**ABN 92 086 839 992**

Annual report for the financial year ended
30 June 2018

metalicity

# Corporate Directory

**Directors**

Andrew Daley – Non-executive Chairman
Matthew Gauci – Managing Director
Justin Barton – Finance Director
Mathew Longworth – Non-executive Director

**Company Secretary**

Neil Hackett

**Auditors**

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WEST PERTH WA 6005

**Solicitors**

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**Securities Exchange Listing**

Securities of Metalicity Limited are listed on the Australian Securities Exchange (ASX).

ASX Code: MCT

**Web Site:** www.metalicity.com.au

## Contents

## Directors' Report

The Directors of Metalicity Limited submit herewith the annual financial report of the Company and its subsidiaries (the "Group") for the financial year ended 30 June 2018.

**Officers and Directors**

The names and particulars of the Directors of the Company during or since the end of the financial year are:

| Name | Particulars |
|---|---|
| Andrew Daley | Non-Executive Chairman (appointed 19 August 2013) |
| Matthew Gauci | Managing Director (appointed 26 September 2012) |
| Justin Barton | Finance Director (appointed 1 January 2018) |
| Mathew Longworth | Non-Executive Director (appointed 29 September 2014) |
| Chris Bain | Non-Executive Director (appointed 19 August 2013 – resigned 1 January 2018) |

The above-named Directors held office during and since the financial year, except as otherwise indicated.

**Principal activities**

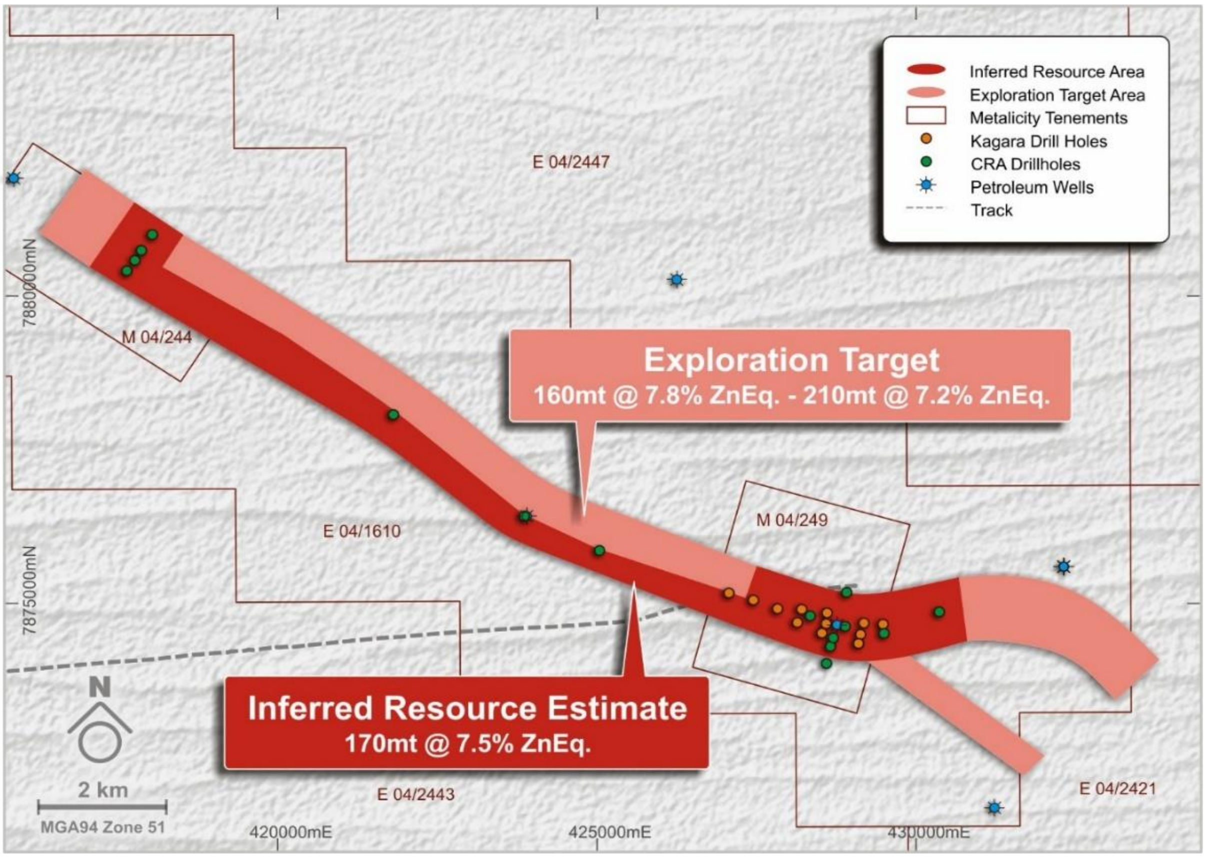
The Group's principal activity at the date of this report is mineral exploration.

**Review of operations and results**

**Admiral Bay Zinc Project**

The Admiral Bay Zinc Project is located in the Kimberley region of Western Australia, approximately 140 km south of Broome. The general area in which the Project is located is characterised by low elevation and fairly flat terrain. The Project consists of 2 granted mining leases (MLs) and an exploration licence (EL) and during the year was 100%-owned by Metalicity.

**Figure 1: Admiral Bay Zinc Project: Tenement Holdings and Historical Drilling**




*Source: Metalicity*

*Pre-feasibility Study*

During the period, the Company commenced a Pre-Feasibility Study (PFS) on Admiral Bay. To de-risk Admiral Bay through to decision to mine the PFS was undertaken in two stages, PFS stage 1 and PFS stage 2. The initial phase of PFS work at Admiral Bay has involved:

- The refinement of the preferred PFS pathway including the design of drilling options
- The compilation of a new MRE for Admiral Bay including the high grade zone
- Mining optionality work including mineral processing (Ore Sorting), geotechnical, hydrogeological, geothermal, ventilation studies
- Metallurgical testwork studies

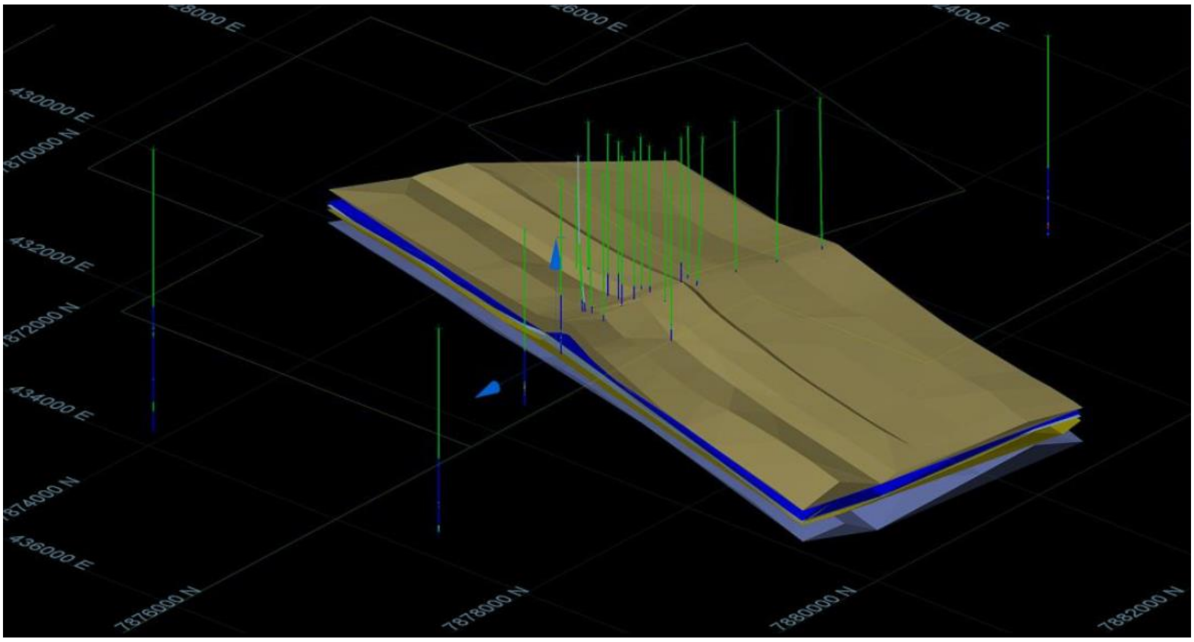
*High Grade Zone Mineral Resource Estimate*

Metalicity commissioned SRK to carry out a technical review on the Geology and Mineral Resource aspects of the Admiral Bay deposit. The Geological and Mineral Resource review focussed on M04/249, and evaluated the previous geological and grade estimation models, specifically on M04/249 where most of the drilling has been completed. SRK's review was informed by the latest Mineral Resource estimation by Ridley (2016).

The work program involved SRK reviewing all of the exploration data and Ridley's mineralisation domains. Seismic data for relevant lines were extracted and examined to provide guidance for the development of surfaces of important stratigraphic contacts. SRK then developed new mineralisation domains that broadly following Ridley's interpretation. The geological modelling relies on a limited set of drilling data, and is therefore poorly constrained at present. Reprocessing of the existing seismic datasets and integration of these 2D data into a 3D geological model may help refine the geological model. Acquisition of a new 3D seismic dataset across M04/249 should also be considered in order to improve the 3D geological models and assist drill targeting.

Mineralisation is spatially controlled by the presence of the thickest part of the bioherm accumulation in the Goldwyer and Nita formations. These form an antiformal feature, with mineralisation rapidly thinning away from the antiformal hinge. Drilling should therefore firstly focus on the delineation of this hinge, with subsequent drilling targeting the limbs. The GSAZ defines a zone of structural complexity, which makes prediction of the location of mineralisation east of the drill section ABRD011–ABRD003–ABRD009 more challenging. SRK therefore recommends that drilling should be focused to the west of this section, where mineralisation seems structurally less complex. Re-estimation, using the updated geological models and mineralisation domains developed by SRK, and using a more local approach to grade, may help better define higher-grade zones to target for future drill planning.

**Figure 2: Antiformal geometry of Goldwyer and Nita formation within M 04/249**

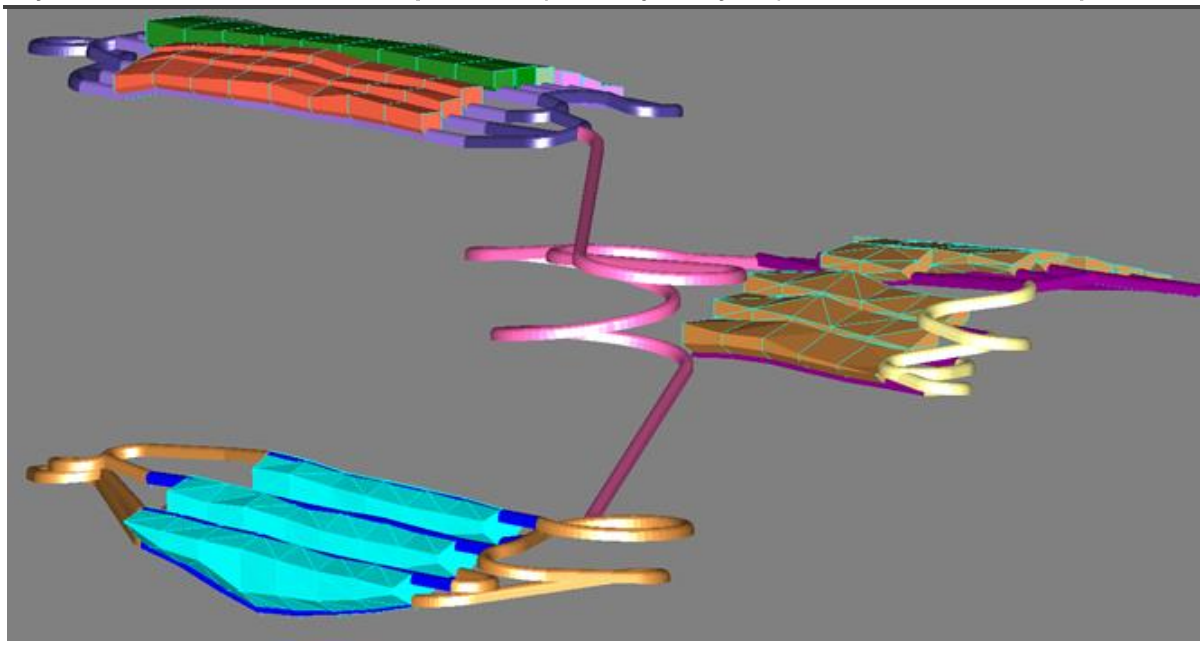



*Source: Metalicity*

*Direct Shipping Ore (DSO) Starter Mine Concept*

As part of the PFS Stage 1 ore sorting studies and testwork were undertaken. Ore Sorting has the potential to materially improve head grade feed, reduce waste and optimise the mining and process flow sheet design at Admiral Bay. Case studies on various underground zinc-lead mines have demonstrated an improvement in head grade feed of up to 250% and a reduction in waste of up to 40%. This potential material addition to the PFS by improving head grade feed to potentially between 30% and 40% ZnEq has the potential to deliver a Direct Shipping Ore (DSO) product to accelerate cashflow and substantially reduce pre-production capital.

**Figure 3: 3D Isometric view of a preliminary mining design layout for the DSO Concept**



*Source: Metalicity*

Metalicity contracted Outotec to evaluate the potential benefits of implementing an ore-sorting technology. This technology allows a separation of waste material from ore material through sensors. The sensors scan the run of mine (ROM) material and segregate material based on the mineralogical composition. Metalicity notes that clients of Outotec have reported encouraging results on Mississippi Valley Type (MVT) deposit when testing the ore-sorting technology. Low grade zinc ore, recorded results of up to 92% head grade increase. A review on the suitability of the ore to be sorted using ore-sorting technology based on existing relevant mineralogical reports was initially carried out.

Subsequently 20kg of ore drill core was selected and a sensor selection test was performed at the TOMRA laboratory in Sydney for testing. The task was to confirm that the DE-XRT sensor was capable of detecting the density difference between the high and low grade regions in the samples received. The samples were colour photographed and imaged on TOMRA's DE-XRT sensing system. In addition, some XRF analysis was completed of various portions on the rocks, in order to gain an understanding of the XRT's sensor response to the various mineralogies.

The preliminary test work results concluded the following:

- The DE-XRT sensor is capable of detecting the density differences between the high density ore (high grade) and low density material (waste) in the samples received.
- The barite is a possible candidate for optical sorting, where the whiteness of the rock can be used to differentiate between it and other material. This will not, however be effective in identifying between the high zinc sulphide and waste areas with a similar colouring.

*Geotechnical Study*

The primary objective of the geotechnical PFS is to construct a preliminary Geotechnical Domain Model (GDM) to support mine planning, using the existing data and available drill core. This will result in gaining a better understanding of the effects of mining on the surrounding rock mass, especially the rock mass between the estimated mining areas and the overlying Grant aquifer system. This will assist in the assessment of the risk related to groundwater ingress under the proposed mining methodologies, and will provide key geotechnical design recommendations.

Evaluation of a potential longwall layout indicated that the height of disturbed/caved zone is sensitive to horizontal stress ratio (Kh). Based on a panel height of 4 m and 150 m in cross section, the disturbed zone may extend approximately 170m above the panel (for Kh of 2), depending on stress regime and rock mass quality. The height of disturbed/caved zone increases as the longwall panel is progressively extracted. Indications are that panel strike lengths should be limited to 300 m for Kh values of 1.0 and 200m for Kh values of 1.5 (Figure 5). Evaluation of potential open stope layouts considered two scenarios; one with backfill and one without. Using FLAC 3D software, the model indicates potential maximum heights of the damage above the stope crowns to be 85m with backfill and up to 135m without backfill. The height of disturbed zone is again sensitive to horizontal stress ratio with the maximum height of damage occurring under anisotropic stress conditions. Preliminary results indicate that the damage zone for the stope panel will not exceed 150 m height (the expected height for the aquifer).

The optionality of implementing longwall mining, is deemed geotechnically feasible based on current data and using recommended geometric restrictions (Figure 6).

*Hydrogeological Study*

The primary objective of the groundwater study was to develop an updated conceptual model of the local hydrogeology, to inform development of a PFS-level understanding of the local hydrogeology, and specifically to assess the identified risk associated with catastrophic ingress of groundwater in the mine working area.

Preliminary results of the geotechnical modelling indicate that under an isolated example of conventional stope and backfill methods, disturbance of the Carribuddy Formation will not extend into the overlying Grant formation. This means the Carribuddy Formation will continue to act as an effective aquitard under these conditions, minimizing risk of catastrophic ingress of groundwater into underground workings. For the cases reviewed, it may eliminate the requirement for dewatering the Grant Aquifer.

