited financial statements for the years ended 30 June 2021, 30 June 2022 and reviewed half year financial statement ended 31 December 2022.

Commentary on Historical Statement of Profit or Loss and Other Comprehensive Income

- Other income over the assessed period comprised the following:

| Other income | Reviewed for the half year ended 31-Dec-22 \$'000s | Audited for the year ended 30-Jun-22 \$'000s | Audited for the year ended 30-Jun-21 \$'000s |
|--|---|---|---|
| Golden Ridge JV exclusivity and option exercise fees | - | 400 | 125 |
| Gain on sale of subsidiary | 381 | - | - |
| Subsidiary sale exclusivity and option exercise fees | - | 100 | - |
| Other income | 30 | 26 | 7 |
| Income received - cancellation of tenement applications | - | - | 200 |
| listed shares received as consideration for royalty sale | - | - | 200 |
| Government grants | - | - | 167 |
| Relocation of JobKeeper - capitalised E&E expenditure | - | - | (132) |
| Total other income | 411 | 526 | 567 |

Golden Ridge joint venture income of \$0.40 million for the year ended 30 June 2022 is attributable to ANC's exercise of options that, upon exercise, granted ANC the right to enter the Golden Ridge joint venture.

- Employee benefits expense over the assessed period comprises the following:

| Employee benefits expense | Reviewed for the half year ended 31-Dec-22 \$'000s | Audited for the year ended 30-Jun-22 \$'000s | Audited for the year ended 30-Jun-21 \$'000s |
|---|---|---|---|
| Salaries, wages and superannuation | - | (1,251) | (1,176) |
| Salaries and wages capitalised to E&E asset | - | 670 | 663 |
| Director fees and charges | - | (202) | (197) |
| Termination benefits | - | - | (28) |
| Total employee benefits expense | (363) | (783) | (738) |

Note: Reviewed financial statements for the half year ended 31 December 2022 do not provide a breakdown of employee benefits expenses.

Salaries and wages capitalised to E&E of \$0.67 million for the year ended 30 June 2022 relates primarily to operational employees such as geologists and field assistants. Management has advised that salaries and wages are allocated to projects based on timesheets.

5.12 Capital Structure

The share structure of Essential as at 30 January 2023 is outlined below:

| | Number |
|--|-------------|
| Total ordinary shares on issue | 267,566,694 |
| Top 20 shareholders | 78,530,410 |
| Top 20 shareholders - % of shares on issue | 29.35% |

Source: Essential's share registry

The range of shares held in Essential as at 30 January 2023 is as follows:

| Range of Shares Held | No. of Ordinary Shareholders | No. of Ordinary Shares | Percentage of Issued Shares (%) |
|----------------------|------------------------------|------------------------|---------------------------------|
| 1 - 1,000 | 614 | 268,302 | 0.10% |
| 1,001 - 5,000 | 1,829 | 5,238,931 | 1.96% |
| 5,001 - 10,000 | 1,027 | 8,332,607 | 3.11% |
| 10,001 - 100,000 | 2,074 | 71,733,191 | 26.81% |
| 100,001 - and over | 402 | 181,993,663 | 68.02% |
| TOTAL | 5,946 | 267,566,694 | 100.00% |

Source: Essential's share registry

The ordinary shares held by significant shareholders as at the date of our Report are detailed below:

| Name | No. of Ordinary Shares held | Percentage of issued shares (%) |
|---|-----------------------------|---------------------------------|
| Odey Asset Management LLP and Odey Investment Plc | 21,929,084 | 8.20% |
| Subtotal | 21,929,084 | 8.20% |
| Others | 245,637,610 | 91.80% |
| TOTAL | 267,566,694 | 100% |

Source: Essential's share registry

Treatment of Essential options and performance rights in connection with the Scheme

According to the SIA, Essential has arranged that all Essential options and performance rights will either vest, lapse or otherwise be cancelled or terminated before the Record Date.

Essential and TLEA have entered into Option Cancellation Deeds with each of the Essential optionholders. Under the Option Cancellation Deeds, Essential optionholders agree to have their options cancelled in return for a cash amount equal to the intrinsic value of the options (being the Scheme Consideration per share less the exercise price per Option).

The unlisted options on issue as at 30 January 2023 are detailed below:

| Description | No. of Options |
|---|------------------|
| Options expiring 30-Sep-24 and exercisable at \$0.125 | 200,000 |
| Options expiring 30-Sep-24 and exercisable at \$0.175 | 200,000 |
| Options expiring 30-Sep-24 and exercisable at \$0.225 | 200,000 |
| Options expiring 31-Jan-24 and exercisable at \$0.25 | 500,000 |
| Options expiring 31-Jan-24 and exercisable at \$0.35 | 500,000 |
| Options expiring 31-Jan-24 and exercisable at \$0.45 | 500,000 |
| Options expiring 30-Jun-24 and exercisable at \$0.25 | 533,334 |
| Options expiring 30-Jun-24 and exercisable at \$0.35 | 533,334 |
| Options expiring 30-Jun-24 and exercisable at \$0.45 | 533,334 |
| Total number of Options | 3,700,002 |

Source: SIA

In addition, according to the SIA, performance rights issued under the terms of the 2017 Performance Rights Plan and Employee Share Option Plan and the 2020 Equity Incentive Plan automatically vest upon the occurrence of a change of control. Performance rights issued under the 2022 Employee Incentive Securities Plan will vest at the discretion of the Board. In total, 3,418,235 performance rights will have vested prior to, or will vest upon Court approval of the Scheme.

The performance rights on issue as at 9 January 2023 are detailed below:

| Description | Tranche | No. of Performance Rights |
|---|---------|---------------------------|
| Performance Rights expiring 31-Jan-24 | A) | 500,000 |
| Performance Rights expiring 30-Jun-24 | B) | 793,273 |
| Performance Rights expiring 30-Jun-25 | C) | 1,551,020 |
| Performance Rights expiring 30-Jun-26 | D) | 523,942 |
| Performance Rights expiring 31-Dec-24 | E) | 100,000 |
| Performance Rights expiring 30-Jun-26 | F) | 75,869 |
| Total number of Performance Rights | | 3,544,104 |

Source: SIA

Terms of the Existing Performance Rights

A summary of terms of the performance rights is set out below.

| Tranche | Vesting conditions | Expiry date |
|---------|--|-------------|
| A) | The Tranche A performance rights vested upon Tim Spencer completing continuous employment with the Company up to 31/12/2022 | 31-Jan-24 |
| B) | 50% of the Tranche B performance rights will vest upon the Absolute Total Shareholder Return of Essential ('ATSR') exceeding 25%. 50% of the Tranche B performance rights will vest upon the Company's Relative Total Shareholder Return ('RTSR') exceeding 70% of a nominated group of peer companies over the performance period. Vesting will only occur if the Company's total shareholder return ('TSR') is positive. The vesting date for the Tranche B performance rights is 30 June 2023. | 30-Jun-24 |
| C) | 50% of the Tranche C performance rights will vest upon the ATSR of Essential exceeding 25%. 50% of the Tranche C performance rights will vest upon the Company's RTSR exceeding 70% of a nominated group of peer companies over the performance period. Vesting will only occur if the Company's TSR is positive. The vesting date for the Tranche C performance rights is 30 June 2024 | 30-Jun-25 |
| D) | 50% of the Tranche D performance rights will vest upon the ATSR of Essential exceeding 25%. 50% of the Tranche D performance rights will vest upon the Company's RTSR exceeding 70% of a nominated group of peer companies over the performance period. Vesting will only occur if the Company's TSR is positive. The vesting date for the Tranche D performance rights is 30 June 2025. | 30-Jun-26 |
| E) | The Tranche E performance rights will vest upon Robert Sills completing continuous employment with the Company up to 31/12/2023 | 31-Dec-24 |
| F) | 50% of the Tranche F performance rights will vest upon the ATSR of Essential exceeding 25%. 50% of the Tranche F performance rights will vest upon the Company's RTSR exceeding 70% of a nominated group of peer companies over the performance period. Vesting will only occur if the Company's TSR is positive. The vesting date for the Tranche F performance rights is 30 June 2025. | 30-Jun-26 |

Source: Essential's employee incentive plan provided by Management

6. Profile of TLEA

6.1 History

TLEA is an incorporated joint venture owned 51% by TLC and 49% by IGO. Established in 2014, TLEA owns an integrated lithium business, including a 51% interest in the Greenbushes Lithium Operation and 100% in the Kwinana Lithium Hydroxide Refinery, both located in WA.

TLC develops, manufactures, and markets lithium-based products, including battery and industrial-grade lithium carbonate, lithium chloride, lithium hydroxide, and other related products for a wide variety of global customers. TLC was established in 1995 and is headquartered in Chengdu, China. As at 15 March 2023, TLC had a market capitalisation of \$26.16 billion.

IGO is an ASX-listed mining exploration and production company whose revenue is derived from the production and sale of various battery metals, including nickel, copper, and cobalt. IGO's operations include the Nova Nickel-copper-cobalt Operation, the Forrestania Nickel Operation and the Cosmos Nickel Project. IGO is headquartered in Perth, WA. As at 15 March 2023, IGO had a market capitalisation of \$9.63 billion.

7. Economic analysis

Essential is exposed to the risks and opportunities of the Australian market due to the location of its portfolio of exploration assets and its listing on the ASX. Accordingly, we have presented an analysis on the Australian economy.

Overview

In its February 2023 statement of Monetary Policy, the Reserve Bank of Australia ('RBA') noted that it expects Australia's Gross Domestic Product ('GDP') to exhibit moderate growth of 1.5% over both 2023 and 2024. Inflation remains elevated but appears to have peaked around the end of 2022, at 7.8% over the year to the December quarter. As a result, the central forecast is for consumer price inflation ('CPI') to decline to 4.75% over 2023 before returning to the upper end (3%) of target levels by mid-2025.

The rebound from the COVID-19 pandemic waned throughout 2022, contributing to a slowdown in the global economy. Like many advanced economies, high inflation and energy prices have weighed on demand in Australia. In addition, in 2023 and 2024, it is anticipated that GDP growth in Australia's key trading partners will remain substantially below the historical norm. However, downside risks to growth in the major global economies have lessened in recent months helped by China's sudden reversal of its COVID-19 measures in December 2022, which has diminished such risks and stabilised the supply chain recovery trajectory.

The ASX 200 index has risen approximately 7% over the year to early February 2023, outpacing the US and other international equity markets by a significant margin. The relative strength of the Australian market over the past year is primarily attributable to the greater weighting of the resources sector, whose equity prices have increased by approximately 13% over the same period, driven by an estimated 40% increase in the energy sector as a result of Russia's invasion of Ukraine. Similarly, other resources have continued to benefit in tandem with China's improved outlook.

The RBA has executed monthly cash rate rises at each of its meetings since May 2022. Consequently, the Bank's balance sheet remains large by historical standards, reflecting the monetary policy measures introduced in response to the COVID-19 pandemic. Since November 2022, the size of the balance sheet remains little changed at around \$626 billion. Further rate rises were implemented in February 2023 to increase the cash rate to its current level of 3.35%. Moreover, the RBA anticipates that future policy rate raises will be forthcoming as it attempts to return inflation to target levels by facilitating a sustainable balance of supply and demand in the economy.

Economic indicators

As is the case in almost all major advanced economies, Australia's inflation remains high and broadly based. CPI inflation reached 7.8% over the year to the December quarter, the highest year-ended inflation figure since 1990, and trimmed mean inflation was 6.9% over the same period. The easing of global goods price pressures is yet to be evident in domestic retail prices, and consumer durables prices picked up in the December 2022 quarter. Services inflation also remains persistent, with market services prices 7% higher over the year, driven by resilient demand and rising labour costs. In addition, rent inflation increased further over the year due to tight rental market conditions and historically low vacancy rates. Nonetheless, long term inflation expectations remain anchored, and inflation is forecast to ease in line with the easing of global cost pressures, and the RBA anticipates inflation to retreat to target levels by mid-2025.

The labour market remains notably tight, with the unemployment rate around 3.5%, representing the lowest rate since 1974. Both job vacancies and job advertisements are at high levels but have fallen recently. Nevertheless, many firms continue to express difficulty hiring workers, although some report an easing in labour shortages, as job vacancies have plateaued in recent months. As economic growth slows, the unemployment rate is expected to rise with the central forecast being 3.75% by the end of 2023 increasing to 4.5% by mid-2025.

On a similar note, wage growth has accelerated, particularly in the private sector, in response to the tight labour market. As a result, wages growth is predicted to increase further over the course of 2023, with growth in the Wage Price Index reaching a peak of approximately 4.25% by the end of 2023 before declining as the labour market cools.

The Australian dollar has appreciated 7% against the US dollar since early November 2022 to around US\$0.69 at early February 2023. This appreciation has occurred alongside a broad-based depreciation of the US dollar and an increase in yields on Australian Government bonds relative to US treasury bonds. In addition, the reopening of the Chinese economy and stronger prices for key commodity exports have bolstered the Australian dollar.

Outlook

Economic growth in Australia is forecast to be hampered by rising interest rates, higher living costs and declining real wealth. As a result, the forecast declining trajectory of inflation in Australia remains uncertain and the high inflation environment is expected to continue weighing on real household incomes. The composition of inflation in Australia is also likely to shift, with higher inflation expected in more persistent and non-discretionary items, such as rent, in the coming years. However, despite inflationary concerns, aggregate household incomes have been sustained by solid labour demand, which has underpinned the health of household balance sheets. Although the balance of risks has improved in recent months, the pathway forward remains uncertain, with upside and downside scenarios equally plausible.

Exploration companies with considerable cash balances, such as Essential, are susceptible to changes in inflation, as it frequently presents a trade-off between exploration expenditure and cash retention due to higher interest rates and rising input costs. Additionally, a tight labour market may make it considerably more difficult for explorers to source labour and advance exploration.

Source: www.rba.gov.au Statement by Phillip Lowe, Governor: Monetary Policy Decision dated 7 February 2023 and prior periods, www.rba.gov.au Statement on Monetary Policy February 2023 and prior periods, and BDO analysis.

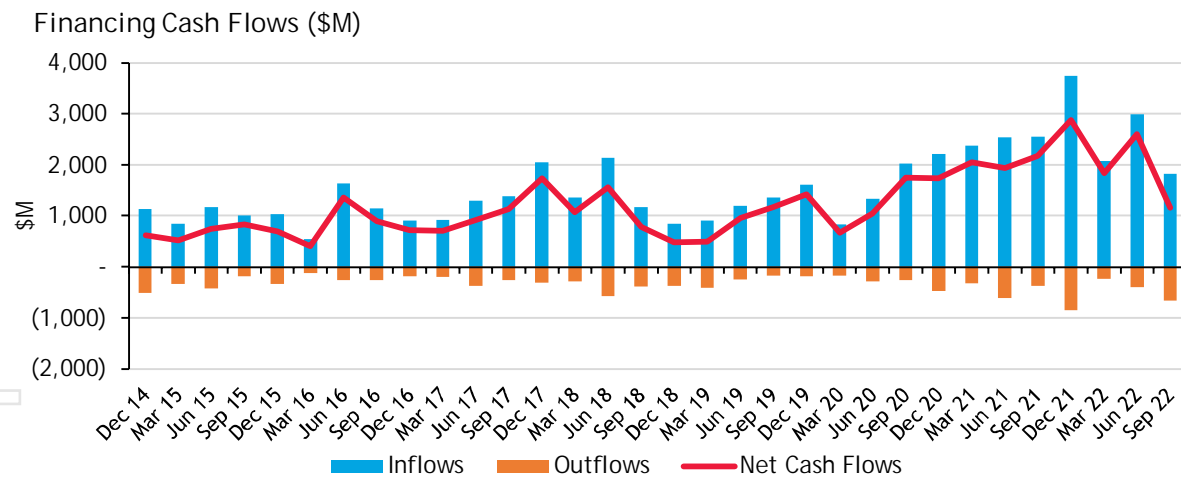
8. Industry analysis

Essential is a lithium, gold and nickel exploration company that is listed on the ASX. As such, we have presented an overview of activity for ASX-listed exploration companies, as well as an analysis on the lithium, gold and nickel sectors.

8.1 Exploration Sector

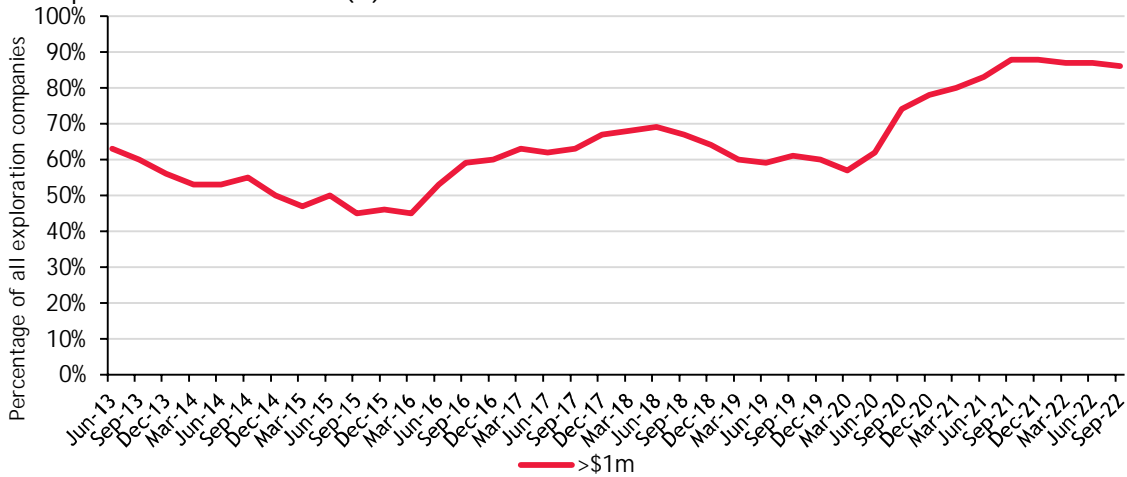
BDO reports on the financial health and cash positions of ASX-listed exploration companies based on the quarterly Appendix 5B reports lodged with the ASX. ASX-listed mining and oil and gas exploration companies are required to lodge an Appendix 5B report each quarter, outlining the company's cash flows, their financing facilities available and management's expectation of future funding requirements. BDO's report for the September quarter of 2022 provides positive signals for the exploration sector, particularly against a backdrop of a broad economic slowdown. Additionally, exploration expenditure continues to remain robust, and the health of exploration companies remains underpinned by strong investment and healthy cash balances.

Financing cash inflows for the September 2022 quarter totalled \$1.82 billion, representing a 39% decrease from the previous quarter which ensued the second highest amount of funds raised in a quarter since the start of our analysis in June 2013. In addition, financing inflows averaged \$2.35 million per company, which is 36% lower than the two-year average of \$3.65 million since September 2020. The fall reflects the impact of adverse reactions by capital markets to the recent cash rate rises that have occurred since June 2022, as well as the high inflationary environment and overall global economic uncertainty.



Explorers' cash positions declined slightly following on from the last four quarters, with 86% of exploration companies reporting a cash balance of over \$1 million as at 30 September 2022. When compared to the 63% average since the June 2013 quarter, this indicates that the sector's cash position remains at some of the strongest levels we have observed since the commencement of our analysis in June 2013.

ASX Explorers' Cash Balance (%)

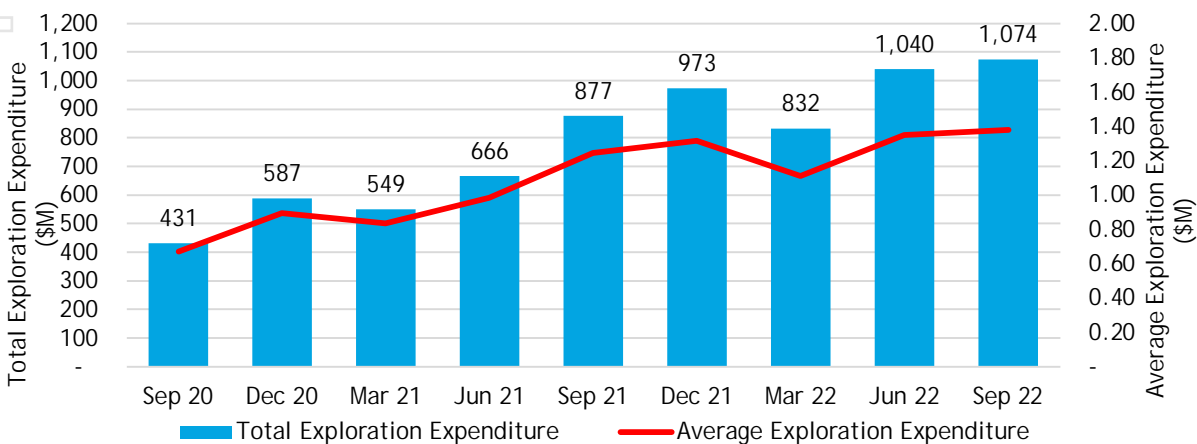


The total recorded cash balance of the exploration sector recorded a 13% decline in the September 2022 quarter to \$8.89 billion. However, we note that this comes after an 18% increase in the June 2022 quarter from \$8.59 billion in March 2022 to \$10.15 billion. This indicates that the net \$1.56 billion of funds raised in the June 2022 quarter largely translated into money spent in the September 2022 quarter, primarily on exploration, which is a positive sign of the continued willingness of explorers to spend on exploration.

Further analysis of these cash balances shows a decreasing trend in the proportion of explorers with cash balances in excess of \$4 million and a gradual increase in percentage of explorers with cash balances between \$2 million and \$4 million. This trend is reflective of the continued spending on exploration and investment amidst the slowdown in financing inflows in the September 2022 quarter.

For the second consecutive quarter, total exploration expenditure surpassed the \$1 billion mark to reach the highest level we have seen since the commencement of our analysis in June 2013. The \$1.07 billion exploration spend in the September 2022 quarter represents a marginal 3% increase from the June quarter but a 44% increase over the two-year average of \$745 million. In addition, the average exploration spend per company increased to a nine-year high of \$1.38 million, more than double the \$0.67 million average spend in the September quarter two years ago.

Total Exploration Expenditure - Last Two Years (\$M)

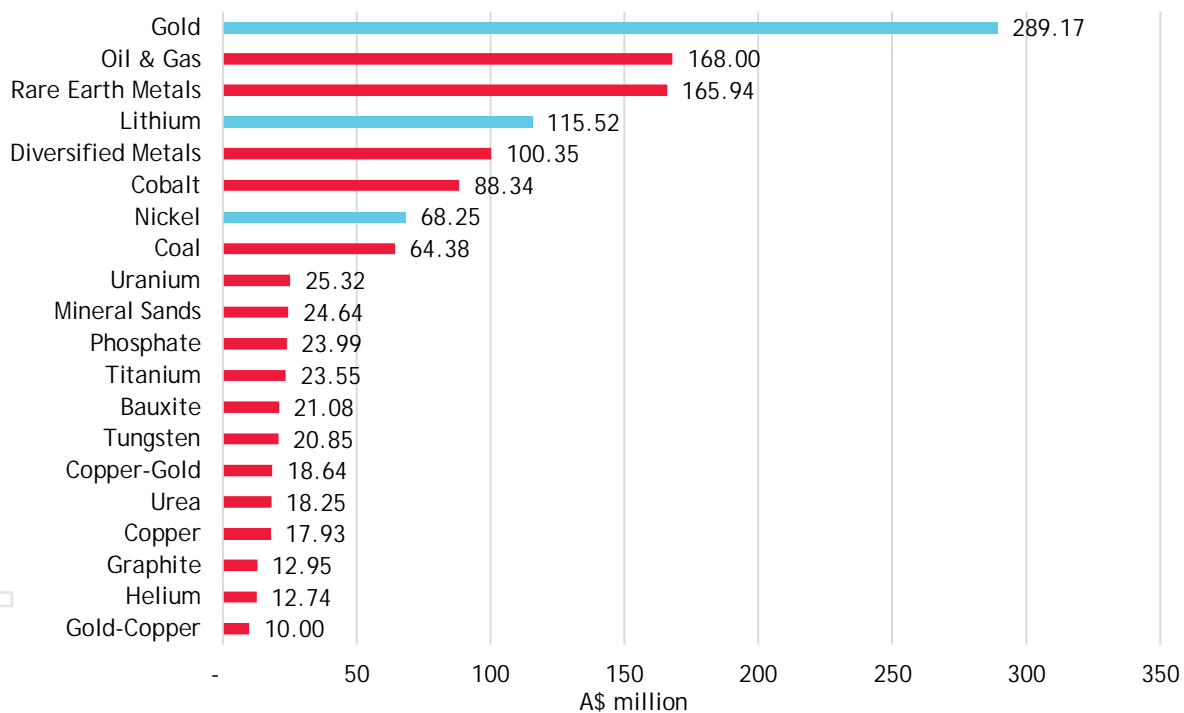


Once again, this comes as a reassuring indicator (especially after the observed slowdown in the March 2022 quarter) that exploration activity within the sector remains strong and that explorers are still investing in the drill bit at historically high levels.

Gold and oil and gas historically dominate the top ten exploration spends, with the prior quarter's top ten exploration spends comprising five gold companies, four oil and gas companies and one lithium company. This quarter, we observed a noticeable growth in exploration spending for battery mineral projects, in line with our expectations. The top ten exploration spends comprised four battery metal companies, four oil and gas companies, one gold company, and one fertiliser (urea production) company, which together accounted for 15% of the total exploration expenditure in the quarter.

This comes after the observed surge in funding towards battery mineral companies over recent quarters, which encouragingly have translated into a rise in exploration spending on battery metals projects. This will continue to help to strengthen Australia's position as a leading global supplier for the anticipated surge in future demand.

Financing Inflow by Commodity - Top 47 Explorers September Quarter 2022



Of the \$1.29 billion raised by Fund Finders, gold reclaimed dominance, accounting for 22.4% of the total Fund Finder financing inflows. Gold is conventionally considered a hedge against inflation and a safe haven asset in times of high market volatility. Gold was last in the top spot in the June 2021 quarter and has since been surpassed by battery minerals like lithium and graphite as the markets' appetite for battery minerals strengthened. In the September 2022 quarter, lithium remained a prominent commodity, representing \$116 million of the financing inflows. The continued backing of funds for lithium, cobalt, nickel and other battery metals also reflects the growing urgency faced by EV manufacturers to secure the raw materials that underpin the widespread electrification of global transport.

Source: BDO Explorer Quarterly Cash Update: September 2022 and prior releases.

8.2 Lithium

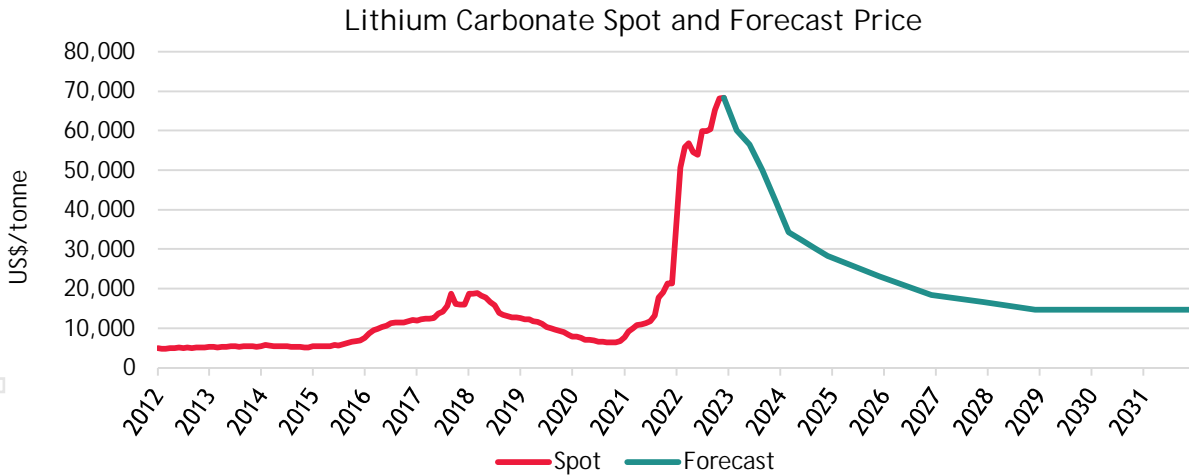
Lithium is a soft, silver-white metal belonging to the alkali metal group of chemical elements and is the lightest and least dense metal. It has excellent potential for power generation due to its reactivity, however, does not occur naturally as a metal in nature. Lithium occurs rather as chemical compounds which are extracted from ores of spodumene or from subsurface brines. Other sources of lithium include minerals such as lepidolite or petalite, and non-conventional sources.

Lithium's use in batteries has increased significantly in recent years as rechargeable lithium batteries are used extensively in the growing market for portable electronic devices and increasingly in electric tools, EVs and grid storage applications. It is also used to strengthen and improve resistance in glasses and ceramics, along with being alloyed with aluminium and copper to reduce weight in airframe structural components.

Growth in the electric car manufacturing industry particularly is a key driver for lithium demand, as major players within the industry, including Tesla, expand production and increasingly target mainstream markets. This has driven many electric car manufacturers to form strategic alliances and joint ventures with lithium mining companies to establish a reliable, diversified supply of lithium.

Lithium prices

Lithium trade is usually confined to a small number of producers and their customers, and as such, contract terms such as pricing are privately negotiated. Furthermore, there are an extensive range of products that can be made from lithium which leads to a range of prices that are dependent on the product and its purity.



Source: S&P Global Market Intelligence, Consensus Economics Survey dated 16 January 2023.

The figure above illustrates the historical fluctuations in lithium carbonate spot prices from 1 January 2012 to 31 December 2022 and the consensus economics forecast for lithium carbonate prices through to 2031.

The strong performance of the lithium price over 2016 and 2017 was reversed in subsequent years through to 2020 as a correction in the oversupply and the delay in demand across the industry played out. Just as higher prices incentivised the rapid commissioning of production capacity throughout the supply chain, the slide in lithium prices led to output curtailments or suspensions of production. Subsequently, prices fell below US\$10,000/t in 2020.

The combination of the existing aforementioned supply issues and a substantial increase in consumer demand since 2021 has placed significant upward price pressures on lithium. A substantial portion of consumer demand is driven by Tesla and other auto makers, as global EV sales have grown considerably. Additionally, global supply side issues, originating from the COVID-19 pandemic have further exacerbated prices in the lithium market, with spot prices exceeding US\$59,000/t in July 2022.

In August 2022, lithium carbonate prices in China’s domestic market gained momentum responding to downstream demand and the coinciding supply shortages. In September, the price surged to record highs as the Chinese government added stimulus spurring demand of electric vehicles, which held strong momentum and reached record highs in November 2022.

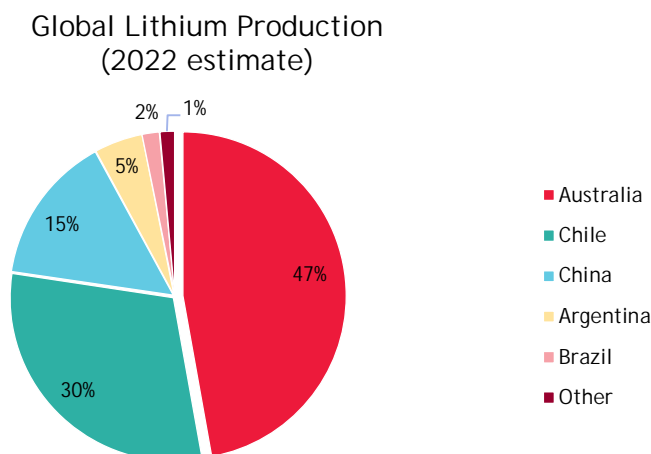
On the supply side, multiple lithium producers in Sichuan, China, halted operations as a result of record-breaking heatwaves, further aggravating the energy crisis in China. The scarcity of lithium has influenced automotive manufacturers to compete for long-term supply contracts, including Stellantis and Ford, whilst Tesla has chosen to build its own lithium refinery in Texas.

New and restarting lithium projects are predicted to aid market tightness in 2023, particularly evident in major producing countries including the Wodgina Mine in WA, recently recommencing production in May 2022, and the Cauchauri-Olaroz Project located in Argentina targeting first production in 2023.

Lithium prices have fallen approximately 20% in January 2023 from the record price reached in November 2022. Bloomberg analysts are expecting average prices to fall about 8% from the average 2022 levels. This decline is expected as a result of general supply chain issues being rectified and new producers entering the market to meet growing EV demand. China’s withdrawal of EV subsidies will also cause a reduction in lithium demand, further reducing the demand-supply mismatch.

Lithium production and reserves

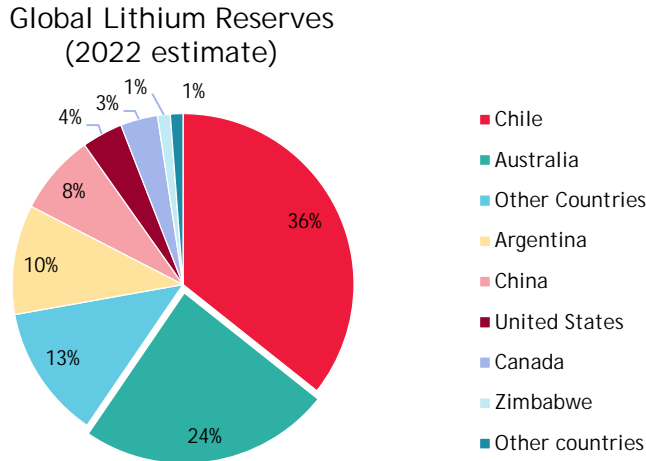
According to data released by the United States Geological Survey (‘USGS’), Australia was the leading producer of Lithium in 2022, contributing approximately 61,000 tonnes of lithium, equating to 47% of global lithium production.



Source: U.S. Geological Survey, January 2023
 *excluding undisclosed United States production data

Whilst Chile was the second largest producer of lithium, it holds the largest amount in reserves by a substantial margin. As of 2022, Chile held approximately 9.3 Mt of lithium, accounting for approximately

41% of global reserves, followed by Australia which held approximately 6.2 Mt, representing 24% of global reserves.



Source: U.S. Geological Survey, January 2023

Lithium supply chain

In recent years, global lithium demand has grown as lithium-ion batteries have become increasingly ubiquitous in commercial markets, particularly electric vehicles, consumer electronics and electronic storage. In 2021, led by China, the Asia-Pacific region accounted for approximately 90% of the lithium-ion battery manufacturing globally. By 2030, the region's contribution is expected to decrease to 69% as Europe's manufacturing capacity is expected to grow to 20% of global capacity.

The electric vehicle market is the leading battery technology market and is a crucial driver of demand, currently representing nearly 80% of global demand. Demand is expected to exceed 3,000 GWh by 2030 due to the surge in the cost of fossil fuels and the shift towards clean energy and reducing carbon emissions. Due to technological developments, there has been an increase in adoption of lithium-ion batteries which has resulted in a growing adoption in most vertical supply chain of industries, which has driven the growth of the lithium-ion battery market globally.

According to data released by Precedence Research in April 2022, North America is the fastest growing region in the lithium-ion battery manufacturing industry, which is expected to grow by ten-fold.

The US lithium industry strongly rebounded from late 2020 to June 2021 as their reliance shifted from imported battery materials and products to domestically produced products. This shift was primarily motivated by aggressive clean energy and electrification initiatives and policies in the US, stronger than expected electric vehicle demand, multi-billion-dollar electric vehicle announcements from the automotive sector and corporate sustainability mandates demanding cleaner supply chains.

However, there is still significance reliance on imports of lithium-ion batteries in the US, particularly from China, to meet domestic demand. US lithium-ion battery imports have more than doubled in 2021 to approximately 320,000 metric tonnes, having surged 272% since 2019.

The US aims to establish a secure and reliable domestic battery materials and production supply chain by 2030. Therefore, lithium-ion battery development and production are strategically crucial for the US, both

as a key component of the automotive industry's competitiveness and as part of the transition to a clean-energy economy. Bloomberg forecasts the US to account for 17% of the 56 million global passenger electric vehicle sales in 2040. Demand for electric grid storage is forecasted to grow, as Bloomberg projects total global deployment to reach over 1,095 GW by 2040, a substantial growth from 9 GW in 2018.

In addition, further demand for electric vehicles is projected to increase as a result of the Inflation Reduction Act of August 2022. The Inflation Reduction Act aims to lower the cost of energy to tackle the climate crisis and is expected to create good-paying union jobs to reduce emissions by roughly 40 percent by 2030.

8.3 Gold

Gold is a soft malleable metal which is highly desirable due to its rarity, permanence and unique mineral properties. Gold has been used in jewellery and as a form of currency for thousands of years, however more recently, there has been increasing demand for its use in the manufacture of electronics, dentistry, medicine and aerospace technology.

In addition to its practical applications, gold also serves as an international store of monetary value. Gold is widely regarded as a monetary asset as it is considered less volatile than world currencies and therefore provides a safe haven investment during periods of economic uncertainty.

The nature of the ore deposit determines the mining and mineral processing techniques applied. Gold contained in oxide ore deposits are typically of low grade and are simple to extract and readily amenable by cyanidation. Consequently, highly disseminated gold can be contained within sulphide minerals which require mining, crushing, grinding and to be followed by gravity separation to recover the gold, subject to flotation to concentrate the sulphide mineral fraction containing the gold. Inherently, the costs associated with the treatment of oxide ore are significantly less than of sulphide ores.

Once mined, gold continues to exist indefinitely and is often melted down and recycled to produce alternative or replacement products. Consequently, demand for gold is supported by both gold ore mining and gold recycling. A summary of the recent historical supply of gold is provided in the table below:

| Gold supply (tonnes) | 2017 | 2018 | 2019 | 2020 | 2021 | YTD 2022 |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Mine production | 3,573 | 3,655 | 3,594 | 3,474 | 3,570 | 2,686 |
| Net producer hedging | (26) | (12) | 6 | (39) | (23) | (0) |
| Recycled gold | 1,112 | 1,132 | 1,276 | 1,293 | 1,136 | 868 |
| Total supply | 4,660 | 4,775 | 4,876 | 4,728 | 4,683 | 3,553 |

Source: World Gold Council Quarter 3 2022 Statistics, 30 September 2022

Historically, the price of gold is negatively correlated to the prices of other asset classes during times of uncertainty and financial crises. Growing uncertainty on the back of the COVID-19 outbreak caused the price of gold to rally, as investors demanded the high liquidity that gold provides.

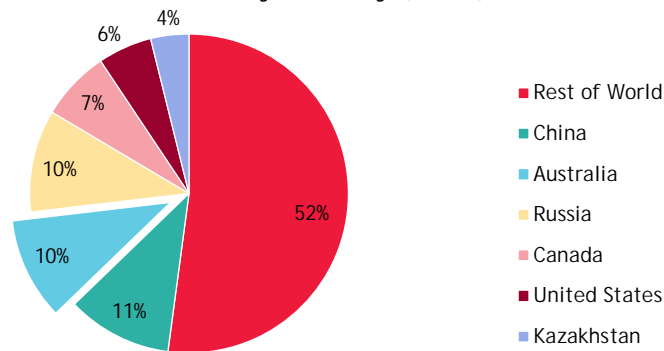
The World Gold Council expects that the interplay between financial uncertainty, rising interest rates, high inflation, weakening global economic growth and gold price volatility will continue to drive gold demand in the near term.

Gold ore mining trends

Gold ore mining is a capital intensive and high-cost process, which becomes increasingly difficult and more expensive as the quality of ore reserves diminish. The industry also incurs many indirect costs related to exploration, royalties, overheads, marketing and native title law. Typically, many of these costs are fixed in the short term as a result of industry operators' inability to significantly alter cost structures once a mine commences production.

The gold industry is geographically diverse as China and Australia lead global gold production, closely followed by Russia. According to the USGS, total estimated global gold ore mined for 2022 was approximately 3,000 metric tonnes. The chart below illustrates the estimated global gold production by country for 2022.

Global Gold Production by Country (2021)

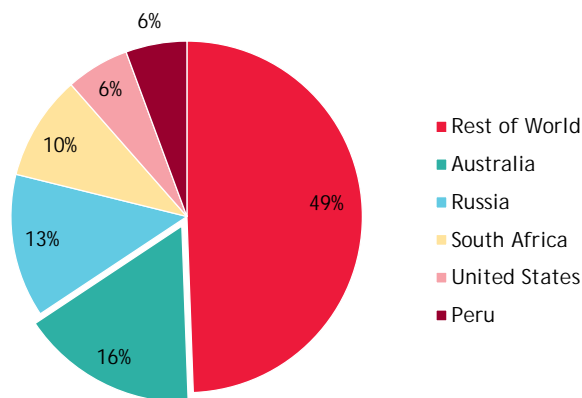


Source: U.S. Geological Survey, January 2023

According to the World Gold Council, global gold production exhibited a 1% year-on-year growth compared to 2021. Production increases are primarily attributable to the reversal of COVID-19 related production disruptions and Chinese safety stoppages in 2021.

Despite China leading global gold production in 2022, Australia, Russia and South Africa hold the largest known gold reserves globally. As depicted below, the USGS estimates that collectively, these three countries account for approximately 39% of global gold reserves.

