



**METALS X LIMITED**



**METALS X LIMITED**

# ANNUAL REPORT



**2011**

## Registered Office

Level 3, 123 Adelaide Terrace  
East Perth WA 6004



A YEAR IN REVIEW METALS X GROUP

# CORPORATE DIRECTORY

## DIRECTORS

Peter G Cook (Non-Executive Chairman)

Warren S Hallam (Managing Director)

Dean P Will

Michael L Jefferies

Sanlin Zhang

Yimin Zhang (Alternate for Zhang Sanlin)

## COMPANY SECRETARY

Fiona J Van Maanen

## KEY MANAGEMENT

Ross Cook (GM – Bluestone Mines Tas JV)

## Registered Office

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## SECURITIES EXCHANGE

Listed on the Australian Securities Exchange

**Code:** MLX

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## DOMICILE AND COUNTRY OF INCORPORATION

Australia



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# COMPANY PROFILE

Metals X Limited (“Metals X” or “the Company”) is a diversified resource group with a considerable portfolio of growth projects. Metals X has a pipeline of assets at all stages of development, from exploration through to production with exposure to tin, nickel, gold, copper, zinc, phosphate, bauxite, uranium and lead.

Metals X is Australia’s largest tin producer with its 50% owned Renison Tin Project producing approximately 2.5% of the global supply of tin.

Metals X owns 100% of the world class Wingellina Nickel Project which hosts a total global resource of over 180Mt at 1% nickel including a mining reserve of 167 Million tonnes at 0.98% Ni, 0.08% Co and 47.3% Fe<sub>2</sub>O<sub>3</sub>. A project development feasibility study completed in mid-2008 concluded a robust project for the construction of a nickel and cobalt operation producing approximately 40,000tpa of nickel and 3,500tpa of cobalt for an initial mine life of 40 years. Benchmark operating costs were globally competitive at US\$3.34 per pound of nickel after cobalt credits and the estimated capital cost was approximately \$2.2 billion.

Metals X continues to move the project towards development including recently signing a landmark native title mining agreement with the traditional owners enabling the project to be advanced and developed. The company is continuing to discuss its development options with potential participants and financiers and has recently signed a heads of agreement with China’s largest nickel producer, Jinchuan who will acquire a 20% direct interest in the project.

Metals X makes strategic investments in projects that have been identified by its highly experienced mining and technical personnel that exhibit strong qualities for capital appreciation, which are not possible to acquire outright. Metals X actively provides technical and financial support to those companies and as a result of this strategy holds a number of strategic investments including:

Westgold Resources Limited (“Westgold”) (25.02% interest) who holds resources of over 3 million ounces of gold within its Rover Project near Tennant Creek in the Northern Territory and Murchison goldfield in Western Australia;

Independence Group NL (“Independence”) (3.23% interest) which is a diversified producer with nickel, zinc, copper and gold operations throughout Australia;

Mongolian Resource Corporation Limited (“MRC”) (16.97% interest) an Australian listed Mongolian focused resource company that is involved in the mining and exploration of gold, base metals, iron ore and coal;

Aziana Limited (“Aziana”) (25% interest) an established gold and bauxite explorer with highly prospective projects in Madagascar.

As of the 30 June 2011 the Market value of Metals X investments was \$72M and the company held cash and working capital of \$97.6M and has no debt.

Metals X posted a full year after tax profit for the 2010/11 financial year was \$62.3M



# CHAIRMAN'S STATEMENT

## Dear Shareholders

It is my pleasure to present you the Metals X Limited Annual Report for the period ending 30 June 2011.

The past year has seen Metals X make steady progress on a number of fronts.

Our Joint Venture tin operations in Tasmania maintained consistent and profitable performance, although the operations performance is currently at levels below our internal expectations. The increased focus on brownfields exploration was very successful in providing extension to the mining reserves and the overall resource base with the highlight being a number of bonanza tin results from the Area 4 zone within the Renison Mine. Suffice to say that the future of this mine has never been brighter throughout our seven years of ownership.

The Company has also made considerable progress in advancing the Wingellina Nickel Project toward development. Most of the pre-development and logistical aspects required prior to development have been completed and a landmark native title agreement with the key stakeholders was signed during the year that paves the way for the development of this globally significant project.

Discussions continue with potential participants and financiers to provide funding for the development of the Wingellina Nickel Project. An agreement was reached to swap Jinchuan's 12.9% equity in Metals X for a direct 20% interest in the Central Musgrave Project which will occur under a selective share buy-back process to be voted on by shareholders and should complete by year end.