Based on estimated permeabilities ($10^{-9}$ to $10^{-6}$ m/s), conventional dewatering via bores drilled from surface would most likely be the lowest risk option. If dewatering is required, it has been estimated that it can be accomplished through a network of 10-15 bores over the current full extension of the Admiral Bay Project (~18km strike length). High groundwater temperatures were not considered a major obstacle to the dewatering plan. Considering the likelihood of having to manage hypersaline water, the estimated capital cost is approximately $1.5M AUD/bore.

*Ventilation Study*

Metalicity has undertaken a review of the accuracy of the VRT (virgin rock temperature) measurements at a Scoping study level and a preliminary economic impact of the VRT on the project. The study was carried out by Metalicity.

There are three previous reports covering the ventilation requirements for Admiral Bay; (a) an order of magnitude study for CRA Exploration (CRAE, 1989), (b) a study prepared by Mining Plus Pty Ltd (Mining Plus) for the PFS document prepared by RSV Australia Pty Ltd (RSV, 2009) and (c) a review conducted by BBE Consulting Australasia (BBE) for the Scoping Study of the Project (SRK, 2016).

The current study evaluated two issues. Data from two different drilling campaigns and the published literature was reviewed with the intent of confirming the estimation of the expected VRT at target depth. In addition, a sensitivity analysis on the cost of energy consumption for the ventilation component and number of ventilation shafts on the overall project economics based on different ventilation requirements suggested for the Admiral Bay deposit by subject matter experts. Further review of the original data confirms the estimated virgin rock temperatures within the zone of interest, to between 80° and 85°Celsius. The data showed no major differences in temperature gradient along the entire length of the project. It is suggested that the temperature gradient defined from the data points, can be extrapolated across the project area and provide the accuracy required for a pre-feasibility study (Figure 8).

Based on the preliminary economic assessment of the ventilation and associated power requirements of the project, it is suggested that incorrect estimates would not have a material impact on the Project economics. In addition, the construction of additional ventilation shafts as the mining extends along the resource outside

M04/249 do not overly impact the economic viability of the project. It should however be noted that final ventilation requirements and consequent cost impact will be very dependent on the selected mining method. Within the scope of accuracy of the current project study, additional refrigeration power requirements are not considered as a fatal flaw either from a technical or an economic perspective.

*Metallurgical Testwork Studies with China Minmetals*

On 19 July 2017, the Company signed a MOU with CMN for future offtake from Admiral Bay. The MOU contemplates the supply of an initial 10% of future offtake from an anticipated production of 174,000t of zinc concentrate and 115,000t of lead concentrate per annum from Admiral Bay in exchange for preliminary metallurgical and beneficiation testwork.

The Company's metallurgical and mineral processing test work carried out to date delivered positive results including (1) The material does not currently demonstrate any deleterious metallurgical behaviour (2) It appears readily amenable to processing through a simple, conventional flotation plant to achieve high zinc, lead and silver recoveries (3) Preliminary metal recovery expectations are in the range of 90-95% across zinc, lead and silver (4) Concentrate product grades were good (Pb +60% and Zn +48%), although selectivity of zinc and lead was not ideal and there is scope for further optimisation.

The preliminary metallurgical testwork study by CMN was undertaken by Changsha Institute of Mining Research Co., Ltd under the commissioning of CMN on 52.4kg of diamond core from drill holes ABRD005, ABRD006, ABRD008 and ABRD009 located primarily within the high-grade zone of Admiral Bay and located within the granted mining license (ML4/249). The core was selected to be representative of the Admiral Bay orebody and an advance on previous testwork. Samples were crushed and screened to a particle size of -2mm, and were then prepared by mixing and division, and taken for beneficiation tests, analysis, mineralogical studies and standby application. Four composites (ABMET1, ABMET2, ABMET3, ABMET4) were assayed pre-comminution, each sample representing sections of different drill holes. Composites ABMET1 & ABMET4 where combined and selected for testing.

**Table 1:** Sample Information for testing

| Sample ID | Dry Weight (kg) | Pb grade (%) | Zn grade (%) | Au grade (g/t) | Ag grade (g/t) |
|---|---|---|---|---|---|
| ABMET1 ABRD 006 | 26.12 | 1.17 | 4.85 | 0.1 | 24.98 |
| ABMET2 ABRD 005 | 14.44 | 0.58 | 3.08 | 0.23 | 17.54 |
| ABMET3 ABRD 008 | 2.18 | 0.3 | 2.01 | 0.23 | 4.47 |
| ABMET4 ABRD 009 | 9.62 | 1.78 | 2.24 | 0.21 | 16.06 |
| **Calculated total average grade:** | **52.36** | **1.08** | **3.76** | **0.16** | **20.44** |

Bench flotation tests were carried out on the samples to establish the amenability of conventional beneficiation. The samples were characterised by a mineralogy study and chemical composition. The objectives of the bench flotation tests were to:

(1) To gain a comprehensive understanding of the properties of the samples via a mineralogy study, providing a basis for beneficiation testwork study
(2) To determine the economic beneficiation process flowsheet, reagent system and performance indices indexes for Admiral Bay Zinc-Lead-Silver by conducting systematic beneficiation tests, investigating the main mineralogical and technological process factors that influence beneficiation indexes, and providing the basis for the next step in testwork study.

*Summary of Results*

(1) Samples were characterised as zinc-lead primary sulphides with the main recoverable minerals being sphalerite and galena. The mineralogy was characterised as sphalerite, galena, pyrite and chalcopyrite, with gangue minerals being mainly calcite, quartz, barite and sericite.
(2) Sequential flotation is the preferred method with lead flotation followed by zinc flotation from lead tailings. The reagent regimes selected were: (a) CaO (Lime) was chosen to depress pyrite, with (b) $ZnSO_4$ and $NaSo_3$ selected to depress zinc and (c) ETC and BX have a selective collecting effect on Lead minerals, these were adopted as a collector blend in the Lead flotation
(3) Full process, close-circuit, tests were carried out with Zinc recoveries of 88.27% to a zinc concentrate with a grade of 51.27% Zn and 181.2 g/t Ag achieved, while Lead recoveries to lead concentrate were 91.88% at a lead concentrate grade of 65.13% Pb and 137g/t Ag (refer to Table2).
(4) The grade of deleterious elements will not attract penalties.
(5) Gold and silver are up to 0.23g/t Au and 23.22g/t Ag respectively with a significant recovery value.

**Table 2:** Testwork summary results for Pb/Zn & Ag grades in concentrate with respective recoveries

| Product | Yield Rate (% of Mass) | Pb grade (%) | Zn grade (%) | Ag grade (g/t) | Pb Recovery (%) | Zn Recovery (%) | Ag Recovery (%) |
|---|---|---|---|---|---|---|---|
| Pb Concentrate | 1.89 | 65.13 | 3.95 | 137.65 | 91.88 | 1.75 | 11.25 |
| Zn Concentrate | 7.36 | 0.49 | 51.27 | 181.20 | 2.69 | 88.27 | 57.72 |
| Tailings | 90.75 | 0.08 | 0.47 | 7.90 | 5.43 | 9.98 | 31.03 |

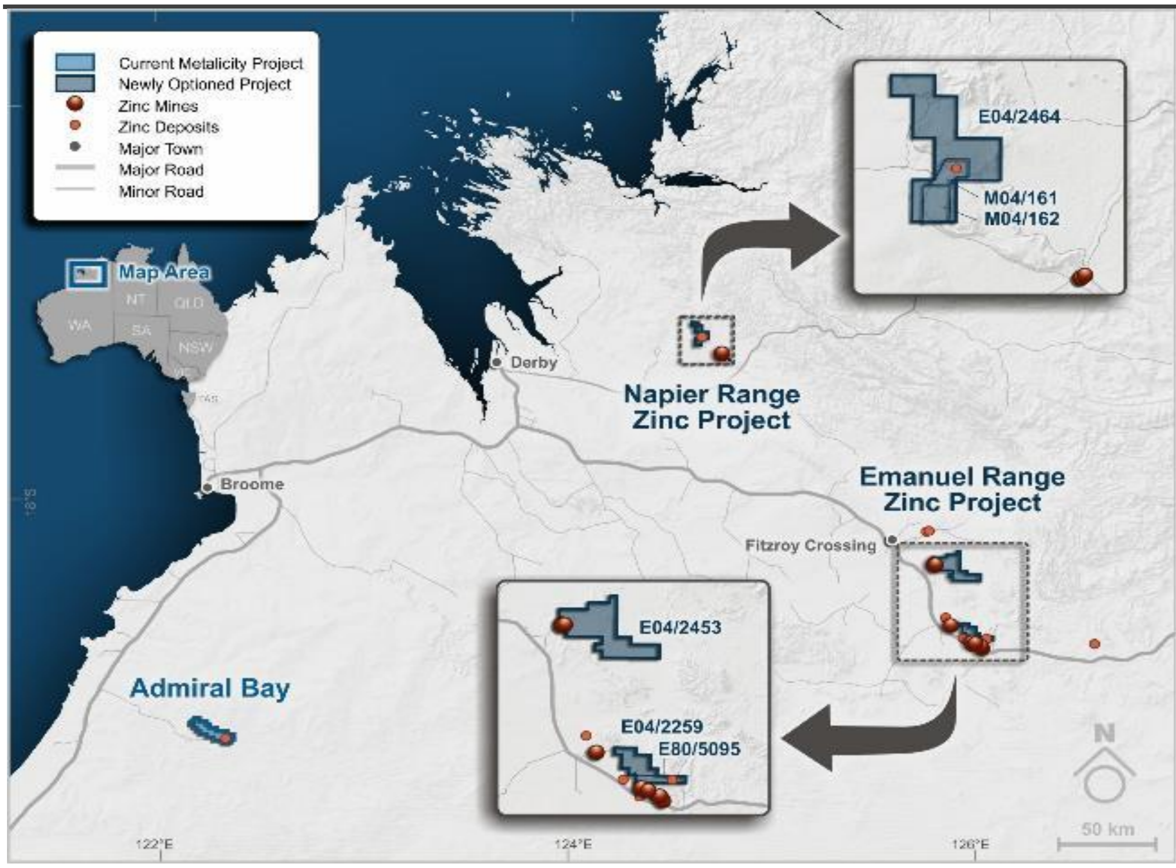
**Acquisition of High- grade Lennard Shelf Zinc Project (100% MCT)**

During the period the Company strengthened its zinc project pipeline through the exercise of the option to acquire the high grade Napier Range Zinc Project and the Emanuel Range Zinc Project (collectively the Lennard Shelf Zinc Project), located in the Lennard Shelf of the Kimberley Region, WA.

Napier Range represents a low capital and near term producing zinc production opportunity, while Emanuel Range represents an early stage but highly prospective zinc exploration project with an extensive 30km strike of largely untested targets. These projects will complement the development of its large scale long life Admiral Bay Zinc Project, located in the adjoining Canning Basin of the Kimberley Region, WA. The Napier Range Zinc Project consists of 2 granted mining licenses, an exploration license application and a granted general purpose license (Table 1). It includes the Wagon Pass deposit, with a JORC 2012 compliant Inferred Mineral Resource Estimate of 750Kt at 5.8% Zn, 7.2% Pb, 54g/t Ag (13.6% ZnEq) and an adjoining Exploration Target Range (ETR) of 100Kt-200Kt at 10%-13% ZnEq.

The most recent MRE of 750Kt at 5.8% Zn, 7.2% Pb, 54g/t Ag (13.6% ZnEq) at Wagon Pass was completed by Cube Consulting in 2016, using a 5% Zn + Pb cut off, 2m downhole compositing, and an assumed bulk density of both waste and mineralised material of 3.0 $g/cm^3$. The deposit is located between 150-200m depth below surface. Additional details on key parameters of the MRE are presented in ASX Announcement "High Grade Near Surface Zinc Projects on 30/10/17. Extensions to the Wagon Pass deposit and additional deposits are considered likely if systematically explored, by leading independent geological consultant CSA Global, who recently completed a comprehensive targeting exercise and commented that the area is underexplored (CSA Global 2016). The report outlines 9 targets, 1 for resource extensions to the Wagon Pass deposit and 8 further targets.

**Figure 4: Location of the Lennard Shelf Zinc Projects**




*Source: Metalicity*

At Wagon Pass, mineralisation potential exists to extend the resource to west of the deposit, with an Exploration Target Range of 100-200Kt at 10-15% ZnEq. The remaining 8 targets are located further south, mostly in analogous settings to Wagon Pass. CSA further commented 'Although drilling has occurred in the project area, many drill holes did not test the favorable Lower Napier stratigraphy.

In addition, the footprint of the Wagon Pass deposit is small and the area is significantly under-explored for additional deposits 0.5 to 1 Mt size.' Based on the CSA Global analysis the Company is targeting multiple occurrences of 0.5-1Mt size, resulting in an Exploration Target Range (ETR) at Napier Range of 1-4 Mt @ 10-15% ZnEq. The grade and tonnage range is based on the grade and geometry of the Wagon Pass deposit, and the clustering nature of this deposit type. Additional details on key parameters of the ETR are presented in ASX Announcement "High Grade Near Surface Zinc Projects on 30/10/17. The Exploration Target Ranges (ETR) stated above are conceptual in nature and the potential quantities and grades are conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource Estimate outside that known at Wagon Pass, and it is uncertain whether further exploration will result in the estimation of additional Mineral Resources.

The Emmanuel Range Zinc Project consists of one exploration tenement and two tenement applications in close proximity to the Pillara, Kapok, Cadjebut and Goongewa Mines, in the Emmanuel Range of the Kimberley Region, WA. (Figure 3). All of the tenements in this project cover the prospective stratigraphy and structural positions, in very close proximity to existing deposits or mines. For example, E04/2453 is located less than 2km from the Pillara deposit, the largest Pb-Zn deposit yet discovered in the Lennard Shelf.

A number of synergistic opportunities may be likely with the development of the Company's 100% owned large scale long life and low cost Admiral Bay Zinc Project. The primary synergy is the potential of Napier Range to be a high grade low capital near term producing asset, that would generate sufficient cashflow to help support the development of Admiral Bay.

**TSX-V Listing of Zinc Assets**

Subsequent to the end of the period the Company received strong shareholder approval for the sale of the Admiral Bay and Lennard Shelf projects ("Zinc projects") to Kimberley Mining Limited ("Kimberley Mining"), paving the way for the listing of Kimberley Mining on the TSX-V.

The terms of the sale and purchase of the zinc projects with Kimberley Mining will potentially deliver C$32.5M cash and shares to Metalicity (up to C$12.5M cash and retaining 25M shares valued at C$20M), while Metalicity will retain approximately 40% of the expanded capital of Kimberley Mining post the October listing, still representing one of the largest exposures to the zinc sector of any active zinc exploration and development company on the ASX.

Metalicity has formed a subsidiary in Vancouver, Kimberley Mining, and is now in the process of effectively vending the zinc projects into Kimberley Mining. Kimberley Mining is completing a seed capital raising targeting C$2M with strong support from new North American institutional, retail and strategic investors with the raising anticipated to be completed shortly.

Kimberley Mining will then file a preliminary long form prospectus with the Securities Commission before reviewing any comments, and then filing a final long form prospectus and undertaking an initial public offering ("IPO") to seek a listing on the TSX-V concurrently with the completion of the IPO, targeted for December 2018.

**Drilling and Field Work Builds on Yerrida Cobalt Project (100% MCT)**

The Yerrida Cobalt Project is located in the Yerrida Basin, WA, which has a geological setting considered amenable to hosting structural/stratigraphic-controlled copper-cobalt mineralization.

During the period the Company completed a two-hole (446m) RC drill program at the K1 prospect and wide spaced soil sampling field exploration program at the K2-K4 prospects at the Yerrida Cobalt Project (Figure 2). The results continue to build on the prospectivity of the project area and support the company's exploration model where certain characteristics are considered analogous to the prolific Central African Copperbelt.

The targeting rational at the Yerrida Cobalt project is derived from a geological evaluation and concept study for the region, from which it was concluded that the evolution of the Yerrida basin is compatible to the geological history and setting of copper-cobalt and nickel-cobalt deposits of the prolific Central African Copperbelt, where new discoveries continue to be made based on advances in exploration concepts.