Global Gold Reserves by Country (2022)

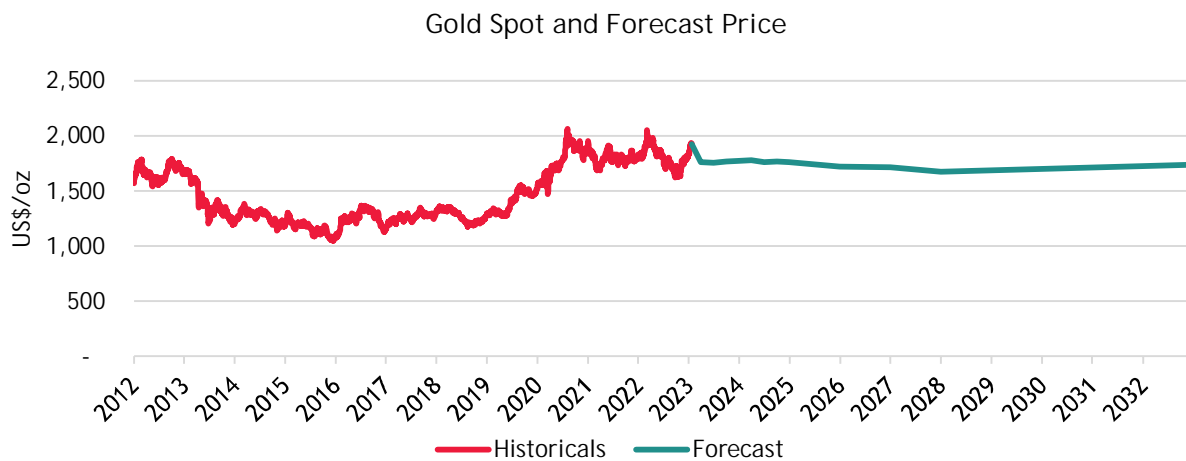


Source: U.S. Geological Survey, January 2023

According to the 2023 USGS, Australia's gold reserves amount to 8,400 tonnes, representing 16% of global reserves and the largest percentage held by any one country. IBISWorld estimates domestic industry revenue will fall by an annualised 0.8% over the five-year period through to 2026-27, to approximately \$32 billion. This is largely expected to be the result of a forecast decline in domestic gold prices and a stronger Australian dollar.

Gold prices

The gold spot price since 2012 and forecast prices through to 2032 are depicted in the graph below.



Source: Bloomberg and Consensus Economics

The price of gold fluctuated around US\$1,700 during 2012 before entering a declining trend in 2013. The downturn represented the beginning of a correction in the price of gold, which had almost tripled in the two-year period prior to the European crisis in 2011. Over the period from 2014 through to 2019, the gold price fluctuated primarily between US\$1,100 and US\$1,400.

Gold prices fluctuated significantly throughout 2020. Demand for gold increased in response to the uncertainty created by the global spread of COVID-19, as investors prioritised safe haven assets. In late March 2020, the increasing demand for gold was interrupted by a panic selloff as investors began to realise their profits amidst the growing uncertainty caused by the crisis. Gold spot prices fell to a yearly low of US\$1,471, before rallying in late July and early August to exceed US\$2,000. The COVID-19 crisis was the primary driver of the gold price, as central banks injected trillions of dollars into financial markets and investors prioritised safe haven assets. Additionally, the prevailing low interest rate environment across 2020 increased access to capital, which further spurred investment in gold.

Through to early January 2021, the price of gold increased as a result of further fallout from the US Election, climbing back over US\$1,900 after remaining in the US\$1,800s through most of December 2020. For the rest of 2021, the price of gold traded between US\$1,600 and US\$1,900 as demand fluctuated throughout the year. Rising US treasury yields initially threatened gold's appeal as an inflation hedge by increasing the opportunity cost of holding the precious metal. However, concerns regarding the spread of the Delta variant increased gold's safe haven appeal, and subsequently, the price of gold climbed back above the US\$1,800 mark in early July 2021. This was quickly reversed in the following months as the US Federal Reserve signalled policy tightening sooner than anticipated which drove US treasury yields and a stronger US dollar. Towards the end of the year, gold prices significantly strengthened following the US

Federal Reserve's announcement to reduce purchases of Government bonds and the release of US inflation data which revealed an annualised inflation rate of 6.2%, its highest level since 1990.

The invasion of Ukraine by Russia in February 2022 saw gold prices reach a 15-month high, with prices climbing above US\$1,900 and peaking at US\$2,039 during March, in response to a number of economic sanctions on Russia and the release of US inflation data which indicated an annualised inflation rate of 8.5%. In May 2022, the price of gold weakened to US\$1,800 following the US Federal Reserve's aggressive monetary tightening in an attempt to control rising inflation. 26 September 2022 saw the price of gold at its lowest (US\$ 1,622) since 30 April 2020 (US\$1,621). Since the low in September, the gold price has been on a general incline as rising recession expectations, market turbulence and central bank purchasing have strengthened demand. Given the current geopolitical climate, continued volatility of the gold price is expected for the short term.

According to Consensus Economics forecasts, the price of gold is forecast to decline over the medium term but remain high in comparison to historical levels. Future price movements are expected to depend on rising interest rates, high inflation and the extent to which geopolitical risks resurface.

8.4 Nickel

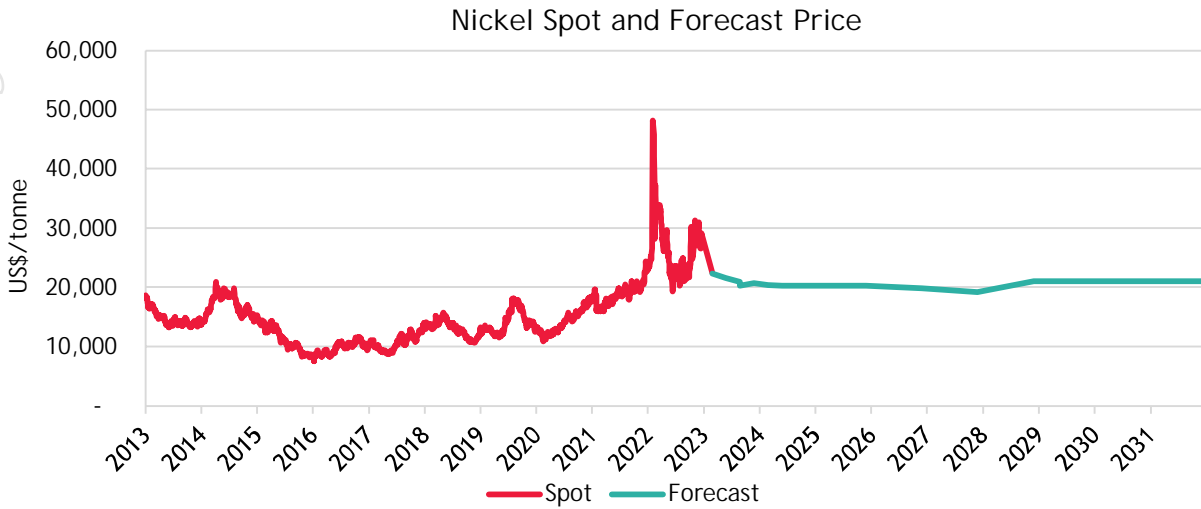
Nickel is primarily sold for consumption as a refined metal in the form of cathode, powder, or briquette. However, it is also sold as a ferronickel, and over 70% of nickel consumed in the developed world is used to make austenitic stainless steel and non-ferrous alloys. It is widely regarded for its corrosion resistance and is commonly used in super-alloys to fabricate critical engine components and for other performance products and industries. Other uses include rechargeable batteries, catalysts, plating and foundry products.

Nickel Price

With the exception of a significant, short-lived price surge in the middle of 2014 caused by the Indonesian government's prohibition on nickel ore exports, necessitating the local processing of nickel ore for export, the nickel price fell steadily from 2013 to 2017. Indonesia is the world's largest nickel producer, and the self-imposed embargo was eased in 2017 owing to a shortfall in the 2016 budget. However, the nickel ore export ban was reintroduced in 2020, with the World Trade Organization ('WTO') declaring in November 2022 that the restriction violated WTO regulations. Further, The COVID-19 Pandemic had a relatively minor effect on the nickel sector, with prices falling somewhat in 2019-2020. However, the nickel price reached a 10-year high at the beginning of March 2022, as speculators and buyers anticipated supply constraints due to Russia's invasion of Ukraine.

The average nickel price from January 2013 through January 2023 was US\$14,894 per tonne, ranging from a low of US\$7,562 per tonne on 11 February 2016 to a high of US\$48,201 per tonne on 7 March 2022.

According to Consensus Economics, the medium-term forecast nickel price from 2025 to 2027 is anticipated to range between approximately US\$19,253 per tonne and US\$20,289 per tonne, with the long term (2028-2032) forecast at approximately US\$21,038.



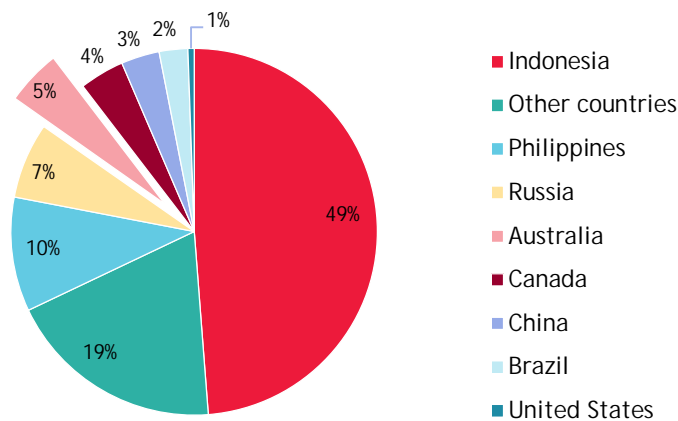
Source: Bloomberg and Consensus Economics

Nickel Production

Indonesia (49%), the Philippines (10%), and Russia (7%) accounted for the majority of the world's nickel production in 2022. The ongoing implementation of integrated stainless-steel projects and nickel pig iron aided Indonesia's nickel production in 2022, which climbed by nearly 30% to an expected 1,000,000 tonnes. As a result of the government's 2012 decision to lift the ban on new mining agreements, nickel production in the Philippines grew by around 23%.

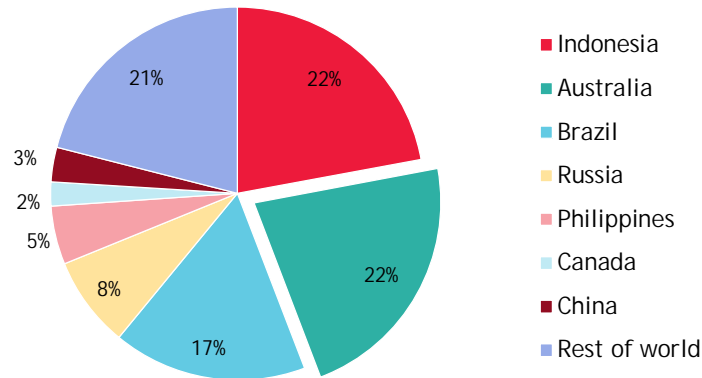
While overall production has increased in response to higher prices, in recent years, refined nickel production has decreased as the lower relative cost of nickel pig iron has attracted demand from steel producers. Another critical production trend has been the increasing volume of nickel sulfate sold, buoyed by increasing demand for batteries used in electric vehicles and energy storage.

Nickel Production by Country (2022)



Source: U.S. Geological Survey, January 2023

Nickel Reserves by Country (2022)



Source: U.S. Geological Survey, January 2023

The COVID-19 pandemic had little effect on the nickel industry in Australia. Any adverse effects that the pandemic may have placed on the Australian nickel industry were neutralised by the increasing demand for stainless steel and rechargeable batteries for electric vehicles. In a broader context, the global consumption of nickel contracted in 2020 as production in the stainless steel and the automotive sectors was curtailed due to stringent lockdown measures. Nevertheless, China's demand in the stainless steel production sector remained notably high, resulting in a substantial increase in Chinese stainless steel export growth for the year.

With Russia being the third-largest nickel producer, the nickel market has experienced extreme volatility in response to the Russian invasion of Ukraine. As a result, the London Metal Exchange momentarily suspended trading in early March as they witnessed the price of nickel surpass US\$100,000 per tonne. Although nickel has not been directly targeted by the sanctions imposed against Russian exports, the price fluctuations in recent months reflect speculators' and buyers' concerns surrounding anticipated supply interruptions.

Nickel provides a key cathode material for producing electric vehicle batteries, accounting for approximately 5% of the current demand. The rechargeable batteries market is anticipated to grow significantly over the coming years, with the sector's consumption forecasted to be near 35% by 2030. As global trends move towards a lower-carbon future, there will be a significant increase in demand for nickel to produce cleaner energy technologies. However, the transition to cleaner energy and electric vehicles has raised concerns that global demand for high-grade, clean nickel will outstrip supply by 2024. In particular, there are concerns surrounding possible shortages of battery-grade Class 1 supply of nickel, with substitutes being either emission-intensive or cost-prohibitive. As a result, global demand for nickel is forecast to increase from 2.5 Mt in 2021 to 3.4 Mt in 2024.

With the trend towards cleaner energy and greener mining, geothermal energy is a primary source of nickel demand. As a result, geothermal power will account for approximately 80% of the nickel demand of the total mineral demand from all low-carbon energy sources. Simultaneously, expanding concentrated solar power, hydropower, and nuclear power will also increase global demand for nickel.

A current drawback for the industry is that rising oil prices will increase the operating costs and the sector's profitability. Further, given that nickel prices are predominated in US Dollars, the appreciation Australian Dollar against the US Dollar will positively affect Australian nickel producers.

9. Valuation approach adopted

As detailed in Section 3.3 of our Report, our evaluation of the Scheme's fairness is predicated on the Scheme Consideration being equal to or greater than the value of an Essential share, including a premium for control. Accordingly, we set out our approach to the valuation of Essential in the following paragraphs.

We note that we have not considered any adjustment to the value of the Scheme Consideration since it is wholly cash.

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a 'sum-of-parts' ('Sum-of-Parts') valuation.

The approach using the Sum-of-Parts involves separately valuing each asset and liability of a company. The value of each asset may be determined using different methods as described above. The component parts are then aggregated to arrive at a value of the company.

9.1 Valuation of Essential

In our assessment of the value of an Essential share, we have chosen to employ the following methodologies for the reasons set out below:

- Sum-of-Parts as our primary methodology, which estimates the market value of a company by assessing the realisable value of its identifiable assets and liabilities. The value of each asset and liability may be determined using different methods and the component parts are then aggregated. The value derived from this methodology reflects a control value; and
- QMP as our secondary methodology, representing the value that a Shareholder may receive for a share if it were sold on market. The value derived from this methodology reflects a minority interest value.

We have chosen these methodologies for the following reasons:

- We have adopted the Sum-of-Parts approach as our primary valuation method. We consider that the core value of Essential lies in the value of its mineral assets (which are currently not producing assets and they are not generating any cash flows). Consequently, we consider that the Sum-of-Parts approach to be the most appropriate methodology. We have instructed Valuation and Resource Management Pty Ltd ('VRM') to provide an independent market valuation of the Company's mineral assets, which is incorporated in our Sum-of-Parts;

- We have adopted the QMP as a secondary methodology due to Essential's shares being listed on the ASX. This means there is a regulated and observable market where Essential's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the listed shares should be liquid and the market should be fully informed of the company's activities. As detailed in Section 10.2, we consider there to be a highly liquid and active market for Essential shares. Therefore, we have utilised the QMP approach as our secondary valuation methodology in determining the value of an Essential share prior to the Scheme;
- The FME methodology is most commonly applicable to profitable businesses with steady growth histories and forecasts. Essential's mineral assets do not currently generate any income, nor are there any historical profits that could be used to represent future earnings. Furthermore, the FME methodology is not considered appropriate for valuing finite life assets such as mining assets, therefore, we do not consider the application of the FME approach to be appropriate; and
- In order for a valuation to be performed based on future net cash inflows sufficient reasonable grounds must exist to allow the expert to rely on those future cash flows. Guidance on this in the context of an IER is provided in Regulatory Guide 170 'Prospective Financial Information' ('RG 170') and Information Sheet 214: Mining and Resources: Forward-looking Statements ('IS 214'). IS 214 states that 'Forward-looking statements underpinned by ore reserves provide the greatest comfort to an independent expert providing a valuation, and the least risk that the valuation will be misleading'. Essential released a scoping study for the Pioneer Dome project on 7 February 2023 based on the December 2022 mineral resource upgrade. A scoping study is based on low-level technical and economic assessments and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development, or to provide certainty that the conclusions of the Scoping Study will be realised. As such, a scoping study does not provide sufficient reasonable grounds for an expert to use to support a valuation in the context of an independent expert report, therefore we do not consider the application of the DCF approach to be appropriate.

Technical Expert

In performing our valuation of Essential's mineral assets, we have relied on the Technical Specialist Report ('Technical Specialist Report') prepared by VRM, which includes an assessment of the market value of Essential's mineral assets.

The Technical Specialist Report has been prepared in accordance with the Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Assets (2015 Edition) ('VALMIN Code') and the JORC Code.

We are satisfied with the valuation methodologies adopted by VRM which we believe are in accordance with industry practices and are compliant with the requirements of the VALMIN Code. The specific valuation methodologies used by VRM are referred to in the respective sections of our Report and in further detail in the Technical Specialist Report contained in Appendix 4.

10. Valuation of Essential

10.1 Sum-of-Parts Valuation of Essential

We have employed the Sum-of-Parts methodology in estimating the fair market value of an Essential share on a control basis prior to the Scheme, by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration of the following:

- Value of Essential's mineral assets; and
- Value of Essential's other assets and liabilities.

Our Sum-of-Parts valuation is set out in the table below:

| Statement of Financial Position | Ref | As at 31-Dec-22 \$'000s | Adjusted Low \$'000s | Adjusted Preferred \$'000s | Adjusted High \$'000s |
|--------------------------------------|-----|-------------------------------|----------------------------|----------------------------------|-----------------------------|
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | a) | 9,779 | 9,879 | 9,879 | 9,879 |
| Trade and other receivables | | 459 | 459 | 459 | 459 |
| Investments | | 75 | 75 | 75 | 75 |
| Prepayments | | 15 | 15 | 15 | 15 |
| TOTAL CURRENT ASSETS | | 10,328 | 10,428 | 10,428 | 10,428 |
| NON-CURRENT ASSETS | | | | | |
| Exploration and evaluation assets | b) | 19,438 | 66,300 | 91,400 | 116,500 |
| Right-of-use assets | | 231 | 231 | 231 | 231 |
| Plant, equipment and motor vehicles | | 97 | 97 | 97 | 97 |
| Bank restricted deposits | | 21 | 21 | 21 | 21 |
| TOTAL NON-CURRENT ASSETS | | 19,787 | 66,649 | 91,749 | 116,849 |
| TOTAL ASSETS | | 30,115 | 77,077 | 102,177 | 127,277 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | | 239 | 239 | 239 | 239 |
| Rehabilitation provisions | c) | 696 | 696 | 696 | 696 |
| Other provisions | | 43 | 43 | 43 | 43 |
| Lease liabilities | | 21 | 21 | 21 | 21 |
| TOTAL CURRENT LIABILITIES | | 999 | 999 | 999 | 999 |
| NON-CURRENT LIABILITIES | | | | | |
| Lease liabilities | | 229 | 229 | 229 | 229 |
| TOTAL NON-CURRENT LIABILITIES | | 229 | 229 | 229 | 229 |
| TOTAL LIABILITIES | | 1,228 | 1,228 | 1,228 | 1,228 |
| NET ASSETS | | | | | |
| Shares on issue | d) | 267,566,694 | 267,566,694 | 267,566,694 | 267,566,694 |
| Value per share | | | \$0.283 | \$0.377 | \$0.471 |

Source: BDO analysis, Essential's reviewed financial statements for the half year ended 31 December 2022

Note a): Cash and cash equivalents

We have adjusted cash and cash equivalents for the exercise of 500,000 unlisted options (\$0.1 million) on 27 January 2023. The net adjustment is set out below.

| Cash and cash equivalents | \$'000s |
|---|---------|
| Cash and cash equivalents at 31 December 2022 | 9,779 |
| Add: proceeds from exercise of options on 27 January 2023 | 100 |
| Cash and cash equivalents at 27 January 2023 | 9,879 |

Note b): Exploration and evaluation assets

We have instructed VRM to independently value Essential's mineral assets. VRM applied the comparable transaction approach as the primary methodology in valuing the mineral resources and exploration potential of Essential's projects, supported by comparable trading multiples approach.

The range of values for each of Essential's exploration assets as calculated by VRM is set out below:

| Value of Essential's mineral assets | Low Value \$'000s | Preferred Value \$'000s | High Value \$'000s |
|---|----------------------|----------------------------|-----------------------|
| Pioneer Dome | | | |
| Mineral Resources | 58,300 | 77,700 | 97,100 |
| Exploration potential | 1,800 | 3,600 | 5,400 |
| Total value of Pioneer Dome | 60,000 | 81,300 | 102,600 |
| Other 100% owned Essential projects | | | |
| Exploration potential | 1,800 | 3,900 | 6,100 |
| Total value of Essential's 100% owned projects | 61,900 | 85,200 | 108,600 |
| Joint venture projects | | | |
| Exploration potential | 4,500 | 6,200 | 7,900 |
| Total value of Essential's joint venture projects | 4,500 | 6,200 | 7,900 |
| Total value of Essential's mineral assets | 66,300 | 91,400 | 116,500 |

Source: VRM Valuation, 2023

*Note: Totals do not add due to rounding in the valuations provided by VRM

Note c): Rehabilitation provisions

The value of rehabilitation provision relating to Sinclair is not considered in the valuation of mineral assets undertaken by VRM, as such we have included the full value of the Sinclair rehabilitation provision in our valuation. Full details of VRM's valuation are provided in Appendix 3 of our Report.

Note d): Shares on issue

As detailed in Section 5.11, the number of Essential shares on issue as at 30 January 2023 is 267,566,694.

Diluted basis

We have also considered the valuation on a diluted basis by assessing the likelihood of the exercise of currently existing options, based on our Sum-of-parts valuation. As detailed in Section 5.1, the Company has 3,700,002 options on issue with various exercise prices, expiring at various dates. We have outlined in the table below, the impact of the exercise of options on total shares outstanding and cash raised.

| Current options on issue | Number | Low value | Preferred value | High value |
|-----------------------------------|---------|------------------|------------------|--------------|
| Options exercisable at \$0.125 | 200,000 | in the money | in the money | in the money |
| Options exercisable at \$0.175 | 200,000 | in the money | in the money | in the money |
| Options exercisable at \$0.225 | 200,000 | in the money | in the money | in the money |
| Options exercisable at \$0.25 | 500,000 | in the money | in the money | in the money |
| Options exercisable at \$0.35 | 500,000 | out of the money | in the money | in the money |
| Options exercisable at \$0.45 | 500,000 | out of the money | out of the money | in the money |
| Options exercisable at \$0.25 | 533,334 | in the money | in the money | in the money |
| Options exercisable at \$0.35 | 533,334 | out of the money | in the money | in the money |
| Options exercisable at \$0.45 | 533,334 | out of the money | out of the money | in the money |
| Total number of options exercised | | 1,633,334 | 2,666,668 | 3,700,002 |
| Cash raised on exercise (\$'000s) | | \$363 | \$725 | \$1,190 |

Source: BDO analysis

We also note that Essential has 3,544,104 performance rights on issue, pursuant to various terms outlined in Section 5.11. Accordingly, we have adjusted the total number of shares outstanding on a diluted basis to account for the exercise of the Tranche A performance rights under the premise that the conditions for vesting were met prior to the announcement of the Scheme and the assumption that the Tranche A performance rights are more likely to be converted into shares upon the vesting conditions being met.

We note that we have not made any adjustments concerning the remaining performance rights on the basis that there are insufficient reasonable grounds on which to assess the likelihood of the conditions for vesting being met or to quantify any value accretion should the vesting conditions be met.

Our assessment of value is set out in the table below.

| Diluted value of Essential | Low Value \$'000s | Preferred Value \$'000s | High Value \$'000s |
|--|----------------------|----------------------------|-----------------------|
| NAV prior to the Proposed Transaction | 75,849 | 100,949 | 126,049 |
| Cash raised from exercise of options | 363 | 725 | 1,190 |
| NAV prior to the Proposed Transaction (plus cash) (a) | 76,212 | 101,674 | 127,239 |
| Total shares on an undiluted basis | 267,566,694 | 267,566,694 | 267,566,694 |
| Shares issued on exercise of options | 1,633,334 | 2,666,668 | 3,700,002 |
| Shares issued on exercises of Tranche A performance rights | 500,000 | 500,000 | 500,000 |
| Total shares on a diluted basis (b) | 269,700,028 | 270,733,362 | 271,766,696 |
| Value per share (on a diluted basis) (a/b) | \$0.283 | \$0.376 | \$0.468 |

Source: BDO analysis

For the value of an Essential share prior to the Scheme on a control basis, we have used the diluted value throughout our analysis since under each valuation scenario, various options are 'in the money', and are more likely than not, to be exercised, and if exercised would impact the value per share of Essential.

10.2 Quoted Market Prices for Essential Securities

To provide a comparison to the valuation of Essential in Section 10.1, we have also assessed the quoted market price for an Essential share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.43 suggests that when considering the value of a company's shares for the purposes of a control transaction, the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

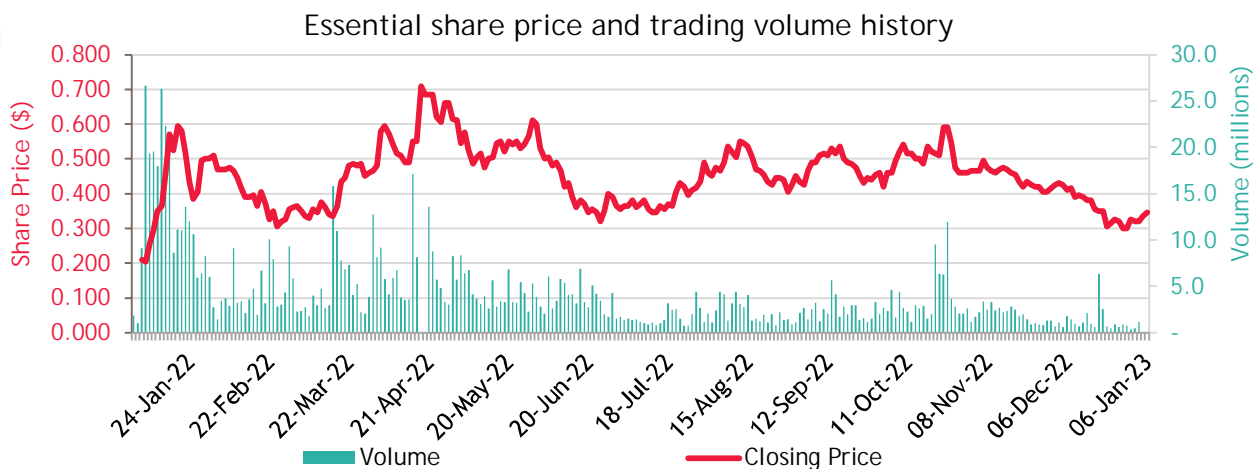
- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Our calculation of the quoted market price of an Essential share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of an Essential share is based on the pricing prior to the announcement of the Scheme. This is because the value of an Essential share after the announcement may include the effects of any change in value as a result of the Scheme. However, we have considered the value of an Essential share following the announcement when we have considered reasonableness in Section 13.

Information on the Scheme was announced to the market on 9 January 2023. Therefore, the following chart provides a summary of the share price movement over the 12 months to 6 January 2023 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of Essential shares from 6 January 2022 to 6 January 2023 has ranged from a low of \$0.205 on 6 January 2022 and 7 January 2022 to a high of \$0.710 on 19 April 2022. The largest day of single trading over the assessed period was 11 January 2022, when 26,659,133 shares were traded but we note that there was no corresponding announcement on that date.

During this 12 months period a number of announcements were made to the market. The key announcements are set out below:

| Date | Announcement | Closing Share Price Following Announcement | | Closing Share Price Three Days After Announcement | |
|------------|--|--|---------|---|---------|
| | | \$ (movement) | | \$ (movement) | |
| 20/12/2022 | Dome North Resource upgrade | 0.305 | ▼ 12.9% | 0.320 | ▲ 4.9% |
| 14/12/2022 | Appointment of GM - Marketing & Strategy | 0.380 | ► 0.0% | 0.350 | ▼ 7.9% |
| 08/12/2022 | Securities on Issue Update | 0.390 | ▼ 6.0% | 0.380 | ▼ 2.6% |
| 07/12/2022 | Constitution | 0.415 | ▲ 1.2% | 0.390 | ▼ 6.0% |
| 22/11/2022 | Investor Presentation at AGM | 0.435 | ▲ 3.6% | 0.420 | ▼ 3.4% |
| 22/11/2022 | Chairman's Address to Shareholders | 0.435 | ▲ 3.6% | 0.420 | ▼ 3.4% |
| 16/11/2022 | Pioneer Dome exploration update | 0.460 | ▼ 2.1% | 0.420 | ▼ 8.7% |
| 27/10/2022 | Pioneer Dome lithium assays | 0.475 | ▼ 12.8% | 0.460 | ▼ 3.2% |
| 10/10/2022 | ESS to host live investor webinar | 0.540 | ▲ 3.8% | 0.500 | ▼ 7.4% |
| 26/09/2022 | Mining lease lodged over Dome North Lithium Resource | 0.430 | ▼ 4.4% | 0.455 | ▲ 5.8% |
| 13/09/2022 | Scoping Study and offtake discussions commence - amended | 0.530 | ▲ 3.9% | 0.500 | ▼ 5.7% |
| 12/09/2022 | BC8: Drilling Commences at Balagundi Cu-Zn-Pb-Au Project | 0.510 | ▼ 1.0% | 0.535 | ▲ 4.9% |
| 05/09/2022 | Scoping Study and offtake discussions commence | 0.465 | ▲ 9.4% | 0.510 | ▲ 9.7% |
| 12/08/2022 | Pioneer Dome Lithium Project update | 0.545 | ▼ 0.9% | 0.470 | ▼ 13.8% |
| 20/07/2022 | Noosa Mining Investor Conference presentation | 0.405 | ▲ 11.0% | 0.395 | ▼ 2.5% |
| 19/07/2022 | Nickel drill hits at Blair Golden Ridge Nickel JV Project | 0.365 | ▼ 1.4% | 0.420 | ▲ 15.1% |
| 14/07/2022 | Pioneer Dome Lithium Project update | 0.365 | ▲ 5.8% | 0.365 | ► 0.0% |
| 01/07/2022 | Details of Company Address | 0.365 | ▲ 2.8% | 0.360 | ▼ 1.4% |
| 30/06/2022 | Gold assays add strike length to Gards Prospect | 0.355 | ▼ 2.7% | 0.380 | ▲ 7.0% |
| 07/06/2022 | Resources Rising Stars investor presentation | 0.490 | ▲ 2.1% | 0.430 | ▼ 12.2% |
| 07/06/2022 | Assays confirm high-grade near-surface lithium at Dome North | 0.490 | ▲ 2.1% | 0.430 | ▼ 12.2% |
| 26/05/2022 | Pioneer Dome Lithium Project update | 0.540 | ▲ 1.9% | 0.600 | ▲ 11.1% |
| 29/04/2022 | Quarterly Activities/Appendix 5B Cash Flow Report | 0.660 | ► 0.0% | 0.545 | ▼ 17.4% |
| 26/04/2022 | Corporate update | 0.620 | ▼ 9.5% | 0.660 | ▲ 6.5% |
| 21/04/2022 | Trading Halt | 0.685 | ► 0.0% | 0.605 | ▼ 11.7% |
| 11/04/2022 | Investor presentation | 0.490 | ▼ 3.9% | 0.550 | ▲ 12.2% |
| 31/03/2022 | Next drill programme to grow Lithium Resource | 0.480 | ▲ 3.2% | 0.570 | ▲ 18.8% |

| Date | Announcement | Closing Share Price Following Announcement | | | Closing Share Price Three Days After Announcement | | |
|------------|---|--|---|-------|---|---|-------|
| | | \$ (movement) | | | \$ (movement) | | |
| 04/03/2022 | Half Year Accounts | 0.350 | ▼ | 4.1% | 0.355 | ▲ | 1.4% |
| 25/02/2022 | Pioneer Dome Lithium Project update - amended | 0.320 | ▲ | 4.9% | 0.360 | ▲ | 12.5% |
| 25/02/2022 | Pioneer Dome Lithium Project update | 0.320 | ▲ | 4.9% | 0.360 | ▲ | 12.5% |
| 17/02/2022 | Nickel drilling commences at Blair-Golden Ridge | 0.365 | ▼ | 7.6% | 0.325 | ▼ | 11.0% |
| 28/01/2022 | Quarterly Activities/Appendix 5B Cash Flow Report | 0.495 | ▲ | 22.2% | 0.510 | ▲ | 3.0% |
| 14/01/2022 | Pioneer Dome Lithium Project update | 0.460 | ▲ | 26.0% | 0.595 | ▲ | 29.3% |
| 11/01/2022 | Response to ASX Price Query | 0.295 | ▲ | 15.7% | 0.460 | ▲ | 55.9% |

Source: Bloomberg, ASX and BDO analysis

On 11 January 2022, Essential released a response to an ASX price query which referred to the change in Essential's share price from \$0.210 on 10 January 2022 to \$0.280 the following day. In addition to the substantial change in price, the volume of trading of Essential shares also significantly increased over the assessed period. The Company announced it was not aware of any unannounced information that could explain the recent trading in Essential securities. On the date of the announcement, 26,659,133 shares were traded with a resulting share price increase of 15.7% to close at \$0.295. The share price again increased 55.9% over the subsequent three-day trading period to close at \$0.460.

On 14 January 2022, Essential announced the resumption of an air-core drilling program at Dome North, aimed at following up on anomalies generated throughout previous drilling operations. On the date of the announcement, the share price increased 26.0% to \$0.460, before increasing by a further 29.3% over the subsequent three-day trading period to close at \$0.595.

On 25 February 2022, Essential announced the intersection of spodumene at the Cade Deposit, following a diamond drill programme. On the date of the announcement, the share price increased 4.9% to \$0.320, before increasing by a further 12.5% over the subsequent three-day trading period to close at \$0.360.

On 26 April 2022, Essential announced that it had received an unsolicited, confidential, non-binding indicative takeover binding indicative takeover bid from a lithium industry participant, and that following deliberation, ended in the withdrawal of the offer in light of the rising share price trend of Essential. On the day of the announcement, the share price declined 9.5% to \$0.620, before increasing 6.5% over the subsequent three-day trading period to close at \$0.660.

On 14 July 2022, the Company announced that further Resource extension drilling was underway at Pioneer Dome and that a Mining Lease Application had commenced to cover the Dome North lithium Mineral Resource. On the day of the announcement, the share price increased 5.8% to \$0.365. The share price remained unchanged over the subsequent three-day trading period.

On 5 September 2022, Essential announced that it had engaged Primero to initiate a Scoping Study for the Pioneer Dome Lithium project, and that the Company had received enquiries from several parties seeking lithium offtake agreements. On the day of the announcement, the share price increased 9.4% to \$0.465, before increasing by a further 9.7% over the subsequent three-day trading period to close at \$0.510.

To provide further analysis of the market prices for an Essential share, we have also considered the weighted average market price for 10, 30, 60, 90 and 180 day periods to 6 January 2023.

| Share Price per unit | 06-Jan-23 | 10 Days | 30 Days | 60 Days | 90 Days | 180 Days |
|--------------------------------------|-----------|---------|---------|---------|---------|----------|
| Closing price | \$0.345 | | | | | |
| Volume weighted average price (VWAP) | | \$0.321 | \$0.367 | \$0.463 | \$0.471 | \$0.483 |

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Scheme to avoid the influence of any increase in price of Essential shares that has occurred since the Scheme was announced.

An analysis of the volume of trading in Essential shares for the twelvemonths to 6 January 2023 is set out below:

| Trading days | Share price low | Share price high | Cumulative volume traded | As a % of Issued capital |
|--------------|--------------------|---------------------|-----------------------------|-----------------------------|
| 1 Day | \$0.325 | \$0.355 | 1,138,733 | 0.43% |
| 10 Days | \$0.298 | \$0.355 | 8,846,475 | 3.31% |
| 30 Days | \$0.298 | \$0.440 | 36,965,350 | 13.84% |
| 60 Days | \$0.298 | \$0.615 | 133,564,458 | 50.01% |
| 90 Days | \$0.298 | \$0.615 | 204,941,828 | 76.74% |
| 180 Days | \$0.298 | \$0.730 | 502,789,838 | 188.26% |
| 1 Year | \$0.205 | \$0.735 | 1,037,881,212 | 388.62% |

Source: Bloomberg, BDO analysis

This table indicates that Essential's shares display a high level of liquidity, with 388.62% of the Company's current issued capital being traded in a twelve month period. RG 111.86 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Essential, we consider the shares to display a high level of liquidity, on that basis that more than 1% of securities have been traded weekly on average, with 388.62% of Essential's current issued capital being traded over a twelve month period, and 188.26% of Essential's current issued capital being traded over a 180-day period, prior to the announcement of the Scheme. Additionally, we note that of the 52 weeks in which our analysis is based on, more than 1% of Essential's current share capital had been traded in all 52 weeks.

Our assessment is that a range of values for Essential shares based on market pricing, after disregarding post announcement pricing, is between \$0.350 and \$0.450.

Control Premium

We have reviewed the control premiums on completed transactions, paid by acquirers of general mining companies and all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium) and at a premium in excess of 100%. We have summarised our findings below:

General Mining Companies

| Year | Number of Transactions | Average Deal Value (\$m) | Average Control Premium (%) |
|------|------------------------|--------------------------|-----------------------------|
| 2023 | 1 | 37.47 | 18.36 |
| 2022 | 9 | 1929.92 | 22.67 |
| 2021 | 6 | 1235.14 | 29.89 |
| 2020 | 6 | 494.17 | 33.24 |
| 2019 | 11 | 153.60 | 36.27 |
| 2018 | 9 | 61.53 | 39.47 |
| 2017 | 5 | 13.91 | 35.21 |
| 2016 | 11 | 66.19 | 51.54 |
| 2015 | 9 | 340.83 | 57.86 |
| 2014 | 15 | 113.69 | 41.79 |
| 2013 | 11 | 121.44 | 31.04 |

Source: Bloomberg, BDO Analysis

All ASX-listed Companies

| Year | Number of Transactions | Average Deal Value (\$m) | Average Control Premium (%) |
|------|------------------------|--------------------------|-----------------------------|
| 2023 | 1 | 37.47 | 18.36 |
| 2022 | 39 | 3,199.03 | 23.39 |
| 2021 | 33 | 1,420.58 | 33.59 |
| 2020 | 25 | 451.20 | 37.66 |
| 2019 | 43 | 3,161.24 | 29.90 |
| 2018 | 42 | 1,158.47 | 31.08 |
| 2017 | 29 | 973.72 | 37.91 |
| 2016 | 38 | 788.28 | 36.82 |
| 2015 | 34 | 828.15 | 34.10 |
| 2014 | 45 | 517.00 | 37.98 |
| 2013 | 32 | 104.81 | 30.76 |

Source: Bloomberg, BDO Analysis

The mean and the median of the entire data sets comprising control transactions from 2013 onwards for general mining companies and all ASX-listed companies, are set out below:

| Entire Data Set Metrics | General Mining Companies | | All ASX-Listed Companies | |
|-------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Deal Value (\$m) | Control Premium (%) | Deal Value (\$m) | Control Premium (%) |
| Mean | 401.29 | 38.57 | 1325.51 | 33.03 |
| Median | 41.73 | 34.66 | 124.26 | 29.51 |

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre-transaction or proceeded to hold a controlling interest post-transaction in the target company.

The table above indicates that the long-term average control premium by acquirers of general mining companies and all ASX-listed companies is approximately 34.66% and 29.51% respectively. However, in assessing the transactions, we noted transactions that appear to be extreme outliers.

These outliers included 11 general mining company transactions and 26 ASX-listed company transactions, for which the announced premium was in excess of 100%. We have removed these transactions because we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

In a population where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was approximately 34.66% for general mining companies and 29.51% for all ASX-listed companies.

Based on the above, we consider an appropriate premium for control to be between 25% and 35%.



Quoted market price including control premium

Applying a control premium to Essential's quoted market share price results in the following quoted market price value including a premium for control:

| | Low \$ | High \$ |
|---|-----------|------------|
| Quoted market price value | 0.350 | 0.450 |
| Control premium | 25% | 35% |
| Quoted market price valuation including a premium for control | 0.438 | 0.608 |

Source: BDO analysis

Therefore, our valuation of an Essential share based on the quoted market price method and including a premium for control is between \$0.438 and \$0.608.

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10.3 Assessment of Essential Value

The results of the valuations performed are summarised in the table below:

| | Ref | Low \$ | Preferred \$ | High \$ |
|--------------|------|-----------|-----------------|------------|
| Sum-of-parts | 10.1 | 0.283 | 0.376 | 0.468 |
| QMP | 10.2 | 0.438 | - | 0.608 |

Source: BDO analysis

We note that the range of values derived under the QMP approach is higher than the values derived from the Sum-of-parts methodology, recognising that the value ranges do overlap. This is likely because Essential does not generate any other income, nor are there any historical profits (notwithstanding the Sinclair operations) that could be used to represent future earnings. Therefore, the quoted market price of Essential shares may be influenced by investors' perceptions of future upside concerning the Company's projects which is not reflected in the Sum-of-parts valuation.

Further, the market may have been pricing in the possibility of a future transaction. It is not uncommon for the market price of companies with exploration assets to trade at a premium to a valuation prepared by an independent technical specialist for an Independent Expert's Report. This is because investors are not necessarily guided by the principles and restrictions of RG 170 and IS 214 in forming their valuations allowing the market price to reflect the potential upside expectations associated with the exploration assets should market conditions change or favourable exploration results be achieved.

As such, based on the results above we consider the value of an Essential share to be between \$0.283 to \$0.468, with a preferred value of \$0.376 prior to the Scheme, based on the Sum-of-parts methodology. We also note that our conclusion on the assessment of fairness would remain unchanged if we adopted the QMP as our primary valuation methodology.

11. Valuation of the Scheme Consideration

Under the Scheme, Shareholders will receive cash consideration of \$0.50 for every share in Essential that they hold.

12. Is the Scheme fair?

The value of an Essential share (on a controlling and diluted basis) and the Scheme Consideration per share is set out below:

| | Ref | Low \$ | Preferred \$ | High \$ |
|---|------|-----------|-----------------|------------|
| Value of a share in Essential prior to the Scheme (controlling and diluted basis) | 10.3 | 0.283 | 0.376 | 0.468 |
| Value of the Scheme Consideration | 11 | 0.50 | 0.50 | 0.50 |

Under RG111.11, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject to the offer. As the value of the Scheme Consideration is greater than the value of a share on Essential prior to the Scheme in each of the low, preferred and high scenarios, under RG111, in the absence of any other relevant information, the Scheme is fair for Shareholders.