Our strategy to make strategic investments in assets via equity participation in other companies has paid dividends with the partial divestment of our Jabiru Metals Limited stake into a takeover offer by Independence Group NL resulting in the crystallisation of a substantial profit for the Company. We still hold a significant shareholding in Independence and will do so until the Company believes its full market value is recognised.

We continued this strategy and have made further investments in the frontier resource countries of Mongolia and Madagascar. In Mongolia we have acquired a 17% position in ASX-listed Mongolian Resource Company Limited. While in Madagascar we acquired a 25% interest in Aziana Limited, an unlisted explorer who is at the forefront of an exploration rush in Madagascar and we will assist this Company to list in the ensuing months.

We supported the consolidation of our gold investments during the year with the takeover of Aragon Resources Limited by Westgold Resources Limited and we retain a 25% interest in the merged group. We believe that Westgold has excellent assets and the potential to build into a major participant in the Australian gold producer ranks.

On the financial front, our Company is in a strong position with substantial cash and investments with no debt. The Company booked an after-tax profit for the year of \$62.3m up 429% on the \$12.5m for the previous year.

Metals X continues to struggle to gain market recognition for the value of its diverse asset base as reflected in its share price. In the year forward, it is a major objective of the Board and I, to ensure this value is recognised.

The previous year witnessed a significant turn-around in our fortunes and this has been further enhanced in the 2011 year. The sound footing on which the Company now stands is a direct outcome of strong and committed leadership of the Board coupled with the energy, drive and dedication of our executive team and their support staff. On behalf of all shareholders, I acknowledge and thank all our staff for their dedication.

On behalf of my Board I thank all shareholders, internal and external stakeholders for their continued support and belief in the Company during the year past.



**Peter Cook**  
Chairman

# OPERATIONAL REVIEW

## STRATEGIC REVIEW

During the previous twelve months Metals X has continued to advance its assets and we are pleased to be able to report a significant increase in profit after tax for the group of \$62.8M (\$12.6M for 2010). In addition the Company is now well positioned with cash and net receivables of \$97.6M and investments in other listed entities of approximately \$72M.

The Renison Tin Project generated a profit for the group of \$21.5M during the period. The Southern area of the mine is now well established and within the next year it is anticipated that the higher grade Northern area will reach full production resulting in a significant increase in tin output and reduced operating costs. Exploration within the mine has been extremely successful with some highly significant results being released during the year.

Tin is still in short supply and is forecast to remain so for the medium term, with a deficit of approximately 10,000 tonnes for the 2011 financial year and a similar deficit expected for the succeeding year. The price of tin reached a record high of A\$33,255 in April this year and although it has dropped back, tin fundamentals remain strong. It is expected that higher tin prices will need to be achieved to encourage additional supply in order to address this current market deficit.

Metals X has also achieved numerous milestones in relation to its globally significant Wingellina Nickel Project and is now advancing towards financing and development. During the year Metals X signed a landmark mining agreement with the traditional land owners of the project area, and in addition Jinchuan, China's largest Nickel producer agreed to acquire a 20% direct interest in the project. Pending final water studies, environmental studies are complete and the majority of technical studies have been completed.

Metals X through its experienced mining team is continually evaluating and assessing projects and investment opportunities. The impact and rewards of this approach was demonstrated in the substantial profit made from the partial divestment of Jabiru Metals Limited during the year. Metals X has further expanded its strategic investment with the acquisition of a 17% interest in Mongolian Resources Corporation Limited and a 25% interest in Aziana Limited, a gold and bauxite exploration company in Madagascar. Metals X believes these investments present an excellent opportunity as cornerstones into Mongolia and Madagascar both of which represent significant untapped resource potential. These acquisitions complement our investment in Westgold Resources Limited (25%) and Independence Group NL (3.2%).

The company remains in a very strong position with an exceptional cash position, investments and world class assets including the Renison Tin Project and the Wingellina Nickel Project. With the continued support of our shareholders and stakeholders we look forward once again to the year ahead.