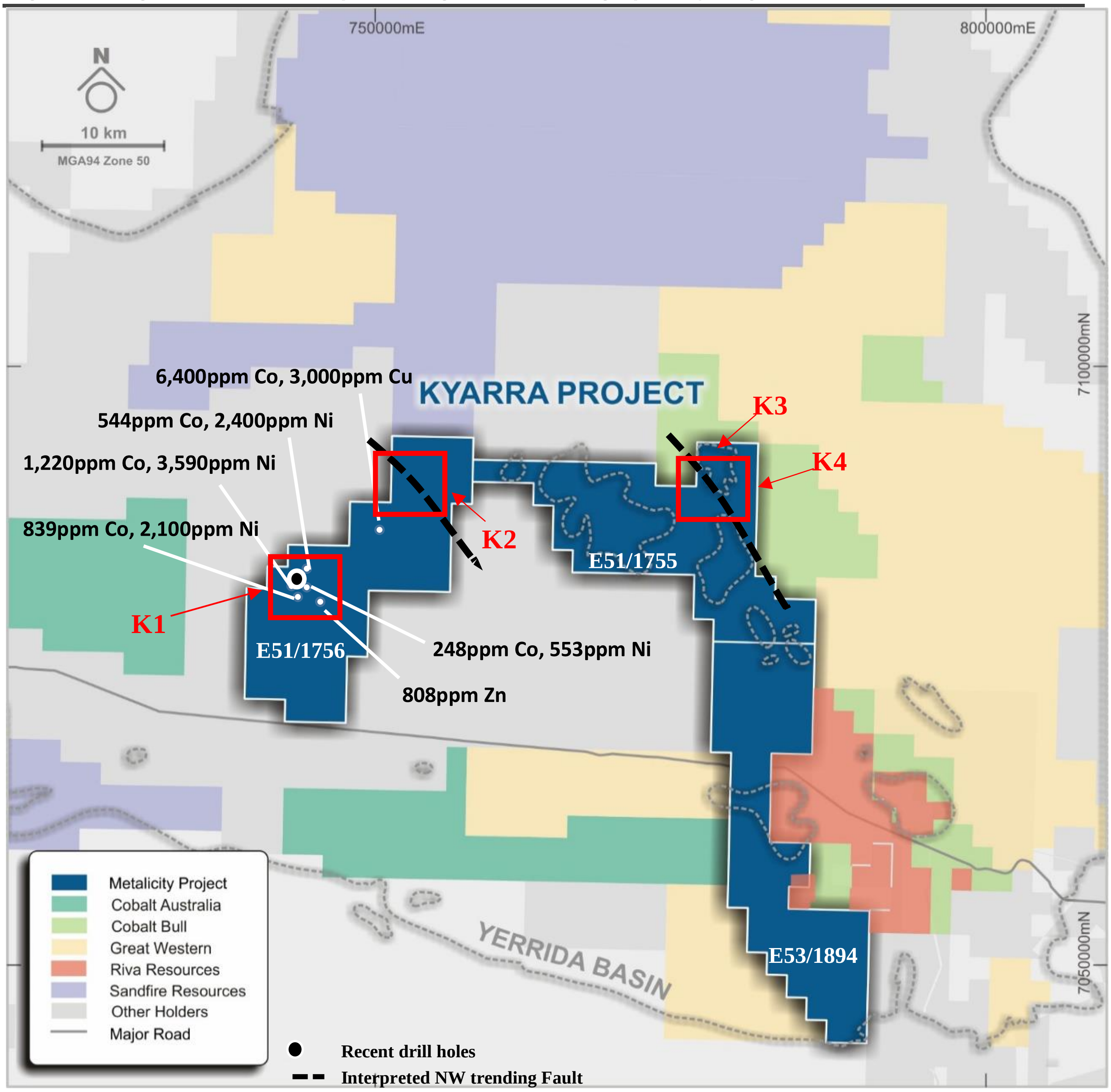
Assay results of the previous drill program showed consistent near surface base metal enrichment which accounts for some of the surface anomalism, however, a 8m to 12m thick, shallow south dipping anomalous base metal (400 to 500 ppm Cu and 50 to 60 ppm Co; 4 x Cu and 2 x Co back ground values) horizon was intersected in all drill holes. It was inferred that this anomalous horizon could show gradual down dip enrichment particularly if major structures were intersected. The objective for this program was to step out and test this possibility to build on the exploration model.

The recent RC drill program at the K1 prospect intersected the same stratigraphic sequence of sandstones of the Yelma Formation near the surface unconformably overlying Maraloo Formation black shales at depth. The 446m RC drill program targeted down dip potential source structures feeding the previously reported shallow, south-dipping, zone of 8m to 12m cobalt horizon. Exploration previously intersected anomalous copper-cobalt mineralisation which provides support for the geological setting's potential to host further high-grade copper-cobalt mineralisation associated with the underlying "red bed" sandstones of the Yerrida Basin at depth.

The company is therefore targeting postulated higher grade structurally controlled feeder zones to the stratigraphically controlled mineralisation. The next phase of exploration will aim to locate and map these structures and prioritising them for drill testing. Geophysics, targeted geochemistry and detailed geological mapping may identify the highgrade feeder zones and possibly the red bed associated mineralisation. The field exploration program at the K2-K4 prospects included geological mapping and rock chip sampling, using a 250m X 250m pattern over an area of 3km by 5km at K3 and K4 for 160 samples and 2.5km X 2.5km at K2 for 116 samples. Within the area of K2, a number of geochemically anomalous soil samples were returned requiring further assessment and infill sampling. In particular a coincident copper-cobalt in soil anomaly in the north east corner of the K2 target, which warrants follow up exploration.

The Company will now focus its efforts to target the base of the Maraloo Formation and the main transition zone from the underlying "red-bed" sandstones, which represents the primary target and most prospective setting for mineralization at K1 and, pending geological mapping and sampling results, across K2-K4. Detailed sampling, mapping and high resolution airborne magnetic geophysics will be required particularly with regard to structural interpretation and targeting of higher grade mineralization.

**Figure 6: Regional Location Map showing cobalt rich high priority target area**




*Source: Metalicity*

**Field Work Identifies 8km Lithium Target at Pilgangoora North (100% MCT)**

The Pilgangoora North tenements are located some 80 km south-southeast of Port Hedland in the Pilbara region of Western Australia. Access to the tenements is currently from the south via the access road to Pilbara Minerals Limited (ASX:PLS) and Altura Mining Limited (ASX:AJM) operations and then via a mix of private station tracks.

The Pilgangoora North project area covers northern extensions of the greenstone belt hosting the lithium-bearing Pilgangoora group of pegmatites currently being developed by Pilbara Minerals and Altura Mining.

Preliminary mapping, satellite imagery interpretation and rock ship sampling defined a series of pegmatites over a 10 km trend. The recent reconnaissance mapping and rock chip sampling, combined with the earlier rock chip sampling results, has identified priority target areas for further work.

The project area also contains portions of two monzogranite suites, namely the Motherin Monzogranite and the Sisters Supersuite Monzogranites both of which appear to have characteristics indicative of fertile granites and therefore potentially the source of the lithium ± tantalum bearing pegmatites present in the Pilgangoora district. The recent field work by Metalicity has confirmed the Motherin Monzogranite has geochemical signatures indicative of fertile granites is therefore a potential source of lithium bearing pegmatites.

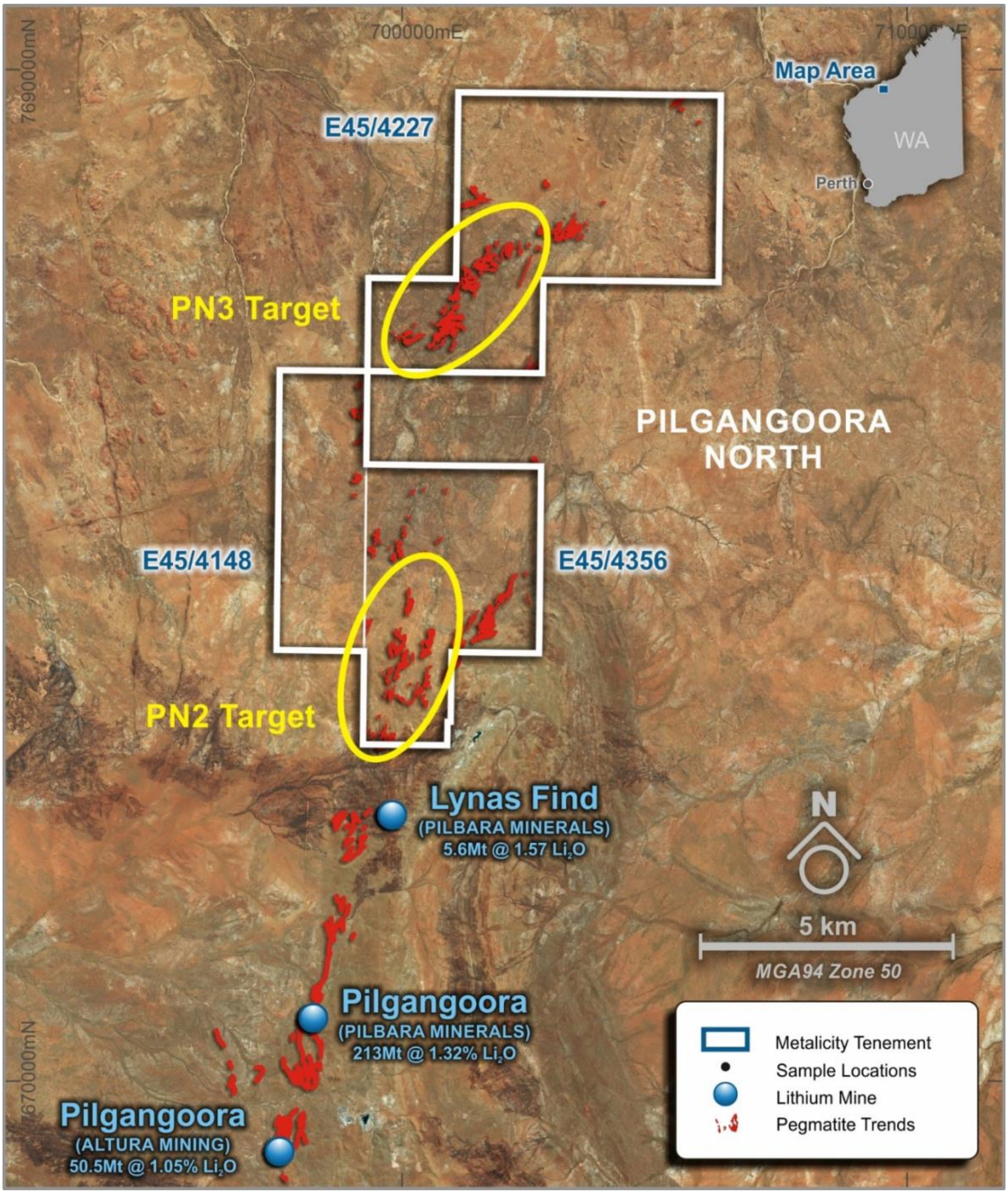
The recent field work comprised visits to point localities identified as possible pegmatites from satellite imagery and field traverses across portions of the greenstone belts hosting or likely to host pegmatites to visually inspect outcropping pegmatites for lithium bearing minerals.

Rock chip samples were collected from any pegmatites that visually appeared to host lithium mineralisation, as well as samples of blocky-K-feldspar and muscovite to understand the pegmatite fractionation trends. In addition, the Motherin Monzogranite was sampled to determine if this granite has characteristics indicative of being a fertile granite and therefore potentially capable of producing pegmatite hosted lithium ± tantalum mineralisation. The geochemical results indicate the Motherin Monzogranite is likely a fertile granite and further information is available at ASX:MCT 3/7/18.

Based on these recent results and the results of previous rock chip sampling programmes (ASX:MCT 14/12/17) two areas have been selected (PN 2 and PN 3) in which to undertake additional reconnaissance mapping and rock chip sampling. In addition, pegmatites identified to date as being potentially mineralised will be evaluated in more detail to allow effective drill planning.

The two future target areas named PN 2 and PN 3 are shown on Figure 3.

**Figure 7: Pilgangoora North priority targets at PN2 and PN3**



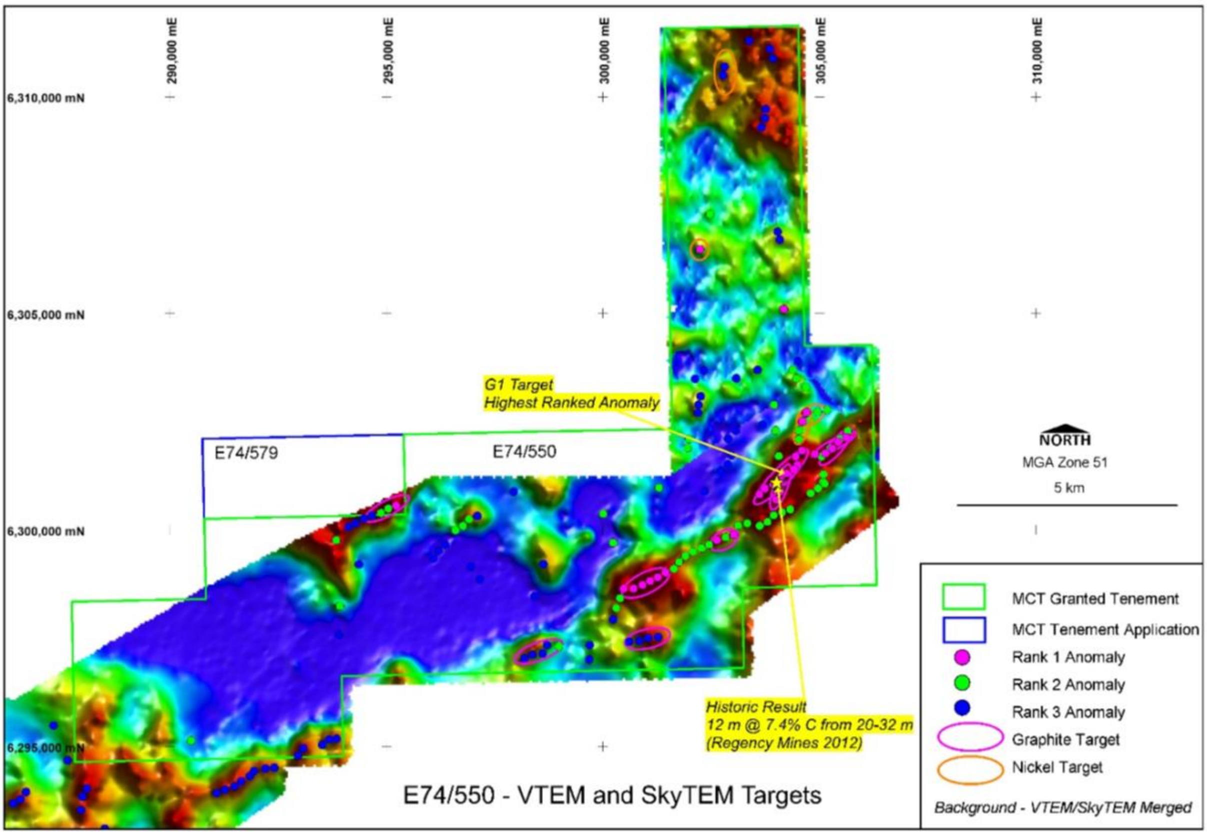

*Source: Metalicity; ASX:PLS May Presentation; ASX:AJM June Presentation*

**Desktop Work Identifies 1.5km Graphite Target at Munglinup North (100% MCT)**

The Munglinup North Project is located 20km north of the Munglinup Graphite deposit (owned by Mineral Commodities Limited ASX:MRC) one of the worlds highest grade graphite deposits. Previous limited assaying for graphite from shallow drilling on E70/550 intersected 12m at 7.4% carbon, including 4m at 10.33% carbon, from 20m beneath the surface. The project tenements are located across and adjacent to the boundary of the Yilgarn Craton and the Albany Fraser Belt.

Recent interpretation and modelling undertaken on data from three previously flown airborne electromagnetic surveys acquired by the Company, has highlighted seven anomalies considered highly prospective for graphite mineralisation. The G1 target has the highest conductivity modelled and corresponds to the strongest conductivity in the Conductivity Depth Inversion (CDI), and known graphite mineralisation from previous drilling. The modelled conductivity of 480mS/m is of similar tenure to the Munglinup Graphite deposit located further to the south. The G1 target extends over 1.5km and the company is preparing a first pass drilling program to test for further high grade graphite mineralisation (See ASX:MCT 17/03/2016).

**Figure 8: Munglinup North Graphite Target**




*Source: Metalicity*

## Disclaimer and Forward Looking Statements

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## Competent Person Statement

### Competent Person Statement Regarding Napier Range Zinc Project

See Metalicity Announcement 30/10/17

### Competent Person Statement Regarding Admiral Bay Project

See Metalicity ASX Announcement 19/04/2017.