13. Is the Scheme reasonable?

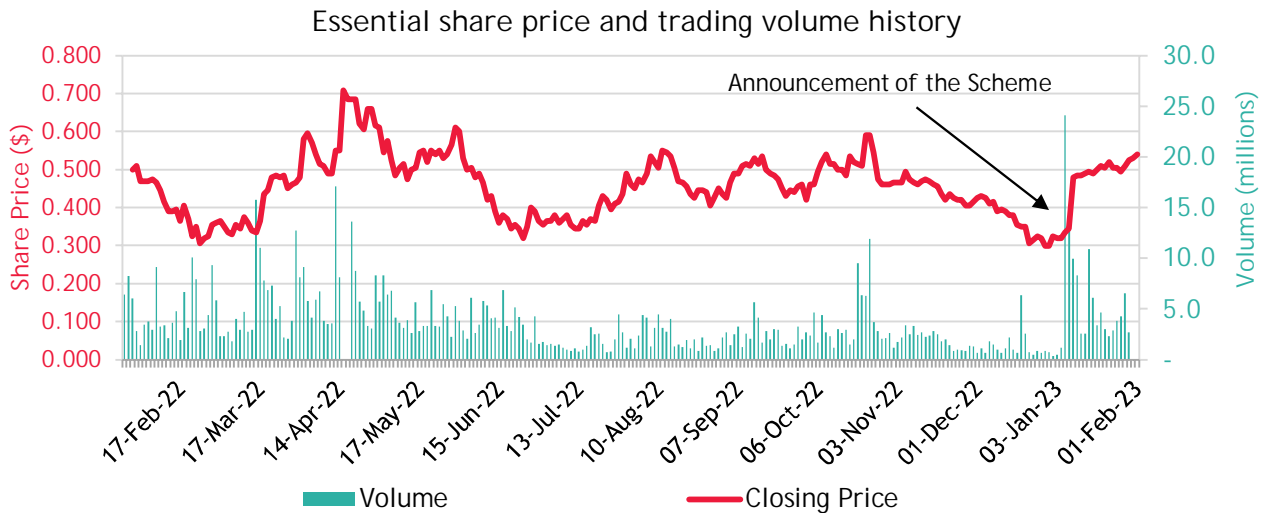
13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Essential a premium over the value resulting from the Scheme.

13.2 Consequences of not Approving the Scheme

Potential decline in share price

We have analysed movements in Essential's share price since the Scheme was announced. A graph of Essential's share price and trading volume leading up to and following the announcement of the Transaction is set out below.



Source: Bloomberg

On 9 January 2023, the date the Scheme was announced, 24,108,703 shares were traded, representing approximately 9.01% of the Company's existing share capital. Following the announcement of the Scheme, Essential's share price has fluctuated from a low of \$0.48 on 9 January 2023 to a high of \$0.540 on 1 February 2023. This compares with a 30 day VWAP up to 6 January 2023 of \$0.367.

Should the Scheme not be approved, there is a risk that the share price of Essential may fall back to pre-announcement levels.

Possible dilution if Company chooses to develop its projects by raising funds

As an alternative, Essential may choose to develop its projects itself which would require a capital raising. This would likely dilute existing shareholders of the Company.

13.3 Advantages of Approving the Scheme

We have considered the following advantages when assessing whether the Scheme is reasonable.

13.3.1. The Scheme is fair for Shareholders

As set out in section 12, the Scheme is fair. RG111.12 states that an offer is reasonable if it is fair.

13.3.2. The Scheme provides the certainty of a cash payment for Shareholders

The Scheme involves the acquisition of all the outstanding shares in Essential for a cash price of \$0.50 per share. As a result, Shareholders will obtain cash for the exit on their investment which offers certainty in their returns and provides Shareholders with an opportunity to utilise the cash received for other purposes, such as alternative investments. However, we note that this may not be considered an advantage by those Shareholders who acquired their shares at a price higher than \$0.50 or who do not wish to access alternative investments.

13.3.3. The Scheme consideration offered is at a premium to the last traded price of an Essential share prior to the announcement of the Scheme

The Company's closing price on the last trading day prior to the announcement of the Scheme was \$0.345. Therefore, the Scheme Consideration represents a 45% premium to the last quoted price of an Essential share prior to the announcement of the Scheme.

13.4 Disadvantages of Approving the Scheme

We have considered the following disadvantages of approving the Scheme when assessing whether the Scheme is reasonable.

13.4.1. Shareholders will forego the opportunity to participate in future upside

By approving the Scheme and accepting the offer, Shareholders are exiting Essential and therefore foregoing the opportunity to participate in any potential future upside growth in the value of the Company. Specifically, Shareholders will not be able to access any returns generated by Pioneer Dome, should the project enter production.

13.4.2. Shareholders will lose exposure to battery mineral assets

It is possible that Essential shareholders may be holding their interest in Essential in order to maintain exposure to the battery mineral assets category. This exposure will be lost, and such Shareholders will be forced to review their investment strategies.

14. Sources of information

This report has been based on the following information:

- Draft Scheme booklet dated on or about the date of this report;
- Audited financial statements of Essential for the years ended 30 June 2021, and 30 June 2022;
- Reviewed financial statements of Essential for the half year ended 31 December 2022;
- Independent Valuation Report of Essential's mineral assets dated 24 February 2023 performed by VRM;
- Share registry information;
- Scheme Implementation Agreement;
- BDO Explorer Quarterly Cash Update: September 2022 and prior periods;
- United States Geological Survey 2022;
- Announcements made by Essential through the ASX;
- Bloomberg;
- S&P Capital IQ;
- Reserve Bank of Australia;
- Information in the public domain; and
- Discussions with Directors and Management of Essential.

15. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$40,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Essential in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Essential, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Essential and TLEA and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Essential and TLEA and their respective associates.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of Essential.

A draft of this report was provided to Essential and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

16. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 35 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 500 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of Chartered Accountants Australia & New Zealand and the Joint Ore Reserves Committee. Adam's career spans over 25 years in the audit and corporate finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

17. Disclaimers and consents

This report has been prepared at the request of Essential for inclusion in the Scheme Booklet which will be sent to all Essential Shareholders. Essential engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed scheme of arrangement with TLEA, under which, it is proposed that TLEA will acquire 100% of the shares in Essential.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the Scheme Booklet. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Scheme Booklet other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting

as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Scheme. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Scheme, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Essential, or any other party.

The valuer engaged for the mineral asset valuation, VRM, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes
Director



Adam Myers
Director

Appendix 1 – Glossary of Terms

| Reference | Definition |
|--------------------|---|
| AFCA | Australian Financial Complaints Authority |
| ANC | Australian Nickel Company Limited |
| APES 225 | Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| ATSR | Absolute Total Shareholder Return |
| BDO | BDO Corporate Finance (WA) Pty Ltd |
| Black Cat | Black Cat Syndicate Limited |
| Blair | The Blair Nickel-Sulphide Deposit |
| Corporations Act | The Corporations Act 2001 Cth |
| CPI | Consumer Price Index |
| Critical Resources | Critical Resources Limited |
| DCF | Discounted Future Cash Flows |
| DMIRS | Department of Mines, Industry Regulations and Safety |
| Dome North | Essential's Dome North Lithium Mineral Resource |
| EBIT | Earnings before interest and tax |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| Essential | Essential Metals Limited |
| FME | Future Maintainable Earnings |
| FSG | Financial Services Guide |
| GDP | Gross Domestic Product |

| Reference | Definition |
|-------------------|---|
| Golden Ridge | Essential's Golden Ridge Gold Project |
| IGO | IGO Limited |
| IS 214 | Information Sheet 214: Mining and Resources: Forward-looking Statements |
| JORC Code | The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) |
| Juglah Dome | Essential's Juglah Dome Gold Project |
| Km | Kilometres |
| Km ² | Square kilometres |
| Li ₂ O | Lithium oxide |
| Mt | Million tonnes |
| NAV | Net Asset Value |
| Northern Star | Northern Star Resources Limited |
| Novo | Novo Resources Corp |
| Our Report | This Independent Expert's Report prepared by BDO |
| Pioneer Dome | Essential's Pioneer Dome Lithium Project |
| Primero | Primero Group Limited |
| QMP | Quoted market price |
| RBA | Reserve Bank of Australia |
| Regulations | Corporations Act Regulations 2001 (Cth) |
| RG 111 | Content of expert reports (March 2011) |
| RG 112 | Independence of experts (March 2011) |
| RG 170 | Regulatory Guide 170 'Prospective Financial Information' |
| RG 60 | Schemes of arrangement (September 2011) |
| RTSR | Relative Total Shareholder Return |

| Reference | Definition |
|-----------------------------|---|
| Scheme Booklet | The Scheme booklet prepared to assist the Shareholders in their decision whether to approve the Scheme |
| Scheme Consideration | Cash consideration of \$0.50 for every Essential share held |
| Section 411 | Section 411 of the Corporations Act |
| Shareholders | Shareholders of Essential not associated with TLEA |
| SIA | Scheme Implementation Agreement |
| Sinclair | Essential's Sinclair Caesium Deposit |
| Sum-of-Parts | A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies |
| Target 1 | Spodumene Target 1 |
| Target 2 | Spodumene Target 2 |
| Technical Specialist Report | The Independent Technical Specialist Report prepared by VRM |
| The Act | The Corporations Act 2001 Cth |
| The Company | Essential Metals Limited |
| The Scheme | Scheme of Arrangement between Essential and TLEA |
| TLC | Tianqi Lithium Corporation |
| TLEA | Tianqi Lithium Energy Australia Pty Ltd |
| TSR | Total Shareholder Return |
| USGS | United States Geological Survey |
| VALMIN Code | Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition) |
| VRM | Valuation and Resource Management Pty Ltd |
| WA | Western Australia |
| WTO | World Trade Organisation |



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Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ('DCF')*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

The resource multiple is a market based approach which seeks to arrive at a value for a company by reference to its total reported resources and to the enterprise value per tonne/lb of the reported resources of comparable listed companies. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.

Appendix 3 - Independent Valuation Report

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INDEPENDENT TECHNICAL ASSESSMENT & VALUATION REPORT

Presented To:
Essential Metals Limited



Date Issued:
24 February 2023

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| Document Reference | Essential Metals ITAR Feb 23 Rev3 |
|--------------------|--|
| Distribution | Essential Metals Ltd Valuation and Resource Management Pty Ltd BDO Corporate Finance W.A. Pty Ltd |
| Principal Author | Paul Dunbar BSc Hons (Geology) MSc MINEX M AusIMM M AIG  Date: 23 February 2023 |
| Peer Review | Deborah Lord BSc Hons (Geology), F AusIMM, M AIG |
| Valuation Date | 1 February 2023 |

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Executive Summary

BDO Corporate Finance (WA) Pty Ltd (BDO) engaged Valuation and Resource Management Pty Ltd (VRM) to prepare an Independent Technical Assessment and Valuation report (ITAR or the Report) on the Mineral Assets of Essential Metals Limited (ASX: ESS) (Essential or the Company).

This Report is a public document, in the format of an ITAR and is prepared in accordance with the guidelines of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets – The VALMIN Code (2015 edition) (VALMIN), which incorporates the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2012 edition) (JORC). VRM understands that BDO will include the Report within its Independent Experts Report (IER) in relation to a proposed transaction with Tianqi Lithium Energy Australia Pty Ltd (TLEA).

This Report is a technical review and valuation opinion of the mineral assets owned by Essential. Applying the principles of the VALMIN Code, VRM has used several valuation methods to determine the value for the mineral assets. Importantly, as neither the principal author nor VRM hold an Australian Financial Services Licence, this valuation is not a valuation of Essential but rather an asset valuation of Essential's Mineral Assets which consists of five 100% owned projects and seven Joint Venture (JV) Projects. All the projects are located in Western Australia.

This valuation is current as of 1 February 2023. While this report does document additional information including the Scoping Study that has been released subsequent to the valuation date the information contained in the Scoping Study does not impact the valuation or findings contained in this report.

As commodity prices, exchange rates and cost inputs fluctuate this valuation is subject to change over time. The valuation derived by VRM is based on information provided by Essential along with publicly available data including ASX releases, published technical information and the S&P Global subscription-based database of projects, transactions, and commodity research. VRM has made reasonable endeavours to confirm the accuracy, validity and completeness of the technical data which forms the basis of this Report. The opinions and statements in this Report are given in good faith and under the belief that they are accurate and not false nor misleading.

The default currency is Australian dollars (unless otherwise stated). As with all technical valuations the valuation included in this Report is the likely value of the mineral projects and not an absolute value. A range of likely values for the various mineral assets is provided with that range indicating the accuracy of the valuation.

Essential Projects

The projects that are 100% owned by Essential are the Pioneer Dome Lithium Project (PDLP), the Kangan Lithium Project, the Golden Ridge Gold Project, the Juglah Dome Project, and Horse Rocks Project. The JV's that Essential holds a minority interest are detailed in a separate section below.

The most significant and most advanced project is the PDLP. The PDLP contains one Lithium Mineral Resource Estimate (MRE) in three separate pegmatite bodies, with the MRE recently updated for two of the deposits. The MRE was not updated for the third deposit as there was no additional information that would change the estimate. Within all three of the deposits the dominant lithium mineral is spodumene which is the main lithium mineral that is used to produce lithium-based chemicals for multiple end uses, including lithium-ion batteries. A Scoping Study was recently completed reviewing the potential development options for the three deposits as a combined project. While the Scoping Study included a financial analysis, that analysis is not used in this Report or valuation due to the uncertainty associated with the modifying factors within the study. Within the tenements surrounding the PDLP there are several highly fractionated pegmatites, one of those pegmatite bodies, Peg 8, hosts the Sinclair caesium deposit which has been exploited by Essential for the caesium mineral pollucite. There are also multiple outcrops of pegmatites in the greater tenement package which show a high level of fractionation, some of them host lithium mineralisation with the main lithium mineral in these pegmatites being lepidolite, a lithium-rich mica. To date spodumene has only been identified in the three pegmatites within the declared MREs.

In addition to the PDLP there are two gold projects which are 100% owned by Essential, these are the Golden Ridge Gold Project (covering the same tenements that constitute the Golden Ridge Nickel Project) and the Juglah Dome Project. The other projects held 100% by Essential are the Kangan Lithium Project which covers the same tenements that constitute the Kangan Gold Project and a single early-stage exploration tenement (Horse Rocks) located to the west of Kalgoorlie.

Other than the PDLP all 100% owned projects are considered to be early-stage exploration projects. The PDLP project is considered an advanced exploration project.

Joint Venture Projects

The seven JVs in which Essential Metals holds an interest all have a 20% - 30% free-carried interest retained until a decision to mine or the completion of a feasibility study. The Joint Venture projects are, the Kangan Gold Project in the northern Pilbara region; and the Golden Ridge Nickel Project, the Balagundi Project, the Acra Project, the Maggie Hays Nickel Project, the Wattle Dam Project and the Larkinville Project all in the general Kalgoorlie region of Western Australia.

There are four gold JV projects, these projects are the Acra Project (25% Essential) with Northern Star Resources Limited holding 75%, the Kangan Gold Project (30% Essential), with Novo Resources Corp holding 70%, the Balagundi Joint Venture where Black Cat Syndicate Limited is earning 75% and the Larkinville Gold Project (25% Essential) where Maximus Resources Limited holds 75%.

There are three nickel JV projects, these are the Golden Ridge Nickel Project (Essential diluting to 25%), with Australian Nickel Company Limited earning 75%; the Maggie Hays Nickel Project (Essential holds a free-carried 20%) and Poseidon Nickel Limited holds an 80% interest, and the Wattle Dam nickel project (Essential

25%) where Maximus Resources Limited hold 75%. The Golden Ridge Nickel JV Project covers the same tenements as the Golden Ridge Gold Project where Essential has retained 100% of the gold rights.

While the Golden Ridge Nickel Project hosts the former Blair Nickel Mine which a previously declared nickel MRE and is now considered to be an early-stage exploration project. All the other JVs are also considered to be early-stage exploration projects.

Valuation Methodology

The valuation within this report has been prepared as a sum of the parts with the value attributed to both the declared MREs and the exploration potential in the adjacent tenements. The primary valuation method for the MREs is a comparable transaction Resource Multiple method with the exploration potential valued using a Geoscientific or Kilburn approach. Where there has been a transaction on one of the projects this transaction value has been used to value the project, but the valuation based on the JV terms has been normalised against the relevant commodity price to account for changes in the market of the targeted commodity. Secondary valuation methods were used to support the primary methods with these being a yardstick approach for the declared MREs and a Prospectivity Enhancement Multiplier for the exploration potential or a Geoscientific or Kilburn approach as a secondary method where the project has been valued using the JV terms.

This report documents the technical aspects of the tenements along with explaining valuations for the properties applying the principles and guidelines of the VALMIN and JORC Codes.

Conclusions

Considering the MREs and the exploration potential and the equity held by Essential, in VRM's opinion, the Projects, have a market value of between \$66.3 million and \$116.5 million with a preferred value of \$91.4 million.

1. Introduction

Valuation and Resource Management Pty Ltd (VRM), was engaged by BDO Corporate Finance Australia (WA) Pty Ltd (BDO) to undertake an Independent Technical Assessment and Valuation Report (Report or ITAR) on the lithium, gold and nickel projects and adjacent tenements held by Essential Metals Limited (ASX: ESS) (Essential or the Company). This is in relation to the proposed transaction with Tianqi Lithium Energy Australia Pty Ltd (TLEA), announced by Essential on 9 January 2023. TLEA is an incorporated joint venture owned 51% by Tianqi Lithium Corporation and 49% by IGO Limited (ASX: IGO). It is proposed that TLEA will acquire Essential by way of a Scheme of Arrangement under the Corporations Act 2001 (Cth) (Corporations Act). BDO was engaged by Essential to prepare an Independent Expert's Report (IER) for inclusion in a Scheme Booklet to assist the shareholders of Essential in relation to the proposed transaction.

VRM understands that this ITAR will be included in the IER being prepared by BDO. BDO will refer to, and rely on, the VRM Report and mineral asset valuation which will be attached to its IER to inform the Essential shareholders as to the fairness and reasonableness of the proposed transaction.

Paul Dunbar of VRM was contacted to undertake a valuation of the mineral assets of Essential located in Western Australia. BDO engaged VRM for the purposes of the ITAR and all correspondence was directed through BDO.

The Report is a public document, it is in the format of an ITAR and is prepared in accordance with the guidelines of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets – The VALMIN Code (2015 edition) (VALMIN) that incorporates the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2012 edition) (JORC).

This Report is a technical review and valuation opinion of the mineral assets of Essential. The projects that are 100% owned by Essential are the Pioneer Dome Lithium Project (PDLP), the Kangan Lithium Project, the Golden Ridge Gold Project, the Juglah Dome Project and one regional tenement named the Horse Rocks Project, located to the west of Kalgoorlie. There are also seven Joint Ventures which Essential holds an interest and all have a 20% - 30% free-carried interest retained until a decision to mine or the completion of a feasibility study. The Joint Venture projects are, the Kangan Gold Project in the northern Pilbara region, the Golden Ridge Nickel Project, the Balagundi Project, the Acra Project, the Maggie Hays Nickel Project, the Wattle Dam Nickel Project, and the Larkinville Gold Project. All the projects are located in Western Australia. Applying the principles of the VALMIN Code, VRM has used several valuation methods to determine the value for the mineral assets. Importantly, as neither the principal author nor VRM hold an Australian Financial Services Licence, this valuation is not a valuation of Essential but rather an asset valuation of the projects and the surrounding exploration ground owned by Essential.

VRM has estimated a likely market value for the PDLP including the declared Mineral Resource Estimates (MREs) and exploration ground. The technical information supporting the prospectivity of the licences and

the valuation of the tenements is on a 100% interest basis. As the valuation is based on comparable transactions it is reasonable to assume that the environmental liabilities are also included in the valuation. Other projects are valued on an equity basis.

1.1. Compliance with the JORC and VALMIN Codes and ASIC Regulatory Guides

The ITAR is prepared applying the guidelines and principles of the 2015 VALMIN Code and the 2012 JORC Code. Both industry codes are mandatory for all members of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG). These codes are also requirements under Australian Securities and Investments Commission (ASIC) rules and guidelines and the listing rules of the Australian Securities Exchange (ASX).

1.2. Scope of Work

VRM's primary obligation in preparing mineral asset reports is to independently describe mineral projects applying the guidelines of the JORC and VALMIN Codes. These require that the Report contains all the relevant information at the date of disclosure, which investors and their professional advisors would reasonably require in making a reasoned and balanced judgement regarding the mineral assets.

VRM has compiled the valuation based upon the principle of reviewing and interrogating both the documentation of Essential and previous exploration within the areas. This Report is a summary of the work conducted, completed, and reported by the various explorers to 1 February 2023 based on information supplied to VRM by Essential and other information sourced from the public domain to the extent required by the VALMIN and JORC Codes.

A draft of this Report was provided to Essential, to identify and address any factual errors or omissions prior to finalisation of the Report. The valuation sections of the Report were not provided to Essential until the technical aspects were validated, and the Report was declared final. On 17 February 2023 VRM provided to Essential (via BDO) a redacted version of the draft report which included all the technical sections of the report, but the valuation sections were removed from the draft provided to Essential for factual accuracy checking. VRM provided the various valuations to BDO as soon as they were considered final and also provided a complete version of the report to BDO on 23 February 2023.

1.3. Statement of Independence

Mr Paul Dunbar and Ms Deborah Lord of VRM were engaged to undertake the ITAR. This work was conducted applying the principles of the JORC and VALMIN Codes, which in turn reference ASIC Regulatory guide 111 Content of expert reports (RG111) and ASIC Regulatory guide 112 Independence of experts (RG112).

In the past two years Mr Paul Dunbar and Ms Deborah Lord of VRM have not had any association with Essential. VRM, Mr Dunbar nor Ms Lord has no association with Essential, their individual employees, or any interest in the securities of Essential which could be regarded as affecting their ability to give an independent, objective, and unbiased opinion. Mr Dunbar, while employed by Dunbar Resource Management (DRM) in

2016 and early 2017 consulted to Pioneer Resources Limited (Pioneer) who subsequently changed its name to Essential. While Mr Dunbar does not consider that this consulting work impacts his independence, he considers it prudent to disclose the previous work to ensure transparency in relation to the previous work. Mr Dunbar is not reviewing any of the work that he undertook nor any of the MREs that he contributed to during his time consulting to Pioneer. The Dome North deposits were discovered in June 2019. Neither VRM, Ms Lord nor Mr Dunbar hold an Australian Financial Services Licence (AFSL) and the valuation contained within the Report is limited to a valuation of the mineral assets being reviewed. VRM will be paid a fee for this work based on standard commercial rates for professional services. The fee estimated at \$43,000 (ex GST) is not contingent on the results of this review.

1.4. Competent Persons Declaration and Team Qualifications

This Report was prepared by Mr Paul Dunbar as the primary author with peer review by Ms Deborah Lord.

The Report and information that relates to geology, exploration and the mineral asset valuation is based on information compiled by Mr Paul Dunbar, BSc (Hons), MSc (Minex), a Competent Person who is a Member of the AusIMM and Member of the AIG. Mr Dunbar is a Principal of VRM and has sufficient experience, which is relevant to the style of mineralisation, geology, and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person under the JORC Code and a Specialist under the VALMIN Code. Mr Dunbar consents to the inclusion in the Report of the matters based on his information in the form and context in which it appears.

The Report and information that relates to peer review of the mineral asset valuation was provided by Ms Deborah Lord, BSc (Hons), a Competent Person who is a Fellow of the AusIMM and Member of the AIG. Ms Lord is a Director of VRM, Chair of the VALMIN Committee and a Member of the AusIMM Professional Conduct Committee.

Between 1 February 2023, being the valuation date and the date of the Report, nothing has come to the attention of VRM unless otherwise noted in the Report that would cause any material change to the conclusions.

1.5. Reliance on Experts

The authors of this report are not qualified to provide extensive commentary on the legal aspects of the mineral properties or the compliance with the relevant laws governing mining within Western Australia. VRM has interrogated the Western Australian Department of Mines Industry Regulation and Safety (DMIRS) online tenement database, Mineral Titles Online (MTO) website to confirm the tenements are active. As VRM and the authors of this report are not experts in the Western Australian tenements or Mining Act, no warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure.

For Essential's mineral assets VRM has relied upon expert information the following reports and information.

- Essential ASX releases including the following:
- The Mineral Resource estimates – ASX release dated 29 September 2020 and updated Mineral Resource estimate, ASX release dated 20 December 2022;
- Multiple additional ASX releases for the exploration activities of Essential and the JV partners; and
- The North Dome Scoping Study for the PDLP ASX announcement dated 7 February 2023.

1.6. Sources of Information

All information and conclusions within this report are based on information made available to VRM to assist with this report by Essential and other relevant publicly available data to 15 February 2023. Reference has been made to other sources of information, published and unpublished, including government reports and reports prepared by previous interested parties and Joint Venturers to the areas, where it has been considered necessary. VRM has, as far as possible and making all reasonable enquiries, attempted to confirm the authenticity and completeness of the technical data used in the preparation of the Report and to ensure that it had access to all relevant technical information. VRM has relied on the information contained within the reports, articles and databases provided by Essential as detailed in the reference list. Specific information provided by Essential include the following:

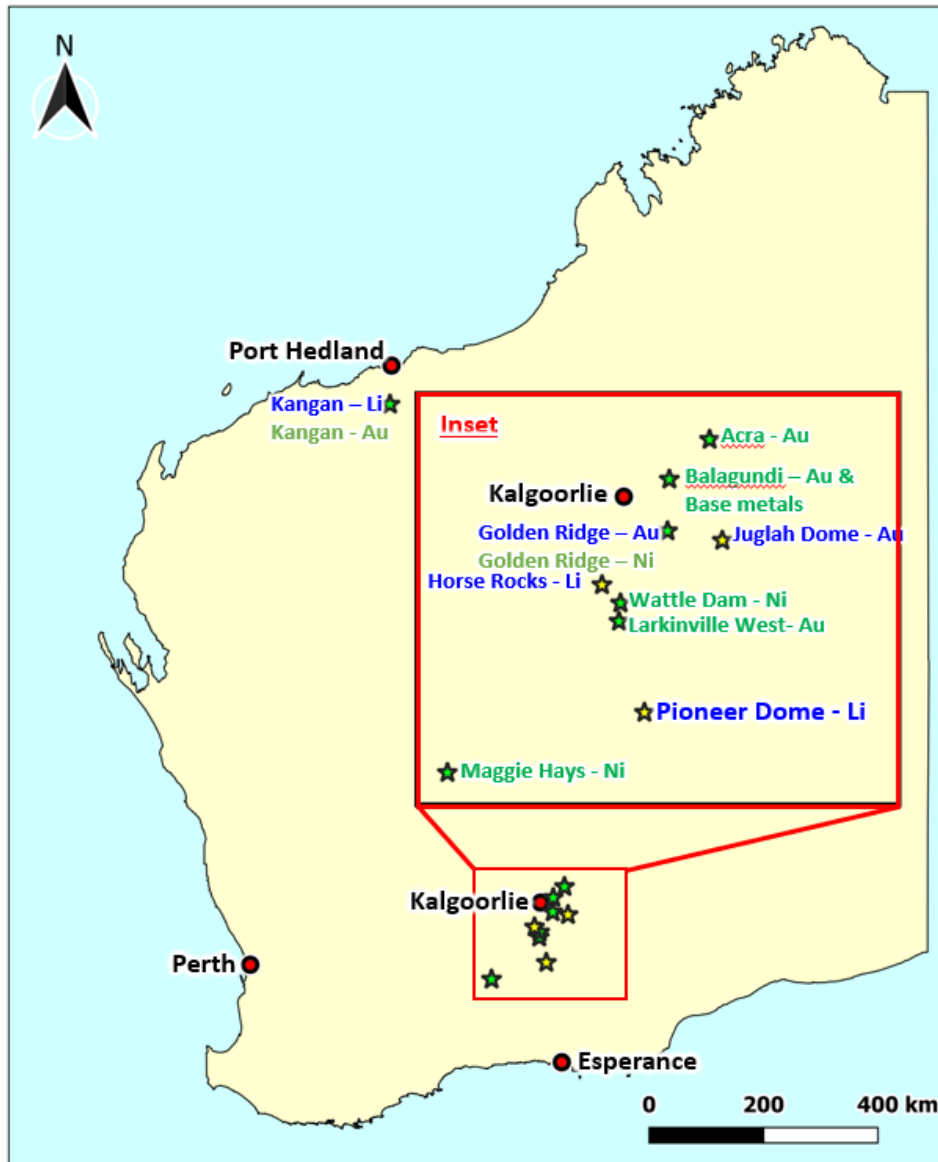
- Essential Quarterly Reports and Annual Reports;
- Essential ASX releases;
- Joint Venture Company ASX releases or internal reports;
- ASX releases from other companies that have previously explored the areas and transactions associated with other projects in the region of the various projects; and
- Publicly available information and regional datasets including geological mapping, interpretation, reports, geophysical datasets, and Mineral Deposit information.

1.7. Site Visits

No specific site visits have been undertaken as a part of this report; however, Paul Dunbar has visited most of the projects being valued as a part of this work during his time consulting to Pioneer (now Essential) in 2016 and 2017. Additionally, a brief visit to the Sinclair Caesium Mine was undertaken by Paul Dunbar on 20 December 2018 while the mine was operating. Other than additional exploration and resource delineation drilling at the North Dome Lithium Deposits there have been no significant changes to the majority of the projects since 2018. Other than mining the Sinclair caesium deposit to depletion, there has been no mining on any of the projects since approximately 2008 when the former Blair Nickel Mine was placed on care and maintenance. VRM considers that given the previous site visits and a lack of mining activities on the projects since the previous site visit it is unlikely that any material information would be obtained from undertaking a site visit that would likely impact or materially modify the findings recommendations or valuation within this report.

2. Mineral Assets

The 100% owned mineral assets that are included in this review include the PDLP, Kangan Lithium Project, Juglah Dome, Golden Ridge Gold Project and Horse Rocks project. In addition to the 100% owned projects there are seven separate Joint Ventures on which have been valued a part of this report. The tenements that constitute the Projects are shown in Figure 1. The tenure details of all the projects are combined in section 2.1 of this report.



Source Essential

Figure 1 Essential Projects, 100% owned projects in Blue JVs in Green.

2.1. Tenure

The tenements detailed in Table 1 have been validated by VRM reviewing the tenement information provided by Essential, in its latest Quarterly Report and comparing this with the tenement register from the DMIRS Mineral Titles Online database.

The PDLP consists of eight granted Exploration Licences, two granted Mining Leases, and one miscellaneous Licence. The Juglah Dome consist of one Exploration licence while the Golden Ridge Gold (and nickel JV) Project consist of three Exploration licences and four Mining leases, the Kangan lithium (and gold JV) project consists of four Exploration licences. The Horse Rocks Project consists of one Exploration licence to the southwest of Kalgoorlie. Other than the two JV's tenement holdings described above, the other JV projects consist of nine Exploration licences at the Acra JV, ten Mining Leases at Wattle Dam nickel JV, One Mining Lease at the Larkinville nickel and gold JV and one Exploration licence at both the Balagundi gold JV and Maggie Hays nickel JV projects. There are no other tenement applications. The miscellaneous licences which are not detailed above do not provide the holder with any exploration or mining rights and can only be used for the purposes described in the tenement application; in this case the miscellaneous licences are associated with access roads. Table 1 documents the tenements while Figure 1 shows the location of the tenements.

VRM has interrogated the DMIRS website that confirmed that the tenements are listed in Table 1 are reported as being in good standing and that all tenement matters including annual reports, rents and renewals have been lodged and are progressing in accordance with the Mining Act. As VRM and the authors of this report are not experts in the Mining Acts no warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure.

Table 1 Essential Metals Limited Tenement Schedule as at 17 February 2023

| Tenement | Status | Grant | Expiry | Equity | Area ⁵ |
|------------------------------|--------|------------|------------|--------|-------------------|
| 100% Essential Projects | | | | | |
| Pioneer Dome Lithium Project | | | | | |
| E 15/1515 | Live | 9/05/2017 | 8/05/2027 | 100% | 17 |
| E 15/1725 | Live | 15/03/2022 | 14/03/2027 | 100% | 17 |
| E 63/1669 | Live | 14/04/2015 | 13/04/2025 | 100% | 14 |
| E 63/1782 | Live | 2/03/2017 | 1/03/2027 | 100% | 7 |
| E 63/1783 | Live | 2/03/2017 | 1/03/2027 | 100% | 21 |
| E 63/1785 | Live | 8/05/2017 | 7/05/2027 | 100% | 17 |
| E 63/1825 | Live | 24/03/2017 | 23/03/2027 | 100% | 33 |
| E 63/2118 | Live | 4/02/2022 | 3/02/2027 | 100% | 34 |
| L 63/77 | Live | 14/12/2017 | 13/12/2038 | 100% | 119.6 |
| M 15/1896 | Live | 16/02/2023 | 15/02/2044 | 100% | 2,408.8 |
| M 63/665 | Live | 13/11/2017 | 12/11/2038 | 100% | 97.675 |
| Golden Ridge Gold Project | | | | | |
| E 26/186 | LIVE | 26/07/2016 | 25/07/2026 | 100% | 19 |
| E 26/211 | LIVE | 11/02/2019 | 10/02/2024 | 100% | 5 |
| E 26/212 | LIVE | 20/02/2019 | 19/02/2024 | 100% | 7 |
| L 26/272 ² | LIVE | 27/05/2015 | 26/05/2036 | 100% | 29.6 |
| M 26/220 | LIVE | 26/04/1988 | 1/05/2030 | 100% | 1000 |
| M 26/222 | LIVE | 26/04/1988 | 1/05/2030 | 100% | 609.2 |

| Tenement | Status | Grant | Expiry | Equity | Area ⁵ |
|-------------------------------------|--------|------------|-------------------------|------------------|-------------------|
| M 26/284 | LIVE | 18/10/1989 | 19/10/2031 | 100% | 685.65 |
| M 26/285 | LIVE | 18/10/1989 | 19/10/2031 | 100% | 553.1 |
| Juglah Dome Project | | | | | |
| E 25/585 | LIVE | 29/07/2020 | 28/07/2025 | 100% | 17 |
| Kangan Lithium Project | | | | | |
| E 45/4948 | LIVE | 17/02/2020 | 16/02/2025 | 100% | 41 |
| E 47/3318-I | LIVE | 1/04/2016 | 31/03/2026 | 100% | 23 |
| E 47/3321-I | LIVE | 21/01/2016 | 20/01/2026 | 100% | 10 |
| E 47/3945 | LIVE | 2/10/2018 | 1/10/2023 | 100% | 24 |
| Horse Rocks | | | | | |
| E 15/1710 | LIVE | 28/01/2020 | 27/01/2025 | 100% | 26 |
| Joint Venture Projects ³ | | | | | |
| Golden Ridge Nickel JV Project | | | | | |
| E 26/186 | LIVE | 26/07/2016 | 25/07/2026 | 25% ⁴ | 19 |
| E 26/211 | LIVE | 11/02/2019 | 10/02/2024 | 25% ⁴ | 5 |
| E 26/212 | LIVE | 20/02/2019 | 19/02/2024 | 25% ⁴ | 7 |
| L 26/272 ² | LIVE | 27/05/2015 | 26/05/2036 | 25% ⁴ | 29.6 |
| M 26/220 | LIVE | 26/04/1988 | 1/05/2030 | 25% ⁴ | 1000 |
| M 26/222 | LIVE | 26/04/1988 | 1/05/2030 | 25% ⁴ | 609.2 |
| M 26/284 | LIVE | 18/10/1989 | 19/10/2031 | 25% ⁴ | 685.65 |
| M 26/285 | LIVE | 18/10/1989 | 19/10/2031 | 25% ⁴ | 553.1 |
| Kangan Gold JV Project | | | | | |
| E 45/4948 | LIVE | 17/02/2020 | 16/02/2025 | 100% | 41 |
| E 47/3318-I | LIVE | 1/04/2016 | 31/03/2026 | 100% | 23 |
| E 47/3321-I | LIVE | 21/01/2016 | 20/01/2026 | 100% | 10 |
| E 47/3945 | LIVE | 2/10/2018 | 1/10/2023 | 100% | 24 |
| Acra Gold JV Project | | | | | |
| E 27/278 | LIVE | 13/12/2005 | 12/12/2022 ¹ | 25% | 10 |
| E 27/438 | LIVE | 18/05/2012 | 17/05/2024 | 25% | 13 |
| E 27/491 | LIVE | 15/03/2013 | 14/03/2023 | 25% | 4 |
| E 27/520 | LIVE | 21/01/2014 | 20/01/2024 | 25% | 5 |
| E 27/548 | LIVE | 30/05/2016 | 29/05/2026 | 25% | 18 |
| E 27/579 | LIVE | 20/04/2017 | 19/04/2027 | 25% | 27 |
| E 28/1746 | LIVE | 20/02/2008 | 19/02/2024 | 25% | 12 |
| E 28/2483 | LIVE | 23/02/2015 | 22/02/2025 | 25% | 11 |
| E 27/278 | LIVE | 13/12/2005 | 12/12/2022 ¹ | 25% | 10 |
| Balagundi Gold JV Project | | | | | |
| E 27/558 | LIVE | 26/08/2016 | 25/08/2026 | 25% ⁴ | 8 |
| Maggie Hays Nickel JV Project | | | | | |
| E 63/1784 | LIVE | 13/10/2017 | 12/10/2027 | 20% | 20 |
| Wattle Dam Nickel JV Project | | | | | |
| M 15/1101 | LIVE | 12/03/2004 | 18/03/2025 | 20% | 519 |
| M 15/1263 | LIVE | 17/08/2004 | 23/08/2025 | 20% | 217 |
| M 15/1264 | LIVE | 17/08/2004 | 23/08/2025 | 20% | 84.9 |
| M 15/1323 | LIVE | 23/06/2008 | 29/06/2029 | 20% | 50.09 |
| M 15/1338 | LIVE | 23/06/2008 | 29/06/2029 | 20% | 88.05 |
| M 15/1769 | LIVE | 23/06/2008 | 29/06/2029 | 20% | 322.1 |
| M 15/1770 | LIVE | 23/06/2008 | 29/06/2029 | 20% | 999.1 |
| M 15/1771 | LIVE | 23/06/2008 | 29/06/2029 | 20% | 777.85 |
| M 15/1772 | LIVE | 23/06/2008 | 29/06/2029 | 20% | 449.75 |
| M 15/1773 | LIVE | 23/06/2008 | 29/06/2029 | 20% | 42.51 |
| Larkinville Gold Nickel JV | | | | | |
| M 15/1449 | LIVE | 6/09/2012 | 5/09/2033 | 25% Au, 20% | 242.95 |

Notes:

1. The tenement schedule is based on the Essential December 2022 Quarterly Report and validated by checking the Department of Mines, Industry Regulation and Safety (DMIRS) Mineral Titles online database. Two tenements detailed above have expired however these tenements remain live until the extension of term applications have been determined. The two extension of term applications are pending.
2. Miscellaneous licences, while detailed in the table above do not allow mineral exploitation and are usually for infrastructure associated with a mining operation, they have negligible value unless they are connected with the exploitation of mineral resources. The Miscellaneous licences are associated with access roads.
3. The tenements are dominantly registered as Essential being the holder however the JV parties are Norther Star Resources for the Acra JV, Maximus Resources for the Wattle Dam and Larkinville JV's, Australian Nickel Company Limited for the Golden Ridge Nickel JV, Black Cat Syndicate Limited for the Balagundi JV, Poseidon Nickel Limited for the Maggie Hays Nickel JV and Novo Resources for the Kangan Gold JV.
4. The JV equity while detailed as 25% Essential is diluting to 25%, in this valuation it is assumed that the JV partner will earn their full equity of 75%.
5. The area detailed above are Ha for Mining Leases and Miscellaneous Licences and sub blocks for the Exploration Licences.

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3. Pioneer Dome Lithium Project

The most significant mineral asset owned by Essential is the Pioneer Dome Lithium Project (PDLP) consisting of two granted Mining Leases, eight exploration licences and one miscellaneous Licence. Most of the tenements are 20 – 60km to the north - northeast of Norseman in Western Australia. This report reviews the location, geology, Mineral Resource estimates, Scoping Study, exploration potential and valuation of the project.

3.1. Location and Access

The PDLP is located approximately 60km to the north of Norseman and 130km to the south of Kalgoorlie in the Eastern Goldfields region of Western Australia. Native title has been determined (WC1999/002 or WAD6020/1998) and has been granted to the Ngadju Native Title Claimant Group. The determined area covers all of the PDLP. Essential have previously negotiated a land access agreement with the Ngadju prior to the exploitation of the Sinclair caesium deposit in 2018 and 2019. The agreement with the Ngadju cover all the tenements that constitute the PDLP including the Dome North Mineral Resources. The northern portion of the project has been termed the Dome North and the lithium deposits collectively termed the Dome North lithium occurrence.

Access to the project from Kalgoorlie is via the Kalgoorlie – Norseman sealed road then via numerous access roads and tracks including the Caves Hill Public Road and exploration tracks. The tenements that constitute the PDLP occur generally to the west of the Kalgoorlie – Norseman Road which also has a water pipeline and gas pipeline adjacent to the main road reserve. To the east of the tenements is the main rail line that links Perth – Kalgoorlie – Leonora and Esperance. There are no rail sidings in proximity to the project. The unsealed gravel roads are generally in good condition, but access is potentially impacted by extended periods of wet weather. Overall, the project is well supported by infrastructure. Figure 1 shows the location of the PDLP.

3.2. Geology

The PDLP is located at the southern end of the Kalgoorlie Terrane, which is part of the Eastern Goldfields Superterrane (EGS) of the Yilgarn Craton. Much of the regional geology is extracted from Barnes et al., (2022). The Dome North spodumene deposits fall within the Depot Domain, near the boundary of the Kambalda Domain to the east (Cassidy et al., 2006).