**Warren Hallam**

Managing Director



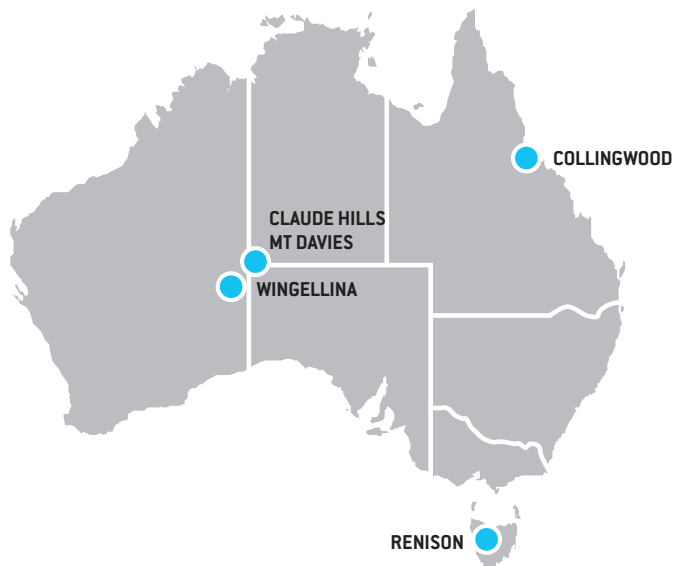
**NET PROFIT**  
**“IMPROVEMENT  
OF 398%”**

## OPERATING RESULTS

The net profit from continuing operations after income tax of the Consolidated Entity for the period was \$62,801,803 (2010: \$12,601,084), an improvement of 398% as compared to the previous year. This result reflects an increase in operating profits from the Renison Tin Project, and profit on the sale of shares in Jabiru Metals Limited (\$55,268,640), Aragon Resources Limited (\$196,199) and Icon Resources Limited (\$252,942).

The Consolidated Entity's net profit after income tax for the year was \$62,296,608 (2010: \$11,780,984), an improvement of 429% as compared to the previous financial year.

## PROJECTS



## INVESTMENTS



## NICKEL DIVISION

The Company's nickel strategy is built around the Central Musgrave Project ("CMP") located in the Central Musgrave Ranges, straddling the triple-point of the WA/NT/SA borders. The project represents the Company's key nickel assets and comprises the globally significant Wingellina deposit, the Claude Hills Nickel prospect and the Mt Davies exploration prospect. The project encompasses 1,957km<sup>2</sup> of prospective exploration tenure encompassing the whole of the Wingellina layered intrusive sub-set of the Giles Complex.

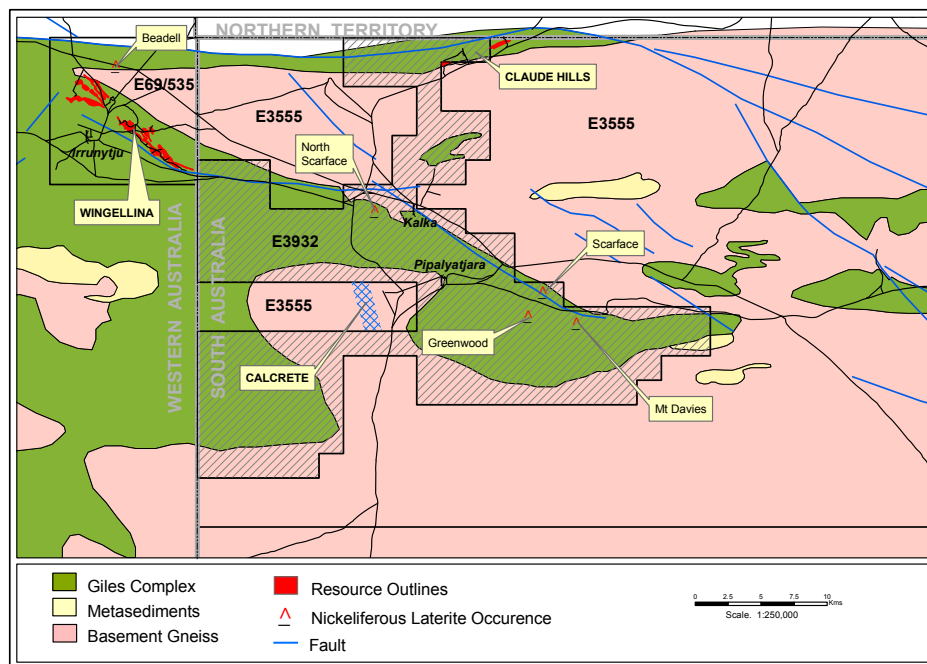


### CENTRAL MUSGRAVE PROJECT

The CMP consists of exploration titles in both Western Australia and South Australia, covering the Giles complex intrusives of the Musgrave block in central Australia. Key geological units are Giles Complex ultramafic and mafic layered intrusives, which are known to host nickel and copper sulphide mineralisation, and importantly, nickel and cobalt rich limonite ores. These ores are the product of deep weathering of the ultramafic lithologies within the project area. In particular, these weathering processes formed the Wingellina and Claude Hills nickeliferous ore bodies.