### Competent Person Statement Regarding Lithium Projects

See Metalicity ASX Announcement 28/04/2017

### Competent Person Statement Regarding Kyarra Cobalt Project

See Metalicity ASX Announcements of 21/06/2017 and 21/07/2017

### Tenement Schedule

The following table shows the tenements the Group has an interest in at 30 June 2018:

| Project | TEN ID | Holder | Granted | Expires |
|---|---|---|---|---|
| Admiral Bay[1] | ML04/244 | Metalicity Limited 100% | 21/03/1991 | 20/03/2033 |
| Admiral Bay[1] | ML04/249 | Metalicity Limited 100% | 21/03/1991 | 20/03/2033 |
| Admiral Bay[1] | EL04/1610 | Metalicity Limited 100% | 04/09/2007 | 03/09/2019 |
| Turner River | EL45/4675 | Metalicity Limited 100% | 06/07/2017 | 05/07/2022 |
| Turner River | EL45/4676 | Metalicity Limited 100% | 24/11/2016 | 23/11/2021 |
| Munglinup | EL74/550 | Metalicity Energy Limited 100% | 22/01/2015 | 21/01/2020 |
| Lynas Find | EL45/4148 | Metalicity Energy Limited 100% | 26/08/2013 | 25/08/2018 |
| Lynas Find | EL45/4227 | Metalicity Energy Limited 100% | 24/07/2014 | 23/07/2019 |
| Lynas Find | EL45/4356 | Metalicity Energy Limited 100% | 17/11/2014 | 16/11/2019 |
| Kyarra | EL51/1755 | Metalicity Energy Limited 100% | 24/05/2017 | 23/05/2022 |
| Kyarra | EL51/1756 | Metalicity Energy Limited 100% | 24/05/2017 | 23/05/2022 |
| Kyarra | EL53/1894 | Metalicity Energy Limited 100% | 24/05/2017 | 23/05/2022 |
| Madoonia Downs | E15/1611 | Metalicity Energy Limited 100% | 30/01/2018 | 29/01/2023 |
| Murphies Gap | EL45/3438 | Metalicity Energy Limited 100% | 01/03/2011 | 28/02/2021 |
| Murphies Gap | EL45/4498 | Metalicity Energy Limited 100% | 01/10/2015 | 30/09/2020 |
| Stannum | EL45/4677 | Metalicity Energy Limited 100% | 10/10/2016 | 09/10/2021 |
| Emanuel Range[1] | E04/2259 | Ridgecape Holdings Pty Ltd 100% | 04/07/2016 | 03/07/2021 |
| Pilbara East[1] | E04/2453 | Ridgecape Holdings Pty Ltd 100% | 13/09/2017 | 12/09/2022 |
| Napier[1] | G04/0020 | Ridgecape Holdings Pty Ltd 100% | 03/03/1989 | 02/03/2031 |
| Napier Range[1] | M04/0161 | Ridgecape Holdings Pty Ltd 100% | 31/12/1987 | 30/12/2029 |
| Napier Range[1] | M04/0162 | Ridgecape Holdings Pty Ltd 100% | 31/12/1987 | 30/12/2029 |

[1] Tenements vended into subsidiary, Kimberly Mining Limited, after 30 June 2018.

### Results

The loss after income tax for the year ended 30 June 2018 was $2,302,570 (30 June 2017: loss $2,825,445).

### Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

### Environmental regulations

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out exploration work.

### Dividends

No dividends have been paid or declared since the beginning of the financial year and none are recommended.

**Subsequent events**

Other than the following, the directors are not aware of any significant events since the end of the reporting period which significantly affect or could significantly affect the operations of the consolidated entity in future financial years:

1) On 27 July 2018, the Company announced that the proposed IPO and TSX-V listing of KML and associated sale of the Company's zinc projects was approved by the Company's shareholders at a general meeting on that date.

2) On 11 September 2018, Metalicity Limited announced it had completed the sale of its Admiral Bay Zinc Project and Lennard Shelf Zinc Projects to its newly created Canadian subsidiary, Kimberley Mining Limited and has received the first cash payment related to the transaction of C$500,000 (A$531,436) of a total of up to C$12.5M cash (A$13.28M), subject to successful completion of the initial public offering ("**IPO**") of KML and certain milestones (see ASX:MCT 29/05/18).

   The Company also announced, further to its ASX announcement dated 10 July 2018, that KML has closed the first tranche of its C$2M seed capital raising. KML has elected to separate the seed capital raising into two separate tranches, with the second and final tranche expected to close within the next two weeks.

**Likely developments and expected results of Operations**

The Group will continue to explore and assess its mineral projects.

## Information on Directors

**Matthew Gauci** - Managing Director – appointed 26 September 2012

***Experience and Expertise***

Mr Gauci is a Mining Executive with more than 20 years' experience in strategic management and corporate finance in the mining industry having successfully financed and managed private and public mining exploration companies operating in Australia, Africa and South America. Mr Gauci has managed teams in the exploration, development and feasibility of a number of mining exploration projects in precious metals, base metals and bulk commodities. Mr Gauci has a BSc. and an MBA from the University of Western Australia.

***Other Current Directorships***

None

***Former Directorships in the Last Three Years***

None

***Special Responsibilities***

Managing Director

***Interests in Shares and Options***

11,739,033 ordinary shares and 33,500,000 unlisted options

**Andrew Daley** - Non-executive Chairman – appointed 19 August 2013

***Experience and Expertise***

Mr Daley is a Mining Engineer and Investment Banker. He has a Bachelor of Science (Honours), is a Chartered Engineer (UK), a Fellow of the Australasian Institute of Mining and Metallurgy and Member of IOM3 (UK). He has over 40 years' experience in resources having worked with Anglo American, Rio Tinto, Conoco Minerals and Fluor Australia in mining operations, project evaluation and mining development. Mr Daley then moved into resource project finance with National Australia Bank, Chase Manhattan and from 1999 was a Director of the Mining Team at Barclays Capital in London. Subsequently, Mr Daley was a Director of Investor Resources Finance Pty Limited, a company based in Melbourne which provided financial advisory services to the resources industry globally.

***Other Current Directorships***

None

***Former Directorships in the Last Three Years***

None

***Special Responsibilities***

Chairman of the Remuneration and Nomination Committee.

***Interests in Shares and Options***

2,588,682 ordinary shares and 12,750,000 unlisted options.

**Justin Barton** – Finance Director – appointed 1 January 2018

***Experience and Expertise***

Mr Barton is a Chartered Accountant with over 20 years experience in accounting, international finance, M&A and the mining industry. He worked for over 13 years in the Big 4 Accounting firms in Australia and Europe and advised many of the worlds largest mining, oil & gas companies and financial institutions, including Rio Tinto, Chevron, Macquarie, Merrill Lynch, Morgan Stanley and Deutche Bank. Justin also worked for 4 years at Paladin Energy Limited as Group Tax and Finance Manager. More recently, he has worked as the CFO and has been a Board Member of a number of junior exploration companies.

***Other Current Directorships***

None

***Former Directorships in the Last Three Years***

Eneabba Gas Limited (appointed 1 March 2017, resigned 10 October 2017)

Interposed Holdings Limited (appointed 10 January 2017, resigned 11 December 2017)

***Special Responsibilities***

Finance Director, member of the Audit Committee and member of the Remuneration and Nomination Committee.

***Interests in Shares and Options***

277,778 ordinary shares and 13,500,000 unlisted options

**Mathew Longworth** - Non-executive Director – appointed 29 September 2014

***Experience and Expertise***

Mr Longworth is a geologist with 30 years' experience across exploration, project evaluation/development, operations and corporate management. He previously held roles as Exploration Manager, COO and CEO/Managing Director with Australian listed companies, and mining analyst with a boutique investment fund. In his senior corporate roles, Mathew led multidisciplinary project evaluation and development teams. Mr. Longworth is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.

***Other Current Directorships***

None

***Former Directorships in the Last Three Years***

Echo Resources Limited (appointed 19 October 2012, resigned 8 February 2016)

***Special Responsibilities***

Chair of the Audit Committee

***Interests in Shares and Options***

634,167 ordinary shares and 10,200,000 unlisted options

**Chris Bain** - Non-executive Director – appointed 19 August 2013, resigned 1 January 2018

***Experience and Expertise***

Mr Bain is a geologist and mineral economist. He has over 35 years' experience in resources having worked in underground mine geology in Mt Isa and Tasmania and exploration around Broken Hill. Mr Bain has been instrumental in mining project divestitures and acquisitions, evaluations and valuations, capital raisings including several initial public offerings and ASX listings. Mr Bain was also a Director of Investor Resources Finance Pty Limited, a company based in Melbourne which provided financial advisory services to the resources industry globally. Mr Bain is a member of the Australasian Institute of Mining and Metallurgy and a graduate member of the Australian Institute of Company Directors.

***Other Current Directorships***

KGL Resources Limited (appointed 5 September 2013)

***Former Directorships in the Last Three Years***

Dart Mining Limited (resigned 18 February 2014)

***Special Responsibilities***

Chair of the Remuneration and Nomination Committee and Member of the Audit Committee

***Interests in Shares and Options (at time of resignation)***

870,000 ordinary shares and 10,200,000 unlisted options

**Company Secretary**

The company secretary is Neil Hackett. Neil was appointed to the position of company secretary on 4 December 2014. Neil has over 20 years of company secretarial, compliance and company directorship experience, including 10 years with the ASIC and seven years as an ASX 200 listed company secretary. He is currently Chairman, Director and Company Secretary of various ASX listed and private entities. Neil holds a Bachelor of Economics, is a Fellow of FINSIA, and is a Graduate and Facilitator with the Australian Institute of Company Directors.

## Directors' meetings

The number of meetings of the Company's board held during the year ended 30 June 2018 that each director was eligible to attend, and the number of meetings attended by each director were:

| Director | Number of Meetings | |
|---|---|---|
| | Eligible to attend | Attended |
| Matthew Gauci | 13 | 11 |
| Andrew Daley | 13 | 13 |
| Justin Barton | 6 | 6 |
| Mathew Longworth | 13 | 13 |
| Chris Bain | 7 | 6 |

## Remuneration Report (audited)

The Remuneration Report is set out under the following main headings:

(1) Principles used to determine the nature and amount of remuneration;
(2) Details of remuneration;
(3) Service agreements; and
(4) Share-based compensation.

The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the *Corporations Act 2001.*

### 1 Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;
(ii) acceptability to shareholders;
(iii) performance linkage / alignment of executive compensation;
(iv) transparency; and
(v) capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

(i) focuses on sustained growth in shareholder wealth; and
(ii) attracts and retains high calibre executives.

Alignment to program participants' interests:

(i) rewards capability and experience; and
(ii) provides a clear structure for earning rewards.

**Remuneration Report (audited) (continued)**

## 2 Details of remuneration

*Executive fees*
The fees and payments to the executive reflect the demands which are made on, and the responsibilities of the executive, and are in line with market. The executives' remuneration is reviewed annually by the board to ensure that the fees and payments remain appropriate and in line with the market.

The remuneration packages of the Executives are detailed below under "Service agreements".

*Non-executive directors*
Fees to the non-executive directors are determined by the Remuneration Committee as appropriate having regard to the market and the aggregate remuneration specified in the Company's Constitution and determined by the shareholders in general meeting. The fees are reviewed annually.

*Retirement allowances and benefits*
There are no retirement or termination allowances, or benefits paid to directors.

The amount of remuneration of the directors of the Company (as defined in AASB 124 *Related Party Disclosures*) and other key management personnel is set out in the following table.

| | Short term benefits | | | Post employment benefits | Equity settled share based payments | | |
|---|---|---|---|---|---|---|---|
| **2018** | **Salary, fees & leave** | **Annual leave** | **Other** | **Super-annuation** | **Options** | **Total** | **Performance related %** |
| **Executive director** | | | | | | | |
| Matthew Gauci | 275,000 | (5,645) | - | 26,125 | - | 295,480 | 0.0% |
| Justin Barton (f) | 173,516 | 4,448 | - | 16,484 | - | 194,448 | 0.0% |
| **Non-executive directors** | | | | | | | |
| Andrew Daley (a) | 90,000 | - | - | - | - | 90,000 | 0.0% |
| Mathew Longworth (b) | 60,000 | - | 7,500 | - | - | 67,500 | 0.0% |
| Chris Bain (c) | 27,397 | - | - | 2,603 | - | 30,000 | 0.0% |
| **Other executives** | | | | | | | |
| Leonardo Romero | 182,648 | 2,107 | - | 17,352 | 57,863 | 259,970 | 22.3% |
| Pip Darvall (d) | 78,870 | - | - | - | - | 78,870 | 0.0% |
| Neil Hackett (e) | 48,000 | - | 7,455 | - | 15,360 | 70,815 | 21.7% |
| **Totals** | **935,431** | **910** | **14,955** | **62,564** | **73,223** | **1,087,083** | |

**Remuneration Report (audited) (continued)**

| | Short term benefits | | | Post employment benefits | Equity settled share based payments | | |
|---|---|---|---|---|---|---|---|
| **2017** | **Salary, fees & leave** | **Annual leave** | **Other** | **Super-annuation** | **Options** | **Total** | **Performance related %** |
| **Executive director** | | | | | | | |
| Matthew Gauci | 289,759 | 9,676 | - | 26,125 | 145,705 | 471,265 | 30.9% |
| **Non-executive directors** | | | | | | | |
| Andrew Daley (a) | 90,000 | - | - | - | - | 90,000 | 0.0% |
| Chris Bain | 54,795 | - | - | 5,205 | - | 60,000 | 0.0% |
| Mathew Longworth (b) | 60,000 | - | - | - | - | 60,000 | 0.0% |
| **Other executive** | | | | | | | |
| Michael Hannington | 177,727 | (10,431) | - | 12,202 | 117,052 | 296,550 | 39.5% |
| Pip Darvall (d) | 194,539 | - | - | - | 117,052 | 311,591 | 37.6% |
| Leonardo Romero | 188,068 | (236) | | 14,418 | 117,052 | 319,302 | 36.7% |
| Justin Barton | 91,324 | 2,810 | | 8,676 | 117,052 | 219,862 | 53.2% |
| Neil Hackett (e) | 43,500 | - | - | - | 117,052 | 160,552 | 72.9% |
| Chris Hilbrands (f) | 11,416 | - | - | 1,084 | - | 12,500 | 0.0% |
| **Totals** | **1,201,128** | **1,819** | **-** | **67,710** | **730,965** | **2,001,622** | |

The fees paid to director related entities were for the provision of services of the particular director to the Company are as follows:

(a) Dalenier Enterprises Pty Ltd, an entity associated with Andrew Daley, was paid or is payable $90,000 (2017: $90,000) for director's fees.

(b) Mat Mining Pty Ltd, an entity associated with Mathew Longworth, was paid or is payable $60,000 (2017: $60,000) for director's fees.

(c) Chris Bain resigned as non-executive director on 1 January 2018.

(d) EPI Space Pty Ltd, an entity associated with Pip Darvall, was paid or is payable $78,870 (2017: $194,539) for geological consulting fees. EPI Space Pty Ltd's contract ceased in October 2017.

(e) Corporate Starboard Pty Ltd, an entity associated with Neil Hackett, was paid or is payable $55,455 (2017: $43,500).

(f) Justin Barton was appointed as finance director on 1 January 2018.

### Short term incentives

Short term incentives (STI) are an 'at risk' component of senior employees remuneration packages and are awarded based on annual review of past year's performance against specific goals.

No STI's were paid during the year ended 30 June 2018.

### Long term incentives

Long term incentives (LTI) are "at risk" benefits awarded to the Managing Director and potentially senior executives for achieving certain specified goals related to the long term growth and development of the Group.

No LTI's were awarded during the year ended 30 June 2018.

**Remuneration Report (audited) (continued)**

## 3 Service agreements

<u>Directors</u>

There is an Executive Contract with Matthew Gauci, to perform the function of Managing Director from 1 October 2013 until termination in accordance with the contract. The details are:

1. Remuneration of $275,000 per annum (excluding superannuation but including directors fees) subject to an annual review;
2. The Company may pay a performance based bonus of up to 50% over and above the salary;
3. The Company reimburses costs and expenses reasonably incurred;
4. Either party can terminate the agreement on three months (3) months written notice.

There are letters of director appointment with each director which set out the annual fixed fee and terms and conditions of the appointment including compliance with the Company's Constitution and Corporate Governance Policies; re-election, retirement and office vacancy; duties; remuneration; insurance and indemnity; disclosure of interests; and confidentiality. They serve until they resign, are removed, cease to be a director or prohibited from being a director under the provisions of the *Corporations Law 2001*, or are not re-elected to office. They are remunerated on a monthly basis with no termination payments payable.