Multiple structural events have been recognised in the EGS (Swager, 1997), although these are not always evident throughout. In addition, some of Swager's (1997) structural events have been assigned as separate stages of the one event by Blewett et al. (2008).

The EGS comprises greenstone sequences that have been intruded by numerous and voluminous granitic plutons, which are not considered to be components of the EGS. The Dome North spodumene deposits

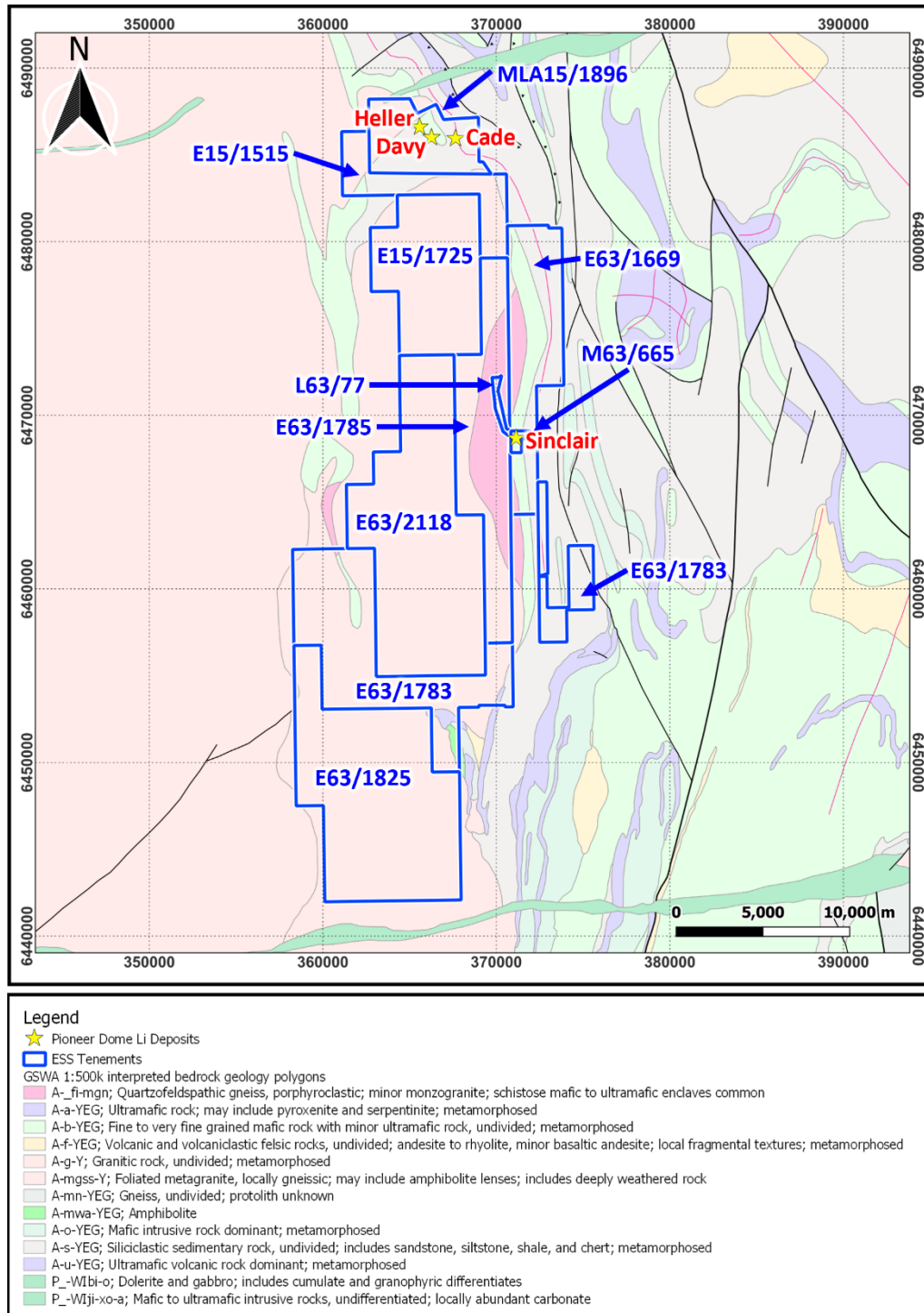


Figure 2 Regional Geology of the PDLP showing the Lithium Deposits at Dome North and the Sinclair Mine.

coincide with the southern part of the Norseman–Wiluna greenstone belt.

The large east - west trending, mafic Jimbalana Dyke (of Proterozoic age) crosscuts the greenstone stratigraphy to the south of the PDLP tenements.

The Pioneer Dome is a large dome of Archean stratigraphy with the Pioneer Monzogranite occurring as the core of the complex with older stratigraphy occurring adjacent to the granite bodies and the stratigraphy younging to the east. The upper parts of the regional stratigraphic column consist of the Black Flag Beds, these occur to the east of the dome. Overall, the Pioneer Dome is approximately 30 km by 10 km. The North Dome spodumene deposits occur on the northern edge of the dome while the Sinclair caesium deposit occurs to the east of the dome, approximately 18km to the south. The core of the dome comprises foliated biotite monzogranite Fifty Mile Tank Gneiss and the Pioneer Monzogranite. These form the Pioneer Granitoid Complex (Griffin, 1989, 1990). As there are xenoliths of the Fifty Mile Tank Gneiss within the Pioneer Monzogranite the Monzogranite must post date the Fifty Mile Tank Gneiss..

Pegmatite bodies of various ages intrude the gneiss and greenstone stratigraphy lithologies in the vicinity of the Pioneer Granitoid Complex. Griffin (1989, 1990) noted that some of the pegmatites contain lepidolite and tantalite. Newmont Australia Ltd mapped the project area and surrounds and identified two prominent dyke orientations. One set strikes north-westerly, dips sub vertically, crosscuts stratigraphy and occupies fracture zones (Mason, 1971). The other set strikes northerly, dips steeply to moderately to the east, is parallel to the regional structure and the dykes commonly intrude along lithological boundaries. A larger intrusion was considered to possibly occupy a fold hinge.

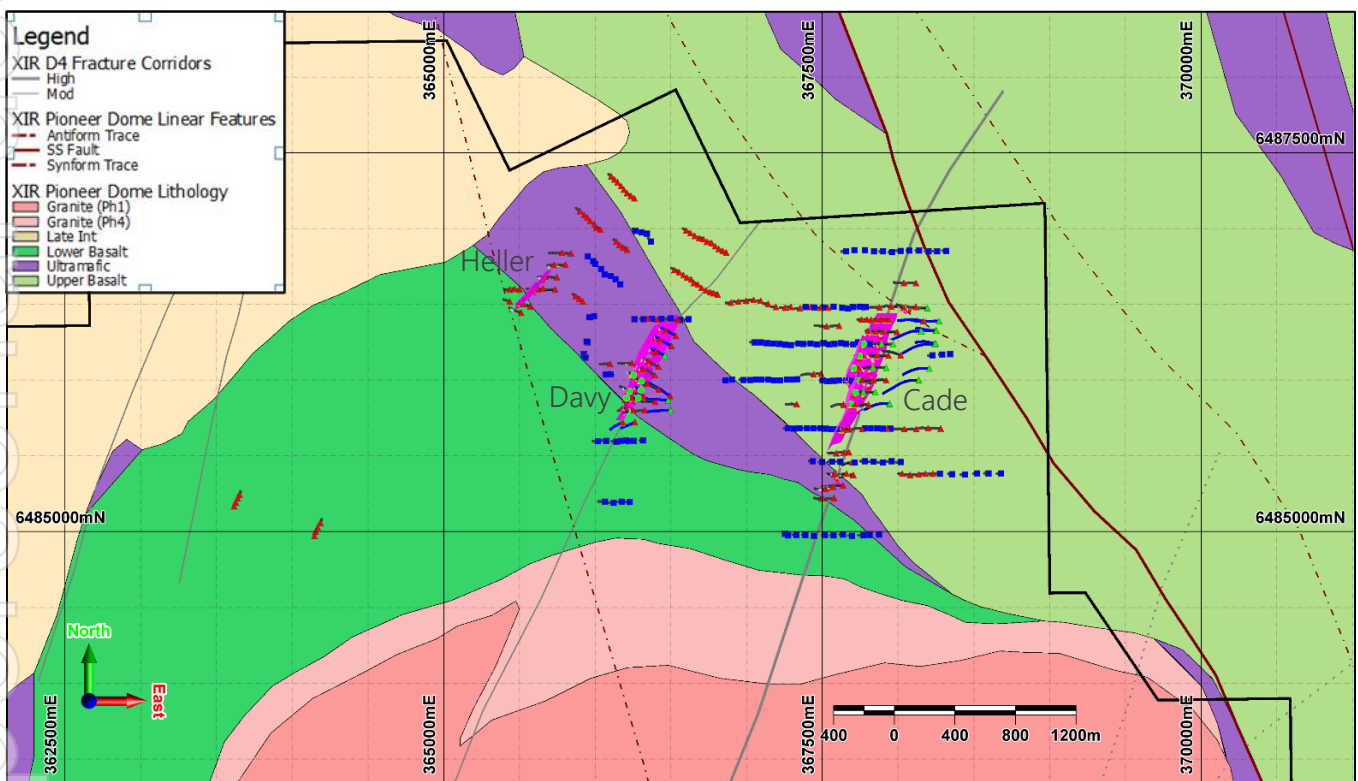
In the vicinity of the Cade, Davy, and Heller lithium deposits, in the Dome North area, the Archean greenstone sequence dominates, and is broadly north-south striking, westerly dipping and younging to the east. Lithologies include tholeiitic basalt, pyroxene spinifex-textured basalt, komatiite, peridotite, and dolerite, in addition to sedimentary rock derived from felsic volcanic and volcanoclastic rocks and pelitic and psammitic metasedimentary rocks of the Black Flag Group (Cade Deposit host rock). Interflow sediments are also present, commonly in the form of carbonaceous shale horizons.

The entire greenstone sequence is intruded by a series of pegmatite dykes and sills associated with the later stage Pioneer Dome granite intrusive. These pegmatite dykes form a swarm of intrusive bodies along a strike length of approximately 15 km along the eastern edge of the granite dome.

The Dome North spodumene deposits are located at the northern tip of the Pioneer Granitoid Complex. The deposits are each made up of multiple, sub parallel to en-echelon differentiated pegmatite dykes that cross-cut the host rocks at near perpendicular angles (NNE) to the local fabric (NW). All three deposits exhibit similar mineralogy, crystal size (2-10mm diameter white to pale green spodumene crystals) and habit (crescumulate textured). Each mineralised deposit dyke consists of an unmineralised wall zone (between 0.5 - 5m width) of albite, quartz, muscovite and garnet +/- trace spodumene (sometimes sericite altered) and a lithium enriched intermediate zone (~30m width at Cade) of albite, quartz, muscovite and spodumene +/- potassium feldspar (microcline), petalite is very rare but has been identified as a discrete lens (no more than 3m thick – PDRCD318, with no continuity) in the hanging wall at Cade. Higher grade zones towards the central core of the pegmatites are commonly associated with increased quartz and spodumene content and lesser albite and muscovite. The Dome North pegmatites have a geochemical signature associated with the

lithium-caesium-tantalum (LCT) subclass of pegmatites and are of the albite-spodumene type (London, 2008).

The host rocks differ between each of the deposits. Cade is hosted in metasediment of the Black Flag Group, of which are fine grained and largely quartz, mica, amphibole, and garnet in composition +/- pyrite, andalusite with black shale interbeds common. The host metasediments are strongly deformed, locally folded, and sheared providing the structural preparation for a later stage pegmatite emplacement. Davy and Heller are hosted in both ultramafic (pyroxenite dominant) and mafic (basalt) rocks where pegmatites have intruded sheared contacts along NNE striking faults. Mafic lithologies tend to be more favourable for thickening of the spodumene pegmatites within a more brittle host.



Source Dome North Spodumene Deposit Mineral Resources Technical Report, Trepanier (2022)

Figure 3 Local Geology of the North Dome area with the deposits labelled, PDLF.

3.3. Production History

Other than at the Sinclair caesium deposit, there has been no previous mining on the PDLF tenements. The Sinclair deposit was mined in 2018 and early 2019 by Pioneer (now Essential). This mining depleted the known caesium mineralisation which occurs as the caesium mineral pollucite. This was the last mining operation at PDLF, and there has been no subsequent mining activity on the tenements.

3.4. Mineral Resources

There are three separate pegmatite bodies which contain the declared MREs within the PDLP, these are the Cade, Heller, and the Davy lithium deposits. These resources are detailed in Table 2. The technical aspects of these resources are detailed below with the information extracted from the Essential ASX release of 20 December 2022. VRM relies on the Competent Persons included in that ASX release. The 20 December ASX release is an updated MRE only for the Cade and Davy deposits, the Heller MRE was not re estimated in late 2022 as there was no new information and the previous estimate remains current, the previous estimate was reported in the Essential ASX release of 29 September 2020.

Table 2 Essential Project Mineral Resource Estimates as at 20 December 2022

| Deposit | Classification | Tonnes (Mt) | Li ₂ O % | Ta ₂ O ₅ ppm | Contained Li ₂ O (T) | Fe ₂ O ₃ % |
|--------------|----------------|-------------|---------------------|------------------------------------|---------------------------------|----------------------------------|
| Cade | Indicated | 6.9 | 1.26 | 49 | 88,000 | 0.44 |
| | Inferred | 1.3 | 0.88 | 49 | 11,000 | 0.44 |
| Davy | Indicated | 1.6 | 1.08 | 81 | 18,000 | 0.54 |
| | Inferred | 0.6 | 0.89 | 73 | 4,000 | 0.58 |
| Heller | Inferred | 0.7 | 1.02 | 76 | 8,000 | 0.72 |
| Total | Total | 11.2 | 1.16 | 57 | 129,000 | 0.48 |

Note: Appropriate rounding applied.

Source: Essential ASX release, 20 December 2022, the cut-off grade for the estimate is 0.3% Li₂O.

Notes – VRM has relied on the Competent Persons statements contained in the ASX release of 20 December 2022 and 29 September 2020.

3.4.1. PDLP – Dome North Mineral Resource Estimates

Extracted from the 20 December 2022 ESS ASX release.

Location and Description

The Dome North MRE is part of the Pioneer Dome Project, owned 100% by Essential, and is located approximately 50km north of Norseman in the Eastern Goldfields Province of Western Australia. The Project is well serviced by existing infrastructure including a sealed road, water pipeline, rail, and a gas pipeline. Pipelines are all related to the modern mining history within the region and the proximity to other current and historic operations and the nearby regional centre of Kalgoorlie and Norseman.

Geology and geological interpretation

The Pioneer Dome project area is located at the southern end of the Kalgoorlie Terrane, which is part of the Eastern Goldfields Superterrane (EGS) of the Yilgarn Craton. The Dome North spodumene deposits fall within the Depot Domain, near the boundary of the Kambalda Domain to the east (Cassidy et al., 2006).

In the vicinity of the Project area, the Archean greenstone sequence dominates, and is broadly north-south striking, westerly dipping and younging to the east. Lithologies include tholeiitic basalt, pyroxene spinifex textured basalt, komatiite, peridotite, and dolerite, in addition to sedimentary rock derived from felsic volcanic and volcanoclastic rocks and pelitic and psammitic metasedimentary rocks of the Black Flag Group (Cade deposit host rock). Interflow sediments are also present, commonly in the form of carbonaceous shale

horizons. The entire greenstone sequence is intruded by a series of pegmatite dykes and sills associated with the later stage Pioneer Dome granite intrusive. These pegmatite dykes form a swarm of intrusive bodies along a strike length of approximately 15 km along the eastern edge of the granite dome.

The host rocks differ between each of the deposits. Cade is hosted in metasediment of the Black Flag Group, of which are fine grained and largely quartz, mica, amphibole, and garnet in composition +/- pyrite, andalusite with black shale interbeds common. The host metasediments are strongly deformed, locally folded, and sheared providing the structural preparation for a later stage pegmatite emplacement. The Davy and Heller deposits are hosted in both ultramafic (pyroxenite dominant) and mafic (basalt) rocks where pegmatites have intruded sheared contacts along north-northeast striking faults. Mafic lithologies tend to be more favourable for thickening of the spodumene pegmatites within a more brittle host.

Drilling techniques

Drill holes within the Resource model were Reverse Circulation (RC) drill holes drilled with a 4½ - 5½" face sampling hammer, Aircore drilling used a 90mm face-sampling blade bit or hammer in hard rock and diamond drilling was undertaken using an industry standard HQ3 triple tube with a diamond-set cutting bit. The MREs are defined by seven aircore holes, 72 RC holes, 13 diamond holes and 17 RC holes with diamond tails.

Sampling techniques

RC drilling samples were collected at 1m intervals from a cone splitter attached to the drill cyclone. Samples were approximately 3kg. Air core drilling samples were laid out on the ground as 1m sample piles. Single metre samples were taken in pegmatite lithology and three metre composite samples were collected for the entire length of the drillhole by sampling three consecutive sample piles, using an aluminium scoop. HQ3 diamond core from the pegmatite (target zone) was half cut then quarter cut from one half only for lab submission. Sample length was dependent on geological contacts and ranged from 0.2m to 1.2m in length.

Sample Analysis

Analysis of all drilling samples was undertaken by Intertek Genalysis and Nagrom Laboratories, both located in Perth, for rare metals including lithium and tantalum. Samples were analysed using a four-acid digestion with a Mass Spectrometer (MS) determination (Intertek analysis code ZR01 / 4A Li MS-48).

Adjustment for Iron Contamination

In addition to Li_2O and Ta_2O_5 , Trepanier has also estimated the Fe_2O_3 for Essential Metals for the Mineral Resource as a potential deleterious element in the production of spodumene concentrates. During the process of drilling, sampling, and assaying, two key issues cause contamination and, hence, artificial elevation of the Fe_2O_3 assays for the drill samples. Firstly, the highly abrasive nature of the $\text{Li}_2\text{O}/\text{Ta}_2\text{O}_5$ mineralised pegmatite on the RC drilling bits and rods has resulted in iron contamination of the drill samples in the field. Secondly, when the drill samples were pulverised in the laboratory in steel containers, the highly abrasive nature resulted in further iron contamination. As such, Trepanier completed a statistical analysis into both of the abovementioned issues which then allowed for factoring of the Fe_2O_3 assays to account for the contamination. Step one is to subtract 0.17% from all Genalysis Fe_2O_3 assays for samples pulverised in a steel bowl. Step two is to subtract a regressed factor by depth from all RC samples. It should be noted this process has been used to understand the potential Fe_2O_3 grades in the resource attempting to remove the Fe_2O_3 present from drilling and/or sample preparation contamination. The Fe_2O_3 grades are an estimate only, however consistent with the broad estimation techniques applied for the estimate of the global resource.

Mineralisation Interpretation

Resource intersections were calculated using 0.3% Li₂O cut off with a maximum 3m internal dilution and no external dilution typically applied except where drill hole logging (e.g., continuous pegmatite) and assays indicate wider internal dilution is warranted. A significant increase in Fe₂O₃ at the contacts between the elevated iron mafic country rock and the iron poor pegmatites further refines the position of this contact in addition to the geological logs.

Estimation Methodology

Grade estimation for all elements was completed using Ordinary Kriging (OK) in GEOVIA Surpac™ software into the mineralised domains. A separate model was built for each deposit, but with the same block sizes. The estimates were resolved into 4m (E) x 20m (N) x 10m (RL) parent cells that had been sub-celled to 0.5m (E) x 2.5m (N) x 1.25m (RL) at the domain boundaries for accurate domain volume representation. Estimation parameters were based on the variogram models, data geometry and kriging estimation statistics. Top-cut analysis used a combination of methods including grade histograms, log probability plots and other statistical tools. Based on this statistical analysis of the data population, no top-cuts were applied for Li₂O, Ta₂O₅ or Fe₂O₃.

Mineral Resource Classification

The Mineral Resources estimates for the Dome North lithium deposits have been classified in accordance with the criteria laid out in the 2012 JORC code. Key factors considered for the resource classification included:

- Drill spacing (typically 80m x 80m).
- Confidence in geological interpretation
- Confidence in mineralised zone interpretation
- Sample and geochemical analysis quality
- Availability of bulk density data

The Cade lithium Resource has, in part, been classified as an Indicated Mineral Resource. In situ reasonably fresh spodumene-bearing pegmatite rock chip samples collected at surface where the Cade pegmatite outcrops suggested that the weathering of the pegmatite is limited, and shallow drilling and metallurgical test work has now demonstrated the minimal amount of weathering. As such, shallow, near surface fresh pegmatite has now been included within the Indicated resources at Cade.

The bulk densities applied to the fresh, oxide and transitional material pegmatite were based on determinations from drill core, of which 220 of the 1,395 measurements are from within the defined estimated domains at Cade and Davy.

Typical drill spacings for Indicated is 80m by 70-80m and for Inferred is up to 160m x 80m around the fringes of the Indicated.

Cut-off Grade

The shallow, sub-cropping nature of the Dome North deposits suggests good potential for open pit mining if sufficient resources can be delineated to consider a mining operation. As such, the Mineral Resource has been reported at a 0.3% Li₂O lower cut-off grade to reflect assumed exploitation by open pit mining.

Modifying Factors

No modifying factors were applied to the reported Mineral resources. Parameters reflecting mining dilution, ore loss and metallurgical recoveries will be considered during the planned mining evaluation of the project.

Metallurgy

The Company has conducted scoping study level metallurgical test work on the Cade Deposit and Davy deposits covering oxide, transitional and fresh material with the results demonstrating that all zones of the two deposits will be amenable to conventional processing methods using dense medium separation and flotation.

3.4.2. VRM Comment on Mineral Resources

VRM has reviewed the Mineral Resources at Dome North which cover the Cade, Davy, and Heller spodumene bearing pegmatites. In VRM's opinion the underlying drilling information, geological understanding, MRE methodology and classification of the MRE are all at a standard consistent with other lithium Mineral Resources. The estimates have been undertaken using estimation methods and systems that are standard within the Mineral Resource industry. In VRM's opinion the MRE, updated in December 2022, are reasonable, current and have been undertaken at a quality that is considered normal within the industry. The only aspect of the MRE which potentially requires additional study is the degree of lithium mobility in the weathered pegmatite and the effect of weathering of the spodumene within the Resource. VRM notes that while there has been metallurgical sampling of the weathered pegmatite, given the small number of metallurgical samples it is possible that the spatial distribution of the metallurgical samples may not accurately represent the Lithium mineralogy within the weathered domain of the Mineral Resource and therefore the ability to exploit the weathered material may be compromised.

3.5. Scoping Study – Dome North - Pioneer Dome Lithium Project

On 7 February 2023 Essential announced the results of the initial Scoping Study into a possible development scenario for the Dome North lithium deposits (Essential ASX release 7 February 2023). The Scoping Study is based on three separate open pits exploiting the Cade, Heller and Davy deposits with these pits containing material which would be processed via a standalone concentrator process plant. Essential reported in the Scoping Study ASX announcement that there is a total of 6% of Inferred Resources included in the mine plan and that these are not a determining factor in the viability of the Project. The study targets production of a spodumene concentrate which is likely to be exported through the port of Esperance.

Key contributors to the Scoping Study included:

- Scoping Study manager - Primero
- Mineral Resource estimate and geology - Trepanier/Essential
- Mine optimisation and mining - Orelogy Consulting
- Metallurgical test work - Nagrom
- CAPEX and OPEX estimates - Primero
- Engineering design - Primero
- Environment - Botanica Consulting

The scoping study, which is based on the December 2022 MRE, metallurgical test work and mine optimisation modelling which generated potential economic open pits. The associated financial modelling resulted in a positive post-tax net present value (NPV).

VRM refers the reader to the Cautionary Statements on page 2 of the ESS ASX announcement dated 7 February 2023. Additionally, VRM emphasises that the Scoping Study is a preliminary technical and economic study of the potential viability of the PDLP that is based on low-level technical and economic assumptions that are not sufficient to support the estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

Importantly there are significant uncertainties associated with all scoping studies and a large margin of error is typically associated with many of the technical and economic inputs. It is, in VRM's opinion not viable to use the inputs used in any scoping study to undertake an income-based valuation approach due to the uncertainty in the technical and financial parameters used in these types of studies. It is important to note that given the very recent completion of the study it is considered current and valid with the recommendations of the study being to progress the technical studies toward a Feasibility study. The costs to undertake the additional studies and the time from the date of the Scoping Study to a hypothetical final investment decision have not been factored into the financial analysis that resulted in the quoted NPV of the project, VRM notes that if the financial model commenced at the date of the Scoping Study then the NPV₁₀ of the project would decrease however this lower NPV still does not factor in the additional costs to complete the Pre-Feasibility or Definitive Feasibility Study. In VRM's opinion these costs and delays would have a material impact on the quoted NPV as would many of the technical and financial assumptions and inputs into the financial model. Of note however is the spodumene concentrate price that has been used in the Scoping Study is based on the consensus forecast Spodumene prices which are at a significant discount to the current spodumene concentrate prices achieved by several of the other Western Australian spodumene producers.

VRM has not used the information or outcome of the Scoping Study in determining the value of the PDLP as the modifying factors, technical inputs and information are not yet at a level of understanding to allow the reporting of an Ore Reserve and therefore the assumptions and inputs within the study are not yet at a level that provide a reasonable basis for the valuation of the project. Also, to note is the large discrepancy between the undisturbed market capitalisation of Essential and the Capital Costs estimated in the Scoping Study, which would, if the project were rapidly progressed toward a development, result in a capital raising to develop the project that would likely be highly dilutionary to the existing Essential shareholders.

3.6. Ore Reserves

There are no Ore Reserves within the PDLP. While there has been a Scoping Study completed, as reported above, there has been insufficient work to quantify the modifying factors required to determine the economic viability of the project to a reasonable level sufficient to allow an Ore Reserve to be reported. It is uncertain if additional work will result in the reporting of an Ore Reserve.

3.7. Recent Exploration Activities

The majority of the recent work completed at the PDLP has been directed toward drilling into two of the three Mineral Resources, Davy, and Cade, and advancing technical studies including mining, metallurgy, and recent MRE. There has been minimal regional exploration within the PDLP since 2020.

Work within the PDLP between 2016 and 2019 was dominated by early-stage soil sampling, geological prospecting, and mapping along with wide spaced regional reconnaissance drilling. This work was successful in delineation of the Sinclair Caesium Deposit in 2017 which was exploited in 2018 and early 2019 and the identification and delineation of the Dome North lithium deposits in June 2019. Since the discovery of the three pegmatites with spodumene these have been the focus of exploration activities - there still being large stockpiles of feldspar and minor stockpiles of lepidolite and petalite adjacent to the Sinclair Deposit that require either sale or rehabilitation prior to full and final closure of the mine. At this stage, these stockpiles do not appear to have any economic value and will likely require rehabilitation. There are very small occurrences of additional caesium (pollucite) along strike of the existing open pit however these zones are not currently economic and are unable to be exploited even via any potential cut-back of the current pit.

Other than the three Dome North lithium MRE's there are no other Mineral Resources currently quoted by Essential within the PDLP.

While there is a large landholding within the overall PDLP a significant portion is dominated by granite which appears to be the source granite for the LCT pegmatites at Dome North and the now depleted Sinclair Caesium deposit. The proximity to the likely source of the LCT pegmatites within the PDLP provides an exploration vector however the exploration potential for much of the tenement package is limited due to the dominant granite host rocks.

4. Golden Ridge Gold Project

The Golden Ridge Gold Project covers the same tenements as the Golden Ridge Nickel JV Project. Essential is divesting the nickel and associated metal rights on the Project under a Farm-in / Joint Venture agreement to Crest Investment Group 1 Limited, now renamed to Australian Nickel Company Limited, a private company that has considerable nickel expertise. As a part of that transaction Essential retained the gold and other metal rights due to several gold anomalies which had had minimal exploration or evaluation since Essential had prioritised its exploration toward the PDLP.

4.1. Location and Access

The Golden Ridge Gold Project is located (Figure 4) is approximately 25km to the east of Kalgoorlie in the eastern Goldfields of Western Australia.



Figure 4 Location of the Golden Ridge and Juglah Dome Gold Projects with Regional Geology.

4.2. Geology

Figure 4 shows the regional geology of the Golden Ridge Gold Project. The project has had extensive exploration for both gold and nickel with the nickel rights part of the JV detailed below. The area is dominated by ultramafic units of the Boorara Domain of the Kalgoorlie terrain. There is a well-developed lateritic profile in the area with deep weathering. There is minimal to no outcrop within the tenement.

4.3. Recent Exploration

Essential has focussed the recent exploration toward the gold potential with several gold prospects identified including Flying Ant, Maximus, Skandia, Fireblade, 18footer and AC75. The drilling into these prospects has identified anomalous drill intersections however exploration completed to date has not shown lateral consistency in the mineralisation. Additional work is required to determine the gold potential within the project.

4.4. Mineral Resources

There are no gold JORC 2012 Mineral Resources within the Golden Ridge Gold Project.

4.5. Exploration Upside

There are several gold prospects that warrant additional exploration, especially to the northwest of the Blair nickel mine. The majority of the nickel targets are spatially separate from the gold prospects.

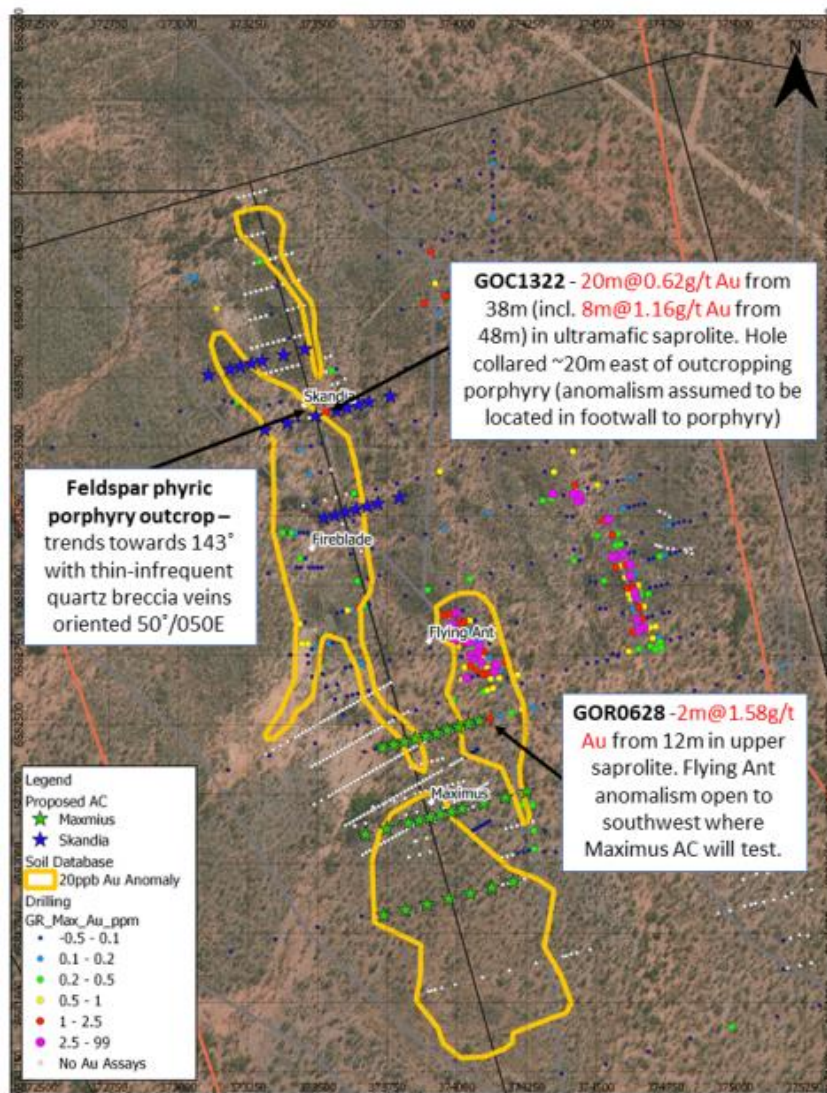


Figure 5 Targets within the Golden Ridge Gold Project.

5. Juglah Dome Project

The Juglah Dome Project covers a single exploration licence and is 100% owned by Essential.

5.1. Location and Access

The Juglah Dome Project is located (Figure 4) is approximately 70km to the east of Kalgoorlie in the eastern Goldfields of Western Australia.

5.2. Geology

Figure 4 shows the regional geology of the Juglah Dome Project. The Project is situated within the Juglah Dome on the southern end Bulong Anticline, the geology consists of a sequence of felsic to intermediate volcanic rocks, volcanoclastic rocks, and chert overlain by mafic to ultramafic rocks. The stratigraphy has been folded and has been intruded by granite (the Juglah Monzogranite) that forms the core of the dome. Gold occurrences and prospects are typical Archean orogenic lode-gold targets of the Eastern Goldfields Terrane. The gold mineralisation relates to NW trending shears and/ or NNE-NE cross faults and is hosted by felsic volcanic rocks and felsic porphyry dykes. Minor base-metal anomalism is associated with Felsic to Intermediate volcanic rocks.

5.3. Recent Exploration

Recent Exploration has been limited to aircore drilling in 2021 and RC drilling in 2022. Drilling assay results reported in the ESS ASX releases of 30 June 2022 and 10 February 2021.

Drilling results at the Gards prospect released in June 2022 included;

- 5m @ 1.08g/t Au from 35m (22GSRC002)
- 12m @ 0.95g/t Au from 30m (22GSRC013) – three metre composites
- 8m @ 1.49g/t Au from 75m including 1m @ 7.30g/t Au (22GSRC014)
- 3m @ 0.73g/t Au from 57m (22GSRC003)

There are other significant results from the Moonbaker and Gards projects in 2021.

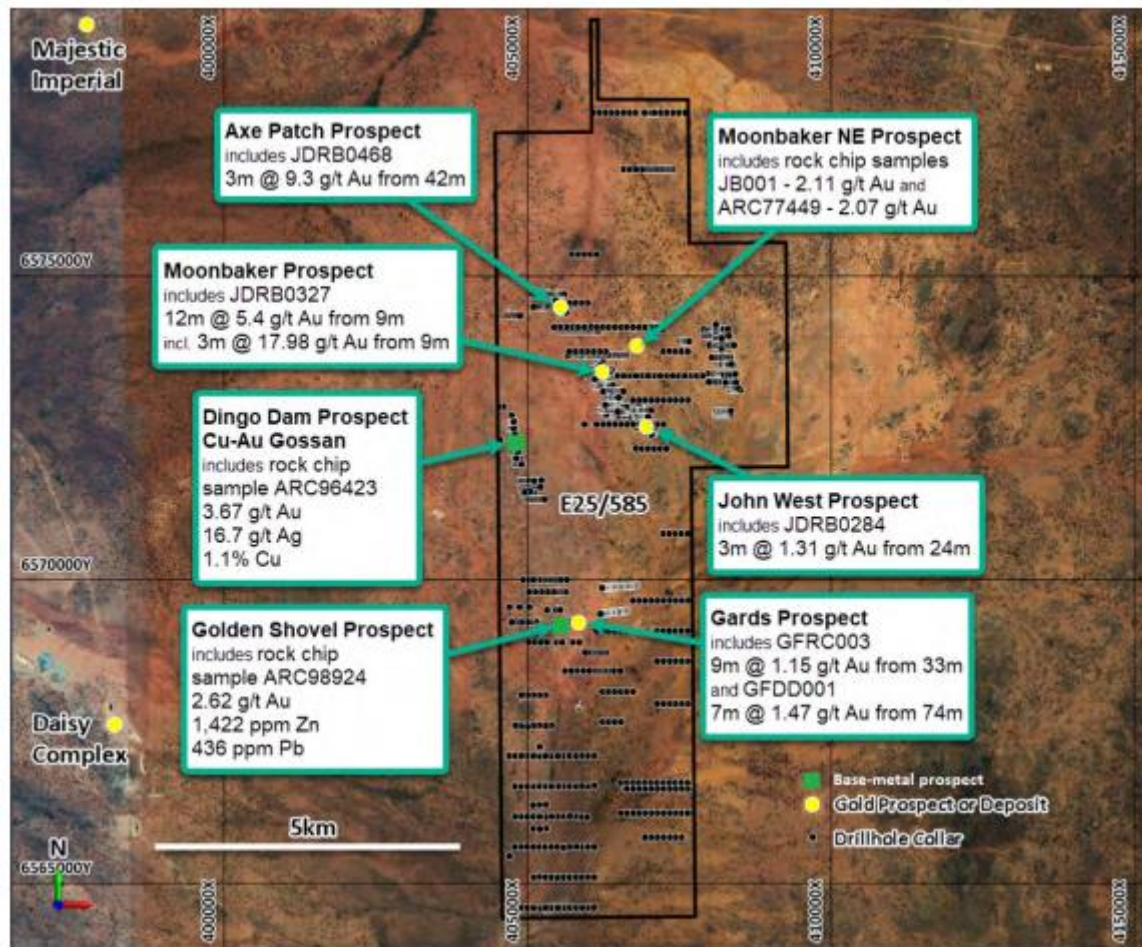
5.4. Mineral Resources

There are no JORC 2012 Mineral Resources within the Juglah Dome Project.

5.5. Exploration Upside

While there are several significant intersections within the project these appear to have limited tonnage potential due to the limited strike extent of the currently drilled mineralisation. Additional exploration is required to determine the potential of the project however the exploration to date suggests that the narrow moderate to low grade drill intersections within the Gards Prospect should be the focus of future exploration

as the other prospects appear to have limited potential for a significant strike length, therefore it is considered that there is limited potential for a significant gold system.



Source ESS ASX release 28 August 2020

Figure 6 Targets within the Juglah Dome Project.

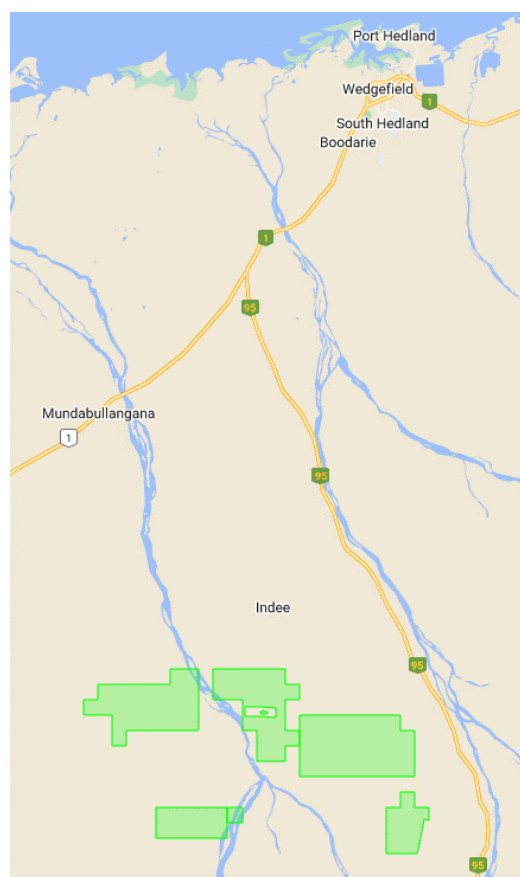
For personal use only

6. Kangan Lithium Project

The Kangan Lithium Project covers four exploration licence and is 100% owned by Essential. It covers the same tenements as the Kangan Gold Joint Venture (detailed below).

6.1. Location and Access

The Kangan Lithium Project is located is approximately 85km to the south of Port Hedland in the Pilbara region of Western Australia. Figure 7 shows the four granted tenements in green. Other significant lithium deposits in the general area are the Wodgina Lithium Mine owned by Albemarle and Mineral Resources Limited and the Pilgangoora Lithium Mine owned by Pilbara Minerals Limited (Figure 8).

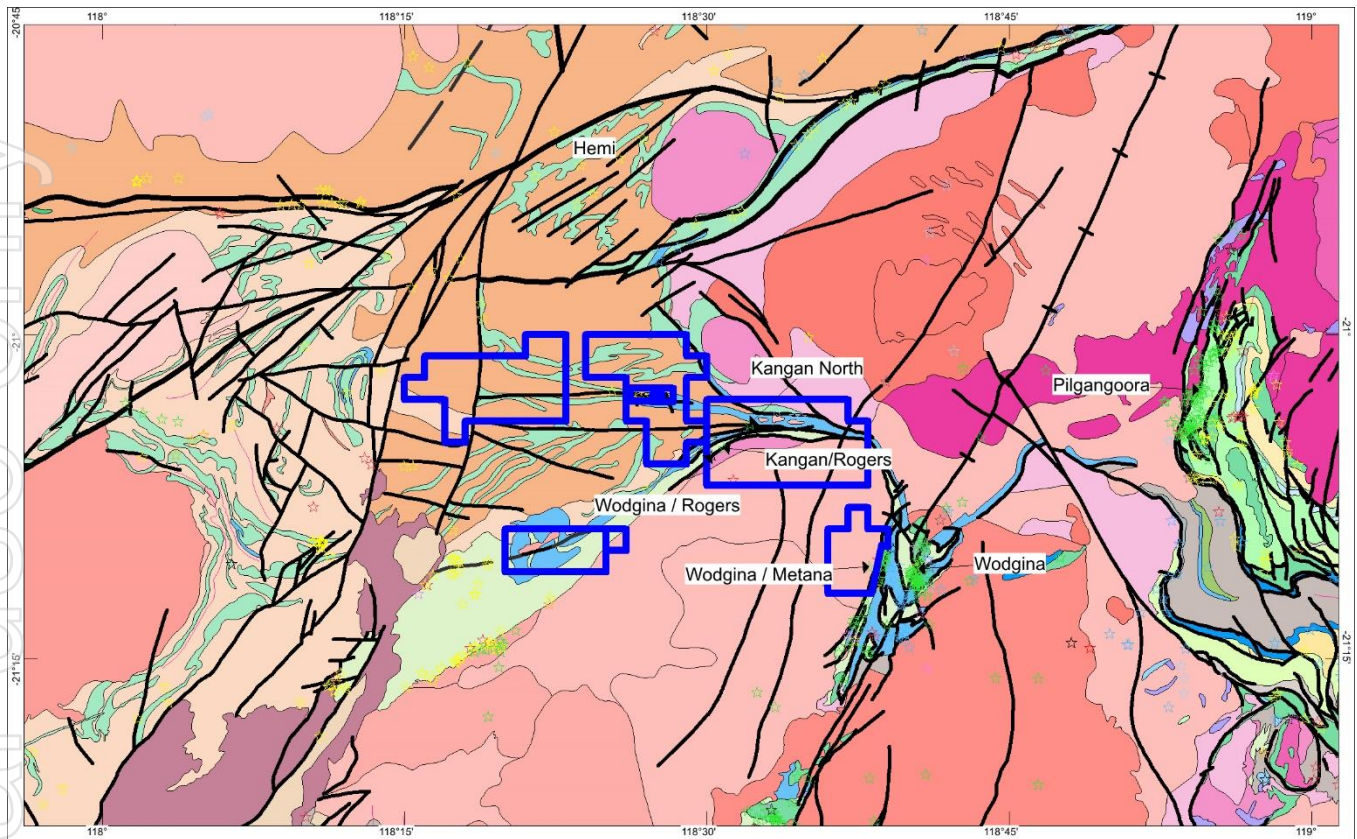


Source Landtracker.com.au

Figure 7 Location of the Kangan Lithium Project.