During the year works at the Central Musgrave Project year focused on the following key areas:

1. Completing a mining agreement with the native title holders in order to establish the Company's right to develop and mine the Wingellina Project;
2. Advancing financing and development options for the Wingellina Project;
3. Water exploration;
4. Finalising the statutory environmental approvals process, and undertaking additional field work necessary to complete approvals; and
5. Expanding the resource base within the Company's South Australian tenements.







## WINGELLINA DEPOSIT

The Wingellina Project, part of the CMP, is one of the largest undeveloped nickeliferous 'Pure Oxide' limonite accumulations in the world, consisting of over 180Mt of ore at 1% Nickel of which 167Mt is categorised as Probable Mining Reserves.

The mineralogy of the Wingellina ore is a major strength of the project, being a "Nickel Limonite", or "Pure Oxide Tropical Laterite (POTL)" ore. Unlike most Australian nickel laterite projects, Wingellina ore has characteristics perfectly suited to High Pressure Acid Leaching ("HPAL"), with high iron grades (resource average 47%  $\text{Fe}_2\text{O}_3$ ) and a very low concentration of magnesium (resource average 1.6% Mg). There are many examples of high iron, low magnesium lateritic nickel deposits which have successfully and profitably produced nickel and cobalt in metal or concentrate form. The characteristics of the Wingellina ore are similar to that of Moa Bay in Cuba and Ambatovy in Madagascar. The former began production using HPAL in 1959, and is still operating today. Moa Bay, Ambatovy and the Wingellina deposits all have similar metallurgical characteristics which result in relatively low acid consumption. Acid consumption has the largest impact on operating costs in the HPAL process and as such is an important consideration in adopting the HPAL technology.

The Wingellina Identified Mineral Resource estimate defines an ore body containing approximately 1.8Mt of contained nickel metal and 139Kt of Cobalt metal. Significantly, over 92% of the resource is defined as a Probable Mining Reserve in accordance with the JORC code, and resource confidence is high.

### WINGELLINA

**"APPROXIMATELY  
1.8Mt NICKEL  
RESOURCE"**

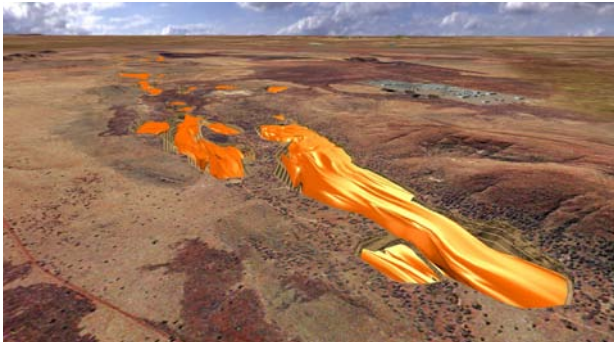


<b>Total Identified Mineral Resource Estimate as at 30 June 2011 0.5% Ni (cut-off)</b>				
<b>Class</b>	<b>Tonnes (Kt)</b>	<b>Ni</b>	<b>Co</b>	<b>Fe2O3</b>
Measured	68,847	1.00	0.08	48.71
Indicated	98,623	0.97	0.08	46.39
Inferred	15,727	0.97	0.07	42.73
<b>Total</b>	<b>183,197</b>	<b>0.98</b>	<b>0.08</b>	<b>46.95</b>

<b>Mining Reserve Estimate as at 30 June 2011</b>				
<b>Class</b>	<b>Tonnes (Kt)</b>	<b>Ni</b>	<b>Co</b>	<b>Fe2O3</b>
Proven	-	-	-	-
Probable	167,470	0.98	0.08	47.34
<b>Total</b>	<b>167,470</b>	<b>0.98</b>	<b>0.08</b>	<b>47.34</b>

Wingellina is only one of many known nickeliferous limonites areas within the CMP and is the only one to date to have been extensively drilled out. During the year Metals X completed a drilling program at it's Claude Hill Prospect located approximately 25kms to the East of Wingellina where it has defined a JORC compliant Inferred Resource of 33 million tonnes grading 0.81%Ni, 0.07% Co and 39% Fe<sub>2</sub>O<sub>3</sub>. \*

Wingellina will be a simple mining operation with free-digging limonite ore existing in a number of pits over a strike length of approximately 10 kms and widths of up to 500m. Average waste to ore strip ratios over the mine life are 1.1:1 and 0.50:1 for the first 20 years. Mine sequencing in early years will take advantage of the favourable orebody geometry, which allows mining to progress with a strategy to mine higher grade ores early in the project life to maximize early cash flow. Average mined grades for the first 20 years are approximately 1.1% Ni and 0.09% Co. The favourable mining conditions result in very low mining costs with low risk. Mining represents less than 5% of the overall operating cost for the project.