It is the Group's policy that service contracts for non-executive directors are unlimited in term and capable of termination by either party upon written notice.

<u>Key Management Personnel</u>

There is a Consultancy Agreement with Corporate Starboard Pty Ltd for Neil Hackett to perform the function of Company Secretary, commencing 1 December 2014 until the termination of the contract. The details are:

1. Monthly retainer of $4,000 exclusive of GST per month. Additional time to be charged at $175/hr; and
2. Either party can terminate the agreement by giving two weeks written notice

There was a Consultancy Agreement with EPI Space Pty Ltd for Pip Darvall to perform the function of Exploration Manager of Non Admiral Bay Projects which commenced on 18 May 2016 and ceased in October 2017. The details are:

1. Remuneration of $1,200 per day exclusive of GST.

In the case of wilful or fraudulent misconduct, the Group retains the right to terminate all service contracts without notice.

Key management personnel are entitled to receive on termination of employment their statutory entitlements, including any accrued annual and long service leave, together with any superannuation benefits. Each service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year.

## 4 Share-based compensation

During the financial year, the following performance rights for key management personnel were granted:

| | | During the financial year | | | |
|---|---|---|---|---|---|
| **Name** | **Exercise price** | **No. granted and vested** | **Grant date** | **Expiry Date** | **Value of options granted at grant date (a)** |
| Leonardo Romero | $0.00 | 1,506,846 | 31/01/2018 | 15/03/2021 | $57,863 |
| Neil Hackett | $0.00 | 400,000 | 31/01/2018 | 15/03/2021 | $15,360 |

5,400,000 options issued to directors or key management personnel were exercised during the year. No options issued to directors or key management personnel were cancelled during the year.

**Remuneration Report (audited) (continued)**

## 5 Share and option holdings of Key Management Personnel (KMP)

*(i) Option and performance right holdings*

The numbers of options over ordinary shares in the Company held during the financial year by each KMP, including their personally related parties, are set out below:

**2018**

| | Balance at the start of the year | Granted during the year | Exercised during the year | Other changes during the year | Balance at the end of the year/date of resignation | Vested and exercisable at the end of the year/date of resignation | Vested but not exercisable at end of year |
|---|---|---|---|---|---|---|---|
| **Options** | | | | | | | |
| **Directors** | | | | | | | |
| Matthew Gauci | 33,500,000 | - | - | - | 33,500,000 | 33,500,000 | - |
| Andrew Daley | 12,750,000 | - | - | - | 12,750,000 | 12,750,000 | - |
| Justin Barton | 6,000,000 | - | - | - | 6,000,000 | 6,000,000 | - |
| Mathew Longworth | 10,200,000 | - | - | - | 10,200,000 | 10,200,000 | - |
| Chris Bain[1] | 10,200,000 | - | - | - | 10,200,000 | 10,200,000 | - |
| **Other executives** | | | | | | | |
| Leonardo Romero | 6,000,000 | - | - | - | 6,000,000 | 6,000,000 | - |
| Pip Darvall | 6,000,000 | - | - | - | 6,000,000 | 6,000,000 | - |
| Neil Hackett | 6,000,000 | - | - | - | 6,000,000 | 6,000,000 | - |
| | **90,650,000** | **-** | **-** | **-** | **90,650,000** | **90,650,000** | **-** |

The options issued to directors on 2 July 2015 (34,500,000 options) were released from escrow and became exercisable on 6 October 2017.

[1]On 1 January 2018, Chris Bain resigned as non-executive director.

The numbers of performance rights over ordinary shares in the Company held during the financial year by each KMP, including their personally related parties, are set out below:

**2018**

| | Balance at the start of the year | Granted during the year | Exercised during the year | Other changes during the year | Balance at the end of the year/date of resignation | Vested and exercisable at the end of the year/date of resignation | Vested but not exercisable at end of year |
|---|---|---|---|---|---|---|---|
| **Performance Rights** | | | | | | | |
| Leonardo Romero | - | 1,506,846 | - | - | 1,506,846 | - | - |
| Neil Hackett | - | 400,000 | - | - | 400,000 | - | - |
| | **-** | **1,906,846** | **-** | **-** | **1,906,846** | **-** | **-** |

**Remuneration Report (audited) (continued)**

## 5 Share and option holdings of Key Management Personnel (KMP) (continued)

*(i) Option and performance right holdings (continued)*

**2017**

| | Balance at the start of the year | Granted during the year | Exercised during the year | Other changes during the year | Balance at the end of the year | Vested and exercisable at the end of the year | Vested but not exercisable at end of year |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Matthew Gauci | 25,500,000 | 8,000,000 | - | - | 33,500,000 | 18,500,000 | 15,000,000 |
| Andrew Daley | 12,750,000 | - | - | - | 12,750,000 | 5,250,000 | 7,500,000 |
| Chris Bain | 10,200,000 | - | - | - | 10,200,000 | 4,200,000 | 6,000,000 |
| Mathew Longworth | 10,200,000 | - | - | - | 10,200,000 | 4,200,000 | 6,000,000 |
| **Other executives** | | | | | | | |
| Michael Hannington | 6,000,000 | 6,000,000 | (4,000,000) | - | 8,000,000 | 8,000,000 | - |
| Pip Darvall | - | 6,000,000 | - | - | 6,000,000 | 6,000,000 | - |
| Leonardo Romero | - | 6,000,000 | - | - | 6,000,000 | 6,000,000 | - |
| Justin Barton | - | 6,000,000 | - | | 6,000,000 | 6,000,000 | - |
| Neil Hackett | - | 6,000,000 | - | - | 6,000,000 | 6,000,000 | - |
| | **64,650,000** | **38,000,000** | **(4,000,000)** | **-** | **98,650,000** | **64,150,000** | **34,500,000** |

*(ii) Share holdings*

The numbers of shares in the Company held during the financial year by each director, including their personally related parties, are set out below:

**2018**

| | Balance at the start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year/date of resignation |
|---|---|---|---|---|
| **Directors** | | | | |
| Matthew Gauci | 11,456,428 | - | 282,605 | 11,739,033 |
| Andrew Daley | 2,172,015 | - | 416,667 | 2,588,682 |
| Justin Barton | - | - | 277,778 | 277,778 |
| Mathew Longworth | 217,500 | - | 416,667 | 634,167 |
| Chris Bain | 870,000 | - | - | 870,000 |
| **Other executives** | | | | |
| Leonardo Romero | - | - | - | - |
| Neil Hackett | 339,801 | - | 1,000 | 340,801 |
| Pip Darvall | - | - | - | - |
| | **15,055,744** | **-** | **1,394,717** | **16,450,461** |

## Remuneration Report (audited) (continued)

### 5 Share and option holdings of Key Management Personnel (KMP) (continued)

*(ii) Share holdings (continued)*

The numbers of shares in the Company held during the financial year by each director, including their personally related parties, are set out below:

**2017**

| | Balance at the start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|
| **Directors** | | | | |
| Matthew Gauci | 10,601,927 | - | 854,501 | 11,456,428 |
| Andrew Daley | 1,845,245 | - | 326,770 | 2,172,015 |
| Chris Bain | 870,000 | - | - | 870,000 |
| Mathew Longworth | - | - | 217,500 | 217,500 |
| **Other executives** | | | | |
| Justin Barton | - | - | - | - |
| Leonardo Romero | - | | - | - |
| Neil Hackett | 339,801 | - | - | 339,801 |
| Pip Darvall | - | | - | - |
| Michael Hannington | - | - | - | - |
| | **13,656,973** | **-** | **1,398,771** | **15,055,744** |

*(End of Remuneration Report)*

## Additional Information

### (a) Shares under option

At the date of this report, the Company had 164,281,693 options and 2,274,713 performance rights over ordinary shares under issue (30 June 2017: 129,916,670). These options are exercisable as follows:

| Details | No of Options | Grant Date | Date of Expiry | Conversion Price $ |
|---|---|---|---|---|
| Management incentive options | 9,500,000 | 02/07/2015 | 23/07/2020 | 0.025 |
| | 8,100,000 | 02/07/2015 | 23/07/2020 | 0.03 |
| | 11,500,000 | 02/07/2015 | 23/07/2020 | 0.04 |
| | 8,050,000 | 27/11/2015 | 10/12/2020 | 0.03 |
| | 8,050,000 | 27/11/2015 | 10/12/2020 | 0.04 |
| | 8,050,000 | 27/11/2015 | 10/12/2020 | 0.05 |
| | 13,000,000 | 29/11/2016 | 31/12/2019 | 0.06 |
| | 13,000,000 | 29/11/2016 | 31/12/2019 | 0.08 |
| | 13,000,000 | 29/11/2016 | 31/12/2019 | 0.10 |
| | 2,000,000 | 29/11/2016 | 31/12/2019 | 0.12 |
| | 2,500,000 | 27/08/2018 | 26/08/2021 | 0.06 |
| | 2,500,000 | 27/08/2018 | 26/08/2021 | 0.08 |
| | 2,500,000 | 27/08/2018 | 26/08/2021 | 0.10 |
| Other options | 1,500,000 | 17/02/2016 | 31/12/2019 | 0.04 |
| | 4,000,000 | 13/06/2016 | 13/06/2019 | 0.06 |
| | 3,000,000 | 17/02/2016 | 31/12/2019 | 0.08 |
| | 1,000,000 | 18/04/2016 | 31/12/2019 | 0.10 |
| | 3,000,000 | 17/02/2016 | 31/12/2019 | 0.12 |
| | 5,000,000 | 16/01/2017 | 16/01/2020 | 0.08 |
| | 12,766,670 | 18/08/2017 | 18/08/2020 | 0.08 |
| | 26,265,023 | 21/02/2018 | 14/02/2023 | 0.08 |
| | 3,000,000 | 15/03/2018 | 12/03/2021 | 0.06 |
| | 3,000,000 | 15/03/2018 | 12/03/2021 | 0.08 |
| | 164,281,693 | | | |

| Details | No of Options | Grant Date | Date of Expiry | Conversion Price $ |
|---|---|---|---|---|
| Performance Rights | 2,274,713 | 15/03/2018 | 15/03/2021 | 0.00 |

Refer to note 15 for details of options cancelled and exercised during the year.

At the date of this report, Kimberly Mining Limited, a Canadian subsidiary of the Company, had the following warrants on issue:

| Details | No of Options | Grant Date | Date of Expiry | Conversion Price $ |
|---|---|---|---|---|
| Founder Warrants | 5,329,750 | 29/08/2018 | 29/08/2023 | 0.40 |
| Special Warrants | 2,952,000 | 29/08/2018 | 31/12/2018 | 0.05 |
| Brokers Special Warrants | 176,620 | 29/08/2018 | 29/08/2020 | 0.05 |
| | 8,458,370 | | | |

### (b) Insurance of officers

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the Company, the Company Secretary, and any executive officers of the Company and of any related body corporate against a liabiDlity incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Additional Information (continued)**

**(c) Agreement to indemnify officers**

The Group has entered into agreements with the directors to provide access to Group records and to indemnify them. The indemnity relates to any liability as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law; and for legal costs incurred in successfully defending civil or criminal proceedings.

No liability has arisen under these indemnities as at the date of this report.

**(d) Proceedings on behalf of the Group**

No person has applied to the court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Group with leave of the court under Section 237.

**(e) Non-audit services**

No non-audit services were provided by the auditor or any entity associated with the auditor for the year ended 30 June 2018 (2017: Nil).

**(f) Corporate Governance**

The Directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement dated 29 September 2016 released to ASX and posted on the Company's website www.metalicity.com.au.

**(g) Environmental Liabilities**

There are no environmental liabilities at the date of this report.

**Auditor's independence declaration**

The auditor's independence declaration is included on page 31 of the annual report.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

Matthew Gauci
Managing Director
Perth, Western Australia

26 September 2018

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

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26 September 2018

The Directors
Metalicity Limited
6 Outram Street
West Perth WA 6005

Dear Sirs

**RE: METALICITY LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Metalicity Limited.

As Audit Director for the audit of the financial statements of Metalicity Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully,
**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**

**Samir Tirodkar**
**Director**

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# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF
# METALICITY LIMITED

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Metalicity Limited the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

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

### Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Relating to Going Concern*

Without modification to the audit opinion expressed above, attention is drawn to the following matter.

As referred to in note 2(a) to the financial report, the financial report has been prepared on a going concern basis. At 30 June 2018, the Group had net assets of $4,382,199, cash and cash equivalents of $1,866,233 and net working capital surplus of $2,075,275. The Group had incurred a loss for the year ended 30 June 2018 of $2,302,570.

The ability of the Group to continue as a going concern and meet its administration and other commitments is dependent upon the Company receiving the minimum cash proceeds from the sale of its zinc assets, or raising further working capital or commercialization of its exploration assets. In the event the Company does not receive the minimum proceeds from the sale of its zinc assets or the Company is unable to raise further working capital or commercialize its exploration assets, the company may not be able to meet its liabilities as they fall due, or realise its assets at their stated values.

## Key Audit Matters

In addition to the matter described in the material uncertainty related to going concern, we have determined the matter described below to be a key audit matter to be communicated in the report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matters | How the matter was addressed in the audit |
|---|---|
| **Carrying Value of Capitalised Exploration and Evaluation Expenditure**<br><br>As at 30 June 2018, Capitalised Exploration and Evaluation Expenditure totals $11,479,821 of which $9,175,727 is disclosed as non-current assets held for sale (refer to Note 10 of the financial report) and $2,304,094 as Exploration and Evaluation expenditure (refer to Note 11 of the financial report).<br><br>Exploration and evaluation expenditure incurred on granted exploration licences is accumulated in respect of each identifiable area of interest. These costs are carried forward where the rights to tenure of the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.<br><br>The carrying value of Capitalised Exploration and Evaluation Expenditure is a key audit matter due to:<br><br>• The significance of the total balance (85% of total assets);<br>• The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present; and<br>• The assessment of significant judgements made by management in relation to the Capitalised Exploration and Evaluation Expenditure. | Inter alia, our audit procedures included the following:<br><br>i. Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third party documentation;<br><br>ii. Reviewing the directors' assessment of the carrying value of the exploration and evaluation expenditure, ensuring the veracity of the data presented and that management has considered the effect of potential impairment indicators, commodity prices and the stage of the Group's projects against AASB 6;<br><br>iii. Evaluation of Group documents for consistency with the intentions for the continuing of exploration and evaluation activities in certain areas of interest, and corroborated with enquiries of management. Inter alia, the documents we evaluated included:<br><br>▪ Minutes of meetings of the board and management;<br>▪ Announcements made by the Group to the Australian Securities Exchange; and<br>▪ Cash forecasts; and<br><br>iv. Consideration of the requirements of accounting standard AASB 6. We assessed the financial statements in relation to AASB 6 to ensure appropriate disclosures are made. |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

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

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

### Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 28 of the directors' report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion on the Remuneration Report

In our opinion the Remuneration Report of Metalicity Limited for the year ended 30 June 2018 complies with section 300A of the Corporations Act 2001.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**

Stantons International

**Samir Tirodkar**
Director

West Perth, Western Australia
26 September 2018

# Directors' declaration

In the directors' opinion:

1. the financial statements and notes set out on pages 37 to 64 are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (b) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;

3. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

4. the audited remuneration disclosures set out on pages 22 to 28 of the Directors' Report comply with accounting standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations required by Section 295(A) of the *Corporations Act 2001* from the Managing Director and the Company Secretary for the year ended 30 June 2018.