6.2. Geology

Figure 8 shows the regional geology of the Kangan Lithium Project. There are several late-stage granite intrusions within or adjacent to the tenements and several pegmatite occurrences noted in the WAMEX database.



Source GSWA Geology

Figure 8 Regional geology of the Kangan Lithium Project with Pegmatite occurrences labelled.

6.3. Recent Exploration

Recent exploration has been limited to first pass prospecting and soil sampling in 2017 to assess the potential of the previously identified pegmatite occurrences. That prospecting suggested that the pegmatite bodies are thin and generally do not show any significant mineral zonation that would be typical in a fertile pegmatite system. No lithium minerals were identified in the initial work however additional work to confirm the initial assessment is required. There has been no drilling, rock chip sampling, soil sampling or exploration for lithium since late 2017.

6.4. Mineral Resources

There are no JORC 2012 Mineral Resources within the Kangan Lithium Project.

6.5. Exploration Upside

The project is considered to be a very early-stage exploration opportunity with the known pegmatite occurrences all generally thin and not showing the common mineralogy or chemistry of a fertile LCT pegmatite system however additional work is required on and adjacent to the known pegmatites and also evaluating the potential targeting of fertile pegmatites beneath the thin transported colluvial cover.

7. Horse Rocks Project

The Horse Rocks Project consists of a single exploration tenement to the southwest of Kalgoorlie which is 100% owned by Essential. This tenement is located to the west of the Deport Granodiorite and approximately 15km to the west of the Mt Marion Lithium mine.

7.1. Location and Access

The Regional Tenement is located approximately 50km to the south - southwest of Kalgoorlie in the Goldfields region of Western Australia. Figure 9 shows the granted tenement in green.



Figure 9 Location of the Horse Rocks Project.

7.2. Geology

Figure 10 shows the regional geology of the Horse Rocks Project which is adjacent to several known lithium occurrences however there has been minimal previous exploration within the tenement. Adjacent to the tenement are the lithium occurrences and active mine at Mt Marion which is owned by Ganfeng and Mineral Resources Limited.

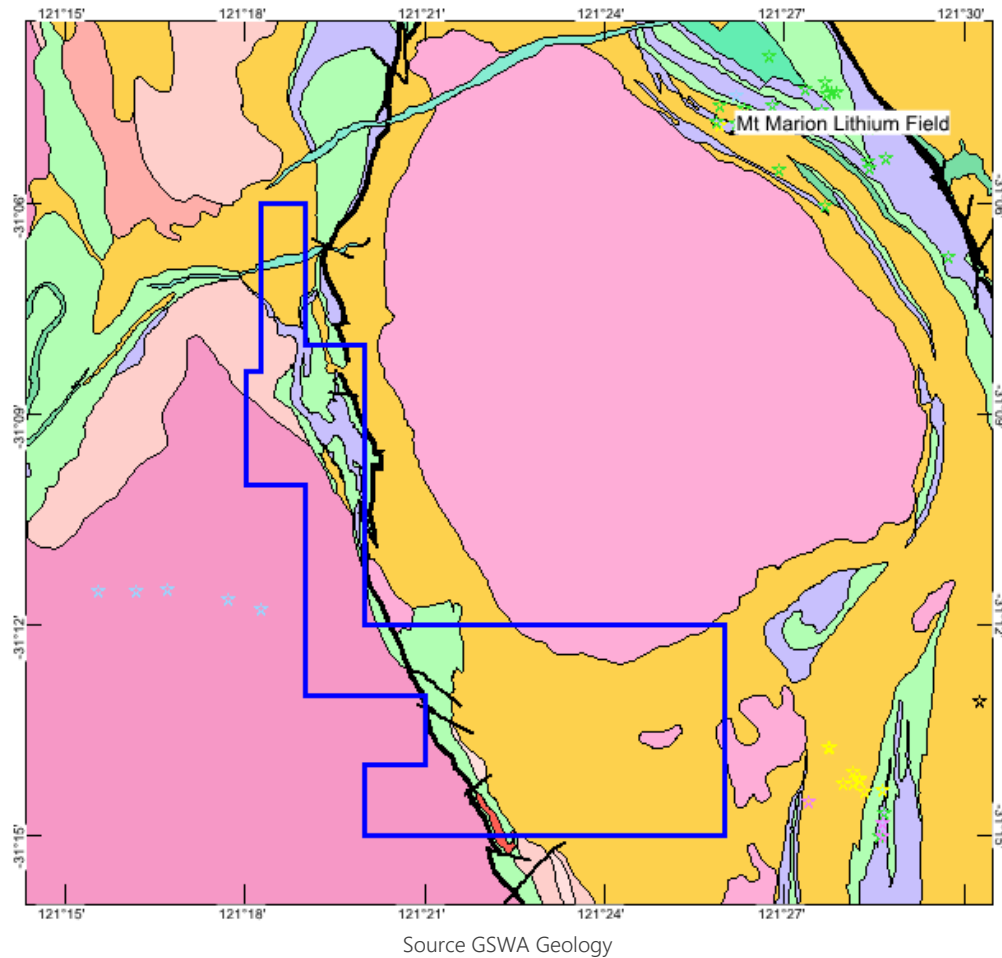


Figure 10 Regional geology of the Horse Rocks Project to the southwest of Kalgoorlie.

7.3. Recent Exploration and Potential

There has been minimal previous exploration.

Potential exploration activities for lithium within the tenement should consist of regional scale prospecting for pegmatite bodies adjacent to the late-stage granite bodies. Gold exploration should consist of regional scale structural interpretation from existing geophysical datasets with this interpretation followed up with geological prospecting and geochemistry over conceptual structural and lithological targets.

8. Joint Venture Projects

There are seven separate Joint Ventures where Essential holds a minority, non-contributing interest, these are the Kangan Gold Project in the northern Pilbara region, the Golden Ridge Nickel Project, the Balagundi Project, the Acra Project, the Maggie Hays Nickel Project, the Wattle Dam Project and the Larkinville Project. All the projects are located in Western Australia. Below are brief summaries of the transactions on those projects and a summary of the exploration potential.

8.1. Golden Ridge Nickel Joint Venture

This JV covers the same tenements as the Golden Ridge gold project detailed above.

On 9 February 2021 Essential announced a JV where Crest Investment Group (now renamed Australian Nickel Co Limited (ANCO)) can earn up to 75% by expending \$4 million in four years with a minimum expenditure of \$0.75 million in the first year. Additional payments totalling \$0.525 million were required under the agreement. Additionally Essential will not be required to contribute any funding until there is a decision to mine at which point Essential can either contribute or convert its 25% to a 1.5% NSR royalty.

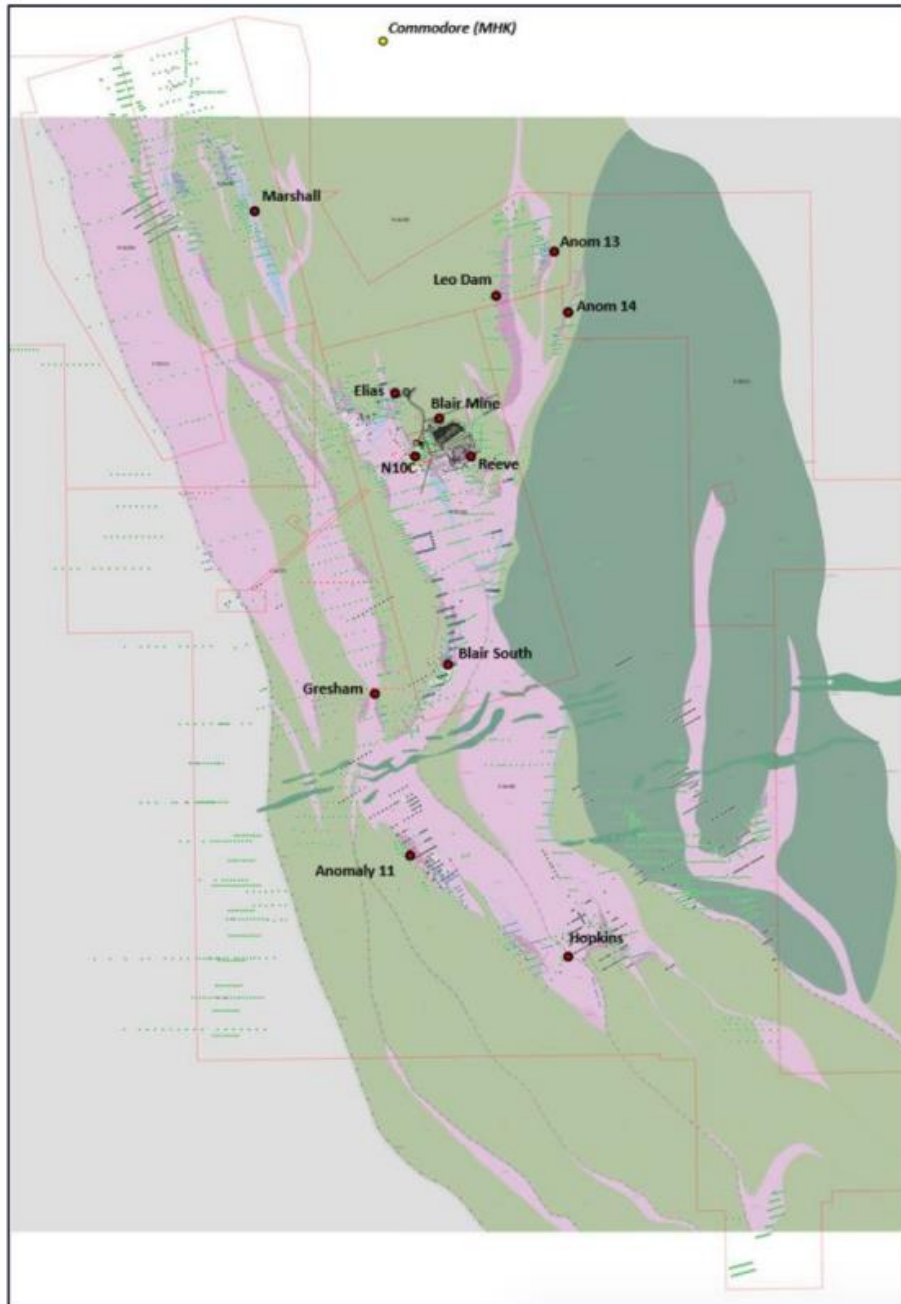
Based on the Form 5 exploration expenditures from the project for 2021 and 2022 there has been expenditure of approximately \$1.8 million spent on exploration within the project. Based on that expenditure VRM considers it reasonable to assume that the minimum expenditure of \$4 million over four years will be achieved and therefore has undertaken the valuation in this report based on Essential holding 25% of the project.

The Blair nickel mine operated from 1989 until 2009 producing a reported 1.2Mt at 2.63%Ni. It was previously owned by Western Mining Corporation (WMC) and Australian Mines (AUZ). The underground nickel mine has been developed to a significant depth below a deep pit with the underground portal at the base of the pit. Ore from the operation was previously transported to the Kambalda nickel concentrator owned by Nickel West, a division of BHP limited.

In 2013 Essential reported a JORC 2012 MRE on the project however it has since ceased reporting the MRE, VRM assumes that this is due to there being changes in the assumptions associated with the MRE or additional information is now available that would modify the MRE.

There are multiple nickel targets within the project including adjacent to the previous mine. ANCO has commenced exploration and undertaken several rounds of exploration including Aircore and RC drilling, downhole geophysics, re interpretation of the geology and existing geophysics targeting Kambalda style komatiite hosted nickel sulphides similar to the mineralisation at the Blair mine. The ANCO appointed technical specialists, who manage the exploration, have undertaken a significant re interpretation of the

geology of the area and are focussing the exploration at several prospects including Leo Dam, Blair South – Gresham targets and the newly identified Bonham prospect as well as updating the geology of the Blair mineralisation.



Source ESS ASX release 29 July 2022 (June 22 Quarterly Activities Report)

Figure 11 Geology, prospects, and tenement outline of the Golden Ridge Nickel Project.

8.2. Kangan Gold Joint Venture

The four tenements that constitute the Kangan Gold JV are over the same tenements as the Kangan Lithium Project which Essential holds 100%.

On 18 September 2018 Essential entered into a Joint venture with Novo Resources Corp whereby Novo would earn 70% in the project by spending \$0.5 million and Essential would then be free carried to a decision to mine. In addition, Novo paid \$0.2 million in cash and issued approximately \$0.38 million in Novo shares. Novo now holds 70% of the project.

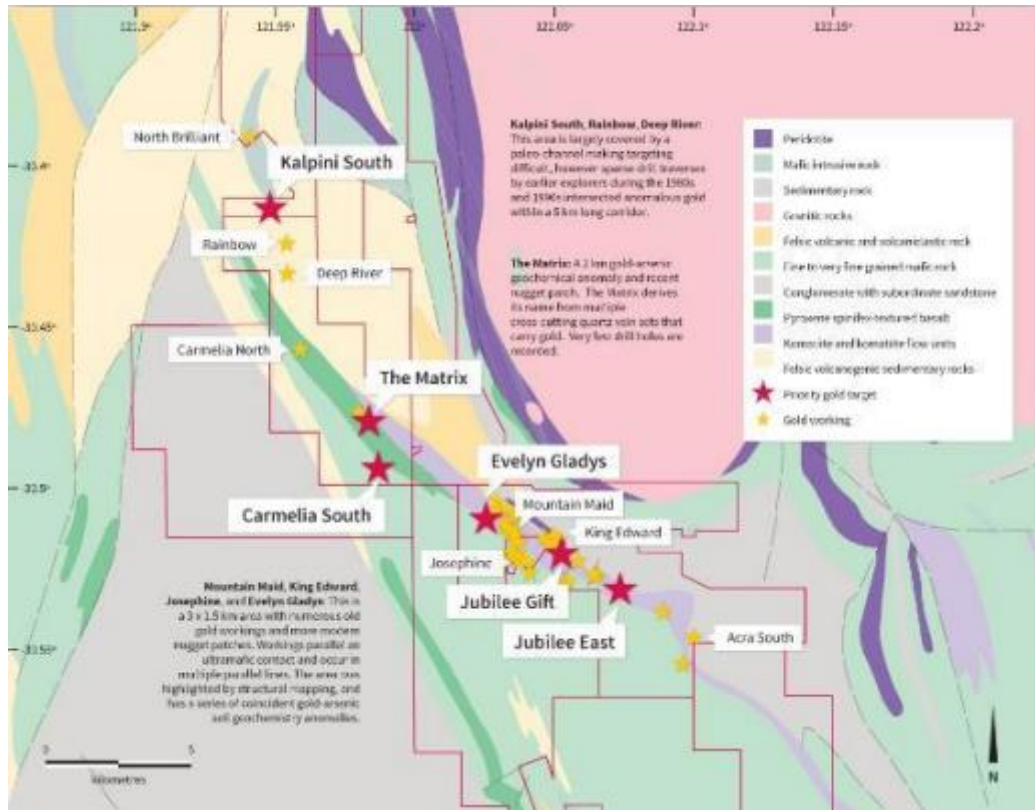
The Kangan gold joint venture consists of four tenements located to the west of the globally significant Pilgangoora and Wodgina lithium deposits in the Northern Pilbara and to the south of the Hemi gold deposit.

There are several gold occurrences within the tenements as announced by Essential on 6 October 2017 and 24 October 2017. Novo has assessed the potential within the project to be low for a structurally controlled gold system and also for "conglomerate" hosted gold due to the lack of the prospective geological units and a lack of structure however there is potential for lag and alluvial gold which is the likely source of the known gold occurrences in the area.

8.3. Acra

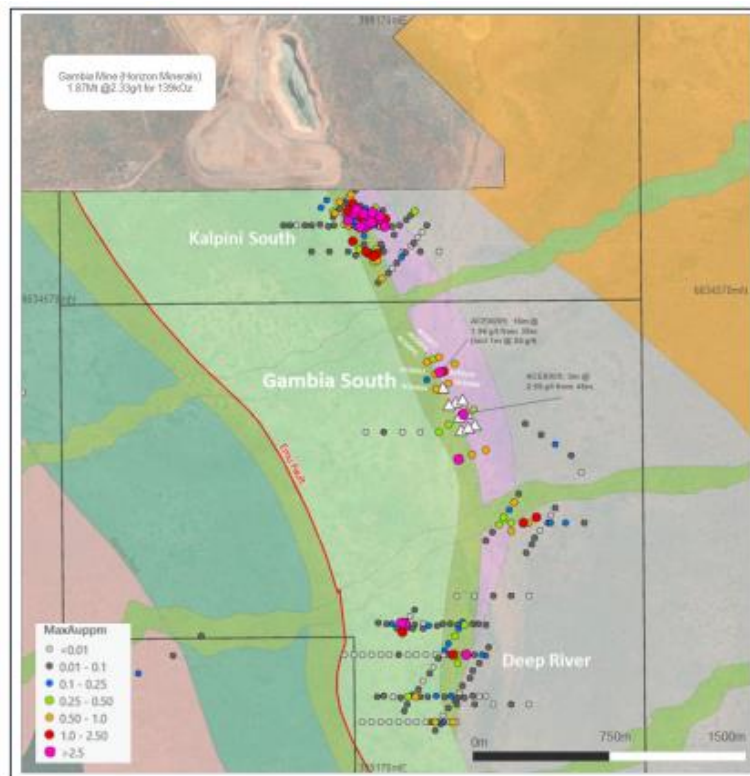
On 21 October 2016 Northern Star Resources Limited (NST) entered into a Joint Venture on the Acra gold project to the east of Kalgoorlie. As a part of the transaction NST paid Essential \$0.5 million for the initial 20% with NST required to expend \$3 million over three years to earn an additional 55% (a total of 75%). Essential would then be free carried until a mining proposal is approved by DMIRS. NST completed its required expenditure on 15 April 2019 and now holds 75% of the project.

There are several gold targets and trends on the project with NST undertaking drilling on several of the targets however at this stage there has been limited exploration success. VRM understands that the highest priority targets on the project remain untested as NST are awaiting heritage clearance to test several conceptual targets. It is uncertain if access will be granted for these conceptual targets.



Source ESS ASX release 21 October 2016

Figure 12 Regional geology and targets within the Acra Joint Venture.



Source ESS ASX release 29 July 2022

Figure 13 Local Geology and drilling at the Gambia South prospect.

8.4. Balagundi Gold Joint Venture

The Balagundi JV covers a single exploration licence located 25km to the east of Kalgoorlie.

On 25 July 2019 Essential entered into a Joint venture with Black Cat Syndicate Limited (Black Cat) whereby Black Cat would earn 75% in the project by spending \$0.6 million and Essential would then be free carried to a decision to mine. In addition, Black Cat issued 122,820 shares valued at \$40,000.

There are several gold prospects and one base metal prospect within the Balagundi tenement. In September 2022 Black Cat commenced a diamond drilling exploration program targeting EM conductors and base metal targets including the Anvil, Brontes and Asterope prospects which all occur to the west of the regionally extensive Victory Fault. The exploration consisted of three diamond holes with one hole completed in each of the prospects. A total of 917m of diamond drilling was completed in September, with this drilling co-funded by the DMIRS Exploration Incentive Scheme. No exploration or assay results have been received from this exploration.

8.5. Wattle Dam Nickel Joint Venture

The Wattle Dam Nickel Project JV covers eleven Mining Leases which are 75% owned by Maximus Resources Limited with Essential holding 25% which is free carried to a decision to mine. The tenements are variably prospective for nickel with several targets and anomalies identified within the JV tenements. There are multiple significant drill intersections as reported in both Maximus Resources ASX releases and Essential's quarterly reports, however none are yet correlated on section nor on adjacent drill sections. There are several geophysical targets (electromagnetic targets) within the tenements adjacent to previous nickel mines and occurrences. A significant aircore drilling program is scheduled to commence within the next month. This drilling is targeting multiple ultramafic units with interpreted Kambalda style basal Komatiite contact positions. One of the tenements that constitutes the Wattle Dam Nickel project is also subject to a Gold Joint Venture on the Larkinville Project.

8.6. Larkinville Gold Joint Venture

The Larkinville Gold Project consists of a single Mining Lease that is 80% owned by Maximus Resources Limited with Essential holding 20% which is free carried to a decision to mine. The Mining Lease is also subject to the Wattle Dam Nickel JV where Maximus holds a 75% interest and Essential a free carried (to a decision to mine) 25% interest. The JV consisted of two tenements, the granted Mining Lease, and a Prospecting Licence however the Prospecting licence was surrendered in late 2022.

The reported Mineral Resource estimate on the project totals 119,700t at 3.02g/t gold for 11,600oz of gold (112,250t at 2.91g/t Au Indicated and 7,450t at 4.6g/t Au Inferred) according to Maximus' ASX release 1 March 2017.

An RC drill programme was completed in 2021 which was designed to improve the confidence of the Mineral Resource and test areas of open mineralisation along strike and down-dip. Six of the nine holes achieved gold intercepts over 1 g/t Au with results including: 4 m @ 1.3 g/t Au from 37 m and 3 m @ 1.6 g/t Au from

44 m (LVRC005), 1 m @ 1.2 g/t Au from 115 m and 1 m @ 2.1 g/t Au from 119 m (LVRC002), 1 m @ 2.1 g/t Au from 66 m and 1 m @ 1.1 g/t Au from 72 m and 1 m @ 1.6 g/t Au from 85 m (LVRC001), 2 m @ 1.1 g/t Au from 63 m and 1 m @ 1.2 g/t Au from 98 m (LVRC006), 1 m @ 1.2 g/t Au from 49 m (LVRC008), and 1 m @ 2.6 g/t Au from 87 m (LVRC009) (Maximus Resources ASX release 28/10/2021). Given the narrow and low-grade drill intersections from the 2021 drilling VRM considers this Mineral Resource to be internally inconsistent and while Maximus reports that it is not aware of any new information or data that materially affects the information in the original announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed the status of the Mineral Resource may need to be reviewed.

8.7. Maggie Hays Nickel Joint Venture

The Maggie Hays Nickel JV consists of an Exploration Licence owned 80% by Poseidon Nickel with Essential holding a free carried 20% to commencement of mining.

A portion of the tenement lies to the south of the Maggie Hays and Emily Ann nickel, while the magnetic unit that hosts the nickel deposits extends into the tenement there are no known mineral occurrences within the tenement and no targets have been identified within the tenement.

9. Valuation Methodology

The VALMIN Code outlines various valuation approaches that are applicable for Properties at various stages of the development pipeline. These include valuations based on market-based transactions, income or costs as shown in Table 3 and provides a guide as to the most applicable valuation techniques for different assets.

Table 3 VALMIN Code 2015 valuation approaches suitable for mineral Properties.

| Valuation Approaches suitable for mineral properties | | | | |
|--|----------------------|--------------------------|----------------------|---------------------|
| Valuation Approach | Exploration Projects | Pre-development Projects | Development Projects | Production Projects |
| Market | Yes | Yes | Yes | Yes |
| Income | No | In some cases | Yes | Yes |
| Cost | Yes | In some cases | No | No |

According to the VALMIN definitions of project status the PDLP would be classified as an Advanced Exploration Project while the other projects would be considered Early-Stage Exploration Projects.

9.1. Previous Valuations

VRM is not aware of any other recent valuations on the mineral assets that are being valued in this report.

9.2. Valuation Subject to Change

The valuation of any mineral Property is subject to several critical inputs most of these change over time and this valuation is using information available as of 1 February 2023 being the valuation date of this Report and considering information up to the valuation date. This valuation is subject to change due to updates in the geological understanding, variable assumptions and mining conditions, climatic variability that may impact on the development assumptions, the ability and timing of available funding to advance the properties, the current and future metal prices, exchange rates, political, social, environmental aspects of a possible development, a multitude of input costs including but not limited to fuel and energy prices, steel prices, labour rates and supply and demand dynamics for critical aspects of the potential development like mining equipment. While VRM has undertaken a review of several key technical aspects that could impact the valuation there are numerous factors that are beyond the control of VRM.

As at the date of this Report in VRM's opinion there have been no significant changes in the underlying inputs or circumstances that would make a material impact on the outcomes or findings of this Report.

9.3. General assumptions

The Mineral Assets of Essential are valued using appropriate methodologies as described Table 3 and in the following sections. The valuation is based on several specific assumptions detailed above, including the following general assumptions.

- That all information provided to VRM is accurate and can be relied upon,
- The valuations only relate to the Essential Mineral Assets located within tenements controlled by the Company and not the Company itself nor its shares or market value,
- That the mineral rights, tenement security and statutory obligations were fairly stated to VRM and that the mineral licences will remain active,
- That all other regulatory approvals for exploration and mining are either active or will be obtained in the required and expected timeframe,
- That the owners of the mineral assets can obtain the required funding to continue exploration activities,
- The following commodity prices and exchange rates have been used in this valuation and are (as at 1 February 2023).
 - Gold Price A\$2,727.65 (S&P Global)
 - Nickel Price A\$41,115.72 (S&P Global)
 - Lithium Carbonate Price A\$87,542.35 (S&P Global)
 - Spodumene Concentrate Price US\$5,668 (Pilbara Minerals December 2022 Quarterly Report ASX release 19 January 2023)
 - The US\$ - AUS\$ exchange rate of 0.7067 (www.xe.com).

All currency in this report is Australian Dollars or AUS, unless otherwise noted, if a particular value is in United States Dollars, it is prefixed with US\$.

9.4. Gold Market Analysis

The gold price is fundamentally different to many of the other commodities as the gold price is frequently seen as a pseudo currency and is considered by many as a safe-haven investment option, especially in the current monetary policies of many of the major countries reserve banks. Global uncertainty regarding the outbreak of COVID-19 and the resulting impact to the world economy had driven an increase in the gold price during 2020 and 2021 which continued to be elevated at the valuation date. Due to the significant variations in the price over such a short period it is considered critical to ensure that any transactions that are used in a market or transactional based valuation are normalised to the current gold price. This allows a more accurate representation of the value of the mineral asset under the current market environment.

The gold price for the past five years in A\$/oz is shown in Figure 14 below.

Commodity Price



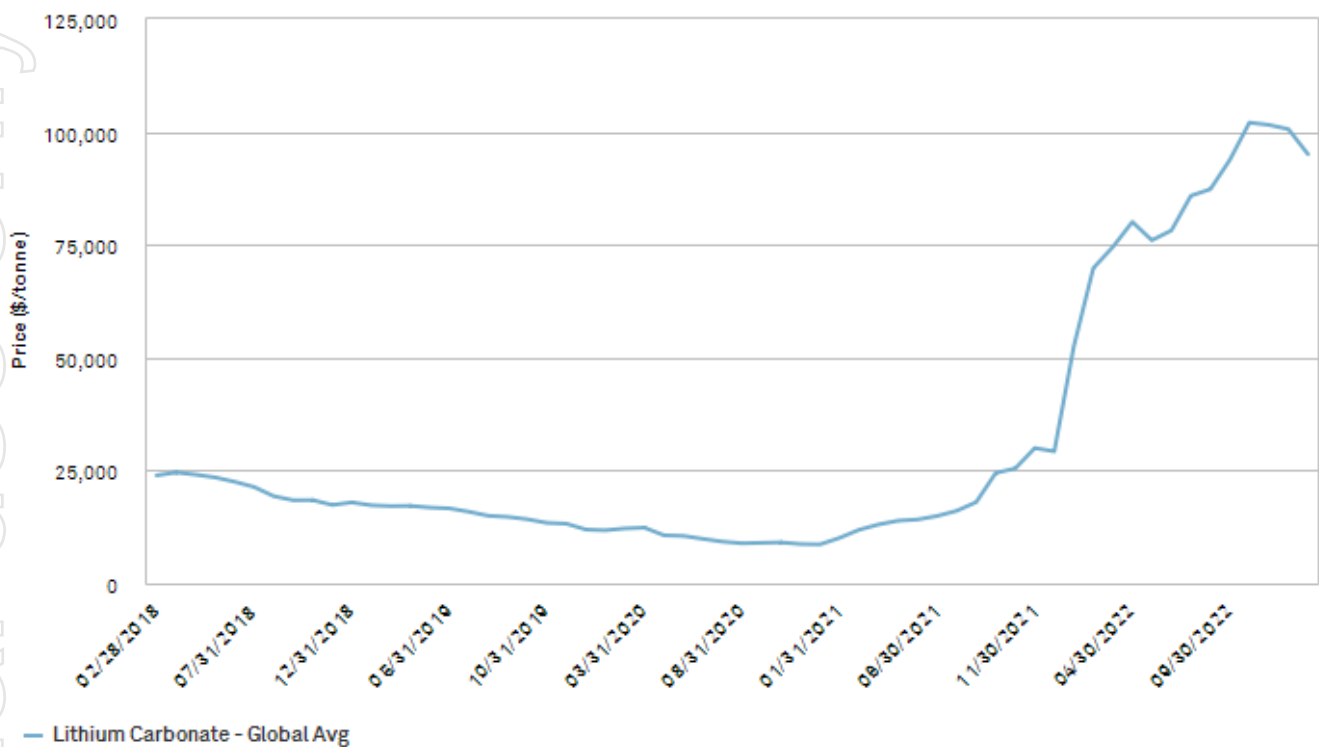
(Source: S&P Global Market Intelligence)
Figure 14 Five-year Gold price graph (A\$/oz)

9.5. Lithium Market Analysis

The lithium price is directly linked to the demand for lithium-ion batteries, largely for use in electric vehicles (EVs). This report is not intended to provide a detailed account for the lithium market however there has been a significant increase over the past several years toward reducing carbon emissions especially from vehicles. There has been a significant increase in EV sales, especially post the main impact of COVID-19 on the global economy with several governments around the world providing subsidies and incentives to promote the uptake of EV use. Additional demand for lithium stems from large-scale electrical storage batteries to reduce the dependence on electrical supply. In addition to the rapidly increasing EV and battery demand there is the ongoing demand increase for lithium in several traditional uses including ceramics, lubricants increase. Since 2015 the percentage of global lithium production used in batteries has increased from 31% to approximately 80%, while the global mine production has increased from 34,000t in 2013 to 107,000t in 2021 (USGS Minerals Yearbook 2015 and 2023).

The Lithium Carbonate price for the past five years is shown in Figure 15

Commodity Price



(Source: S&P Global Market Intelligence)

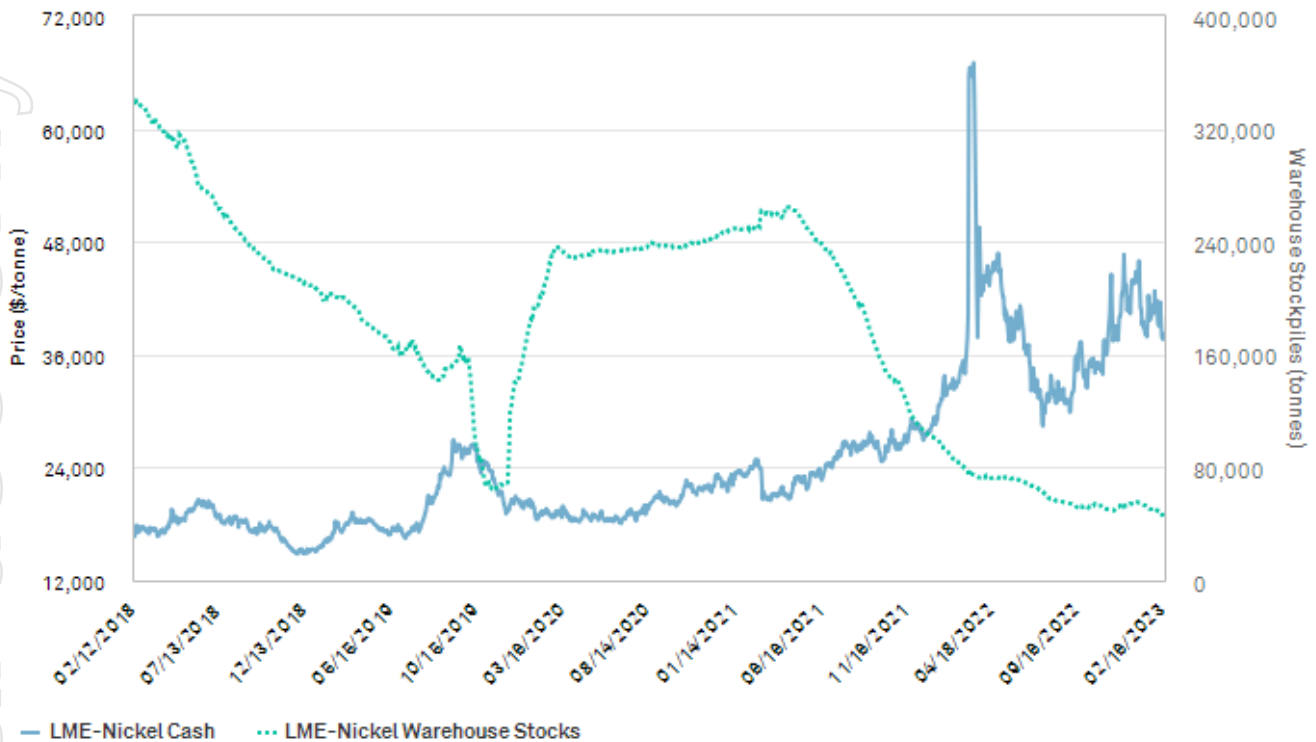
Figure 15 Five-year Lithium Carbonate price graph (A\$/t)

9.6. Nickel Market Analysis

The nickel demand has several drivers, these are the demand for stainless steel and the second large and rapidly expanding use is in lithium-ion batteries for both electric vehicles and battery storage. There have been several supply constraints in the recent past, these include the export bans for unprocessed nickel laterite ore from both the Philippines and Indonesia and also the war in Ukraine has limited or stopped a significant amount of production especially from Russia.

The nickel price in A\$/t and London metal exchange stockpiles are shown in Figure 16. The large spike in the nickel price is associated with sanctions starting to be imposed on Russia due to the invasion of Ukraine, additionally there is a significant decrease in the LME nickel stockpiles since August 2021.

Commodity Price



(Source: S&P Global Market Intelligence)

Figure 16 Five-year Nickel price graph (A\$/t)

9.7. Valuation of Advanced Properties

There are several valuation methods that are suitable for advanced Properties including the following:

- Financial modelling including discounted cash flow (DCF) valuations (generally limited to Properties with published Ore Reserves),
- Comparable Market Based transactions including Resource and Reserve Multiples
- Joint Venture Transactions
- Yardstick valuations

A Financial modelling approach is not suitable for the Essential projects as they have not yet progressed to Pre-Development, Development or Production projects which require Ore Reserves to be estimated and the completion of a Pre-Feasibility study. In VRM's opinion without declared Ore Reserves undertaking a DCF based valuation would likely fail the Reasonable Grounds Requirements in both the Corporations Act 2001, and the ASIC Information Sheet 214 (INFO214).

9.7.1. Comparable Market Based Transactions – Resource Based

A comparable transactional valuation is a simple and easily understood valuation method which is broadly based on the real estate approach to valuation. It can be applied to a transaction based on the contained metal for projects with Mineral Resource or Ore Reserves estimates reported. Advantages of this type of valuation method include that it is easily understood and applied, especially where the resources or tenement

area is comparable, and the resource or exploration work is reported according to an industry standard (like the JORC Code or NI43-101).

However, it is not as robust for projects where the resources are either historic in nature, reported according to a more relaxed standard, or are using a cut-off grade that reflects a commodity price that is not justified by the current market fundamentals. If the projects being valued are in the same or a comparable jurisdiction, then it removes the requirement for a geopolitical adjustment. Finally, if the transaction being used is recent then it should reflect the current market conditions.

Difficulties arise when there are a limited number of transactions, where the projects have subtle but identifiable differences that impact the economic viability of one of the projects. For example, the requirement for a very fine grind required to liberate gold from a sulphide rich ore or where the ore is refractory in nature and requires a non-standard processing method. As the comparable transactions are considered to be similar to the project being valued aspects like environmental liabilities are generally included in the valuation. Additionally, if the comparable transactions are associated with projects with infrastructure for example a processing facility, then the price paid by other market participants is considered an accurate reflection of the value of the entire project including the processing facility. There are often significant identifiable differences in the potentially comparable projects, therefore it is critical to review the projects, where possible only use projects with similar resource size, similar grades, similar infrastructure and mining or processing requirements and remove any outliers or transactions that are significantly different to the project being valued. In some projects there identifiable and documented differences in the required the environmental rehabilitation and potential rehabilitation liabilities, these also need to be considered in determining any potential comparable transactions.

The information for the comparable transactions has been derived from various sources including the ASX and other securities exchange releases associated with these transactions, a database compiled by VRM for exploration stage projects (with resources estimated) and development ready projects.

This valuation method is typically the primary valuation method for exploration or advanced (pre-development) projects where Mineral Resources have been estimated. More advanced projects where there are Ore Reserves estimated would generally be valued using an income approach due to the modifying factors for a mining operation being better defined.

The preference is to limit the transactions and resource multiples to completed transactions from the past three to five years in either the same geopolitical region or same geological terrain. The comparable transactions have been compiled where Mineral Resources and in some cases Ore Reserves have been estimated. Appendix A details the Resource Multiples for a series of transactions that are considered at least broadly comparable PDLP.

9.7.2. Yardstick Valuation

A yardstick valuation was undertaken as a check of the comparable transactions. This yardstick valuation is based on a rule of thumb as supported by a large database of transactions where resources and reserves at various degrees of confidence are multiplied by a percentage of the spot price. The yardstick valuation factors used in this report are in line with other yardstick valuation factors commonly used by other independent specialists and used in other VALMIN reports. The US\$-AUS\$ exchange rate and Spodumene Concentrate price as reported by Pilbara Minerals Limited in their December Quarterly Report (ASX release of 19 January 2023) documented above have been used to determine the yardstick valuation. Due to the likely product from the mining operation being a concentrate the yardstick multiples used are between 1% and 2% of the product value for Measured Mineral Resources and stockpiles, 0.5% and 1% for Indicated Mineral Resources and 0.25% and 0.5% for Inferred Mineral Resources. To determine the number of tonnes of concentrate that are contained in the various classifications of the Mineral Resources VRM has used the metallurgical recovery from the Dome North Scoping Study (74%) and the targeted grade of the spodumene concentrate as 5.7% Li₂O in the concentrate along with the tonnes and grade in each of the deposits was calculated.

9.8. Exploration Asset Valuation

To generate a value of an early-stage exploration Property or the exploration potential away from a mineral deposit it is important to value all the separate parts of the mineral assets under consideration. In the case of the advanced Properties the most significant value drivers for the overall Property are the declared Mineral Resources or Ore Reserves, while for earlier stage Properties a significant contributor to the Property's value is the exploration potential. There are several ways to determine the potential of pre-resource Properties, these being:

- A Geoscientific (Kilburn) Valuation
- Comparable transactions (purchase) based on the Properties' area.
- Joint Venture terms based on the Properties' area.
- A prospectivity enhancement multiplier (PEM)

The methodology to determine the Comparable transactions based on a projects area is undertaken using the same methodology as that described for the Comparable transactions' valuation for advanced projects section; however transactional value is applied to the project's area rather than the Mineral Resources or Ore Reserves. The Joint Venture terms valuation is similar to the comparable transactions based on the project area, other than a discount to the Joint Venture terms is applied to account for the time value of money (an appropriate discount rate is applied) and a discount to the earn-in expenditure to account for the chance that the Joint Venture earn-in expenditure is not completed in the agreed timeframe.

VRM considers a Geoscientific or Kilburn valuation as a robust valuation method. The comparable transaction multiples can also be useful but are strongly related to the projects tenement area so can be conservative for small areas and overstate large areas. It is the view of VRM that the least transparent and

most variable valuation method is a PEM valuation as this depends on an assessment of the effectiveness of the expenditure.

9.8.1. Geoscientific (Kilburn) Valuation

One valuation technique that is widely used to determine the value of a project that is at an early exploration stage without any Mineral Resources or Ore Reserve estimates was developed and is described in an article published in the CIM bulletin by Kilburn (1990). This method is widely termed the geoscientific method where a series of factors within a project are assessed for their potential.

While this technique is somewhat subjective and open to interpretation it is a method that when applied correctly by a suitably experienced specialist enables an accurate estimate of the value of the project. There are five critical aspects that need to be considered when using a Kilburn or Geoscientific valuation, these are the base acquisition cost, which put simply is the cost to acquire and continue to retain the tenements being valued. The other aspects are the proximity to both adjacent to and along strike of a major deposit (Off Property Factors), the occurrence of a mineral system on the tenement (On Property Factors), the success of previous exploration within the tenement (Anomaly Factors) and the geological prospectivity of the geological terrain covered by the mineral claims or tenements (Geological Factors). In early-stage projects often the anomaly factors and geological factors have limited information.

While this valuation method is robust and transparent it can generate a very wide range in valuations, especially when the ranking criteria are assigned to a large tenement. This method was initially developed in Canada where the mineral claims are generally small therefore reducing the potential errors associated with spreading both favourable and unfavourable ranking criteria to be spread over a large tenement. Therefore, VRM either values each tenement or breaks down a larger tenement into areas of higher and lower prospectivity.

Table 4 documents the ranking criteria while the inputs and assumptions that were used to derive the base acquisition cost (BAC) for each tenement are detailed in the valuation section below.

VRM determines the BAC based on the holding cost of maintaining the tenement for the next year. That cost is determined by the minimum exploration commitment required on the tenement. The BAC is derived from the tenement rents and exploration commitments on tenements in Western Australia as detailed in the tenure section above.

The technical valuation derived from the Kilburn ranking factors are frequently adjusted to reflect the geopolitical risks associated with the location of the project and the current market conditions toward a specific commodity or geological terrain. These adjustments can either increase or decrease the technical value to derive the fair market valuation.

Using the ranking criteria from Table 4 along with the base acquisition costs tabulated in the appendices an overall technical valuation is determined.

Table 4 Ranking criteria are used to determine the geoscientific technical valuation.

| Geoscientific Ranking Criteria | | | | | |
|--------------------------------|--|--|--|---|--|
| Rating | Off-property factor | On-property factor | Anomaly factor | Geological factor | |
| 0.1 | | | | Generally unfavourable geological setting | |
| 0.5 | | | | Extensive previous exploration with poor results | Poor geological setting |
| 0.9 | | | | Poor results to date | Generally unfavourable geological setting, under cover |
| 1.0 | No known mineralisation in district | No known mineralisation within | No targets defined | Generally favourable geological setting | |
| 1.5 | Mineralisation identified | Mineralisation identified | Target identified; initial indications positive | Favourable geological setting | |
| 2.0 | Resource targets identified | Exploration targets identified | Significant intersections – not correlated on section | | |
| 2.5 | | | | | |
| 3.0 | Along strike or adjacent to known mineralisation | Mine or abundant workings with significant previous production | Several significant ore grade intersections that can be correlated | Mineralised zones exposed in prospective host rocks | |
| 3.5 | | | | | |
| 4.0 | Along strike from a major mine(s) | Major mine with significant historical production | | | |
| 5.0 | Along strike from world class mine | | | | |

The technical valuation was discounted / escalated to derive a market valuation. A market factor was derived to account for the nickel, lithium, and gold price which, which are all close to historical highs and also to account for the market sentiment toward advanced projects. The gold and nickel prices are currently elevated compared to the past five years as shown in Figure 14 and Figure 16. Based on the commodity prices the technical valuation for each tenement was increased by 10% for the gold and nickel projects. The technical valuation was increased by 30% for the lithium projects due to the currently highly elevated lithium carbonate price (Figure 15). There are social, environmental, and geopolitical risks associated with the projects therefore a discount of 10% has been applied, this discount is due to a is partly due to the COVID-19 pandemic and the inflationary environment associated with any project construction or exploration activities and the lack of critical staff.

For early-stage Projects (where there are no Mineral Resources estimated), VRM typically considers the Geoscientific (Kilburn) Valuation method to be the most robust and is commonly the primary valuation method used.

9.8.2. Prospectivity Enhancement Multiplier (PEM) Valuation

As outlined in Table 3 and in the VALMIN Code a cost - based or appraised value method is an appropriate valuation technique for early-stage exploration Properties. Under this method, the previous exploration expenditure is assessed as either improving or decreasing the potential of the Property.

The prospectivity enhancement multiplier (PEM) involves a factor which is directly related to the success of the exploration expenditure to advance the Property. There are several alternate PEM factors that can be used depending on the specific Property and commodity being evaluated. Onley, (1994) included several guidelines for the use and selection of appropriate PEM criteria. The PEM ranking criteria used in the Report are based on multiple valuation papers including (Lawrence 1994, Onley 1994 and Schodde, 2002) and are outlined in Table 5. VRM considers the PEM valuation method as a secondary valuation method and no higher PEM ranges are used once a JORC 2012 Mineral Resource has been estimated. In the opinion of the author, it is preferable to use Resource multiples for comparable transactions once a JORC 2012 Mineral Resource has been estimated.

Table 5 Prospectivity Enhancement Multiplier (PEM) ranking criteria.

| PEM Ranking Criteria | |
|----------------------|--|
| Range | Criteria |
| 0.2 – 0.5 | Exploration downgrade the potential |
| 0.5 – 1 | Exploration has maintained the potential |
| 1.0 - 1.3 | Exploration has slightly increased the potential |
| 1.3 – 1.5 | Exploration has considerably increased the potential |
| 1.5 – 2.0 | Limited Preliminary Drilling intersected interesting mineralised intersections |
| 2.0 – 2.5 | Detailed Drilling has defined targets with potential economic interest |
| 2.5 – 3.0 | A Mineral Resource has been estimated at an Inferred category |

10. Essential Metals Mineral Asset Valuation

The projects that are included in this valuation are the PDLP, Kangan Lithium, Juglah Dome, Golden Ridge Gold and Horse Rocks Project along with the interest Essential has in seven Joint Ventures. All the projects are in Western Australia.

Each of the projects has been valued using a sum of the parts approach.

The PDLP has been valued in this report with the Mineral Resource estimates primary valuation being done by a comparable transaction method with a yardstick approach being a supporting or secondary valuation. The exploration potential has been valued by a Geoscientific or Kilburn approach with a Prospectivity Enhancement Multiplier (PEM) approach as a secondary method. There are no Ore Reserves however VRM notes the recently completed Scoping Study which while referenced above has not been used in the valuation.

All the other projects and Joint Ventures have been valued using either a previous transaction on the actual project (for several of the JVs) (normalised to the target commodity) or a Geoscientific or Kilburn method as a primary method and a PEM method as a supporting valuation method.

10.1. Valuation of the Pioneer Dome Lithium Project

The PDLP has been valued using comparable transaction Resource Multiples for the Dome North lithium deposits (and the tenement that hosts the Mineral Resources) with a secondary method being a yardstick valuation. It is important to note that there are a limited number of Lithium Mineral Resources within Australia and only one has transacted in the past five years. All other transactions within Australia have had significant plant and infrastructure associated with the project when it transacted, or the project being transacted was in financial distress and therefore considered by VRM not to represent a market value due to the distressed sale of the asset.

The exploration potential away from the Dome North lithium deposits has been valued using a Geoscientific approach with a secondary valuation being a PEM method.

10.1.1. Comparable Transactions – Resource Multiples

As detailed in Appendix A, VRM has reviewed a series of transactions on lithium projects that are could be broadly comparable to the lithium Mineral Resource estimates at the PDLP. The broad criteria to be considered potentially comparable was that the project must;

- Be located in Australia,
- Been announced or completed since 1 January 2017,
- Had a Mineral Resource or the information that would allow a MRE to be estimated,
- While all projects have been tabulated any project that was operating or had processing facilities associated with the transaction were excluded as the capital costs associated with the project had been sunk.

- The comparable projects that would reasonably be expected to be exploited by conventional open pit mining methods and potentially with underground extensions and
- The mineralisation likely to be processed via a standard processing flowsheet.

These criteria identified six project specific transactions. Of those, only one project has been considered potentially comparable however that project has had two separate, but linked, transactions. The initial transaction, acquiring 80%) occurred prior to an initial MRE however all the data was available at the date the transaction was announced. The second was to secure the entire project (the additional 20%) prior to an updated MRE being announced, again all the data was available for the MRE update at the date of the transaction.

The only project-based transaction that is considered to be comparable is the acquisition of the Manna Project by Global Lithium from Breaker Resources. The initial transaction was announced on 23 December 2021 when Global Lithium acquired 80% of the Manna project from Breaker Resources for A\$13 million and A\$20 million in deferred payments. While there was no Mineral Resource reported at the time there was significant drilling and an MRE was reported on 17 February 2022 which was based on drilling that had already been completed when the transaction was announced. The initial Inferred MRE was 9.9Mt at 1.14% Li₂O. On 25 October 2022 Global Lithium acquired the remaining 20% of the Manna Project and adjacent tenements for A\$40 million. As there are clearly synergies in Global Lithium securing 100% of the project it is reasonable to assume that a premium was paid for the last 20% of the project. To remove the synergies VRM has combined these transactions into one transaction, which results in a total expenditure to attain 100% of the project as being \$73 million. While the Mineral Resource at Manna was 9.9 million tonnes when the final transaction was announced most of the drilling to update the resource was completed, therefore VRM considers the smaller resource (9.9 million tonnes) and the total expenditure of \$73 million provides an upper range of the normalised comparable transaction resource multiple of \$7.37/t. The lower range is based on the Manna Mineral Resource that was announced shortly after Global Lithium acquired the entire project however all information was available at the time the transaction was announced. The larger Mineral Resource at Manna has been estimated at 32.7 million tonnes (comprising 14.2 million tonnes Inferred and 18.5 million tonnes Indicated classification). The larger and higher confidence Manna Mineral Resource (32.7 million tonnes) and the total expenditure to purchase 100% of the project (\$73 million) provides a lower end of the normalised comparable transaction resource multiple of \$2.23/t.

To remove the fluctuations in the lithium price the transaction multiples have been normalised to the lithium carbonate price at the time the transaction was announced and the lithium carbonate price at the valuation date (1 February 2023).

VRM has determined that the normalised resource multiples for the Manna transactions range from \$2.23/t and \$7.37/t. This range is considered to be too large to provide a meaningful valuation range, therefore, VRM considers that, based on professional opinion and the current highly elevated lithium price a Resource Multiple of \$7.0/t provides a reasonable estimate of the most likely normalised Resource Multiple that is

suitable for the Essential lithium Mineral Resources. To generate a range of most likely market values for the Essential Lithium Mineral Resources VRM believes a valuation range would be within 25% of what it considers a reasonable normalised Resource Multiple of \$7.0/t. Therefore, the lower Resource multiple is \$5.25/t (\$7.0/t x 75%), and an upper valuation is \$8.75/t (\$7.0/t x 125%).

Appendix A contains details of the potentially comparable transactions.

The normalised Resource Multiples detailed above and supported by the information in Appendix A have been used along with the JORC 2012 Dome North Mineral Resources detailed above to determine the valuations shown in Table 6.

Table 6 Comparable Transaction Valuation Summary for the Dome North Lithium Deposits.

| Essential Valuations | Low | Preferred | Upper |
|-----------------------------------|--------|-----------|--------|
| Total Resources | 11.1Mt | 11.1Mt | 11.1Mt |
| Resource Multiple | \$5.25 | \$7.00 | \$8.75 |
| Total Resource Multiple Valuation | \$58.3 | \$77.7 | \$97.1 |

Note appropriate rounding has been applied to the Resource estimate and the valuation.

Therefore, VRM considers that the Mineral Resource Estimates within the PDLP to be valued, based on comparable transactions, at between \$58.3 million and \$97.1 million with a preferred valuation of \$77.7 million. In addition to this value the exploration potential on the surrounding tenements needs to be included to determine the value of the entire project. The preferred value of the exploration potential has been derived via a Geoscientific or Kilburn method for early-stage exploration projects.

10.1.2. Yardstick Method

Table 7 details the yardstick multiples were used to determine the value of the Mineral Resources while Table 8 tabulates the yardstick valuation for the PDLP. Due to it being envisaged that the project will produce a concentrate rather than a final product the yardstick multiples detailed in Table 7 are approximately half of the multiples that are commonly used for a precious metal project. VRM considers this reasonable due to the additional costs of transport, sales, and marketing costs along with higher royalty rates for the sale of concentrate when compared to refined metal.

As the product that is sold is a concentrate it is important to determine an estimate of the number of tonnes of concentrate at a specific concentrate grade that is contained within the Mineral Resource estimate. To do this VRM has assumed a metallurgical recovery of 74% which is based on the metallurgical studies included in the North Dome Scoping Study and the targeted concentrate grade of 5.7% (ASX release 9 February 2023).

Additionally, as the product being sold is a spodumene concentrate the current price of the concentrate is critical in determining the yardstick valuation. As spodumene concentrates are not traded on an open market, other than small volumes on a sales platform managed by Pilbara Minerals Limited, the price of

spodumene concentrate has been derived from the average price for spodumene concentrates achieved by Pilbara Minerals during the December 2022 Quarter, this was contained in the December Quarterly Report of Pilbara Minerals Limited (19 January 2023). The concentrate price used is US\$5,668/t, based on the exchange rate at 1 February 2023 this equates to A\$8,020.32/t.

Table 7 Yardstick Multiples used for the Dome North Lithium Deposits

| | Yardstick Multiples | |
|-----------|---------------------|------|
| | Low | High |
| Reserves | 2% | 5% |
| Measured | 1% | 2% |
| Indicated | 0.5% | 1% |
| Inferred | 0.25% | 0.5% |

Table 8 Yardstick Valuation of the Mineral Resources within the PDLP

| Valuation | Contained Concentrate (Mt) | Spodumene Price (A\$/t) | Valuation (A\$ Million) | | |
|-----------------|----------------------------|-------------------------|-------------------------|-----------|-------|
| | | | Low | Mid-Point | High |
| Indicated | 1.277 | 8,020.32 | 51.2 | 76.8 | 102.4 |
| Inferred | 0.386 | 8,020.32 | 7.7 | 11.6 | 15.5 |
| Valuation AUS\$ | | | 59.0 | 88.4 | 117.9 |

Note: The yardstick valuation of uses the Spodumene concentrate price achieved by Pilbara Minerals Limited in the December 2022 quarter. Appropriate rounding has been applied to the valuation.

The yardstick valuation determined to be between \$59.0 million and \$117.9 million with a mid-point valuation of \$88.4 million is broadly in line with the comparable transaction valuation between \$58.3 million and \$97.1 million with a preferred valuation of \$77.7 million however it is considered by VRM to be a useful guide of a possible valuation and should not be used as a primary valuation method.

10.2.Valuation of Exploration Potential

10.2.1. Previous Transactions on the Projects

As detailed in the body of the report there are seven Joint Ventures which Essential holds an interest, of these JVs four occurred since 2016 and are therefore considered to potentially provide a value of the projects that have been joint ventured by Essential. There are three JVs that VRM has been unable to locate the original JV terms and therefore those projects have been valued using a Geoscientific as a primary valuation method with a PEM valuation method used as a supporting valuation. For the four projects where there are market-based valuations the JV terms have been used as the primary valuation method while a geoscientific and PEM have been undertaken as supporting valuations.

As a project's market value is directly linked to the market for a particular project, the value of the projects has been determined based on the JV terms that were agreed between Essential and the other party with the assumption that the company that is earning its equity in the project has achieved that expenditure

milestone, as most of the parties have met their earn-in obligations or are progressing toward the required expenditure this is considered a reasonable assumption. Additionally, the project value has been normalised to the commodity price for targeted commodity within each project at the date the transaction was announced and the commodity price at the valuation date used in this report.

Table 9 details the terms of the four Joint Ventures that VRM has been able to locate and the normalised project value along with the value of the equity owned by Essential.

Table 9 Joint Venture Project Valuations

| Project | Date | Expenditure (A\$ M) | Other fees (A\$ M) | Equity earned | Value of JV (A\$ M) | Normalised Value | Essential equity | Value of Essential Equity (A\$ M) |
|---------------------|------------|---------------------|--------------------|---------------|---------------------|------------------|------------------|-----------------------------------|
| Acra | 21/10/2016 | 3.0 | 0.5 | 75% | 4.67 | \$7.64 | 25% | \$1.91 |
| Kangan Gold | 18/09/2018 | 0.5 | 0.58 | 70% | 1.54 | \$2.53 | 30% | \$0.76 |
| Balagundi | 25/07/2019 | 0.6 | 0.04 | 75% | 0.85 | \$1.14 | 25% | \$0.29 |
| Golden Ridge Nickel | 9/02/2021 | 4.0 | 0.525 | 75% | 6.03 | \$10.45 | 25% | \$2.61 |
| Total Value | | | | | | | | \$5.57 |

Note the Acra, Kangan and Balagundi projects have been normalised to the gold price while the Golden Ridge nickel project is normalised to the nickel price.

As the JV valuation is based on the actual negotiated JV terms associated with the project the normalised JV values are considered the preferred value of the projects. To determine a range of values as recommended by the VALMIN code VRM considers that the likely range in values would be +/- 25%. Therefore, the valuation ranges for each of the four JV's are detailed in Table 10 below.

Table 10 Joint Venture Valuation Range

| Project | Lower Valuation (A\$ million) | Preferred Valuation (A\$ million) | Upper Valuation (A\$ million) |
|---------------------|-------------------------------|-----------------------------------|-------------------------------|
| Acra | \$1.43 | \$1.91 | \$2.39 |
| Kangan Gold | \$0.57 | \$0.76 | \$0.95 |
| Balagundi | \$0.21 | \$0.29 | \$0.36 |
| Golden Ridge Nickel | \$1.96 | \$2.61 | \$3.26 |
| Total Value | \$4.2 | \$5.6 | \$7.0 |

Note: Appropriate rounding has been applied to the valuation.

The value of the four joint ventures that VRM has been able to confirm when normalised for the commodity prices of the target commodities on each of the JVs are considered by VRM to have a market value between A\$4.2 million and A\$7.0 million with a preferred value of \$5.6 million.

10.2.2. Geoscientific Valuation

There are several specific inputs that are critical in determining a valid geoscientific or Kilburn valuation, these are ensuring that the specialist undertaking the valuation has a good understanding of the mineralisation styles within the overall region, the tenements and has access to all the exploration and geological information to ensure that the rankings are based on a thorough knowledge of the project. In addition to ensuring the rankings are correct deriving the base acquisition costs (BAC) is critical as that is the primary driver of the final value. In this case the BAC is derived by the exploration commitment to maintain the tenement in good standing the costs of the tenement applications, tenement rents and shire rates and targeting have not been included.

In VRM's opinion the value of the exploration potential within the mining leases that contain or are adjacent to the Mineral Resources of the PDLP has been captured by the Resource Multiple and yardstick valuation methods above however the surrounding tenements have exploration potential which has been valued by this Geoscientific or Kilburn valuation.

The Geoscientific rankings were derived for each tenement using each of the geoscientific or Kilburn ranking criteria, being the Off-Property Criteria, the On-Property Criteria, the Anomaly Factor, and the Geology Criteria. The criteria for each tenement varied however the Off-Property Criteria were between 1 and 3.5, the On-Property Criteria between 0.5 and 3.5, the Anomaly Factor between 0.9 and 4.0 while the Geology Criteria were considered to be between 0.5 and 3.0. When these ranking criteria are combined with the base acquisition cost as detailed in Appendix B this has determined the technical value as shown in Table 11.

Table 11 details the technical value and market value of the exploration potential for each tenement. The Market Value of the exploration potential is based on a jurisdictional and market discount. There are social, environmental, and geopolitical risks associated with the projects therefore a discount of 10% has been applied, this discount is partly due to the current inflationary environment in Western Australia, the heritage and environmental regulations and the availability of suitably qualified and experienced staff. A 10% premium has been applied for the gold and nickel markets due to these markets being elevated and close to all-time highs. VRM considers that a 30% increase should be applied to the lithium market given the extremely elevated price achieved for spodumene concentrates and lithium chemicals. Overall, the market valuation is detailed in Table 11. The base acquisition cost used in this valuation is based on the tenement rents and exploration commitments are detailed in Appendix B

Table 11 Valuation of the Exploration Potential within the 100% owned Essential Projects.

| Tenement | BAC | Technical Valuation (AUS\$) | | | Market Valuation (AUS\$M) | | |
|------------------------------|-----------|------------------------------|-------------|--------------|---------------------------|-----------|--------|
| | | Lower | Preferred | Upper | Lower | Preferred | Upper |
| Pioneer Dome Lithium | | | | | | | |
| E 15/1515 | \$50,000 | Valued by Resource Multiples | | | | | |
| E 15/1725 | \$20,000 | \$5,000 | \$17,080 | \$29,160 | \$0.01 | \$0.02 | \$0.03 |
| E 63/1669 | \$70,000 | \$1,120,000 | \$2,200,625 | \$3,281,250 | \$1.31 | \$2.57 | \$3.84 |
| E 63/1782 | \$50,000 | \$150,000 | \$356,250 | \$562,500 | \$0.18 | \$0.42 | \$0.66 |
| E 63/1783 | \$50,000 | \$25,000 | \$61,100 | \$97,200 | \$0.03 | \$0.07 | \$0.11 |
| E 63/1785 | \$50,000 | \$12,500 | \$42,700 | \$72,900 | \$0.01 | \$0.05 | \$0.09 |
| E 63/1825 | \$66,000 | \$16,500 | \$56,364 | \$96,228 | \$0.02 | \$0.07 | \$0.11 |
| E 63/2118 | \$34,000 | \$8,500 | \$29,036 | \$49,572 | \$0.01 | \$0.03 | \$0.06 |
| M 63/665 | \$10,000 | \$160,000 | \$314,375 | \$468,750 | \$0.19 | \$0.37 | \$0.55 |
| M15/1896 | | | | | | | |
| Valued by Resource Multiples | | | | | | | |
| Total Pioneer Dome | | \$1,497,500 | \$3,077,530 | \$4,657,560 | \$1.8 | \$3.6 | \$5.4 |
| Horse Rocks | | | | | | | |
| E 15/1710 | \$26,000 | \$26,000 | \$78,813 | \$131,625 | \$0.0 | \$0.1 | \$0.1 |
| Juglah Dome | | | | | | | |
| E 25/585 | \$20,000 | \$240,000 | \$432,500 | \$625,000 | \$0.2 | \$0.4 | \$0.6 |
| Golden Ridge Gold | | | | | | | |
| E 26/186 | \$50,000 | \$75,000 | \$206,250 | \$337,500 | \$0.07 | \$0.20 | \$0.33 |
| E 26/211 | \$20,000 | \$30,000 | \$82,500 | \$135,000 | \$0.03 | \$0.08 | \$0.13 |
| E 26/212 | \$30,000 | \$45,000 | \$123,750 | \$202,500 | \$0.04 | \$0.12 | \$0.20 |
| M 26/220 | \$100,000 | \$135,000 | \$292,500 | \$450,000 | \$0.13 | \$0.29 | \$0.45 |
| M 26/222 | \$61,000 | \$308,813 | \$642,406 | \$976,000 | \$0.31 | \$0.64 | \$0.97 |
| M 26/284 | \$68,600 | \$231,525 | \$527,363 | \$823,200 | \$0.23 | \$0.52 | \$0.81 |
| M 26/285 | \$55,400 | \$124,650 | \$311,625 | \$498,600 | \$0.12 | \$0.31 | \$0.49 |
| Total Golden Ridge - Gold | | \$949,988 | \$2,186,394 | \$3,422,800 | \$0.9 | \$2.2 | \$3.4 |
| Kangan Lithium | | | | | | | |
| E 45/4948 | \$41,000 | \$230,625 | \$484,313 | \$738,000 | \$0.27 | \$0.57 | \$0.86 |
| E 47/3318-I | \$50,000 | \$112,500 | \$225,000 | \$337,500 | \$0.13 | \$0.26 | \$0.39 |
| E 47/3321-I | \$50,000 | \$112,500 | \$225,000 | \$337,500 | \$0.13 | \$0.26 | \$0.39 |
| E 47/3945 | \$36,000 | \$81,000 | \$162,000 | \$243,000 | \$0.09 | \$0.19 | \$0.28 |
| Total Kangan Lithium | | \$536,625 | \$1,096,313 | \$1,656,000 | \$0.6 | \$1.3 | \$1.9 |
| 100% Essential Projects | | \$3,250,113 | \$6,871,549 | \$10,492,985 | \$3.6 | \$7.5 | \$11.5 |
| JV Projects | | | | | | | |
| Golden Ridge Nickel | | | | | | | |
| E 26/186 | \$50,000 | \$168,750 | \$303,125 | \$437,500 | \$0.17 | \$0.30 | \$0.43 |
| E 26/211 | \$20,000 | \$33,750 | \$69,375 | \$105,000 | \$0.03 | \$0.07 | \$0.10 |
| E 26/212 | \$30,000 | \$67,500 | \$132,188 | \$196,875 | \$0.07 | \$0.13 | \$0.19 |
| M 26/220 | \$100,000 | \$225,000 | \$440,625 | \$656,250 | \$0.22 | \$0.44 | \$0.65 |
| M 26/222 | \$61,000 | \$480,375 | \$773,938 | \$1,067,500 | \$0.48 | \$0.77 | \$1.06 |
| M 26/284 | \$68,600 | \$77,175 | \$173,644 | \$270,113 | \$0.08 | \$0.17 | \$0.27 |
| M 26/285 | \$55,400 | \$186,975 | \$335,863 | \$484,750 | \$0.19 | \$0.33 | \$0.48 |

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| Tenement | BAC | Technical Valuation (AUS\$) | | | Market Valuation (AUS\$M) | | |
|------------------------------------|-----------|-----------------------------|--------------|--------------|---------------------------|-----------|--------|
| | | Lower | Preferred | Upper | Lower | Preferred | Upper |
| Total Golden Ridge - Nickel | | | | | | | |
| | | \$1,239,525 | \$2,228,756 | \$3,217,988 | \$1.2 | \$2.2 | \$3.2 |
| Kangan Gold | | | | | | | |
| E 45/4948 | \$41,000 | \$12,300 | \$31,058 | \$49,815 | \$0.01 | \$0.03 | \$0.05 |
| E 47/3318-I | \$50,000 | \$27,000 | \$68,175 | \$109,350 | \$0.03 | \$0.07 | \$0.11 |
| E 47/3321-I | \$50,000 | \$27,000 | \$68,175 | \$109,350 | \$0.03 | \$0.07 | \$0.11 |
| E 47/3945 | \$36,000 | \$19,440 | \$49,086 | \$78,732 | \$0.02 | \$0.05 | \$0.08 |
| Total Kangan - Gold | | \$85,740 | \$216,494 | \$347,247 | \$0.1 | \$0.2 | \$0.3 |
| Acra | | | | | | | |
| E 27/278 | \$70,000 | \$105,000 | \$216,563 | \$328,125 | \$0.10 | \$0.21 | \$0.32 |
| E 27/438 | \$70,000 | \$118,125 | \$224,438 | \$330,750 | \$0.12 | \$0.22 | \$0.33 |
| E 27/491 | \$50,000 | \$6,250 | \$24,219 | \$42,188 | \$0.01 | \$0.02 | \$0.04 |
| E 27/520 | \$30,000 | \$33,750 | \$75,938 | \$118,125 | \$0.03 | \$0.08 | \$0.12 |
| E 27/520 | \$20,000 | \$5,000 | \$15,156 | \$25,313 | \$0.00 | \$0.02 | \$0.03 |
| E 27/548 | \$50,000 | \$12,500 | \$37,891 | \$63,281 | \$0.01 | \$0.04 | \$0.06 |
| E 27/579 | \$54,000 | \$13,500 | \$40,922 | \$68,344 | \$0.01 | \$0.04 | \$0.07 |
| E 28/1746 | \$70,000 | \$78,750 | \$170,625 | \$262,500 | \$0.08 | \$0.17 | \$0.26 |
| E 28/2483 | \$70,000 | \$88,594 | \$163,297 | \$238,000 | \$0.09 | \$0.16 | \$0.24 |
| Total ACRA – Gold | | | | | \$0.5 | \$1.0 | \$1.5 |
| Wattle Dam Nickel | | | | | | | |
| M 15/1101 | \$51,900 | \$23,355 | \$53,717 | \$84,078 | \$0.02 | \$0.05 | \$0.08 |
| M 15/1263 | \$21,700 | \$6,510 | \$16,438 | \$26,366 | \$0.01 | \$0.02 | \$0.03 |
| M 15/1264 | \$10,000 | \$3,000 | \$7,575 | \$12,150 | \$0.00 | \$0.01 | \$0.01 |
| M 15/1323 | \$10,000 | \$3,000 | \$7,575 | \$12,150 | \$0.00 | \$0.01 | \$0.01 |
| M 15/1338 | \$10,000 | \$3,000 | \$7,575 | \$12,150 | \$0.00 | \$0.01 | \$0.01 |
| M 15/1449 | \$24,300 | \$9,113 | \$23,009 | \$36,906 | \$0.01 | \$0.02 | \$0.04 |
| M 15/1769 | \$32,300 | \$9,690 | \$24,467 | \$39,245 | \$0.01 | \$0.02 | \$0.04 |
| M 15/1770 | \$100,000 | \$30,000 | \$75,750 | \$121,500 | \$0.03 | \$0.07 | \$0.12 |
| M 15/1771 | \$77,800 | \$23,340 | \$58,934 | \$94,527 | \$0.02 | \$0.06 | \$0.09 |
| M 15/1772 | \$45,000 | \$13,500 | \$34,088 | \$54,675 | \$0.01 | \$0.03 | \$0.05 |
| M 15/1773 | \$10,000 | \$3,000 | \$7,575 | \$12,150 | \$0.00 | \$0.01 | \$0.01 |
| Wattle Dam Nickel | | \$127,508 | \$316,702 | \$505,896 | \$0.1 | \$0.3 | \$0.5 |
| Balagundi Gold and Base Metals | | | | | | | |
| E 27/558 | \$50,000 | \$84,375 | \$167,188 | \$250,000 | \$0.1 | \$0.2 | \$0.2 |
| Maggie Hays Hill Nickel JV | | | | | | | |
| E 63/1784 | \$50,000 | \$180,000 | \$308,750 | \$437,500 | \$0.2 | \$0.3 | \$0.4 |
| Total JV Projects | | \$2,178,616 | \$4,206,936 | \$6,235,255 | \$2.2 | \$4.2 | \$6.2 |
| Total Essential Exploration Assets | | \$5,428,729 | \$11,078,484 | \$16,728,240 | \$5.7 | \$11.7 | \$17.7 |

Note the technical valuation is the base acquisition cost multiplied by the ranking factors outlined in Appendix B while the Market Value is the Technical Value multiplied by the geopolitical risk and market adjustment, in this case a 10% premium is applied to the technical value for the gold and nickel market and a 30% premium for the lithium market. A 10% discount is applied for Geopolitical, heritage, environmental and inflationary conditions, and staffing difficulties.

Appropriate rounding to the total valuation has been undertaken.

The exploration potential in the Essential Minerals tenements that do not contain Mineral resources or are not considered to be valued by the Resource Multiples are considered by VRM to have a market value of between A\$5.7 million and A\$17.7 million with a preferred value of \$11.7 million.

10.2.3. Prospectivity Enhancement Multiplier (PEM) Valuation

VRM has undertaken a PEM valuation for all the Essential tenements and the Joint Ventures that Essential holds an interest based on the last five years exploration expenditure reported to DMIRS in the annual exploration expenditure reports (Form 5's). The expenditures used in the valuation were based on the reported exploration expenditure on the tenement excluding expenditure that was not directly attributed to exploration. Excluded expenditure relates to acquisition costs, tenement rents and shire rates, administrative expenditure, and heritage access or associated costs.

This expenditure has been multiplied by and Prospectivity Enhancement Multiplier as detailed in Table 5. To generate a range in the PEM valuation VRM has assessed the effectiveness of the exploration expenditure and therefore used an upper and lower PEM multiple to generate a range in likely PEM values for each of the tenements. The preferred valuation is the average of the upper and lower PEM valuation. The expenditures, PEM multiples and valuations for each of the tenements are detailed Appendix C. Table 12 details the expenditure and the total valuations for the Projects.

In VRM's opinion the value of the exploration potential within the mining leases that contain or are adjacent to the Mineral Resources of the PDLP has been captured by the Resource valuation.

Table 12 PEM Valuation for all granted exploration tenements.

| Project | PEM Valuation by Tenement | | | |
|-----------------------------------|---------------------------|-------------|-----------------|-------------|
| | Expenditure (\$) | Lower (\$M) | Preferred (\$M) | Upper (\$M) |
| PDLP | \$3,858,967 | \$3.86 | \$4.44 | \$5.02 |
| Juglah Dome | \$573,589 | \$0.86 | \$1.00 | \$1.15 |
| Golden Ridge | \$1,140,410 | \$1.14 | \$1.31 | \$1.48 |
| Kangan Lithium | \$87,254 | \$0.09 | \$0.10 | \$0.11 |
| Horse Rocks | \$54,685 | \$0.05 | \$0.06 | \$0.07 |
| Total 100% Essential Owned | | 6.00 | 6.92 | 7.83 |
| Joint Venture Projects | | | | |
| Golden Ridge | \$321,546 | \$0.89 | \$1.03 | \$1.18 |
| Kangan Gold | \$1,188,624 | \$0.36 | \$0.41 | \$0.46 |
| Acra | \$4,651,476 | \$1.16 | \$1.34 | \$1.51 |
| Balagundi | \$216,833 | \$0.05 | \$0.06 | \$0.07 |
| Wattle Dam | \$6,469,833 | \$1.31 | \$1.51 | \$1.71 |

| Project | PEM Valuation by Tenement | | | |
|------------------|---------------------------|---------------|-----------------|----------------|
| | Expenditure (\$) | Lower (\$M) | Preferred (\$M) | Upper (\$M) |
| Maggie Hays | \$175,589 | \$0.04 | \$0.04 | \$0.05 |
| Total PEM JV | | \$3.81 | \$4.39 | \$4.97 |
| Total PEM | | \$9.81 | \$11.31 | \$12.80 |

Note the valuations have been rounded to reflect the accuracy of the valuation.

Therefore, based on the PEM valuation methodology the Essential mineral assets have an expected market value of between \$9.8 million and \$12.8 million with a preferred (mid-point) valuation of \$11.3 million.

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11. Risks and Opportunities

As with all mineral assets there are several risks and opportunities associated with the projects and any valuation.

Some of the risks and opportunities that are common to most projects include the risks associated with the security of tenure, environmental approvals, and geopolitical risks. A significant risk to the project and this valuation is the risks of obtaining sufficient capital to undertake the potential mining activity. An additional risk is the economic climate including the lithium market including the spodumene concentrate price and financial markets which have a significant impact on the ability of a company to secure the required funding and profitably exploit the identified mineralisation. These risks are largely outside the control of the company.

In addition to the risks identified by Essential in the Scoping Study VRM considers that as with all projects there is a risk associated with the Resource estimates of the North Dome lithium deposits, this risk, while significantly reduced through the extensive drilling and interpretation there is always an inherent risk that the grade and geological continuity of the modelled mineralisation does not accurately reflect the mineralisation once extraction commences.

An additional risk is the metallurgical recovery of the mineralisation at the North Dome lithium deposits, while studies have been undertaken to determine a potential metallurgical processing route there is a risk that the samples collected for the metallurgical tests do not accurately represent the mineralisation once it has been extracted and that the samples are not representative of the mineralisation and especially the weathered zones of the deposits.

12. Preferred Valuations

Based on the valuation techniques detailed above, Table 13 provides a summary of the valuations derived for the Mineral Resources and the exploration potential within the projects by the various techniques. The combined valuation range for and VRM's preferred valuation in Table 14. Figure 17 graphically shows the valuation range and preferred valuation for the Mineral Resources and exploration potential within the project and the combined valuation range and preferred valuation for the mineral assets.

The preferred valuation that VRM has determined is based on the comparable transaction approach recognising that most of the value in the tenement package is attributed to the currently defined Mineral Resources estimates. The comparable transaction valuation is supported by the yardstick approach which took into account the classification of the Mineral Resources discounted for assessed resource and environmental risks.

The Geoscientific or Kilburn method is considered viable options to value the exploration potential adjacent to the currently defined Mineral Resources.

Based on the rationale outlined in the body of this Report, VRM is of the view that the Mineral Resource estimates are most appropriately valued considering a comparable transaction approach, while the exploration potential is most appropriately valued applying either the JV terms associated with the asset being valued or a Geoscientific or Kilburn valuation method if the JV terms are not available. On this basis in VRM's opinion, as detailed in Table 14 the likely market value of Essential's 100% owned project is between \$61.9 million and \$108.6 million with a preferred valuation of \$85.2 million while the JV Projects have a likely market value between \$4.5 million and \$7.9 million with a preferred valuation of \$6.2 million.

Therefore, VRM considers the market value of off Mineral Assets owned by Essential to be between \$66.3 million and \$116.5 million with a preferred value of \$91.4 million.

Table 13 Valuation Summary Projects by method

| Valuation summary by various methods | | | | | | |
|--|--------------------|----------------|-------------------|-----------------|---------------------|-----------------|
| Project | Asset | Valuation | Method | Lower Valuation | Preferred Valuation | Upper Valuation |
| Pioneer Dome | MRE | Primary | Comparable | \$58.3 | \$77.7 | \$97.1 |
| | MRE | Secondary | Yardstick | \$59.0 | \$88.4 | \$117.9 |
| Lithium Project | Exploration | Primary | Kilburn | \$1.8 | \$3.6 | \$5.4 |
| | Exploration | Secondary | PEM | \$3.9 | \$4.4 | \$5.0 |
| Total | | Primary | | \$60.0 | \$81.3 | \$102.6 |
| | | Secondary | | \$62.8 | \$92.9 | \$122.9 |
| Juglah Dome | Exploration | Primary | Kilburn | \$0.2 | \$0.4 | \$0.6 |
| | Exploration | Secondary | PEM | \$0.9 | \$1.0 | \$1.1 |
| Kangan Lithium | Lithium | Primary | Kilburn | \$0.6 | \$1.3 | \$1.9 |
| | Lithium | Secondary | PEM | \$0.1 | \$0.1 | \$0.1 |
| Horse Rocks | Exploration | Primary | Kilburn | \$0.0 | \$0.1 | \$0.1 |
| | Exploration | Secondary | PEM | \$0.1 | \$0.1 | \$0.1 |
| Golden Ridge | Gold | Primary | Kilburn | \$0.9 | \$2.2 | \$3.4 |
| | Gold | Secondary | PEM | \$1.1 | \$1.3 | \$1.5 |
| VRM Preferred Total Exploration Assets | | | | \$1.8 | \$3.9 | \$6.1 |
| VRM 100% Essential Projects | | Primary | | \$61.9 | \$85.2 | \$108.6 |
| | | Secondary | | \$65.0 | \$95.4 | \$125.8 |
| JV Projects | | | | | | |
| Kangan Gold | Exploration | Primary | JV Terms | \$0.6 | \$0.8 | \$0.9 |
| | Gold | Secondary | Kilburn | \$0.1 | \$0.2 | \$0.3 |
| | Gold | Secondary | PEM | \$0.4 | \$0.4 | \$0.5 |
| Golden Ridge | Nickel | Primary | JV Terms | \$2.0 | \$2.6 | \$3.3 |
| | Nickel | Secondary | Kilburn | \$1.2 | \$2.2 | \$3.2 |
| | Nickel | Secondary | PEM | \$0.9 | \$1.0 | \$1.2 |
| Balagundi | Exploration | Primary | JV Terms | \$0.2 | \$0.3 | \$0.4 |
| | Exploration | Secondary | Kilburn | \$0.1 | \$0.2 | \$0.2 |
| | Exploration | Secondary | PEM | \$0.1 | \$0.1 | \$0.1 |
| Maggie Hays | Exploration | Primary | Kilburn | \$0.2 | \$0.3 | \$0.4 |
| | Exploration | Secondary | PEM | \$0.0 | \$0.0 | \$0.0 |
| Acra | Exploration | Primary | JV Terms | \$1.4 | \$1.9 | \$2.4 |
| | Exploration | Secondary | Kilburn | \$0.5 | \$1.0 | \$1.5 |
| | Exploration | Secondary | PEM | \$1.2 | \$1.3 | \$1.5 |
| Wattle Dam | Exploration | Primary | Kilburn | \$0.1 | \$0.3 | \$0.5 |
| | Exploration | Secondary | PEM | \$1.3 | \$1.5 | \$1.7 |
| VRM Preferred Total JV Exploration Assets | | | | \$4.5 | \$6.2 | \$7.9 |
| Total Value of Essential's Mineral Assets | | Primary | | \$66.3 | \$91.4 | \$116.5 |
| | | Secondary | | \$68.2 | \$100.5 | \$132.8 |

Note the Bold valuations have been used to determine the Preferred VRM Valuation.

Table 14 VRM's Preferred Valuation as at 1 February 2023

| Essential Mineral Assets Valuation Summary | | | |
|---|--------|-----------|---------|
| | Lower | Preferred | Upper |
| 100% Essential Projects | | | |
| Pioneer Dome Lithium Project (PDLP) | | | |
| Mineral Resources | \$58.3 | \$77.7 | \$97.1 |
| Exploration Potential | \$1.8 | \$3.6 | \$5.4 |
| Total PDLP | \$60.0 | \$81.3 | \$102.6 |
| Other 100% Essential Projects | | | |
| Exploration Potential | \$1.8 | \$3.9 | \$6.1 |
| Total Valuation 100% Essential Projects (AUD\$ million) | \$61.9 | \$85.2 | \$108.6 |
| JV Projects | | | |
| Exploration Potential | \$4.5 | \$6.2 | \$7.9 |
| VRM Preferred Valuation (AUD\$ million) | \$66.3 | \$91.4 | \$116.5 |

Note the totals do not add due to rounding in the valuations.