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

Matthew Gauci
Managing Director
Perth, Western Australia

26 September 2018

metalicity

## Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2018

| | Note | Consolidated Group 2018 $ | Consolidated Group 2017 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | 520,752 | 501,387 |
| Expenses | 5 | (2,823,322) | (3,326,832) |
| Loss from continuing operations before income tax | | (2,302,570) | (2,825,445) |
| Income tax expense | 6 | - | - |
| **Loss after income tax from continuing operations** | | **(2,302,570)** | **(2,825,445)** |
| | | | |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss | | - | - |
| Items that will not be reclassified subsequently to profit or loss | | - | - |
| Other comprehensive loss for the period, net of tax | | - | - |
| | | | |
| **Total comprehensive loss for the year** | | **(2,302,570)** | **(2,825,445)** |
| | | | |
| **Loss attributable to:** | | | |
| Owners of the parent | | (2,302,570) | (2,825,445) |
| | | (2,302,570) | (2,825,445) |
| | | | |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the parent | | (2,302,570) | (2,825,445) |
| Non controlling interest | | - | - |
| | | **(2,302,570)** | **(2,825,445)** |
| | | | |
| **Basic loss per share (cents)** | | | |
| - Continuing operations | 24(a) | (0.43) | (0.62) |
| | | (0.43) | (0.62) |
| | | | |
| **Diluted loss per share (cents)** | | | |
| - Continuing operations | 24(b) | (0.43) | (0.62) |
| | | (0.43) | (0.62) |

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

## Consolidated statement of financial position
## as at 30 June 2018

| | Note | Consolidated Group 2018 $ | Consolidated Group 2017 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 7(a) | 1,866,233 | 1,823,365 |
| Trade and other receivables | 8 | 93,961 | 60,761 |
| Other assets | 9 | 82,368 | 76,178 |
| Non-current assets held for sale | 10 | 9,175,727 | - |
| Total current assets | | 11,218,289 | 1,960,304 |
| **Non-current assets** | | | |
| Exploration and evaluation expenditure | 11 | 2,304,094 | 7,372,235 |
| Plant & equipment | | 2,830 | 8,373 |
| Total non-current assets | | 2,306,924 | 7,380,608 |
| **Total assets** | | 13,525,213 | 9,340,912 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 546,428 | 367,613 |
| Provisions | 14 | 43,406 | 41,009 |
| Liabilities related to assets held for sale | 10 | 8,553,180 | - |
| Total current liabilities | | 9,143,014 | 408,622 |
| **Non-current liabilities** | | | |
| Deferred income | 15 | - | 7,053,180 |
| Total non-current liabilities | | - | 7,053,180 |
| **Total liabilities** | | 9,143,014 | 7,461,802 |
| **Net assets** | | 4,382,199 | 1,879,110 |
| **Equity** | | | |
| Issued capital | 16 | 46,638,047 | 41,977,929 |
| Other reserves | | 2,026,708 | 1,881,167 |
| Accumulated losses | | (44,282,556) | (41,979,986) |
| **Total equity** | | 4,382,199 | 1,879,110 |

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

## Consolidated statement of changes in equity
## for the financial year ended 30 June 2018

| | Issued capital | Share Based Payments Reserve | Option Premium Reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Balance at 1 July 2016 | 41,257,521 | 943,167 | 1,500 | (39,154,541) | 3,047,647 |
| (Loss) for the year | - | - | - | (2,825,445) | (2,825,445) |
| Total comprehensive loss for the year | - | - | - | (2,825,445) | (2,825,445) |
| *Transactions with owners in their capacity as owners* | | | | | |
| Issue of share capital (options exercised) | 330,000 | - | - | - | 330,000 |
| Share based payments | 510,408 | 789,492 | - | - | 1,299,900 |
| Acquisition of tenements | - | 147,008 | - | - | 147,008 |
| Share issue costs | (120,000) | - | - | - | (120,000) |
| Total transactions with owners | 720,408 | 936,500 | - | - | 1,656,908 |
| **Balance at 30 June 2017** | 41,977,929 | 1,879,667 | 1,500 | (41,979,986) | 1,879,110 |

| | Issued capital | Share Based Payments Reserve | Option Premium Reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Balance at 1 July 2017 | 41,977,929 | 1,879,667 | 1,500 | (41,979,986) | 1,879,110 |
| (Loss) for the year | - | - | - | (2,302,570) | (2,302,570) |
| Total comprehensive loss for the year | - | - | - | (2,302,570) | (2,302,570) |
| *Transactions with owners in their capacity as owners* | | | | | |
| Issue of share capital | 3,761,097 | - | - | - | 3,761,097 |
| Issue of share capital (options exercised) | 152,000 | - | - | - | 152,000 |
| Share based payments | 1,050,000 | 145,541 | - | - | 1,195,541 |
| Share issue costs | (302,979) | - | - | - | (302,979) |
| Total transactions with owners | 4,660,118 | 145,541 | - | - | 4,805,659 |
| **Balance at 30 June 2018** | 46,638,047 | 2,025,208 | 1,500 | (44,282,556) | 4,382,199 |

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

## Consolidated statement of cash flows
## for the financial year ended 30 June 2018

| | Note | Consolidated Group 2018 $ | Consolidated Group 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (2,148,325) | (1,851,684) |
| R& D Rebate | | 258,940 | 442,849 |
| Lease income | | 71,300 | 51,946 |
| Interest expense | | (113) | (316) |
| Interest received | | 2,546 | 7,466 |
| Net cash used in operating activities | **7(b)** | (1,815,652) | (1,349,739) |
| **Cash flows from investing activities** | | | |
| Payment for plant and equipment | | (285) | (8,232) |
| Proceeds from sale of shares | | 283,377 | - |
| Proceeds from sale of tenements | | 50,000 | - |
| Payment for exploration and acquisition of tenements | | (2,142,408) | (2,008,547) |
| Net cash used in investing activities | | (1,809,316) | (2,016,779) |
| **Cash flows from financing activities** | | | |
| Proceeds from shares issued | | 3,913,052 | 330,000 |
| Transaction costs | | (278,995) | - |
| Net cash provided by financing activities | | 3,634,057 | 330,000 |
| **Net (decrease)/increase in cash and cash equivalents** | | 9,089 | (3,036,518) |
| **Cash and cash equivalents at the beginning of the financial year** | | 1,823,365 | 4,924,011 |
| **Effect of exchange rates on cash holdings in foreign currencies** | | 33,779 | (64,128) |
| **Cash and cash equivalents at the end of the financial year** | **7(a)** | 1,866,233 | 1,823,365 |

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

## 1. General information

Metalicity Limited ("the Company" or "MCT") is a company limited by shares, incorporated and domiciled in Australia. Its shares are listed on the Australian Securities Exchange. MCT and its wholly owned subsidiaries, Stuart Town Gold Pty Ltd, Metalicity Energy Pty Ltd, Ridgecape Holdings Pty Ltd, Kimberly Mining Australia Pty Ltd, Kimberly Mining Holdings Pty Ltd and Kimberly Ming Limited (95% owned), are referred to as the 'Group' or 'Consolidated Entity'.

The Financial Report of MCT for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the board of directors on 26 September 2018.

## 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

### (a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Australian Accounting Interpretations and the Corporations Act 2001.

It is recommended that this financial report be read in conjunction with the public announcements made by the Company during the year in accordance with the continuous disclosure requirements arising under the ASX Listing Rules.

*Compliance with IFRS*
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial Report of the Group complies with International Financial Reporting Standards (IFRS).

*Historical cost convention*
These financial statements have been prepared under the historical cost convention.

*Critical accounting estimates*
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Where these are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, these are disclosed in Note 2(q).

*Comparative figures*
When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current year. When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

*Going concern basis*
The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. For the year ended 30 June 2018 the Group incurred a loss after tax of $2,302,570 (2017: $2,825,445) and a net cash outflow from operations of $1,815,652 (2017: $1,349,739). At 30 June 2018, the Group has working capital surplus of $2,075,275 (2017: working capital of $1,551,682) and current cash holding was $1,866,233 (2017: $1,823,365).

The directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will continue to raise further funds through the disposal of the Groups zinc assets via listing on the Toronto Stock Exchange and subsequent capital raisings and will meet its expenditure commitments as required.

## 2. Significant accounting policies (continued)

### (a) Basis of preparation (continued)

At the date of this report, the Company has disposed of its zinc assets to Kimberly Mining Limited (KML) (note 27) and KML has completed its seed capital raising. The Company has received C$500,000 ($532,311) as its first instalment of the sale of the zinc assets and will receive C$4m upon listing of KML on the Toronto Stock Exchange, anticipated before 31 December 2018, and may receive up to a further C$8m in the subsequent 24 months, depending on the performance of KML following listing.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

### (b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of subsidiaries of the Company as at 30 June 2018 and the results of the subsidiaries for the period then ended.

Stuart Town Gold Pty Ltd, Metalicity Energy Pty Ltd, Ridgecape Holdings Pty Ltd, Kimberly Mining Australia Pty Ltd, Kimberly Mining Holdings Pty Ltd and Kimberly Mining Limited are the subsidiaries over which the Company has the power to govern the financial and operating policies as the holder of all of the voting rights. The subsidiaries are fully consolidated from the date of acquisition of the subsidiary. Consolidation will cease from the date that control of the subsidiary ceases. Any and all intercompany transactions and balances between the Company and the subsidiary are eliminated on consolidation.

### (c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets less liabilities transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 ‘Income Taxes’ and AASB 119 ‘Employee Benefits’ respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 ‘Share-based Payment’ at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 ‘Noncurrent Assets Held for Sale and Discontinued Operations’ are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest

## 2. Significant accounting policies (continued)

### (c) Business combinations (continued)

in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

### (d) Revenue recognition

Interest revenue is recognised on a time proportionate basis using the effective interest method.

### (e) Cash and Cash Equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### (f) Income Tax

The income tax expense or revenue for the period is the tax payable on a current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

### (g) Exploration Expenditure

Exploration and evaluation expenditure incurred on granted exploration licences is accumulated in respect of each identifiable area of interest. These costs are carried forward where the rights to tenure of the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to any abandoned area will be written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review will be undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

### (h) Other receivables

Other receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment.

### (i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

## 2. Significant accounting policies (continued)

### (j) Borrowings

Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

### (k) Contributed equity

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

### (l) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the result attributable to equity holders of the Company by the weighted number of shares outstanding during the year. Diluted EPS adjusts the figures used in the calculation of basic EPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed or known to have been issued in relation to dilutive potential ordinary shares.

### (m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown exclusive of GST. Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (n) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

### (o) Equity-Settled Compensation

The Group operates equity-settled share-based payment share and option schemes to Directors and employees. The fair value of the equity to which Directors and employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Binomial or Black and Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### (p) Financial Instruments

**Initial Recognition and Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the group becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

## 2. Significant accounting policies (continued)

### (p) Financial Instruments (continued)

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through the profit and loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to the Statement of Profit or Loss immediately. Financial instruments are classified and measured as set out below.

**Classification and Subsequent Measurement**

**Available for Sale Financial Assets**
Available for sale financial assets represent non-derivative financial assets that are not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor determinable payments. Available for sale financial assets are included in non-current assets, except those which are expected to mature within 12 months after the end of the reporting period.

**Loans and Receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. The fair value of trade and other receivables, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

**Financial Liabilities**
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method. The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Fair Value**
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and options pricing models.

**Impairment**
At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in the profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at that point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will entre bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account

## 2. Significant accounting policies (continued)

### (p) Financial Instruments (continued)

or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.
When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognised the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**Derecognition**
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

### (q) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assumed a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates – Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in- use calculations performed in assessing recoverable amounts incorporate a number of key estimates. This includes as assessment of the carrying values of intangibles and capitalised exploration and evaluation costs

Key Estimates – Share based payment transactions

The Group measures the cost of equity-settled transactions with employees (including directors) by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in Note 15.

### (r) Application of new and revised Accounting Standards

The Group has considered the implications of new and amended Accounting Standards applicable for the annual reporting periods beginning after 1 July 2016 but determined that their application to the financial statements is either not relevant or not material.

### (s) New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- *AASB 9 : Financial Instruments*

  This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

## 2. Significant accounting policies (continued)

### (s) New Accounting Standards for Application in Future Periods (continued)

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. The group has assessed the impact of the adoption of AASB 9 and has concluded that no material changes are expected to result from the adoption of the new standard. The Group will adopt this standard from 1 July 2018.

- *AASB 15 Revenue from Contracts with Customers*
  This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group has assessed the impact of AASB15 on its revenue in relation to its material contracts with customers and has concluded that no material changes are expected to result from the adoption of the new standard. The Group will adopt this standard from 1 July 2018.

- *AASB 16 Leases*
  This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the

## 2. Significant accounting policies (continued)

### (s) New Accounting Standards for Application in Future Periods (continued)

operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be fully assessed by the group. However, the Group expects its commitments in regards to operating leases to be impacted by this standard. The Group's operating lease commitments is disclosed under note 22(b).

## 3. Segment information

**Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group has one geographic segment being Australia and operates in one industry being the exploration of minerals.

## 4. Revenue

An analysis of the Group's revenue for the year is as follows:

| | Consolidated Group | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| R&D Rebate | 258,940 | 442,849 |
| Lease Income | 71,300 | 51,070 |
| Interest earned | 2,546 | 7,468 |
| Gain on sale of shares | 74,147 | - |
| Foreign exchange gain | 33,779 | - |
| Sale of tenements | 80,040 | - |
| | 520,752 | 501,387 |

## 5. Expenses

| | Consolidated Group | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Accounting & audit | 92,732 | 129,731 |
| ASX | 37,805 | 46,119 |
| Company secretarial fees | 62,065 | 43,500 |
| Consulting fees | 114,036 | 118,429 |
| Depreciation | 5,827 | 3,421 |
| Employee benefits | 620,490 | 507,757 |
| Foreign exchange loss | - | 64,128 |
| Insurance | 20,084 | 32,481 |
| Impairment - exploration | 454,466 | 824,607 |
| Interest expense | 113 | 316 |
| Investor relations | 55,948 | 25,903 |
| KML transaction costs | 324,194 | - |
| Legal fees | 108,132 | 53,784 |
| Project work & generation - cash | 200,190 | 158,027 |
| Rent & office costs | 227,275 | 201,402 |
| Seminars & conferences | 25,235 | 53,448 |
| Share based payments | 145,541 | 789,492 |
| Share registry fees | 25,940 | 20,032 |
| Travel & accommodation | 150,056 | 124,346 |
| Other | 153,193 | 129,909 |
| Total expenses | 2,823,322 | 3,326,832 |

## 6. Income taxes

| | Consolidated Group | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **a) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Loss from continuing operations before income tax expense | (2,302,570) | (2,825,445) |
| Tax at the Australian tax rate of 27.5% (2017: 27.5%) | (633,207) | (776,997) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income | 168,527 | 285,059 |
| Tax effect of amounts which are deductible (taxable) in calculating taxable income | (566,920) | (657,864) |
| R&D Rebate | (71,008) | (121,783) |
| Under/(over) from prior year | 212,491 | 197,751 |
| Tax losses not recognised | 890,117 | 1,073,834 |
| Income tax expense | - | - |

## 6. Income taxes (continued)

| | Consolidated Group | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| **b) Tax losses** | | |
| Unused tax losses for which no deferred tax asset has been recognised | 13,093,947 | 10,629,851 |
| Potential tax benefit at 27.5% | 3,600,836 | 2,923,209 |

Tax losses have not been recognised as a deferred tax asset as recoupment is dependent on, amongst other matters, sufficient future assessable income being earned. That is not considered certain in the foreseeable future and accordingly there is uncertainty that the losses can be utilised. There are deferred tax liabilities of approximately $3,156,951 relating to capitalised exploration costs claimed for tax as at 30 June 2018 (2017: $2,027,365). These are offset with the deferred tax assets that have been recognised to the extent of the deferred tax liabilities.

## 7. Cash and cash equivalents

### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows are reconciled to the related items in the consolidated statement of financial position as follows:

| | Consolidated Group | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Cash and cash equivalents | 1,866,233 | 1,823,365 |

A term deposit of $20,197 relating to securing a credit card facility is included in the above.

### (b) Reconciliation of loss for the year to net cash flows from operating activities

| | | |
|---|---|---|
| Loss for the year | (2,302,570) | (2,825,445) |
| Share based payments | 195,541 | 789,492 |
| Foreign exchange (gain)/loss | (33,779) | 64,128 |
| Depreciation | 5,827 | 3,421 |
| Impairment of exploration and evaluation | 454,466 | 824,607 |
| (Increase) in trade and other receivables and other assets | (39,390) | (44,568) |
| Increase/(decrease) in trade and other payables | (98,144) | (152,182) |
| Increase/(decrease) in provisions | 2,397 | (9,192) |
| Net cash (used in) operating activities | (1,815,652) | (1,349,739) |

### (c) Non cash investing and financing activities

For shares issued to acquire exploration tenements, refer to note 12 and note 16(a).

## 8. Trade and other receivables

| | Consolidated Group | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| GST Receivable | 81,112 | 52,033 |
| Lease fee receivable | 4,070 | 4,070 |
| Other receivables | 8,779 | 4,658 |
| | 93,961 | 60,761 |

## 9. Other assets

| | Consolidated Group | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Tenement applications and deposits | 24,713 | 17,928 |
| Prepayments | 19,155 | 16,750 |
| Rental security | 38,500 | 41,500 |
| Expenditure incurred | 82,368 | 76,178 |

## 10. Non-Current Assets Held for Sale and Liabilities Related to Non-Current Assets Held for Sale

| | Consolidated Group | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| ***Non-Current Assets Held for sale*** | | |
| Balance at beginning of the period | - | - |
| Assets reclassified as held for sale: | | |
| - Admiral Bay | 5,777,436 | - |
| - Napier and Emanual Range | 3,398,291 | - |
| Balance of assets held for sale | 9,175,727 | - |

| | Consolidated Group | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| ***Liabilities Related to Non-Current Assets Held for Sale*** | | |
| Balance at beginning of the period | - | - |
| Liabilities reclassified: | | |
| - Deferred income(1) | 7,053,180 | - |
| - Deferred acquisition costs(2) | 1,500,000 | - |
| Balance at period end | 8,553,180 | - |

During the year, the Company announced that it was proposing to list its zinc assets, consisting of the Admiral Bay Project and the Lennard Shelf Project held by subsidiary Ridgecape Holdings Pty Ltd. At year end, the transaction had progressed sufficiently that the sale of these assets had become highly probable and they have now been reclassified as available for sale.