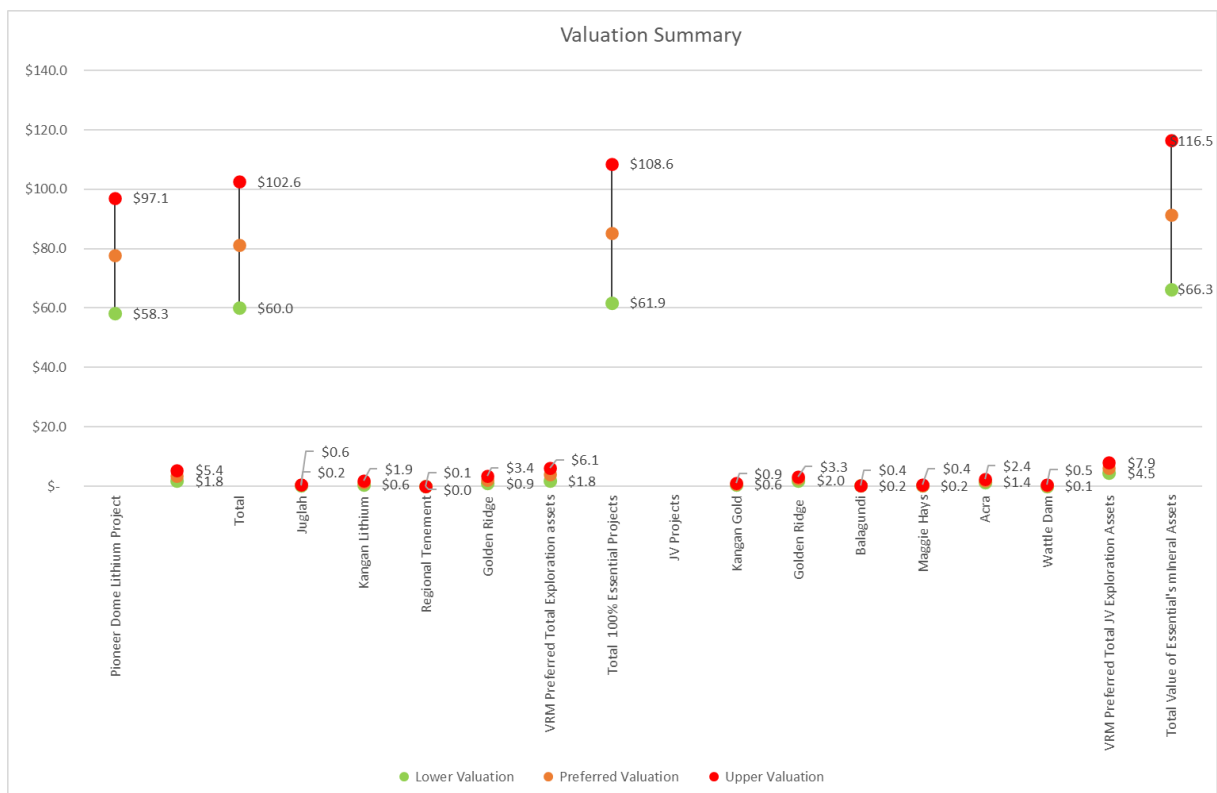


Figure 17 Valuation summary

13. References

The references below document the main documents referred to in this report however the various ASX releases for the various companies including Essential have not been included in the reference list.

Project Specific References

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14. Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Webmineral www.webmineral.com, Wikipedia www.wikipedia.org,

The following terms are taken from the 2015 VALMIN Code.

Annual Report means a document published by public corporations on a yearly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Australasian means Australia, New Zealand, Papua New Guinea, and their off-shore territories.

Code of Ethics means the Code of Ethics of the relevant Professional Organisation or Recognised Professional Organisations.

Corporations Act means the Australian Corporations Act 2001 (Cth).

Experts are persons defined in the Corporations Act whose profession or reputation gives authority to a statement made by him or her in relation to a matter. A Practitioner may be an Expert. Also see Clause 2.1.

Exploration Results is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Feasibility Study means a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-feasibility Study.

Financial Reporting Standards means Australian statements of generally accepted accounting practice in the relevant jurisdiction in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act.

Independent Expert Report means a Public Report as may be required by the Corporations Act, the Listing Rules of the ASX or other security exchanges prepared by a Practitioner who is acknowledged as being independent of the Commissioning Entity. Also see ASIC Regulatory Guides RG 111 and RG 112 as well as Clause 5.5 of the VALMIN Code for guidance on Independent Expert Reports.

Information Memoranda means documents used in financing of projects detailing the project and financing arrangements.

Investment Value means the benefit of an asset to the owner or prospective owner for individual investment or operational objectives.

Life-of-Mine Plan means a design and costing study of an existing or proposed mining operation where all Modifying Factors have been considered in sufficient detail to demonstrate at the time of reporting that extraction is reasonably justified. Such a study should be inclusive of all development and mining activities proposed through to the effective closure of the existing or proposed mining operation.

Market Value means the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing

buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. Also see Clause 8.1 for guidance on Market Value.

Materiality or being **Material** requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. Where relevant information is not supplied, an explanation must be provided to justify its exclusion. Also see Clause 3.2 for guidance on what is Material.

Member means a person who has been accepted and entitled to the post-nominals associated with the AIG or the AusIMM or both. Alternatively, it may be a person who is a member of a Recognised Professional Organisation included in a list promulgated from time to time.

Mineable means those parts of the mineralised body, both economic and uneconomic, that are extracted or to be extracted during the normal course of mining.

Mineral Asset means all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction, and processing of Minerals in connection with that Tenure.

Most Mineral Assets can be classified as either:

(a) **Early-stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.

(b) **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.

(c) **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.

(d) **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study.

(e) **Production Projects** – Tenure holdings – particularly mines, wellfields, and processing plants – that have been commissioned and are in production.

Mine Design means a framework of mining components and processes taking into account mining methods, access to the Mineralisation, personnel, material handling, ventilation, water, power, and other technical requirements spanning commissioning, operation, and closure so that mine planning can be undertaken.

Mine Planning includes production planning, scheduling and economic studies within the Mine Design taking into account geological structures and mineralisation, associated infrastructure and constraints, and other relevant aspects that span commissioning, operation, and closure.

Mineral means any naturally occurring material found in or on the Earth's crust that is either useful to or has a value placed on it by humankind, or both. This excludes hydrocarbons, which are classified as Petroleum.

Mineralisation means any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis, or composition.

Mineral Project means any exploration, development, or production activity, including a royalty or similar interest in these activities, in respect of Minerals.

Mineral Securities means those Securities issued by a body corporate or an unincorporated body whose business includes exploration, development or extraction and processing of Minerals.

Mineral Resources is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Mining means all activities related to extraction of Minerals by any method (e.g., quarries, open cast, open cut, solution mining, dredging etc).

Mining Industry means the business of exploring for, extracting, processing, and marketing Minerals.

Modifying Factors is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Ore Reserves is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to <http://www.jorc.org> for further information.

Petroleum means any naturally occurring hydrocarbon in a gaseous or liquid state, including coal-based methane, tar sands and oil-shale.

Petroleum Resource and **Petroleum Reserve** are defined in the current version of the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council, and the Society of Petroleum Evaluation Engineers. Refer to <http://www.spe.org> for further information.

Practitioner is an Expert as defined in the Corporations Act, who prepares a Public Report on a Technical Assessment or Valuation Report for Mineral Assets. This collective term includes Specialists and Securities Experts.

Preliminary Feasibility Study (Pre-Feasibility Study) means a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors that are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

Professional Organisation means a self-regulating body, such as one of engineers or geoscientists or of both, that:

- (a) admits members primarily on the basis of their academic qualifications and professional experience.
- (b) requires compliance with professional standards of expertise and behaviour according to a Code of Ethics established by the organisation; and
- (c) has enforceable disciplinary powers, including that of suspension or expulsion of a member, should its Code of Ethics be breached.

Public Presentation means the process of presenting a topic or project to a public audience. It may include, but not be limited to, a demonstration, lecture or speech meant to inform, persuade, or build good will.

Public Report means a report prepared for the purpose of informing investors or potential investors and their advisers when making investment decisions, or to satisfy regulatory requirements. It includes, but is not limited to, Annual Reports, Quarterly Reports, press releases, Information Memoranda, Technical Assessment Reports, Valuation Reports, Independent Expert Reports, website postings and Public Presentations. Also see Clause 5 for guidance on Public Reports.

Quarterly Report means a document published by public corporations on a quarterly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Reasonableness implies that an assessment which is impartial, rational, realistic, and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation.

Royalty or Royalty Interest means the amount of benefit accruing to the royalty owner from the royalty share of production.

Securities has the meaning as defined in the Corporations Act.

Securities Expert are persons whose profession, reputation or experience provides them with the authority to assess or value Securities in compliance with the requirements of the Corporations Act, ASIC Regulatory Guides and ASX Listing Rules.

Scoping Study means an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.

Specialists are persons whose profession, reputation, or relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value Mineral Assets.

Status in relation to Tenure means an assessment of the security of title to the Tenure.

Technical Assessment is an evaluation prepared by a Specialist of the technical aspects of a Mineral Asset. Depending on the development status of the Mineral Asset, a Technical Assessment may include the review of geology, mining methods, metallurgical processes and recoveries, provision of infrastructure and environmental aspects.

Technical Assessment Report involves the Technical Assessment of elements that may affect the economic benefit of a Mineral Asset.

Technical Value is an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

Tenure is any form of title, right, licence, permit or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract agreed minerals that may be (or is known to be) contained. Tenure can include third-party ownership of the Minerals (for example, a royalty stream). Tenure and Title have the same connotation as Tenement.

Transparency or being **Transparent** requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information that is known to the Practitioner.

Valuation is the process of determining the monetary Value of a Mineral Asset at a set Valuation Date.

Valuation Approach means a grouping of valuation methods for which there is a common underlying rationale or basis.

Valuation Date means the reference date on which the monetary amount of a Valuation in real (dollars of the day) terms is current. This date could be different from the dates of finalisation of the Public Report or the cut-off date of available data. The Valuation Date and date of finalisation of the Public Report **must** not be more than 12 months apart.

Valuation Methods means a subset of Valuation Approaches and may represent variations on a common rationale or basis.

Valuation Report expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related Securities.

Value means the Market Value of a Mineral Asset.

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Appendix A - Comparable Transactions

| Project | Buyer / Target | Target | Date | % | Price In | LicO ₃ | Price A\$ | Resource | A\$/T | Comment | Comparable |
|--------------|--------------------------|------------------|------------|------|----------|-------------------|-----------|----------|---------------|--------------------|------------|
| Mt Holland - | Wesfarmers /Kidman | Kidman Resources | 17/04/2019 | 50% | \$776.19 | 16,337.20 | 4,107.49 | 189 | \$43.47 | Very Large MRE | No |
| Altura | Pilbara Minerals /Altura | Altura project | 28/10/2020 | 100% | \$277.22 | 25,443.05 | 941.98 | 45.7 | \$20.61 | Processing Plant | No |
| Bald Hill | Private Chinese under | | 3/01/2021 | 100% | \$55.00 | 25,443.05 | 186.89 | 30.9 | \$6.05 | Administration / | No |
| Mt Cattlin | Orocobre /Galaxy | Galaxy Resources | 19/04/2021 | 100% | \$108.55 | 14,803.05 | 633.98 | 11.3 | \$56.10 | Producing | No |
| Manna | Global Lithium | Manna Project | 23/12/2021 | 80% | \$13.00 | 86,454.80 | 13.00 | 7.92 | \$1.64 | No Resource at the | Possibly |
| Manna | Global Lithium | Manna Project | 25/10/2022 | 20% | \$40.00 | 86,454.80 | 40.50 | 1.98 | \$102.28 | Synergies resource | No |
| Manna | Global Lithium | Manna Project | 25/10/2022 | 100% | \$73.00 | 86,454.80 | 73.92 | 9.9 | \$7.37 | Initial MRE | Yes |
| Manna | Global Lithium | Manna Project | 25/10/2022 | 100% | \$73.00 | 86,454.80 | 73.92 | 32.7 | \$2.23 | Updated MRE | Yes |

The only lithium Mineral Resource that has transacted and is, in VRM's opinion potentially comparable to the Mineral Resources at Dome North is the Manna Project divested by Breaker Resources and acquired by Global Lithium.

While there was no Mineral resource estimate at the time of the initial transaction when Global Lithium purchased 80% of the project at 23/12/2021 for \$13 million excluding contingent payments all the drilling had been completed and assay results reported however no formal MRE had been reported.

The second transaction where Global purchased the remaining 20% of the project there was significant additional information available however the updated MRE had not been completed. There were clearly advantages for Global Lithium to acquire the remaining 20% of the project that they did not already own, therefore there are synergies that were not available to other parties if the transaction were conducted in an open market.

In VRM's opinion, it is reasonable to combine both transactions including the contingent payments that were paid for Global to acquire 100% of the project. Therefore, VRM has used a combined transaction price of A\$73 million for 100% of the Manna project.

At the time of the second transaction the reported total MRE was 9.9Mt however there was an update to the MRE (to a total of 32.7Mt) soon after the second transaction was announced.

Therefore, VRM considers that it is reasonable to use the lower MRE (9.9Mt) and the transaction price of \$73 million to determine the upper Resource Multiple of \$7.37/t and the larger updated MRE (32.7Mt) and the transaction price of \$73 million to determine the lower Resource multiple of \$2.23/t.

VRM's opinion given the limited transaction information it is reasonable to use a Resource Multiple of \$7.00/t as the preferred Resource Multiple for a Lithium Mineral Resource that has not had a completed pre-feasibility study. To determine a range of likely market values VRM considers that a range of +/- 25% is reasonable, therefore the lower Resource Multiple used is A\$5.25/t and the upper Resource Multiple used is A\$8.75/t.

Appendix B - Geoscientific Valuation All Projects

| Project | Tenement | ESS Equity | Off | | On | | Anomaly | | Geology | | BAC | Technical Valuation | | | Market Valuation | | |
|------------------------------------|------------------|-------------|------------|------------|----------|------------|----------|------------|----------|------------|--------------|--|----------------|-----------------|------------------|------------|-------------|
| | | | Low | Hig | Low | Hig | Low | Hig | Low | Hig | | Low | Mid | High | Low | Mid | High |
| PDLP | E 15/1515 | 100% | 2 | 2.5 | 3 | 3.5 | 3 | 3.5 | 2.5 | 3 | 50000 | Not Valued by a Geoscientific / Kilburn Method | | | | | |
| PDLP | E 15/1725 | 100% | 1 | 1.5 | 0.5 | 0.9 | 1 | 1.2 | 0.5 | 0.9 | 20000 | 5000 | 17080 | 29160 | 0.01 | 0.02 | 0.03 |
| PDLP | E 63/1669 | 100% | 2 | 2.5 | 2 | 3 | 2 | 2.5 | 2 | 2.5 | 70000 | 1120000 | 2200625 | 3281250 | 1.31 | 2.57 | 3.84 |
| PDLP | E 63/1782 | 100% | 2 | 2.5 | 1 | 1.5 | 1 | 1.5 | 1.5 | 2 | 50000 | 150000 | 356250 | 562500 | 0.18 | 0.42 | 0.66 |
| PDLP | E 63/1783 | 100% | 1 | 1.5 | 0.5 | 0.9 | 1 | 1.2 | 1 | 1.2 | 50000 | 25000 | 61100 | 97200 | 0.03 | 0.07 | 0.11 |
| PDLP | E 63/1785 | 100% | 1 | 1.5 | 0.5 | 0.9 | 1 | 1.2 | 0.5 | 0.9 | 50000 | 12500 | 42700 | 72900 | 0.01 | 0.05 | 0.09 |
| PDLP | E 63/1825 | 100% | 1 | 1.5 | 0.5 | 0.9 | 1 | 1.2 | 0.5 | 0.9 | 66000 | 16500 | 56364 | 96228 | 0.02 | 0.07 | 0.11 |
| PDLP | E 63/2118 | 100% | 1 | 1.5 | 0.5 | 0.9 | 1 | 1.2 | 0.5 | 0.9 | 34000 | 8500 | 29036 | 49572 | 0.01 | 0.03 | 0.06 |
| PDLP | M 63/665 | 100% | 2 | 2.5 | 2 | 3 | 2 | 2.5 | 2 | 2.5 | 10000 | 160000 | 314375 | 468750 | 0.19 | 0.37 | 0.55 |
| PDLP | M15/1896 | 100% | | | | | | | | | | Not Valued by a Geoscientific / Kilburn Method | | | | | |
| Total PDLP | | | | | | | | | | | | 1497500 | 3077530 | 4657560 | 1.8 | 3.6 | 5.4 |
| Horse Rocks | E 15/1710 | 100% | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 26000 | 26000 | 78813 | 131625 | 0.0 | 0.1 | 0.1 |
| Juglah Dome | E 25/585 | 100% | 1.5 | 2 | 2 | 2.5 | 2 | 2.5 | 2 | 2.5 | 20000 | 240000 | 432500 | 625000 | 0.2 | 0.4 | 0.6 |
| Golden Ridge | E 26/186 | 100% | 1.5 | 2 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 50000 | 75000 | 206250 | 337500 | 0.07 | 0.20 | 0.33 |
| Golden Ridge | E 26/211 | 100% | 1.5 | 2 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 20000 | 30000 | 82500 | 135000 | 0.03 | 0.08 | 0.13 |
| Golden Ridge | E 26/212 | 100% | 1.5 | 2 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 30000 | 45000 | 123750 | 202500 | 0.04 | 0.12 | 0.20 |
| Golden Ridge | M 26/220 | 100% | 1.5 | 2 | 1 | 1.5 | 0.9 | 1 | 1 | 1.5 | 100000 | 135000 | 292500 | 450000 | 0.13 | 0.29 | 0.45 |
| Golden Ridge | M 26/222 | 100% | 1.5 | 2 | 1.5 | 2 | 1.5 | 2 | 1.5 | 2 | 61000 | 308813 | 642406 | 976000 | 0.31 | 0.64 | 0.97 |
| Golden Ridge | M 26/284 | 100% | 1.5 | 2 | 1.5 | 2 | 1 | 1.5 | 1.5 | 2 | 68600 | 231525 | 527363 | 823200 | 0.23 | 0.52 | 0.81 |
| Golden Ridge | M 26/285 | 100% | 1.5 | 2 | 1.5 | 2 | 1 | 1.5 | 1 | 1.5 | 55400 | 124650 | 311625 | 498600 | 0.12 | 0.31 | 0.49 |
| Total Golden Ridge - Gold | | | | | | | | | | | | 949988 | 2186394 | 3422800 | 0.9 | 2.2 | 3.4 |
| Kangan | E 45/4948 | 100% | 2.5 | 3 | 1.5 | 2 | 1 | 1.5 | 1.5 | 2 | 41000 | 230625 | 484313 | 738000 | 0.27 | 0.57 | 0.86 |
| Kangan | E 47/3318 | 100% | 2.5 | 3 | 1 | 1.5 | 0.9 | 1 | 1 | 1.5 | 50000 | 112500 | 225000 | 337500 | 0.13 | 0.26 | 0.39 |
| Kangan | E 47/3321 | 100% | 2.5 | 3 | 1 | 1.5 | 0.9 | 1 | 1 | 1.5 | 50000 | 112500 | 225000 | 337500 | 0.13 | 0.26 | 0.39 |
| Kangan | E 47/3945 | 100% | 2.5 | 3 | 1 | 1.5 | 0.9 | 1 | 1 | 1.5 | 36000 | 81000 | 162000 | 243000 | 0.09 | 0.19 | 0.28 |
| Total Kangan Lithium | | | | | | | | | | | | 536625 | 1096313 | 1656000 | 0.6 | 1.3 | 1.9 |
| 100% Essential Projects | | | | | | | | | | | | 3250113 | 6871549 | 10492985 | 3.6 | 7.5 | 11.5 |
| JV Projects | | | | | | | | | | | | | | | | | |
| Golden Ridge | E 26/186 | 25% | 3 | 3.5 | 2 | 2.5 | 1.5 | 2 | 1.5 | 2 | 50000 | 168750 | 303125 | 437500 | 0.17 | 0.30 | 0.43 |
| Golden Ridge | E 26/211 | 25% | 3 | 3.5 | 1.5 | 2 | 1.5 | 2 | 1 | 1.5 | 20000 | 33750 | 69375 | 105000 | 0.03 | 0.07 | 0.10 |
| Golden Ridge | E 26/212 | 25% | 3 | 3.5 | 2 | 2.5 | 1.5 | 2 | 1 | 1.5 | 30000 | 67500 | 132188 | 196875 | 0.07 | 0.13 | 0.19 |
| Golden Ridge | M 26/220 | 25% | 1 | 1.5 | 3 | 3.5 | 1.5 | 2 | 2 | 2.5 | 100000 | 225000 | 440625 | 656250 | 0.22 | 0.44 | 0.65 |
| Golden Ridge | M 26/222 | 25% | 3 | 3.5 | 2 | 2.5 | 3.5 | 4 | 1.5 | 2 | 61000 | 480375 | 773938 | 1067500 | 0.48 | 0.77 | 1.06 |
| Golden Ridge | M 26/284 | 25% | 3 | 3.5 | 1 | 1.5 | 1.5 | 2 | 1 | 1.5 | 68600 | 77175 | 173644 | 270113 | 0.08 | 0.17 | 0.27 |
| Golden Ridge | M 26/285 | 25% | 3 | 3.5 | 2 | 2.5 | 1.5 | 2 | 1.5 | 2 | 55400 | 186975 | 335863 | 484750 | 0.19 | 0.33 | 0.48 |
| Total Golden Ridge - Nickel | | | | | | | | | | | | 1239525 | 2228756 | 3217988 | 1.2 | 2.2 | 3.2 |
| Kangan Gold | E 45/4948 | 30% | 1 | 1.5 | 1 | 1.2 | 1 | 1.5 | 1 | 1.5 | 41000 | 12300 | 31058 | 49815 | 0.01 | 0.03 | 0.05 |

| Project | Tenement | ESS Equity | Off | | On | | Anomaly | | Geology | | BAC | Technical Valuation | | | Market Valuation | | |
|---|------------|------------|-----|-----|-----|-----|---------|-----|---------|-----|--------|---------------------|-----------------|-----------------|------------------|-------------|-------------|
| | | | Low | Hig | Low | Hig | Low | Hig | Low | Hig | | Low | Mid | High | Low | Mid | High |
| Kangan Gold | E 47/3318- | 30% | 1.5 | 1.8 | 1.2 | 1.8 | 1 | 1.5 | 1 | 1.5 | 50000 | 27000 | 68175 | 109350 | 0.03 | 0.07 | 0.11 |
| Kangan Gold | E 47/3321- | 30% | 1.5 | 1.8 | 1.2 | 1.8 | 1 | 1.5 | 1 | 1.5 | 50000 | 27000 | 68175 | 109350 | 0.03 | 0.07 | 0.11 |
| Kangan Gold | E 47/3945 | 30% | 1.5 | 1.8 | 1.2 | 1.8 | 1 | 1.5 | 1 | 1.5 | 36000 | 19440 | 49086 | 78732 | 0.02 | 0.05 | 0.08 |
| Total Kangan - Gold | | | | | | | | | | | | 85740 | 216494 | 347247 | 0.1 | 0.2 | 0.3 |
| Acra | E 27/278 | 25% | 2 | 2.5 | 2 | 2.5 | 1.5 | 2 | 1 | 1.5 | 70000 | 105000 | 216563 | 328125 | 0.10 | 0.21 | 0.32 |
| Acra | E 27/438 | 25% | 3 | 3.5 | 1.5 | 1.8 | 1.5 | 2 | 1 | 1.5 | 70000 | 118125 | 224438 | 330750 | 0.12 | 0.22 | 0.33 |
| Acra | E 27/491 | 25% | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 0.5 | 1 | 50000 | 6250 | 24219 | 42188 | 0.01 | 0.02 | 0.04 |
| Acra | E 27/520 | 25% | 3 | 3.5 | 1 | 1.5 | 1.5 | 2 | 1 | 1.5 | 30000 | 33750 | 75938 | 118125 | 0.03 | 0.08 | 0.12 |
| Acra | E 27/520 | 25% | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 20000 | 5000 | 15156 | 25313 | 0.00 | 0.02 | 0.03 |
| Acra | E 27/548 | 25% | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 50000 | 12500 | 37891 | 63281 | 0.01 | 0.04 | 0.06 |
| Acra | E 27/579 | 25% | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 54000 | 13500 | 40922 | 68344 | 0.01 | 0.04 | 0.07 |
| Acra | E 28/1746 | 25% | 1.5 | 2 | 2 | 2.5 | 1.5 | 2 | 1 | 1.5 | 70000 | 78750 | 170625 | 262500 | 0.08 | 0.17 | 0.26 |
| Acra | E 28/2483 | 25% | 1.5 | 2 | 1.5 | 2 | 1.5 | 1.7 | 1.5 | 2 | 70000 | 88594 | 163297 | 238000 | 0.09 | 0.16 | 0.24 |
| Total ACRA | | | | | | | | | | | | 461469 | 969047 | 1476625 | 0.5 | 1.0 | 1.5 |
| Wattle Dam | M 15/1101 | 20% | 1.5 | 1.8 | 1.5 | 2 | 1 | 1.5 | 1 | 1.5 | 51900 | 23355 | 53717 | 84078 | 0.02 | 0.05 | 0.08 |
| Wattle Dam | M 15/1263 | 20% | 1.5 | 1.8 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 21700 | 6510 | 16438 | 26366 | 0.01 | 0.02 | 0.03 |
| Wattle Dam | M 15/1264 | 20% | 1.5 | 1.8 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 10000 | 3000 | 7575 | 12150 | 0.00 | 0.01 | 0.01 |
| Wattle Dam | M 15/1323 | 20% | 1.5 | 1.8 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 10000 | 3000 | 7575 | 12150 | 0.00 | 0.01 | 0.01 |
| Wattle Dam | M 15/1338 | 20% | 1.5 | 1.8 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 10000 | 3000 | 7575 | 12150 | 0.00 | 0.01 | 0.01 |
| Larkinville | M 15/1449 | 25% | 1.5 | 1.8 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 24300 | 9113 | 23009 | 36906 | 0.01 | 0.02 | 0.04 |
| Wattle Dam | M 15/1769 | 20% | 1.5 | 1.8 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 32300 | 9690 | 24467 | 39245 | 0.01 | 0.02 | 0.04 |
| Wattle Dam | M 15/1770 | 20% | 1.5 | 1.8 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 100000 | 30000 | 75750 | 121500 | 0.03 | 0.07 | 0.12 |
| Wattle Dam | M 15/1771 | 20% | 1.5 | 1.8 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 77800 | 23340 | 58934 | 94527 | 0.02 | 0.06 | 0.09 |
| Wattle Dam | M 15/1772 | 20% | 1.5 | 1.8 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 45000 | 13500 | 34088 | 54675 | 0.01 | 0.03 | 0.05 |
| Wattle Dam | M 15/1773 | 20% | 1.5 | 1.8 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 10000 | 3000 | 7575 | 12150 | 0.00 | 0.01 | 0.01 |
| Total Wattle Dam and Larkinville | | | | | | | | | | | | 127508 | 316702 | 505896 | 0.1 | 0.3 | 0.5 |
| Balagundi | E 27/558 | 25% | 1.5 | 2 | 2 | 2.5 | 1.5 | 2 | 1.5 | 2 | 50000 | 84375 | 167188 | 250000 | 0.1 | 0.2 | 0.2 |
| Maggie Hays | E 63/1784 | 20% | 3 | 3.5 | 2 | 2.5 | 1.5 | 2 | 2 | 2.5 | 50000 | 180000 | 308750 | 437500 | 0.2 | 0.3 | 0.4 |
| Total JV Projects | | | | | | | | | | | | 2178616 | 4206936 | 6235255 | 2.2 | 4.2 | 6.2 |
| Total Essential Exploration Assets | | | | | | | | | | | | 5428729 | 11078484 | 16728240 | 5.7 | 11.7 | 17.7 |

Note only tenements that are not valued using Resource Multiples are valued using the Geoscientific or Kilburn valuation method therefore not all tenements in the tenement schedule (Table 1) are included in this valuation.

To determine the market value the technical value has had a premium of 10% has been applied to the gold and nickel projects and 30% to the lithium projects due and a discount of 10% for the geopolitical risks associated with Western Australia due to labour shortages access issues environmental approvals heritage delays and the inflationary environment current experienced in the Western Australian economy.

Appendix C - PEM Valuation All Projects

| Project | Tenement | ESS Equity | 2018 | 2019 | 2020 | 2021 | 2022 | Total Expenditure | PEM Low | PEM High | PEM Valuation Low | PEM Mid-Point | PEM Valuation High |
|--|------------------|------------|-----------|----------|-----------|-----------------|-----------------|-------------------|------------|------------|--------------------|---------------|--------------------|
| Pioneer Dome Lithium | E 15/1515 | 100% | \$32094 | \$36971 | \$2066704 | \$503878 | \$1496553 | \$4136200 | | | Not valued via PEM | | |
| Pioneer Dome Lithium | E 15/1725 | 100% | | | | | | \$- | | | \$- | \$- | \$- |
| Pioneer Dome Lithium | E 63/1669 | 100% | \$866191 | \$61042 | \$138124 | \$111195 | \$27452 | \$1204004 | 1 | 1.3 | \$1.20 | \$1.38 | \$1.57 |
| Pioneer Dome Lithium | E 63/1782 | 100% | \$13986 | \$11211 | \$3687 | \$28379 | \$111547 | \$168810 | 1 | 1.3 | \$0.17 | \$0.19 | \$0.22 |
| Pioneer Dome Lithium | E 63/1783 | 100% | \$39104 | \$10172 | \$20842 | \$25754 | \$105266 | \$201138 | 1 | 1.3 | \$0.20 | \$0.23 | \$0.26 |
| Pioneer Dome Lithium | E 63/1785 | 100% | \$3599 | \$7560 | \$16163 | \$30007 | \$71191 | \$128520 | 1 | 1.3 | \$0.13 | \$0.15 | \$0.17 |
| Pioneer Dome Lithium | E 63/1825 | 100% | \$16160 | \$8429 | \$24186 | \$39102 | \$80667 | \$168544 | 1 | 1.3 | \$0.17 | \$0.19 | \$0.22 |
| Pioneer Dome Lithium | E 63/2118 | 100% | | | | | | \$- | | | \$- | \$- | \$- |
| Pioneer Dome Lithium | M 63/665 | 100% | \$1277608 | \$419924 | \$254345 | \$20479 | \$15595 | \$1987951 | 1 | 1.3 | \$1.99 | \$2.29 | \$2.58 |
| Pioneer Dome Lithium | M15/1896 | 100% | | | | | | | | | Not valued via PEM | | |
| Total Pioneer Dome | | | | | | | | \$3858967 | 1 | 1.3 | \$3.86 | \$4.44 | \$5.02 |
| Horse Rocks | E 15/1710 | 100% | | | | \$34728 | \$19957 | \$54685 | 1 | 1.3 | \$0.05 | \$0.06 | \$0.07 |
| Juglah Dome | E 25/585 | 100% | | | | \$367663 | \$205926 | \$573589 | 1.5 | 2 | \$0.86 | \$1.00 | \$1.15 |
| Golden Ridge Gold | E 26/186 | 100% | \$54839 | \$54314 | \$189510 | | | \$298663 | 1 | 1.3 | \$0.30 | \$0.34 | \$0.39 |
| Golden Ridge Gold | E 26/211 | 100% | | | \$11864 | | | \$11864 | 1 | 1.3 | \$0.01 | \$0.01 | \$0.02 |
| Golden Ridge Gold | E 26/212 | 100% | | | \$16030 | | | \$16030 | 1 | 1.3 | \$0.02 | \$0.02 | \$0.02 |
| Golden Ridge Gold | M 26/220 | 100% | \$210936 | \$75270 | \$52540 | | | \$338746 | 1 | 1.3 | \$0.34 | \$0.39 | \$0.44 |
| Golden Ridge Gold | M 26/222 | 100% | \$5095 | \$4960 | \$8549 | | | \$18604 | 1 | 1.3 | \$0.02 | \$0.02 | \$0.02 |
| Golden Ridge Gold | M 26/284 | 100% | \$7438 | \$7411 | \$12285 | | | \$27134 | 1 | 1.3 | \$0.03 | \$0.03 | \$0.04 |
| Golden Ridge Gold | M 26/285 | 100% | \$180088 | \$118234 | \$131047 | | | \$429369 | 1 | 1.3 | \$0.43 | \$0.49 | \$0.56 |
| Total Golden Ridge - Gold | | | | | | | | \$1140410 | | | \$1.14 | \$1.31 | \$1.48 |
| Kangan Lithium | E 45/4948 | 100% | | | | | | \$- | 1 | 1.3 | \$- | \$- | \$- |
| Kangan Lithium | E 47/3318-I | 100% | \$40871 | | | | | \$40871 | 1 | 1.3 | \$0.04 | \$0.05 | \$0.05 |
| Kangan Lithium | E 47/3321-I | 100% | \$46383 | | | | | \$46383 | 1 | 1.3 | \$0.05 | \$0.05 | \$0.06 |
| Kangan Lithium | E 47/3945 | 100% | | | | | | \$- | 1 | 1.3 | \$- | \$- | \$- |
| Total Kangan Lithium | | | | | | | | \$87254 | | | \$0.09 | \$0.10 | \$0.11 |
| PEM 100% Essential Owned Projects | | | | | | | | \$5714905 | | | \$6.00 | \$6.92 | \$7.83 |
| JV Projects | | | | | | | | | | | | | |
| Golden Ridge Nickel | E 26/186 | 25% | \$54839 | \$54314 | \$189510 | \$67878 | \$54749 | \$421290 | 1 | 1.3 | \$0.11 | \$0.12 | \$0.14 |
| Golden Ridge Nickel | E 26/211 | 25% | | | \$11864 | \$16552 | \$22873 | \$51289 | 1 | 1.3 | \$0.01 | \$0.01 | \$0.02 |
| Golden Ridge Nickel | E 26/212 | 25% | | | \$16030 | \$21715 | \$35201 | \$72946 | 1 | 1.3 | \$0.02 | \$0.02 | \$0.02 |
| Golden Ridge Nickel | M 26/220 | 25% | \$210936 | \$75270 | \$52540 | \$50397 | \$910445 | \$1299588 | 1.5 | 2 | \$0.49 | \$0.57 | \$0.65 |
| Golden Ridge Nickel | M 26/222 | 25% | \$5095 | \$4960 | \$8549 | \$141276 | \$62166 | \$222046 | 1 | 1.3 | \$0.06 | \$0.06 | \$0.07 |
| Golden Ridge Nickel | M 26/284 | 25% | \$7438 | \$7411 | \$12285 | \$102501 | \$45029 | \$174664 | 1 | 1.3 | \$0.04 | \$0.05 | \$0.06 |
| Golden Ridge Nickel | M 26/285 | 25% | \$180088 | \$118234 | \$131047 | \$99483 | \$146740 | \$675592 | 1 | 1.3 | \$0.17 | \$0.19 | \$0.22 |
| Total Golden Ridge - Nickel | | | | | | | | \$2917415 | | | \$0.89 | \$1.03 | \$1.18 |

| Project | Tenement | ESS Equity | 2018 | 2019 | 2020 | 2021 | 2022 | Total Expenditure | PEM Low | PEM High | PEM Valuation Low | PEM Mid-Point | PEM Valuation High |
|---|-------------|------------|----------|----------|----------|-----------|-----------|-------------------|---------|----------|-------------------|----------------|--------------------|
| Kangan Gold | E 45/4948 | 30% | | | | \$35060 | \$75977 | \$111037 | 1 | 1.3 | \$0.03 | \$0.04 | \$0.04 |
| Kangan Gold | E 47/3318-I | 30% | | \$41810 | \$41872 | \$419466 | \$138235 | \$641383 | 1 | 1.3 | \$0.19 | \$0.22 | \$0.25 |
| Kangan Gold | E 47/3321-I | 30% | | \$5648 | \$16869 | \$102996 | \$111098 | \$236611 | 1 | 1.3 | \$0.07 | \$0.08 | \$0.09 |
| Kangan Gold | E 47/3945 | 30% | | \$23175 | \$29227 | \$48333 | \$98857 | \$199592 | 1 | 1.3 | \$0.06 | \$0.07 | \$0.08 |
| Total Kangan - Gold | | | | | | | | \$1188624 | | | \$0.36 | \$0.41 | \$0.46 |
| Acra | E 27/278 | 25% | \$396164 | \$76229 | \$155810 | \$148978 | \$- | \$777181 | 1 | 1.3 | \$0.19 | \$0.22 | \$0.25 |
| Acra | E 27/438 | 25% | \$241050 | \$91533 | \$19032 | \$262274 | \$48584 | \$662473 | 1 | 1.3 | \$0.17 | \$0.19 | \$0.22 |
| Acra | E 27/491 | 25% | \$30737 | \$14370 | \$7104 | \$188 | \$25067 | \$77466 | 1 | 1.3 | \$0.02 | \$0.02 | \$0.03 |
| Acra | E 27/520 | 25% | \$184870 | \$101286 | \$8607 | \$2821 | \$4500 | \$302084 | 1 | 1.3 | \$0.08 | \$0.09 | \$0.10 |
| Acra | E 27/520 | 25% | \$184870 | \$101286 | \$8607 | \$2821 | \$4500 | \$302084 | 1 | 1.3 | \$0.08 | \$0.09 | \$0.10 |
| Acra | E 27/548 | 25% | \$541837 | \$66829 | \$3567 | \$3213 | \$4667 | \$620113 | 1 | 1.3 | \$0.16 | \$0.18 | \$0.20 |
| Acra | E 27/579 | 25% | \$35725 | \$251005 | \$72582 | \$8908 | \$3633 | \$371853 | 1 | 1.3 | \$0.09 | \$0.11 | \$0.12 |
| Acra | E 28/1746 | 25% | \$136065 | \$784090 | \$230076 | \$264877 | \$37447 | \$1452555 | 1 | 1.3 | \$0.36 | \$0.42 | \$0.47 |
| Acra | E 28/2483 | 25% | \$6925 | \$21451 | \$38550 | \$17365 | \$1376 | \$85667 | 1 | 1.3 | \$0.02 | \$0.02 | \$0.03 |
| Total ACRA - Gold | | | | | | | | \$4651476 | | | \$1.16 | \$1.34 | \$1.51 |
| Wattle Dam Nickel | M 15/1101 | 20% | \$206223 | \$52800 | \$183554 | \$1520558 | \$2370496 | \$4333631 | 1 | 1.3 | \$0.87 | \$1.00 | \$1.13 |
| Wattle Dam Nickel | M 15/1263 | 20% | \$9600 | \$461 | \$9485 | \$7360 | \$21045 | \$47951 | 1 | 1.3 | \$0.01 | \$0.01 | \$0.01 |
| Wattle Dam Nickel | M 15/1264 | 20% | \$1401 | \$5600 | \$28980 | \$32552 | \$3570 | \$72103 | 1 | 1.3 | \$0.01 | \$0.02 | \$0.02 |
| Wattle Dam Nickel | M 15/1323 | 20% | \$1188 | \$7000 | \$- | \$5845 | \$2674 | \$16707 | 1 | 1.3 | \$0.00 | \$0.00 | \$0.00 |
| Wattle Dam Nickel | M 15/1338 | 20% | \$594 | \$5000 | \$- | \$5327 | \$4049 | \$14970 | 1 | 1.3 | \$0.00 | \$0.00 | \$0.00 |
| Larkinville | M 15/1449 | 25% | \$13030 | \$22023 | \$133291 | \$101388 | \$101388 | \$371120 | 1 | 1.3 | \$0.09 | \$0.11 | \$0.12 |
| Wattle Dam Nickel | M 15/1769 | 20% | \$4595 | \$- | \$- | \$75457 | \$41223 | \$121275 | 1 | 1.3 | \$0.02 | \$0.03 | \$0.03 |
| Wattle Dam Nickel | M 15/1770 | 20% | \$190135 | \$- | \$- | \$130536 | \$693371 | \$1014042 | 1 | 1.3 | \$0.20 | \$0.23 | \$0.26 |
| Wattle Dam Nickel | M 15/1771 | 20% | \$11005 | \$- | \$- | \$66792 | \$269899 | \$347696 | 1 | 1.3 | \$0.07 | \$0.08 | \$0.09 |
| Wattle Dam Nickel | M 15/1772 | 20% | \$10737 | \$- | \$- | \$21591 | \$89576 | \$121904 | 1 | 1.3 | \$0.02 | \$0.03 | \$0.03 |
| Wattle Dam Nickel | M 15/1773 | 20% | \$732 | \$- | \$- | \$6260 | \$1442 | \$8434 | 1 | 1.3 | \$0.00 | \$0.00 | \$0.00 |
| Total Wattle Dam and Larkinville | | | | | | | | \$6469833 | | | \$1.31 | \$1.51 | \$1.71 |
| Balagundi Gold and | E 27/558 | 25% | \$13302 | \$17696 | \$37383 | \$100498 | \$47954 | \$216833 | 1 | 1.3 | \$0.05 | \$0.06 | \$0.07 |
| Maggie Hays Hill | E 63/1784 | 20% | \$24775 | \$51125 | \$42220 | \$34752 | \$22718 | \$175589 | 1 | 1.3 | \$0.04 | \$0.04 | \$0.05 |
| Total JV Projects | | | | | | | | \$30847118 | | | \$3.81 | \$4.39 | \$4.97 |
| Total PEM Valuation Essential Exploration Assets | | | | | | | | | | | \$9.81 | \$11.31 | \$12.80 |

Note only tenements that are not valued using Resource Multiples are valued using the PEM valuation method therefore not all tenements in the tenement schedule (Table 1) are included in this valuation.

The PEM valuation for the Kangan Lithium Project is based on expenditure prior to formation of the Kangan Gold Project, the Golden Ridge Gold PEM valuation assumes that since the Golden Ridge Nickel Joint venture was formed there has been minimal gold exploration within the tenements and all expenditure has been targeting nickel and expended by ANCO.

For personal use only

Deed Poll

Tianqi Lithium Energy Australia Pty Ltd

Bidder

In favour of each person registered in the Target Share Register as a holder of Scheme Shares as at the Record Date

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GPO Box 9806
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Deed Poll

| | |
|---------------------|--|
| Date | 13th March 2023 |
| Party | Tianqi Lithium Energy Australia Pty Ltd ARBN 649 234 211 of Level 19, Forrest Centre, 221 St Georges Terrace, Perth WA 6000 (Bidder) |
| In favour of | Each person registered in the Target Share Register as a holder of Scheme Shares as at the Record Date (Scheme Shareholders) |

Background

- A. The Target and the Bidder have entered into the Implementation Agreement.
- B. The Target has agreed in the Implementation Agreement to propose the Scheme, the effect of which will be that the Bidder will acquire all of the Scheme Shares from the Scheme Shareholders, subject to the satisfaction of certain conditions.
- C. In accordance with clause 4.3(j) of the Implementation Agreement, the Bidder is entering into this deed poll.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this deed poll:

First Court Date means the first day of the hearing of an application made to the Court for an order pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Implementation Agreement means the scheme implementation agreement dated 8 January 2023 between the Target and the Bidder pursuant to which, amongst other things, the Target has agreed to propose the Scheme, and each of the Target and the Bidder has agreed to take certain steps to give effect to the Scheme.

Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the Scheme Shareholders substantially in the form set out in **Annexure A** or in such other form as the Target and the Bidder agree in writing.

Target means Essential Metals Limited ABN 44 103 423 981 of Level 3, 1292 Hay Street, West Perth WA 6005.

Capitalised terms have the meaning given to them in the Scheme, unless the context requires otherwise.

1.2 Interpretation

In this deed poll headings and labels used for definitions are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word including or any other form of that word is not a word of limitation;

- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) references to paragraphs or clauses are to a paragraph or clause of this deed poll;
- (g) a reference to a document (including this deed poll) is to that document as varied, novated, ratified or replaced from time to time;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (**obsolete body**), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (j) if a word or phrase is not given a defined meaning in clause 1.1 but is defined in or for the purposes of the Corporations Act, it has the same meaning when used in this deed poll;
- (k) a reference to a date or time is to that date or time in Perth, Australia; and
- (l) this deed poll or any clause in this deed poll must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

1.3 Nature of deed poll

The Bidder acknowledges and agrees that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints the Target as its agent and attorney to enforce this deed poll against the Bidder.

2. Conditions

2.1 Conditions Precedent

The Bidder's obligations under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The Bidder's obligations under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Implementation Agreement is terminated in accordance with its terms; or

- (b) the Scheme does not become Effective by the End Date,

unless the Target and the Bidder otherwise agree in accordance with the Implementation Agreement.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then in addition and without prejudice to any other rights, powers or remedies:

- (a) the Bidder is released from its obligations to further perform this deed poll except those obligations under clause 7.4 and any other obligations which by their nature survive termination; and
- (b) each Scheme Shareholder retains the rights it has against the Bidder in respect of any breach of this deed poll which occurs before it was terminated.

3. Scheme obligations

Subject to clause 2, the Bidder undertakes in favour of each Scheme Shareholder to:

- (a) deposit (or procure the deposit of) an amount equal to the total Scheme Consideration in cleared funds into the Trust Account by no later than 12 noon on the Business Day before the Implementation Date; and
- (b) undertake all other actions attributed to it under, and otherwise comply with, the Scheme, as if named as a party to the Scheme,

in each case subject to and in accordance with the terms of the Scheme.

4. Representations and warranties

The Bidder represents and warrants that:

- (a) **(Status)** it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) **(Power)** it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(Authorisation)** it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(Binding)** this deed poll is valid and binding on it and is enforceable against it in accordance with its terms;
- (e) **(Transaction permitted)** the execution and performance by it of this deed poll and each transaction contemplated by this deed poll does not and will not violate in any respect:
- (i) any writ, order or injunction, judgment, law, rule or regulation to which it is party, or by which it is bound; or
- (ii) the constitution or equivalent constituent documents of it or any of its Related Bodies Corporate (as defined in the Implementation Agreement) or any material term or provision of any of its material agreements; and

- (f) **(Solvency)** it is solvent and no resolution has been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until the earlier of:

- (a) the Bidder fully performing its obligations under this deed poll; or
- (b) the termination of this deed poll under clause 2.2.

6. Notices

6.1 How notice to be given

Any notice or other communication to the Bidder in connection with this deed poll:

- (a) may be given by personal service, post or email;
- (b) must be in writing;
- (c) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):

Address: Level 19, 221 St Georges Tce Perth WA 6000, PO
Box 473, Kwinana WA 6966

Attention: Chief Executive Officer

Email: raj.surendran@tianqilithium.com.au

- (d) (in the case of personal service or post) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;
- (e) (in the case of email) must state that the email is a communication under this agreement; and
- (f) must be delivered by hand or posted by prepaid post to the address or sent by email to the email address, of the addressee, in accordance with this clause 6.1.

6.2 When notice taken to be received

Each communication (including each notice, consent, approval, request and demand) under or in connection with this agreement is taken to be received by the addressee:

- (a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;
- (b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;
- (c) (in the case of delivery by hand) on delivery; and
- (d) (in the case of email) unless the party sending the email knows or reasonably ought to suspect that the email and the attached communication were not delivered to the

addressee's domain specified in the email address notified for the purposes of clause 6.1, 24 hours after the email was sent,

but if the communication would otherwise be taken to be received on a day that is not a Business Day or after 5:00 pm, it is taken to be received at 9:00 am on the next Business Day.

7. General

7.1 Assignment

The rights and obligations of the Bidder and each Scheme Shareholder under this deed poll are personal and must not be assigned, charged or otherwise dealt with at law or in equity.

7.2 Cumulative rights

The rights, powers and remedies in connection with this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this deed poll.

7.3 Further action

The Bidder will, at its own expense, promptly do all things and execute and deliver all further documents required by law to give effect to this deed poll and the transactions contemplated by it.

7.4 Stamp duties

The Bidder will pay or procure the payment of all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll.

7.5 Variation

A provision of this deed poll may not be varied unless:

- (a) before the First Court Date, the variation is agreed to in writing by the Target and the Bidder; or
- (b) on or after the First Court Date, the variation is agreed to in writing by the Target and the Bidder and the Court indicates that the variation would not preclude approval of the Scheme,

in which event the Bidder will enter into a further deed poll in favour of the Scheme Shareholders giving effect to such variation.

7.6 Waiver

- (a) Waiver of any right arising from a breach of this deed poll or of any right, power, authority, discretion or remedy arising upon default under this deed poll must be in writing and signed by the person granting the waiver. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (b) A failure or delay in exercise, partial exercise, or enforcement of:
 - (i) any right, power or remedy provided by law or under this deed poll; or
 - (ii) any right, power, authority, discretion or remedy created or arising upon default under this deed poll,

by any person will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.

- (c) A person is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this deed poll or on a default under this deed poll as constituting a waiver of that right, power, authority, discretion or remedy.
- (d) A person may not rely on any conduct of another person as a defence to the exercise of a right, power, authority, discretion or remedy by that other person.
- (e) This clause 7.6 may not itself be waived except in writing.

8. Governing law and jurisdiction

- (a) This deed poll is governed by the law applying in Western Australia.
- (b) The Bidder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to for any proceedings in connection with this deed poll.
- (c) The Bidder waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 8(b).

Executed as a deed poll.

Executed for and on behalf of Tianqi)
Lithium Energy Australia Pty Ltd (UK)
Company No 08960607, ARBN 649 234)
211) by a director in the presence of:)

Guo Li)

.....)
Name of Witness (Print))
No.10 East Gaopeng Road Chengdu PRC)

.....)
Address of Witness)
VP of Tianqi)

.....)
Occupation of Witness)

Guo Li)
.....)
Signature of Witness)

Anqi Jiang

.....
Name of Director (Print)

)
.....)
Signature of Director)

For personal use only

For personal use only

Scheme of Arrangement

Pursuant to section 411 of the Corporations Act

Essential Metals Limited

Target

Each person registered in the Target Share Register as a holder of Scheme Shares as at the Record Date

Clayton Utz
Level 27 QV.1
250 St Georges Terrace
Perth WA 6000
GPO Box 9806
Perth WA 6848
Tel +61 8 9426 8000
Fax +61 8 9481 3095
www.claytonutz.com

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Scheme of arrangement made under section 411 of the Corporations Act 2001 (Cth)

| | |
|----------------|--|
| Date | 2023 |
| Parties | Essential Metals Limited ABN 44 103 423 981 of Level 3, 1292 Hay Street, West Perth WA 6005 (Target) Each person registered in the Target Share Register as a holder of Scheme Shares as at the Record Date |

Background

- A. The Target and the Bidder have entered into the Implementation Agreement, pursuant to which, amongst other things, the Target has agreed to propose this Scheme, and each of the Target and the Bidder has agreed to take certain steps to give effect to this Scheme.
- B. If this Scheme becomes Effective, the Bidder will acquire all of the Scheme Shares and the Target will enter the Bidder in the Target Share Register as the holder of the Scheme Shares.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this Scheme, unless the contrary intention appears or the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Bidder means Tianqi Lithium Energy Australia Pty Ltd ARBN 649 234 211 of Level 19, Forrest Centre, 221 St Georges Terrace, Perth WA 6000.

Bidder Nominee has the meaning given in clause 4.1.

Business Day means a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally in Perth, Western Australia.

CHESS means the clearing house electronic sub-register system for the electronic transfer of securities operated by ASX Settlements Pty Limited ABN 49 008 504 532.

Condition means each condition to this Scheme set out in clause 2.1.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Supreme Court of Western Australia or such other court of competent jurisdiction as the Target and the Bidder agree in writing.

Deed Poll means a deed poll to be executed by the Bidder (and the Bidder Nominee, if a Bidder Nominee is nominated by the Bidder) in favour of the Scheme Shareholders, substantially in the form set out in **Annexure B** or in such other form as the Target and the Bidder agree in writing.

Delivery Time means 8:00 am on the Second Court Date.

Effective means, when used in relation to this Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means 30 June 2023 or such other date agreed in writing between the Target and the Bidder in accordance with the Implementation Agreement.

Implementation Agreement means the Scheme Implementation Agreement dated [●] between the Target and the Bidder under which, amongst other things, the Target has agreed to propose this Scheme, and each of the Target and the Bidder has agreed to take certain steps to give effect to this Scheme.

Implementation Date means the date that is 5 Business Days after the Record Date or such other date as the Target and the Bidder agree in writing or as ordered by the Court.

Record Date means 5:00 pm on the date that is 5 Business Days after the Effective Date or such other time and date agreed in writing between the Target and the Bidder.

Registered Address means in relation to a Target Shareholder, the address shown in the Target Share Register.

Regulatory Authority means:

- (a) any government or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; and
- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.

Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between the Target and the Scheme Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by the Target and the Bidder.

Scheme Consideration has the meaning given in the Implementation Agreement.

Scheme Meeting means the meeting of Target Shareholders to be convened pursuant to section 411(1) of the Corporations Act to consider and, if thought fit, to approve the Scheme.

Scheme Share means a Target Share on issue as at the Record Date, other than any Target Shares held by the Bidder as at the Record Date.

Scheme Shareholder means each person registered in the Target Share Register as the holder of one or more Scheme Shares as at the Record Date.

Scheme Transfer means one or more proper instruments of transfer in respect of this Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day of the hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving this Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Security Interest has the meaning given in section 12 of the Personal Property Securities Act 2009 (Cth).

Subsidiary has the meaning given to that term in the Corporations Act.

Target Share Register means the register of members of the Target maintained by or on behalf of the Target in accordance with section 168(1) of the Corporations Act.

Target Share Registry means Automic Pty Ltd ACN 152 260 814.

Target Shareholder means each person registered in the Target Share Register as the holder of one or more Target Shares.

Target Shares means fully paid ordinary shares in the capital of the Target.

Trust Account means an Australian dollar denominated trust account operated by or on behalf of the Target as trustee for the Scheme Shareholders, as nominated by the Target and notified to the Bidder at least 5 Business Days prior to the Implementation Date, being the account into which the Bidder (or if applicable, the Bidder Nominee) will deposit an amount equal to the total Scheme Consideration in accordance with clause 4.4.

1.2 Interpretation

In this Scheme headings and labels used for definitions are for convenience only and do not affect interpretation and, unless the contrary intention appears:

- (a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;
- (b) the word **including** or any other form of that word is not a word of limitation;
- (c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;
- (e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (f) references to paragraphs or clauses are to a paragraph or clause of this Scheme;
- (g) a reference to a document (including this Scheme) is to that document as varied, novated, ratified or replaced from time to time;
- (h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed (**obsolete body**), means the agency or body which performs most closely the functions of the obsolete body;
- (i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (j) if a word or phrase is not given a defined meaning in clause 1.1 but is defined in or for the purposes of the Corporations Act, it has the same meaning when used in this Scheme;
- (k) a reference to a date or time is to that date or time in Perth, Australia; and
- (l) this Scheme or any clause in this Scheme must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

1.3 Business Day

Except where otherwise expressly provided, where under this Scheme the day on which or by which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing shall be done on the immediately preceding Business Day.

2. Conditions precedent

2.1 Conditions

The Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions, and the provisions of clauses 3 and 4 will not come into effect unless and until each of these conditions have been satisfied:

- (a) as at the Delivery Time, each of the conditions set out in clause 3.1 of the Scheme Implementation Agreement (other than the condition relating to the approval of the Court set out in clause 3.1(b) of the Implementation Agreement) has been satisfied or waived in accordance with the terms of the Implementation Agreement;
- (b) as at the Delivery Time, neither the Implementation Agreement nor the Deed Poll has been terminated;
- (c) the Court approves this Scheme under section 411(4)(b) of the Corporations Act including any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to the Target and the Bidder (each acting reasonably);
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are acceptable to the Target and the Bidder (each acting reasonably) have been satisfied or waived; and
- (e) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

2.2 Certificates in relation to Conditions

On the Second Court Date:

- (a) the Target must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not the Conditions set out in clauses 2.1(a) and 2.1(b) have been satisfied or waived; and
- (b) the Bidder must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not the Conditions set out in clauses 2.1(a) and 2.1(b) have been satisfied or waived.

2.3 Termination of Implementation Agreement

Without limiting any rights under the Implementation Agreement, in the event that the Implementation Agreement is terminated in accordance with its terms before the Delivery Time, the Target and the Bidder are each released from:

- (a) any further obligation to take steps to implement this Scheme; and
- (b) any liability with respect to this Scheme.

3. Scheme

3.1 Effective Date of this Scheme

Subject to clause 3.2, this Scheme will take effect on and from the Effective Date.

3.2 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date, or such later date as the Target and the Bidder agree in writing.

4. Implementation of Scheme

4.1 Bidder Nominee

- (a) Pursuant to clause 2.3 of the Implementation Agreement, the Bidder may nominate a wholly owned Subsidiary of the Bidder (**Bidder Nominee**) to pay the Scheme Consideration and to whom the Scheme Shares are to be transferred in accordance with clause 4.3 of this Scheme.
- (b) If the Bidder nominates a Bidder Nominee, then clause 2.3 of the Implementation Agreement provides that:
 - (i) the Target and the Bidder must procure that the Scheme Shares transferred under this Scheme are transferred to the Bidder Nominee rather than the Bidder;
 - (ii) the Bidder must procure that the Bidder Nominee:
 - A. complies with the Implementation Agreement as if the Bidder Nominee were a party to it in place of the Bidder; or
 - B. executes and delivers to the Target a deed poll of accession in favour of the Target under which the Bidder Nominee agrees to comply with the Implementation Agreement as if it were a party to it in place of the Bidder; and
 - (iii) any such nomination will not relieve the Bidder of its obligations under the Implementation Agreement, including the obligation to pay or procure payment of the Scheme Consideration as contemplated by the terms of the Implementation Agreement and this Scheme (provided that the Bidder will not be in breach of the Implementation Agreement if it does not discharge an obligation where that obligation has been fully discharged by the Bidder Nominee).
- (c) If the Bidder validly nominates a Bidder Nominee in accordance with the Implementation Agreement and the Bidder Nominee provides the deed poll described in clause 4.1(b)(ii)B of this Scheme, references in this Scheme to "the Bidder" will be read as "the Bidder or the Bidder Nominee (as applicable)" to the extent necessary to achieve the objective stated in clause 4.1(a). For the avoidance of doubt, such deemed reading does not of itself relieve the Bidder of any of the obligations attributed to it under this Scheme.

4.2 Lodgement of Court Orders with ASIC

If the Conditions (other than the Condition set out in clause 2.1(e)) are satisfied, the Target must promptly lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme, and in any event by no later than 5:00 pm on the Business Day following the date on which the Court approves this Scheme or such other Business Day as the Target and the Bidder agree in writing.

4.3 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 4.4(b), all of the Scheme Shares will, together with all rights and entitlements attaching to the Scheme Shares, be transferred to the Bidder without the need for any further act by any Scheme Shareholder (other than acts performed by the Target or its directors as attorney or agent for the Scheme Shareholders under this Scheme) by:
 - (i) the Target delivering to the Bidder a completed Scheme Transfer duly executed on behalf of the Scheme Shareholders in accordance with clause 7.1 of this Scheme; and
 - (ii) the Bidder delivering to the Target a completed Scheme Transfer, duly executed by the Bidder, and attending to the stamping of the Scheme Transfer (if required); and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.3(a), the Target must enter, or procure the entry of, the name and address of the Bidder in the Target Share Register as the holder of all of the Scheme Shares.

4.4 Provision of Scheme Consideration

- (a) By no later than 12 noon on the Business Day before the Implementation Date, the Bidder will deposit (or procure the deposit of) an amount equal to the total Scheme Consideration in cleared funds into the Trust Account (provided that any interest on the amount deposited (less bank fees and other charges) will be credited to the Bidder's account).
- (b) On the Implementation Date, subject to the Bidder having complied with clause 4.4(a), the Target must pay or procure the payment of the Scheme Consideration from the Trust Account to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Target Share Register on the Record Date, which obligation will be satisfied by:
 - (i) where a Scheme Shareholder has, before the Record Date, made an election in accordance with the requirements of the Target Share Registry to receive dividend payments from the Target by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 4.4(b)(i), dispatching, or procuring the dispatch of,
 - A. a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered

Address (as at the Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 4.5); or

- B. an electronic funds transfer for the relevant amount in Australian currency into an account with any Australian ADI (as defined in the Corporations Act) notified to the Target (or the Registry), before the Record Date by an appropriate authority from the Scheme Shareholder (which will include a current authority to pay dividends).

4.5 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be paid to the Scheme Shareholders will be payable to the joint holders;
- (b) any holding statements for Bidder Shares to be issued to Scheme Shareholders will be issued in the names of the joint holders; and
- (c) any other document required to be sent under this Scheme will be issued in the names of the joint holders,

and will be forwarded to the holder whose name appears first in the Target Share Register as at the Record Date.

4.6 Unclaimed monies

- (a) The Target may cancel a cheque issued under this clause 4 if the cheque:
 - (i) is returned to the Target; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to the Target (or the Target Share Registry) (which request may not be made until that date which is 10 Business Days after the Implementation Date), the Target must reissue a cheque that was previously cancelled under this clause 4.6.
- (c) The Unclaimed Money Act 1990 (WA) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of that Act).

4.7 Orders of a court or Regulatory Authority

If written notice is given to the Target (or the Target Share Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that:

- (a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which sum would otherwise be payable to that Scheme Shareholder by the Target in accordance with this clause 4, then the Target will be entitled to make that payment (or procure that it is made) in accordance with that order or direction; or

- (b) prevents the Target from making a payment to a particular Scheme Shareholder in accordance with clause 4.4(b), or such payment is otherwise prohibited by applicable law, the Target will be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 4 is permitted by that order or direction or otherwise by law.

4.8 Fractional entitlements and share splitting or division

- (a) If the number of Scheme Shares held by a Scheme Shareholder at the Record Date is such that the aggregate entitlement of the Scheme Shareholder to Scheme Consideration results in a fractional entitlement to a cent, then the entitlement of that Scheme Shareholder must be rounded up or down to the nearest cent (with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole cent and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole cent).
- (b) If the Bidder is of the opinion (acting reasonably) that two or more Scheme Shareholders (each of whom holds a number of Scheme Shares which results in rounding in accordance with clause 4.8(a)) have, before the Record Date, been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to such rounding, the Bidder may give notice to those Scheme Shareholders:
- (i) setting out their names and registered addresses as shown in the Target Share Register;
 - (ii) stating that opinion; and
 - (iii) attributing to one of them specifically identified in the notice the Scheme Shares held by all of them,

and, after such notice has been given, the Scheme Shareholder specifically identified in the notice as the deemed holder of all of the specified Scheme Shares will, for the purposes of the other provisions of this Scheme, be taken to hold all of those Scheme Shares and each of the other Scheme Shareholders whose names and registered addresses are set out in the notice will, for the purposes of the other provisions of this Scheme, be taken to hold no Scheme Shares. The Bidder in complying with the other provisions of this Scheme relating to it in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all of the specified Scheme Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Shareholders named in the notice under the terms of this Scheme.

5. Dealings in Target Shares

5.1 Dealings in Target Shares by the Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Target Shares or other alterations to the Target Share Register will only be recognised by the Target provided that:

- (a) in the case of dealings of the type to be effected on CHESS, the transferee is registered in the Target Share Register as the holder of the relevant Target Shares by the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Record Date at the place where the Target Share Register is kept,

and the Target will not accept for registration, or recognise for any purpose (except a transfer to the Bidder pursuant to this Scheme and any subsequent transfer by the Bidder or its successors in title), any transmission application or transfer in respect of Target Shares received on or after the Record Date, or received prior to the Record Date but not in registrable or actionable form.

5.2 Target Share Register

The Target will, until the Scheme Consideration has been paid and the Bidder has been entered in the Target Share Register as the holder of all of the Scheme Shares, maintain the Target Share Register in accordance with the provisions of this clause 5 and the Target Share Register in this form and the terms of this Scheme will solely determine entitlements to the Scheme Consideration.

5.3 Information to be made available to the Bidder

The Target must procure that as soon as practicable following the Record Date, details of the names, registered addresses and holdings of Target Shares of every Scheme Shareholder shown in the Target Share Register at the Record Date are made available to the Bidder in such form as the Bidder may reasonably require.

5.4 Effect of share certificates and holding statements

As from the Record Date (and other than for the Bidder following the Implementation Date), all share certificates and holding statements for the Scheme Shares will cease to have effect as documents of title, and each entry on the Target Share Register (other than for the Bidder) at that date will cease to have any effect other than as evidence of entitlement to the Scheme Consideration.

5.5 No disposals after Record Date

If this Scheme becomes Effective, a Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date.

6. Suspension and termination of quotation

- (a) The Target must apply to ASX for suspension of trading of the Target Shares on ASX with effect from the close of trading on the Effective Date.
- (b) The Target must apply to ASX for:
 - (i) termination of official quotation of the Target Shares on ASX; and
 - (ii) the removal of the Target from the official list of ASX,with effect from the close of business on the Business Day immediately following the Implementation Date.

7. General Scheme provisions

7.1 Appointment of agent and attorney

Each Scheme Shareholder, without the need for any further act, irrevocably appoints the Target as its agent and attorney for the purpose of:

- (a) executing any document or form or doing any other act necessary to give effect to the terms of this Scheme including, without limitation, the execution of the Scheme

Transfer to be delivered under clause 4.3 and the giving of the Scheme Shareholders' consent under clause 7.2; and

- (b) enforcing the Deed Poll against the Bidder,

and the Target accepts such appointment. The Target, as agent and attorney of each Scheme Shareholder, may sub delegate its functions, authorities or powers under this clause 7.1 to all or any of its directors and officers (jointly, severally, or jointly and severally).

7.2 Scheme Shareholders' consent

Each Scheme Shareholder irrevocably:

- (a) consents to the Target and the Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of this Scheme; and
- (b) acknowledges that this Scheme binds the Target and all of the Scheme Shareholders (including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against this Scheme).

7.3 Scheme Shareholder's agreements and warranties

Each Scheme Shareholder:

- (a) irrevocably agrees to the transfer of their Scheme Shares together with all rights and entitlements attaching to those Scheme Shares in accordance with this Scheme;
- (b) irrevocably agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;
- (c) irrevocably agrees to, on the direction of the Bidder, destroy any holding statements or share certificates relating to their Scheme Shares; and
- (d) is deemed to have warranted to the Bidder and, to the extent enforceable, appointed and authorised the Target as its agent to warrant to the Bidder that all its Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the date of the transfer of them to the Bidder, be fully paid and free from all security interests including mortgages, charges, liens, encumbrances, pledges, Security Interests and interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind, and that it has full power and capacity to sell and to transfer those Scheme Shares together with any rights and entitlements attaching to such shares to the Bidder under this Scheme.

7.4 Title to Scheme Shares and transfer free from encumbrance

- (a) The Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by the Target of the Bidder in the Target Share Register as the holder of the Scheme Shares.
- (b) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to the Bidder, will, at the time of transfer to the Bidder, vest in the Bidder free from all security interests (including mortgages, charges, liens, encumbrances, pledges, Security Interests and interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind).

7.5 Appointment of the Bidder as sole proxy

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 4.4 of this Scheme, on and from the Implementation Date until the Target registers the Bidder as the holder of all of the Scheme Shares in the Target Share Register, each Scheme Shareholder:

- (a) irrevocably appoints the Bidder and each of its directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable corporate representative, to attend shareholders' meetings, exercise the votes attaching to Scheme Shares registered in its name and sign any shareholders resolution, and no Scheme Shareholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 7.5(a)); and
- (b) must take all other actions in the capacity of the registered holder of Scheme Shares as the Bidder reasonably directs.
- (c) Target undertakes in favour of each Scheme Shareholder that it will appoint Bidder and each of its directors from time to time (jointly and each of them individually) as that Scheme Shareholder's proxy or, where applicable, corporate representative in accordance with clause 7.4 of this Scheme.

7.6 Consent to alterations

If the Court proposes to approve this Scheme subject to any alterations or conditions, the Target may, by its counsel or solicitors, and with the consent of the Bidder, consent on behalf of all persons concerned, including a Scheme Shareholder, to any modification of or amendment to this Scheme which the Court thinks fit to impose.

7.7 Notices

- (a) Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to the Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at the Target's registered office or at the Target Share Registry as the case may be.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Target Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

7.8 Inconsistencies

This Scheme binds the Target and all Target Shareholders, and to the extent of any inconsistency, overrides the Target constitution.

7.9 Further assurance

The Target will execute all documents and do all acts and things as may be necessary or expedient for the implementation of, and performance of its obligations under, this Scheme.

7.10 No liability when acting in good faith

Neither the Target nor the Bidder, nor any of their respective officers or employees, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

7.11 Stamp duties

The Bidder will pay all stamp duties and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll.

7.12 Governing law and jurisdiction

- (a) This Scheme is governed by the law applying in Western Australia.
- (b) Each party irrevocably:
 - (i) submits to the non-exclusive jurisdiction of the courts of Western Australia, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
 - (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 7.12(b)(i).

Schedule 4 - Notice of Scheme Meeting

Notice of Court Ordered Scheme Meeting

Notice is given that, by an order of the Federal Court of Australia] (**Court**) made on 17 March 2023 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of the holders of ordinary shares in Essential Metals Limited (**Essential**) will be held at on 20 April 2023 commencing at 9:00am (AWST).

PURPOSE OF THE MEETING

To consider and, if thought fit, pass the following Resolution agreeing to a scheme of arrangement (**Scheme**) (with or without modification) proposed to be made between Essential and the holders of shares in Essential as at the Record Date pursuant to Part 5.1 of the Corporations Act.

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet of which this notice forms part.

RESOLUTION

The meeting will be asked to consider and, if thought fit, to pass (with or without amendment) the following resolution:

*“THAT, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement (**Scheme**) proposed to be entered into between Essential and the holders of its fully paid ordinary shares, as contained in and more particularly described in the booklet of which the notice convening this meeting forms part, is agreed to (with or without modification as approved by the Federal Court of Australia (**Court**) to which Essential and TLEA agree) and FURTHER that, the directors of Essential are authorised to agree to such alterations or conditions as are thought fit by the Court and, subject to approval of the Scheme by the Court, the directors of Essential are authorised to implement the Scheme with any such alterations or conditions”.*

CHAIR

The Court has appointed Mr Nino Odorisio, or failing him, Mr Gregory Fitzgerald, to be the chairperson of the Scheme Meeting (**Chairperson**) and to report the result of the Scheme Meeting to the Court.

Dated: 20 March 2023



**The Board of Directors
Essential Metals Limited**

Notes to the Notice of Court Ordered Scheme Meeting

Required voting majority

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution to approve the Scheme must be passed at the Scheme Meeting by:

- Unless the Court orders otherwise, a majority in number of Essential Shareholders present and voting (either in person or by proxy, attorney, or, in the case of bodies corporate, body corporate representative) at the Scheme Meeting; and
- At least 75% of the votes cast on the resolution.

The Court has a discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Scheme if it is approved by at least 75% of the votes cast on the resolution, but not by a majority in number of Essential Shareholders present and voting at the Scheme Meeting.

Court Approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) is subject to the approval of the Court. If the resolution put to the Scheme Meeting is passed by the requisite majority and the other conditions precedent to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, Essential intends to apply to the Court for the necessary orders to give effect to the Scheme.

Entitlement to vote

Under section 411 of the Corporations Act and all other enabling powers, the Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 5.00pm (AWST) on 18 April 2023. Only those Essential Shareholders entered on the Register at that time will be entitled to attend and vote at the Scheme Meeting. The remaining comments in these explanatory notes are addressed to Essential Shareholders entitled to attend and vote at the Scheme Meeting.

How to vote

Voting will be on a poll. You may vote at the Scheme Meeting by:

- (a) attending and voting in person;
- (b) appointing one or two proxies to attend and vote on your behalf, using the proxy form that accompanied this Scheme Booklet;
- (c) appointing an attorney to attend and vote on your behalf, using a power of attorney; or
- (d) in the case of a body corporate, appointing a body corporate representative to attend and vote on your behalf, using a certificate of appointment of body corporate representative.

Participation in, and voting at, the Scheme Meeting in person

To vote in person, you must attend the meeting.

Eligible Essential Shareholders who wish to attend and vote at the meeting in person will be admitted and given a voting card at the point of entry to the meeting, once they have disclosed their name and address.

Voting by proxies and representatives

You may appoint not more than two proxies. Your proxy need not be another Essential Shareholder. Each proxy will have the right to vote on the poll and also to speak at the meeting.

To appoint a proxy, you should complete and return the proxy form that accompanied this Scheme Booklet in accordance with the instructions on that form. You must deliver the signed and completed proxy form to the Essential Share Registry by 9:00am (AWST) on 18 April 2023 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

(a) **Online:**

Use your computer or smartphone to appoint a proxy at

<https://investor.automic.com.au/#/loginsah>

or scan the QR code below using your smartphone

Login & Click on 'Meetings' .

Use the Holder Number as shown at the top of the Proxy Voting Form.



(b) **By mail:**

Automic
GPO Box 5193
Sydney NSW 2001

(c) **In person:**

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

(d) **By email:**

meetings@automicgroup.com.au

(e) **By facsimile:**

+61 2 8583 3040

Proxy forms received after this time will be invalid.

If a proxy form is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed proxy form unless the power of attorney or other authority has previously been noted by the Essential Share Registry.

A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless notice in writing of the revocation has been received by the Essential Share Registry at least 48 hours before the start of the meeting (or, if the meeting is adjourned or postponed, at least 48 hours before the resumption of the meeting in relation to the resumed part of the meeting, or any lesser time that the Essential Directors or Chairperson of the meeting decide) in any of the ways above.

If you wish to appoint a second proxy, you should complete two separate proxy forms and specify the percentage of votes or number of securities for each proxy in Step 1 of the proxy form. You must return both proxy forms together. Replacement or additional proxy forms can also be obtained from the Essential Share Registry.

If you appoint two proxies, each proxy should be appointed to represent a specified proportion of your voting rights. If you do not specify the proportions in the proxy forms, each proxy may exercise half of your votes with any fractions of votes disregarded.

If you hold Essential Shares jointly with one or more other persons, all securityholders must sign the proxy form.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on an item of business, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the Chairperson of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend the meeting, the Chairperson of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The Chairperson of the meeting intends to vote all available valid undirected proxies in favour of the Resolution, in the absence of a Superior Proposal.

Proxies of eligible Essential Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting written evidence of their name and address.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the meeting.

Voting by attorney

You may appoint not more than two attorneys to attend and vote at the meeting on your behalf. Your attorney need not be another Essential Shareholder. Each attorney will have the right to vote on the poll and also to speak at the meeting.

The power of attorney appointing your attorney to attend and vote at the meeting must be duly executed by you and specify your name, the company (that is, Essential), and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be lodged with the Share Registry before 9:00am (AWST) on 18 April 2023 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

(a) **By mail:**

Automic
GPO Box 5193
Sydney NSW 2001

(b) **In person:**

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

(c) **By email:**

meetings@automicgroup.com.au

(d) **By facsimile:**

+61 2 8583 3040

Attorneys of eligible Essential Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address, and the name of their appointors.

If you appoint two attorneys, each attorney should be appointed to represent a specified proportion of your voting rights. If you do not specify the proportions in the power of attorney, each attorney may exercise half of your votes with any fractions of votes disregarded.

Your appointment of an attorney does not preclude you from attending in person and voting at the meeting.

Voting by corporate representative

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that Essential will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act. A form of certificate may be obtained from the Essential Share Registry by calling 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) or via email at hello@automic.com.au.

The certificate of appointment may set out restrictions on the representative's powers. The certificate should be lodged with the Essential Share Registry before the meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

(a) **By mail:**

Automic
GPO Box 5193
Sydney NSW 2001

(b) **In person:**

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

(c) **By email:**

meetings@automicgroup.com.au

(d) **By facsimile:**

+61 2 8583 3040

Alternatively, the certificate can be brought to the meeting (or, if the meeting is adjourned or postponed, the resumed meeting).

If a certificate is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been noted by the Essential Share Registry.

Body corporate representatives of eligible Essential Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address and the name of their appointors.

Questions about voting at the Scheme Meeting

Essential Shareholders should contact the Registry on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) or via email at hello@automic.com.au, with any queries regarding the number of Essential Shares held, how to vote at the Scheme Meeting, or how to vote by proxy.

Jointly held securities

If you hold shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote, only the vote of the holder whose name first appears on the Register will be counted.

Any inquiries in relation to the Resolution or the Scheme Booklet should be directed to the Company Secretary, Greg Fitzgerald: cosec@essmetals.com.au.

Essential Metals Limited

For personal use only

Proxy Voting Form

If you are attending the Scheme Meeting in person, please bring this with you for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **9.00am (AWST) on Tuesday, 18 April 2023**, being **not later than 48 hours** before the commencement of the Scheme Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Scheme Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Scheme Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Scheme Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE SCHEME MEETING

Any directed proxies that are not voted on a poll at the Scheme Meeting will default to the Chair of the Scheme Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Scheme Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Scheme Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Scheme Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/login>

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to the Essential Metals Information line:

1300 290 691 (within Australia) or
+61 2 9066 4081 (outside Australia) between
8:30am and 6:00pm (Sydney time) Monday
to Friday, excluding public holidays.

ANNEXURE A – Tenement Schedule

Tenement Schedule

The following table summarises the details of each of the tenements in which the Company holds an interest as at the Last Practicable Date.

| Tenement ⁴ | Status | Project | Grant Date | Expiry Date | Registered Holder | Ownership |
|-----------------------|--------|------------------------------|------------|-------------|-----------------------------------|-----------|
| E25/585 ¹ | Live | Juglah Dome Project | 29/07/2020 | 28/07/2025 | Western Copper Pty Ltd | 100% |
| E15/1515 | Live | Pioneer Dome Project | 9/05/2017 | 8/05/2027 | Essential Metals Limited | 100% |
| E15/1725 | Live | Pioneer Dome Project | 15/03/2022 | 14/03/2027 | Essential Metals Limited | 100% |
| E63/1669 | Live | Pioneer Dome Project | 14/04/2015 | 13/04/2025 | Essential Metals Limited | 100% |
| E63/1782 | Live | Pioneer Dome Project | 2/03/2017 | 1/03/2027 | Essential Metals Limited | 100% |
| E63/1783 | Live | Pioneer Dome Project | 2/03/2017 | 1/03/2027 | Essential Metals Limited | 100% |
| E63/1785 | Live | Pioneer Dome Project | 8/05/2017 | 7/05/2027 | Essential Metals Limited | 100% |
| E63/1825 | Live | Pioneer Dome Project | 24/03/2017 | 23/03/2027 | Essential Metals Limited | 100% |
| E63/2118 | Live | Pioneer Dome Project | 4/02/2022 | 3/02/2027 | Essential Metals Limited | 100% |
| M15/1896 | Live | Pioneer Dome Project | 16/02/2023 | 15/02/2044 | Essential Metals Limited | 100% |
| M63/665 | Live | Pioneer Dome Project | 13/11/2017 | 12/11/2038 | Essential Metals Limited | 100% |
| L63/77 | Live | Pioneer Dome Project | 14/12/2017 | 13/12/2038 | Essential Metals Limited | 100% |
| E15/1710 | Live | Horse Rocks Project | 28/01/2020 | 27/01/2025 | Essential Metals Limited | 100% |
| E26/186 ² | Live | Blair – Golden Ridge Project | 26/07/2016 | 25/07/2026 | Golden Ridge Nth Kambalda Pty Ltd | 100% |
| E26/211 ² | Live | Blair – Golden Ridge Project | 11/02/2019 | 10/02/2024 | Golden Ridge Nth Kambalda Pty Ltd | 100% |
| E26/212 ² | Live | Blair – Golden Ridge Project | 20/02/2019 | 19/02/2024 | Golden Ridge Nth Kambalda Pty Ltd | 100% |
| M26/220 ² | Live | Blair – Golden Ridge Project | 2/05/1988 | 1/05/2030 | Golden Ridge Nth Kambalda Pty Ltd | 100% |
| M26/222 ² | Live | Blair – Golden Ridge Project | 2/05/1988 | 1/05/2030 | Golden Ridge Nth Kambalda Pty Ltd | 100% |
| M26/284 ² | Live | Blair – Golden Ridge Project | 20/10/1989 | 19/10/2031 | Golden Ridge Nth Kambalda Pty Ltd | 100% |

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|-----------------------|------|----------------------------|---|------------|-------------------------|---|------------|
| M26/285 ² | Live | Blair Golden Ridge Project | – | 20/10/1989 | 19/10/2031 | Golden Ridge Nth Kambalda Pty Ltd | 100% |
| L26/272 ² | Live | Blair Golden Ridge Project | – | 27/05/2015 | 26/05/2036 | Golden Ridge Nth Kambalda Pty Ltd | 100% |
| E27/558 | Live | Balagundi | | 26/08/2016 | 25/08/2026 | Essential Metals Limited | 100% |
| E45/4948 | Live | Kangan Project | | 17/02/2020 | 16/02/2025 | Essential Metals Limited | 100% |
| E47/3318-I | Live | Kangan Project | | 1/04/2016 | 31/03/2026 | Essential Metals Limited | 100% |
| E47/3321-I | Live | Kangan Project | | 21/01/2016 | 20/01/2026 | Essential Metals Limited | 100% |
| E47/3945 | Live | Kangan Project | | 2/10/2018 | 1/10/2023 | Essential Metals Limited | 100% |
| E27/278 | Live | Acra Project | | 13/12/2005 | 12/12/2022 ⁵ | Essential Metals Limited Northern Star Resources Limited | 25% 75% |
| E27/438 | Live | Acra Project | | 18/05/2012 | 17/05/2024 | Essential Metals Limited Northern Star Resources Limited | 25% 75% |
| E27/491 | Live | Acra Project | | 15/03/2013 | 14/03/2023 | Essential Metals Limited Northern Star Resources Limited | 25% 75% |
| E27/520 | Live | Acra Project | | 21/01/2014 | 20/01/2024 | Essential Metals Limited Northern Star Resources Limited | 25% 75% |
| E27/548 | Live | Acra Project | | 30/05/2016 | 29/05/2026 | Essential Metals Limited Northern Star Resources Limited | 25% 75% |
| E27/579 | Live | Acra Project | | 20/04/2017 | 19/04/2027 | Essential Metals Limited Northern Star Resources Limited | 25% 75% |
| E28/1746 | Live | Acra Project | | 20/02/2008 | 19/02/2024 | Essential Metals Limited Northern Star Resources Limited | 25% 75% |
| E28/2483 | Live | Acra Project | | 23/02/2015 | 22/02/2025 | Essential Metals Limited Northern Star Resources Limited | 25% 75% |
| E63/1784 | Live | Maggie Hays Hill Project | | 13/10/2017 | 12/10/2027 | Essential Metals Limited Poseidon Nickel Limited | 20% 80% |
| M15/1769 ³ | Live | Wattle Dam Project | | 30/06/2008 | 29/06/2029 | Maximus Resources Ltd | 100% |
| M15/1770 ³ | Live | Wattle Dam Project | | 30/06/2008 | 29/06/2029 | Maximus Resources Ltd | 100% |
| M15/1771 ³ | Live | Wattle Dam Project | | 30/06/2008 | 29/06/2029 | Maximus Resources Ltd | 100% |
| M15/1772 ³ | Live | Wattle Dam Project | | 30/06/2008 | 29/06/2029 | Maximus Resources Ltd | 100% |
| M15/1773 ³ | Live | Wattle Dam Project | | 30/06/2008 | 29/06/2029 | Maximus Resources Ltd | 100% |
| M15/1101 ³ | Live | Wattle Dam Project | | 19/03/2004 | 18/03/2025 | Maximus Resources Ltd | 100% |

| | | | | | | |
|-----------------------|------|---------------------|------------|------------|---|------------|
| M15/1263 ³ | Live | Wattle Dam Project | 24/08/2004 | 23/08/2025 | Maximus Resources Ltd | 100% |
| M15/1264 ³ | Live | Wattle Dam Project | 24/08/2004 | 23/08/2025 | Maximus Resources Ltd | 100% |
| M15/1323 ³ | Live | Wattle Dam Project | 30/06/2008 | 29/06/2029 | Maximus Resources Ltd | 100% |
| M15/1338 ³ | Live | Wattle Dam Project | 30/06/2008 | 29/06/2029 | Maximus Resources Ltd | 100% |
| M15/1449 ³ | Live | Larkinville Project | 6/09/2012 | 5/09/2033 | Essential Metals Limited Maximus Resources Limited | 25% 75% |

Notes

1. 100% owned subsidiary of Essential Metals Limited.
2. 100% owned subsidiary of Essential Metals Limited.
3. Essential Metals has 20% interest in nickel rights.
4. Exploration licences applied for on or after 10 February 2006 and granted in respect of more than 10 blocks must surrender 40% of the blocks granted before the end of the sixth year, unless a mining lease or general purpose lease comprising at least that minimal surrender amount has been granted prior to that time.
5. Essential Metals has lodged an extension / renewal of term application on 28 November 2022.