## 10. Non-Current Assets Held for Sale and Liabilities Related to Non-Current Assets Held for Sale (continued)

(1) The Company sold a 1% Net Smelter Royalty over the Admiral Bay Project for US$5,000,000 ($7,053,180) which was received during the year ended 30 June 2016. The Company has recognised this amount as deferred income and will recognise the income upon the commencement of production, over the life of the mine/Net Smelter Royalty. This amount is not refundable.

(2) The deferred acquisition costs at 30 June 2018 relate to the final two payments, of $500,000 and $1,000,000, for the acquisition of the Napier Range tenements (see note 11).

## 11. Exploration and evaluation expenditure

| | Consolidated Group | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Exploration at cost at the beginning of the period | 7,372,235 | 5,357,642 |
| Acquisition costs | 3,086,875 | 800,979 |
| Expenditure incurred | 1,654,367 | 2,038,221 |
| Impairment expense | (454,466) | (824,607) |
| Tenements sold | (179,190) | - |
| Reclassification as assets held for sale (see note 10) | (9,175,727) | - |
| Closing balance | 2,304,094 | 7,372,235 |
| | | |
| Total expenditure incurred and carried forward in respect of specific projects | | |
| - Admiral Bay Project | - | 5,349,877 |
| - Napier and Emanuel Range | - | - |
| - Lynas Find and Other | 2,304,094 | 1,651,819 |
| - Rocky Gully Project | - | 370,539 |
| Total carried forward exploration expenditure | 2,304,094 | 7,372,235 |

## 12. Acquisition of assets

### Lennard Shelf Project

On 11 September 2017, the Group completed the acquisition of 100% of the shares in Ridgecape Holdings Pty Ltd, which holds the Emanuel Range Zinc Projects and the option to acquire the high grade Napier Range Zinc Project for:

- $100,000 cash;
- $500,000 of shares in the Company, issued on 20 September 2017 see note 16(a)); and
- $500,000 of shares in the Company upon exercise of option, issued on 16 March 2018 (see note 16(a)).

The net assets acquired included tenement acquisition costs of $1,031,918.

On 12 October 2017, the Group announced the exercise of the option (acquired by Ridgecape for $50,000 prior to acquisition by the Company) to acquire the Napier Range Zinc Project for

- $450,000 cash payment (net of $50,000 option fee), paid on 1 March 2018;
- $500,000 cash payment 6 months after above payment (now payable on 9 November 2018); and
- $1,000,000 cash payment 12 months after first payment, being 1 March 2019.

## 13. Trade and other payables

| | Consolidated Group | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Trade payables and accruals | 2,001,975 | 288,089 |
| Superannuation | 20,329 | 15,833 |
| BAS payable | 24,124 | 63,691 |
| Reclassification of liabilities related to assets held for sale (see note 10) | (1,500,000) | - |
| | 546,428 | 367,613 |

## 14. Provisions

| | Consolidated Group | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Employee benefits – annual leave | 43,406 | 41,009 |

## 15. Deferred income

| | Consolidated Group | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Deferred income | 7,053,180 | 7,053,180 |
| Reclassification of liabilities related to assets held for sale (see note 10) | (7,053,180) | - |
| | - | 7,053,180 |

The Company sold a 1% Net Smelter Royalty over the Admiral Bay Project for US$5,000,000 ($7,053,180) which was received during the year ended 30 June 2016. The Company has previously recognised this amount as deferred income and will recognise the income upon the commencement of production, over the life of the mine/Net Smelter Royalty. This amount is not refundable and has been reclassified as liabilities related to non-current assets held for sale (refer note 10).

## 16. Issued capital

| | 2018 $ | 2017 $ |
|---|---|---|
| 592,463,745 (2017: 464,544,654) fully paid ordinary shares | 46,638,047 | 41,977,929 |

### (a) Movement in ordinary share capital

| Date | Details | Number of shares | $ |
|---|---|---|---|
| 01/07/2016 | Opening balance | 450,044,654 | 41,257,521 |
| 03/11/2016 | Exercise of options at $0.025 and $0.03 | 4,000,000 | 110,000 |
| 16/01/2017 | Exercise of options at $0.04 | 2,500,000 | 100,000 |
| 16/01/2017 | Issued as consideration for tenements at $0.078 | 5,000,000 | 390,408 |
| 08/03/2017 | Exercise of options at $0.04 | 2,000,000 | 80,000 |
| 09/03/2017 | Exercise of options at $0.04 | 1,000,000 | 40,000 |
| **30/06/2017** | **Balance at the end of the year** | **464,544,654** | **41,977,929** |

| Date | Details | Number of shares | $ |
|---|---|---|---|
| 01/07/2017 | Opening balance | 464,544,654 | 41,977,929 |
| 18/08/2017 | Share placement at $0.036 | 25,233,333 | 908,400 |
| 07/09/2017 | Share purchase plan at $0.036 | 14,661,149 | 527,800 |
| 07/11/2017 | Share placement at $0.036 | 1,000,000 | 36,000 |
| 20/09/2017 | Issued as consideration for acquisition of Ridgecape at $0.036 (tranche 1) | 13,888,888 | 500,000 |
| 15/01/2018 | Exercise of options at $0.03 | 2,000,000 | 60,000 |
| 25/01/2018 | Exercise of options at $0.025 and $0.03 | 3,400,000 | 92,000 |
| 21/02/2018 | Share placement at $0.045 | 52,530,042 | 2,288,852 |
| 16/03/2018 | Share placement at $0.045 | 1,000 | 45 |
| 16/03/2018 | Issued as consideration for advisory services at $0.038 | 1,315,791 | 50,000 |
| 16/03/2018 | Issued as consideration for acquisition of Ridgecape at $0.036 (tranche 2) | 13,888,888 | 500,000 |
| | Share issue costs | - | (302,979) |
| **30/06/2017** | **Balance at the end of the year** | **592,463,745** | **46,638,047** |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands or on a poll every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote.

## 16. Issued capital (continued)

### (b) Options

At year end 30 June 2018, the Company had 156,781,693 options over ordinary shares under issue (30 June 2017: 117,150,000). These options are exercisable as follows:

| Details | No of Options | Grant Date | Date of Expiry | Exercise Price $ |
|---|---|---|---|---|
| Management incentive options | 9,500,000 | 02/07/2015 | 23/07/2020 | 0.025 |
| | 8,100,000 | 02/07/2015 | 23/07/2020 | 0.03 |
| | 11,500,000 | 02/07/2015 | 23/07/2020 | 0.04 |
| | 8,050,000 | 27/11/2015 | 10/12/2020 | 0.03 |
| | 8,050,000 | 27/11/2015 | 10/12/2020 | 0.04 |
| | 8,050,000 | 27/11/2015 | 10/12/2020 | 0.05 |
| | 13,000,000 | 29/11/2016 | 31/12/2019 | 0.06 |
| | 13,000,000 | 29/11/2016 | 31/12/2019 | 0.08 |
| | 13,000,000 | 29/11/2016 | 31/12/2019 | 0.10 |
| | 2,000,000 | 29/11/2016 | 31/12/2019 | 0.12 |
| Other options | 1,500,000 | 17/02/2016 | 31/12/2019 | 0.04 |
| | 4,000,000 | 13/06/2016 | 13/06/2019 | 0.06 |
| | 3,000,000 | 17/02/2016 | 31/12/2019 | 0.08 |
| | 1,000,000 | 18/04/2016 | 31/12/2019 | 0.10 |
| | 3,000,000 | 17/02/2016 | 31/12/2019 | 0.12 |
| | 5,000,000 | 16/01/2017 | 16/01/2020 | 0.08 |
| | 12,766,670 | 18/08/2017 | 18/08/2020 | 0.08 |
| | 26,265,023 | 21/02/2018 | 14/02/2023 | 0.08 |
| | 3,000,000 | 15/03/2018 | 12/03/2021 | 0.06 |
| | 3,000,000 | 15/03/2018 | 12/03/2021 | 0.08 |
| | 156,781,693 | | | |

The weighted average exercise price of the above options is $0.065 (2017: $0.058)

| | 2018 No. | 2017 No. |
|---|---|---|
| Balance at beginning of the year | 117,150,000 | 82,650,000 |
| Granted during the year (see note 17(a)) | 45,031,693 | 46,000,000 |
| Exercised during the year | (5,400,000) | (9,500,000) |
| Forfeited/expired/cancelled during the year | - | (2,000,000) |
| Balance at the end of the year | 156,781,693 | 117,150,000 |

### (c) Performance Rights

At the date of this report, the Company had 2,274,713 performance rights over ordinary shares under issue (30 June 2017: Nil). These performance rights are exercisable as follows:

| Details | No of Options | Grant Date | Date of Expiry | Exercise Price $ |
|---|---|---|---|---|
| Performance rights | 2,274,713 | 31/01/2018 | 15/03/2021 | 0.000 |

| | 2018 No. | 2017 No. |
|---|---|---|
| Balance at beginning of the year | - | - |
| Granted during the year (see note 17(a)) | 2,274,713 | - |
| Exercised during the year | - | - |
| Forfeited/expired/cancelled during the year | - | - |
| Balance at the end of the year | 2,274,713 | - |

## 16. Issued capital (continued)

### (d) Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

## 17. Share Based Payments

### (a) Recognised share-based payment expense

The expense recognised for options and shares issued during the year is shown in the table below:

| | Consolidated Group | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| Expense arising from equity-settled share-based payment transaction: | | |
| - Shares issued as consideration for corporate advisory services (reported as consulting expenses) | 50,000 | - |
| - Options issued as consideration for advisory services | 58,192 | - |
| - Performance rights issued to employees/contractors | 87,349 | - |
| - Options issued to employees | - | 789,492 |
| Total | 195,541 | 789,492 |

The following option and performance right arrangements were issued during the current and prior reporting periods:

**30 June 2018**

| Option Series/Performance Rights | Number | Grant Date | Expiry Date | Exercise Price | Fair Value at Grant Date |
|---|---|---|---|---|---|
| **Options** | | | | | |
| Issued 18/08/2017 | 12,766,670 | 18/08/2017 | 108/08/202 | 0.08 | $0.00(1) |
| Issued 19/02/2017 | 26,265,023 | 21/02/2017 | 14/02/2023 | 0.08 | $0.00(1) |
| Issued 15/03/2018 | 3,000,000 | 15/03/2018 | 12/03/2021 | 0.06 | $0.01055 |
| Issued 15/03/2018 | 3,000,000 | 15/03/2018 | 12/03/2021 | 0.08 | $0.0089 |
| | 45,031,693 | | | | |
| **Performance rights[(2)]** | | | | | |
| Issued 15/03/2018 | 2,274,713 | 31/01/2018 | 15/03/2021 | 0.00 | $0.03840 |

[(1)] No fair value is attributable to these options as they are free attaching options issued in relation to the Placements completed on 18 August 2017 and 21 February 2018.
[(2)] Performance rights, with zero exercise price, were issued to employees on 15 March 2018, which vest when share price of the Company is $0.06.

## 17. Share Based Payments (continued)

**30 June 2017**

| Option Series | Number | Grant Date | Expiry Date | Exercise Price | Fair Value at Grant Date |
|---|---|---|---|---|---|
| Issued 29/11/2016 | 13,000,000 | 29/11/2016 | 31/12/2019 | 0.06 | $0.0228 |
| Issued 29/11/2016 | 13,000,000 | 29/11/2016 | 31/12/2019 | 0.08 | $0.0192 |
| Issued 29/11/2016 | 13,000,000 | 29/11/2016 | 31/12/2019 | 0.10 | $0.0165 |
| Issued 29/11/2016 | 2,000,000 | 29/11/2016 | 31/12/2019 | 0.12 | $0.0143 |
| Issued 16/01/2017 | 5,000,000 | 16/01/2017 | 16/01/2020 | 0.08 | $0.0294 |

### (b) Types of share-based payment plans

**(i) Options**

There were $145,716 share based payments relating to options and performance rights in 2018 (2017: $789,492).

The following tables lists the inputs to the model used to value the options issued during the financial year ended 30 June 2018:

| No of options | 3,000,000 | 3,000,000 |
|---|---|---|
| Grant date | 15/03/18 | 15/03/18 |
| Share price | $0.031 | $0.031 |
| Exercise price | $0.06 | $0.08 |
| Risk-free interest rate | 2.05% | 2.05% |
| Vesting Conditions and Period | Nil | Nil |
| Expiry date | 12/03/21 | 12/03/21 |
| Volatility | 85% | 85% |
| Fair value at grant date (cents) | 1.234 | 1.033 |
| Discount for vesting condition | Nil | Nil |
| Discount for being unlisted | 20% | 20% |
| Fair value after discounts (cents) | 0.9876 | 0.8267 |

The performance rights issued during the year ended 30 June 2018 were valued at the share price at the date of grant, with a 20% discount for being unlisted and 100% vesting probability.

**(ii) Shares**

There were $1,050,000 share based payments relating to shares in the financial year ended 30 June 2018 (2017: nil), being $1,000,000 for the acquisition of Ridgecape Holdings Pty Ltd (refer note 12) and $50,000 for corporate advisory services.

### (c) Summary of share based payment options granted

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year:

| | 2018 No | 2018 WAEP | 2017 No | 2017 WAEP |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 117,150,000 | 0.0582 | 82,650,000 | 0.0434 |
| Granted during the year | 45,031,693 | 0.0787 | 46,000,000 | 0.0817 |
| Exercised during the year | (5,400,000) | 0.0324 | (9,500,000) | 0.0347 |
| Expired/forfeited/cancelled during the year | - | - | (2,000,000) | 0.1000 |
| Outstanding at the end of the year | 156,781,693 | 0.0646 | 117,150,000 | 0.0582 |

## 17. Share Based Payments (continued)

**(d) Weighted average of remaining contractual life**
The weighted average remaining contractual life for the share options outstanding as at 30 June 2018 is 2.37 years (2017: 2.81 years).

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2018 is 2.70 years (2017:nil)

**(e) Range of exercise price**
The range of exercise prices for options outstanding at the end of the year was $0.025-$0.12 (2017: $0.025-$0.12).

The performance rights do not have an exercise price.

**(f) Weighted average fair value**
The weighted average fair value of options granted during the year, excluding free attaching options, was approximately $0.0097 (2017: $0.0136).

The weighted average fair value of performance rights granted during the year was approximately $0.0384 (2017: nil)

**(g) Share options exercised during the year**
The following options were exercised during the year.

**2018**

| Option Series | Number | Grant Date | Expiry Date | Exercise Price | Fair Value at Grant Date |
|---|---|---|---|---|---|
| Issued 23/07/2015 | 2,000,000 | 23/07/2015 | 23/07/2020 | $0.03 | 0.00384 |
| Issued 23/07/2015 | 2,000,000 | 23/07/2015 | 23/07/2020 | $0.025 | 0.00568 |
| Issued 11/12/2015 | 1,400,000 | 11/12/2015 | 10/12/2020 | $0.03 | 0.00315 |
| | 5,400,000 | | | | |

**2017**

| Option Series | Number | Grant Date | Expiry Date | Exercise Price | Fair Value at Grant Date |
|---|---|---|---|---|---|
| Issued 23/07/2015 | 2,000,000 | 23/07/2015 | 08/07/2020 | $0.025 | $0.0057 |
| Issued 23/07/2015 | 2,000,000 | 23/07/2015 | 08/07/2020 | $0.03 | $0.0038 |
| Issued 23/07/2015 | 2,000,000 | 23/07/2015 | 08/07/2020 | $0.04 | $0.0021 |
| Issued 17/02/2016 | 2,500,000 | 17/02/2016 | 31/12/2019 | 0.04 | $0.0386 |
| Issued 11/03/2014 | 1,000,000 | 07/03/2014 | 11/03/2017 | 0.04 | $0.0016 |
| | 9,500,000 | | | | |

## 18. Financial Risk Management

Risk management is the role and responsibility of the board. The Group's current activities expose it to minimal risk. However, as activities increase there may be exposure to interest rate, market, credit, and liquidity risks.

### (a) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

| | Floating interest rate | 1 year or less | Over 1 year to 5 years | More than 5 years | Non interest bearing | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **30 June 2018** | | | | | | |
| **Financial Assets** | | | | | | |
| Cash and deposits | 767,600 | 20,197 | - | - | 1,078,436 | 1,866,233 |
| Trade and other receivables | - | - | - | - | 93,961 | 93,961 |
| | 767,600 | 20,197 | - | - | 1,172,397 | 1,960,194 |
| Weighted average interest rate | 0.39% | 2.45% | | | | |
| **Financial liabilities** | | | | | | |
| Trade and other payables | - | - | - | - | 2,046,428 | 2,046,428 |
| | - | - | - | - | 2,046,428 | 2,046,428 |
| **30 June 2017** | | | | | | |
| **Financial Assets** | | | | | | |
| Cash and deposits | 35,350 | 20,197 | - | - | 1,767,818 | 1,823,365 |
| Trade and other receivables | - | - | - | - | 60,761 | 60,761 |
| | 35,350 | 20,197 | - | - | 1,828,579 | 1,884,126 |
| Weighted average interest rate | 0.28% | 0.20% | | | | |
| **Financial liabilities** | | | | | | |
| Trade and other payables | - | - | - | - | 367,613 | 367,613 |
| | - | - | - | - | 367,613 | 367,613 |

The Group has interest bearing assets and therefore income and operating cash flows are subject to changes in the market rates. However, market changes in interest rates will not have a material impact on the profitability or operating cash flows of the Group. A movement in interest rates of +/- 100 basis points will result in less than a +/- $7,900 (2017: $500) impact on the Group's income and operating cash flows. At this time, no detailed sensitivity analysis is undertaken by the Group.

### (b) Market risk

The Group is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available-for-sale or at fair value through profit or loss; or to commodity price risk.

### (c) Credit risk

The Group has no significant concentrations of credit risk and as such, no sensitivity analysis is prepared by the Group. Credit risk related to balances with banks is managed by ensuring that the surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-.

## 18. Financial Risk Management (continued)

### (d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. The Group manages liquidity risk by preparing forecasts and monitoring actual cash flows and requirements for future capital raisings. The Group does not have committed credit lines available, which is appropriate given the nature of its operations. Surplus funds are invested in a cash management account with ANZ which is available as required.

The material liquidity risk for the Group is the ability to raise equity in the future.

### (e) Effective interest rate and repricing analysis

Cash and cash equivalents are the only interest bearing financial instruments of the Group.

### (f) Currency risk

Currency risk arises from investments that are denominated in a currency other than the respective functional currencies of Group entities.

The Group is exposed to foreign currency risk in the form of financial instruments held in US Dollars (USD). The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

| | 2018<br>USD$ | 2017<br>USD$ |
|---|---|---|
| Cash and cash equivalents | 779,383 | 1,564,365 |
| **Total Exposure** | **779,383** | **1,564,365** |

Assuming all other variables remain constant, a 10% strengthening of the Australian dollar at 30 June 2018 against the USD would have resulted in an increased loss of $78,000 (2017: $156,000). A 10% weakening of the AUD would have resulted in a decreased loss of $78,000 (2017: $156,000), assuming all other variables remain constant. The Group does not currently hedge against currency risk.

## 19. Key management personnel disclosures

| | Consolidated Group | |
|---|---|---|
| | 2018 | 2017 |
| **Key management personnel compensation** | $ | $ |
| Short-term employee benefits | 951,296 | 1,201,128 |
| Post-employment benefits | 62,564 | 67,710 |
| Share based payments | 73,223 | 730,965 |
| | **1,087,083** | **1,999,803** |

Detailed remuneration disclosures are provided in sections 1 to 4 of the Remuneration Report in the Directors' Report.

Outside the Company's directors, the Group had 2 employees as at 30 June 2018 (30 June 2017: 5 employees).

## 20. Remuneration of auditors

| | Consolidated Group | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| During the year the following fees (exclusive of GST) were paid or payable for services provided by the auditor of the Group: | | |
| **Audit services** | | |
| - Audit and review of financial report and other audit work under the *Corporations Act 2001* | 39,000 | 38,617 |
| - Under provision of audit fees for prior year | 5,040 | - |
| **Non-audit services** | | |
| - Other services provided | - | - |
| Total remuneration for audit and other services | 44,040 | 38,617 |

The auditors of Metalicity Limited and its subsidiaries is Stantons International.

## 21. Contingent liabilities and contingent assets

The Company had no contingent liabilities or contingent assets at 30 June 2018.

## 22. Commitments for expenditure

### (a) Exploration Commitments

In order to maintain an interest in the mining and exploration tenements in which the Group is involved, the Group is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the Group are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest. These obligations are not provided for in the financial report and are payable.

Outstanding exploration commitments are as follows (other than detailed below, no estimate has been given of expenditure commitments beyond 12 months as this is dependent on the Directors' ongoing assessment of operations and, in certain circumstances, Native Title negotiations):

| | Consolidated Group | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| Not longer than 1 year | 1,045,600 | 1,614,100 |
| Longer than 1 year and not longer than 5 years | - | - |
| Longer than 5 years | - | - |
| | 1,045,600 | 1,614,100 |

### (b) Operating Lease Commitments

The Group has an operating lease commitments for rental of office space of $140,000 plus outgoings until 31 December 2019.

## 23. Related Party transactions

### (a) Key management personnel

During the year ended 30 June 2018, there were no related party transactions with key management personnel.

All other disclosures relating to key management personnel are set out in Note 19 and in the detailed remuneration disclosures in the Directors' Report.

### (b) Transaction with related parties

There were no transactions with related parties other than with key management personnel as noted above.

### (c) Outstanding balances arising from sales / purchases of goods and services

There are no balances owing to or from related parties at 30 June 2018 (2017: $Nil).

## 24. Earnings per share

| | Consolidated Group | |
|---|---|---|
| | **2018** | **2017** |
| | **Cents** | **Cents*** |
| **(a) Basic earnings per share** | | |
| Loss from continuing operations attributable to the ordinary equity holders of the Company | (0.43) | (0.62) |
| | (0.43) | (0.62) |
| **(b) Diluted earnings/(loss) per share** | | |
| Loss from continuing operations attributable to the ordinary equity holders of the Company | (0.43) | (0.62) |
| | (0.43) | (0.62) |
| **(c) Reconciliation of profit/(loss) used in calculating earnings per share** | **2018 $** | **2017 $** |
| *Basic and diluted profit/(loss) per share* | | |
| Loss from continuing operations attributable to the ordinary equity holders of the Company | (2,302,570) | (2,825,445) |
| Loss from discontinued operations | - | - |
| | (2,302,570) | (2,825,445) |
| **(d) Weighted average number of shares used as the denominator** | **2018 Number** | **2017 Number** |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share | 535,036,616 | 456,988,490 |
| Adjustment for calculation of diluted profit/(loss) per share - Options | - | - |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share | 535,036,616 | 456,988,490 |

As the Group made a loss for the year ended 30 June 2018 and 30 June 2017, the options on issue have no dilutive effect. Therefore, dilutive loss per share is equal to basic loss per share.

## 25. Group entities

| | Country of incorporation | Interest 2018 | Interest 2017 |
|---|---|---|---|
| **Parent entity** | | | |
| Metalicity Limited | Australia | | |
| **Subsidiary** | | | |
| Stuart Town Gold Pty Ltd | Australia | 100% | 100% |
| Metalicity Energy Pty Ltd | Australia | 100% | 100% |
| Ridgecape Holdings Pty Ltd | Australia | 100% | - |
| Kimberley Mining Australia Pty Ltd | Australia | 100% | - |
| Kimberley Mining Holdings Pty Ltd | Australia | 100% | - |
| Kimberley Mining Limited | Canada | 95% | - |

## 26. Parent entity information

**Statement of financial position**

**As at 30 June 2018**

| | Parent 2018 $ | Parent 2017 $ |
|---|---|---|
| **ASSETS** | | |
| Total current assets | 2,000,341 | 1,934,575 |
| Total non-current assets | 9,980,143 | 7,396,789 |
| **TOTAL ASSETS** | 11,980,484 | 9,331,364 |
| **LIABILITIES** | | |
| Total current liabilities | 584,205 | 398,532 |
| Total non-current liabilities | 7,053,180 | 7,053,180 |
| **TOTAL LIABILITIES** | 7,637,385 | 7,451,712 |
| **NET ASSETS** | 4,343,099 | 1,879,652 |
| **EQUITY** | | |
| Contributed equity | 46,638,047 | 41,977,929 |
| Other reserves | 2,026,708 | 1,881,167 |
| Accumulated losses | (44,321,656) | (41,979,444) |
| **TOTAL EQUITY** | 4,343,099 | 1,879,652 |
| (Loss) of the parent entity | (2,873,581) | (2,815,243) |
| Total comprehensive (loss) of the parent entity | (2,873,581) | (2,815,243) |

The parent entity has not provided any guarantees, or become responsible for contingent liabilities or contractual commitments of its subsidiaries.

## 27. Subsequent events

Other than the following, the directors are not aware of any significant events since the end of the reporting period which significantly affect or could significantly affect the operations of the consolidated entity in future financial years:

1) On 27 July 2018, the Company announced that the proposed IPO and TSX-V listing of KML and associated sale of the Company's zinc projects was approved by the Company's shareholders at a general meeting on that date.

2) On 11 September 2018, Metalicity Limited announced it had completed the sale of its Admiral Bay Zinc Project and Lennard Shelf Zinc Projects to its newly created Canadian subsidiary, Kimberley Mining Limited and has received the first cash payment related to the transaction of C$500,000 (A$531,436) of a total of up to C$12.5M cash (A$13.28M), subject to successful completion of the initial public offering ("**IPO**") of KML and certain milestones (see ASX:MCT 29/05/18).

   The Company also announced, further to its ASX announcement dated 10 July 2018, that KML has closed the first tranche of its C$2M seed capital raising. KML has elected to separate the seed capital raising into two separate tranches, with the second and final tranche expected to close within the next two weeks.

Additional Information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The shareholder information was applicable as at 17 September 2018.

(a) **Substantial Shareholder**

There are no substantial shareholders at the date of this report.

(b) **Voting Rights**

Ordinary Shares

On a show of hands every member present at a meeting of shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to the options

(c) **Distribution of Equity Security Holders**

| Category | Ordinary Fully Paid Shares | % Issued Capital |
|---|---|---|
| 1 – 1,000 | 311,585 | 0.05 |
| 1,001 – 5,000 | 831,400 | 0.14 |
| 5,001 – 10,000 | 1,205,445 | 0.20 |
| 10,001 – 100,000 | 42,704,174 | 7.21 |
| 100,001 and over | 546,855,588 | 92.39 |
| **Total** | **591,908,192** | **100.00** |

There were 11,470,480 unmarketable parcel of ordinary shares.

(d) **Equity Security Holders**

The names of the twenty largest holders of quoted equity securities are listed below:

| | Name | Number Held | Percentage of Issued Shares |
|---|---|---|---|
| 1. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 26,183,126 | 4.42 |
| 2. | J P MORGAN NOMINEES AUSTRALIA LIMITED | 20,940,847 | 3.54 |
| 3. | MR ZHANGHE CHEN | 16,544,409 | 2.8 |
| 4. | KAGARA LTD | 15,806,711 | 2.67 |
| 5. | MR RICHARD GORDON WHITE | 12,825,000 | 2.17 |
| 6. | MR CHEYNE MICHAEL DUNFORD | 12,620,767 | 2.13 |
| 7. | ELLIOT HOLDINGS PTY LTD | 11,800,000 | 1.99 |
| 8. | MR HUGH WARNER & MRS DIANNE WARNER | 11,145,000 | 1.88 |
| 9. | MRS AMANDA JANE CROSER | 10,185,186 | 1.72 |
| 10 | MACROCON PTY LTD | 9,546,928 | 1.61 |
| 11. | CITICORP NOMINEES PTY LIMITED | 8,322,928 | 1.41 |
| 12. | RANCHLAND HOLDINGS PTY LTD | 6,492,477 | 1.1 |
| 12. | VIMINALE PTY LTD | 6,388,889 | 1.08 |
| 13. | VIREYA PTY LTD | 6,000,000 | 1.01 |
| 14. | MRS TRACEY JANINE WATT | 6,000,000 | 1.01 |
| 15. | HOLLOWAY COVE PTY LTD | 5,698,156 | 0.96 |
| 16. | E C DAWSON SUPER PTY LTD | 5,616,392 | 0.95 |
| 17. | NEXUS SUPERANNUATION PTY LTD | 5,500,000 | 0.93 |
| 18. | BNP PARIBAS NOMINEES PTY LTD | 5,438,587 | 0.92 |
| 19. | MS XIAOHUA CHEN | 5,400,000 | 0.91 |
| 20. | MR JOSEPH ADAM LEE | 5,250,000 | 0.89 |
| 20. | PELRUS PTY LTD | 5,250,000 | 0.89 |
| | **Total** | **218,955,403** | **36.99** |

| **Unquoted equity securities** | **Number on Issue** |
|---|---|
| Options exercisable at 4 cents before 31 December 2019 | 1,500,000 |
| Options exercisable at 8 cents before 31 December 2019 | 3,000,000 |
| Options exercisable at 10 cents before 31 December 2019 | 1,000,000 |
| Options exercisable at 12 cents before 31 December 2019 | 3,000,000 |
| Options exercisable at 2.5 cents before 1 July 2020 | 9,500,000 |
| Options exercisable at 3 cents before 1 July 2020 | 8,100,000 |
| Options exercisable at 4 cents before 1 July 2020 | 11,500,000 |
| Options exercisable at 3 cents before 26 November 2020 | 8,050,000 |
| Options exercisable at 4 cents before 26 November 2020 | 8,050,000 |
| Options exercisable at 5 cents before 26 November 2020 | 8,050,000 |
| Options exercisable at 6 cents before 13 June 2019 | 4,000,000 |
| Options exercisable at 6 cents before 31 December 2019 | 13,000,000 |
| Options exercisable at 8 cents before 31 December 2019 | 13,000,000 |
| Options exercisable at 10 cents before 31 December 2019 | 13,000,000 |
| Options exercisable at 12cents before 31 December 2019 | 2,000,000 |
| Options exercisable at 8 cents before 18 August 2020 | 12,766,670 |
| Options exercisable at 8 cents before 14 February 2023 | 26,265,023 |
| Options exercisable at 6 cents before 12 March 2021 | 3,000,000 |
| Options exercisable at 8 cents before 12 March 2021 | 3,000,000 |
| Options exercisable at 6 cents before 26 August 2021 | 2,500,000 |
| Options exercisable at 8 cents before 26 August 2021 | 2,500,000 |
| Options exercisable at 10 cents before 26 August 2021 | 2,500,000 |
| Options exercisable at 8 cents before 12 March 2021 | 2,274,713 |

(e) **Tenement List:**

As at 17 September 2018

| Project | TEN ID | Holder | Granted | Expires |
|---|---|---|---|---|
| Turner River | EL45/4675 | Metalicity Limited 100% | 06/07/2017 | 05/07/2022 |
| Turner River | EL45/4676 | Metalicity Limited 100% | 24/11/2016 | 23/11/2021 |
| Munglinup | EL74/550 | Metalicity Energy Limited 100% | 22/01/2015 | 21/01/2020 |
| Lynas Find | EL45/4148 | Metalicity Energy Limited 100% | 26/08/2013 | 25/08/2018 |
| Lynas Find | EL45/4227 | Metalicity Energy Limited 100% | 24/07/2014 | 23/07/2019 |
| Lynas Find | EL45/4356 | Metalicity Energy Limited 100% | 17/11/2014 | 16/11/2019 |
| Kyarra | EL51/1755 | Metalicity Energy Limited 100% | 24/05/2017 | 23/05/2022 |
| Kyarra | EL51/1756 | Metalicity Energy Limited 100% | 24/05/2017 | 23/05/2022 |
| Kyarra | EL53/1894 | Metalicity Energy Limited 100% | 24/05/2017 | 23/05/2022 |
| Madoonia Downs | E15/1611 | Metalicity Energy Limited 100% | 30/01/2018 | 29/01/2023 |
| Murphies Gap | EL45/3438 | Metalicity Energy Limited 100% | 01/03/2011 | 28/02/2021 |
| Murphies Gap | EL45/4498 | Metalicity Energy Limited 100% | 01/10/2015 | 30/09/2020 |
| Stannum | EL45/4677 | Metalicity Energy Limited 100% | 10/10/2016 | 09/10/2021 |