Ore processing is planned with an annualized treatment rate of 4.3 million tonnes of ore per annum. Product is planned to be a mixed nickel-cobalt hydroxide concentrate of 32%-38% purity, which is to be sold and shipped off site for refining to nickel and cobalt metal products.

The feasibility study demonstrated the ability to profitably operate a mine in the Central Musgrave Region notwithstanding the previously perceived issues of location and isolation. The project is capital

intensive with an estimated construction cost of \$2.2 billion (plus EPCM and contingency). Operating costs will be maintained as low as possible through the use of piped natural gas for power supply, locally sourced calcrete for neutralisation and local sourcing of good quality process water.

The Company has completed the bulk of its baseline environmental studies required for environmental approvals for the project. All works required for the submission of the Public Environmental Review document are now complete except for detailed definition of the proposed water sources, and associated baseline studies for supporting infrastructure corridors.

\* For full details, please refer to the Claude Hills section on page 9.

Water exploration has been focused on the known aquifer within 69/12 that is located approximately 100Km South West of Wingellina. Drilling has intercepted a significant aquifer at approximately 140m below surface, with drilling unable to progress deeper than 230m due to substantial water pressure from within the aquifer. Data from historical oil exploration (Vines#1 hole) and hydrological modelling suggests that the aquifer extends to 300m below surface. Further drilling and modelling is continuing.

Metals X held encouraging discussions with the Northern Territory and South Australian authorities relating to the use of rail and port infrastructure as suitable options for the project during the year. Representatives from both states have expressed interest in supporting use of road, rail and port networks, and discussions to finalise transport options will be undertaken in the ensuing year.

## **WINGELLINA FINANCING AND DEVELOPMENT**

The Company has significantly advanced the Wingellina Project and is now reviewing options for finance and development. The Company has held discussions with potential equity participants and financiers with a focus on those international entities that are capable of providing both technical expertise and funding.

During the year the Company announced that it had signed an Agreement with China's largest nickel producer Jinchuan Group Limited ("Jinchuan") to sell to Jinchuan a 20% direct interest in the CMP as a part of the projects advancement towards future production.

Under the terms of the agreement the Company will selectively buy-back Jinchuan's 12.89% shareholding (176 million ordinary fully paid shares) in the Company in exchange for the 20% direct interest in the CMP. The transaction is subject to a number of conditions precedent including Metals X shareholder approval, Jinchuan board approval, completion of due diligence and Australian federal and state government approvals. Both parties are working to complete the transaction in the near future. On completion the parties will form an unincorporated Joint Venture ("JV") over the CMP, with the Company having an 80% interest and Jinchuan having a 20%. Metals X will retain management of the project.

The Agreement with Jinchuan is an important and significant first step in bringing together a consortium to advance the project to production and the company is confident that other partners will commit to the project in the near future.



## WINGELLINA MINING AGREEMENT

In July 2010 Metals X signed a mining agreement (“the Agreement”) with the traditional owners and granted native title holders of the Wingellina Project area through their representative bodies being the Yarnangu Ngaanyatjaraku Parna Aboriginal Corporation, the Ngaanyatjarra Land Council (Aboriginal Corporation), and the Ngaanyatjarra Council (Aboriginal Corporation).

The Agreement provides consent for the grant of a Mining lease, and subsequent mining operations over the project, which subject to other regulatory approvals allows Wingellina to be developed. In addition the agreement allows for the granting of additional project titles for water, pipelines, roads and other infrastructure over an area in excess of 19,000 km<sup>2</sup>.

The landmark agreement was the first, and remains the only mining agreement to be successfully negotiated in the Ngaanyatjarra Lands and the associated Aboriginal Reserves. Whilst the detail of the Agreement remains confidential, the agreement includes reasonable and appropriate cash payments as project milestones are met, a gross royalty interest in line with current Western Australian and national industry standards, and employment and training initiatives for the local people.

The finalization of the Agreement was a major milestone in the development of Wingellina and an important focus for financial and social development within the Ngaanyatjarra lands. The Agreement reflects a willingness by the Ngaanyatjarra people to work together with mining companies in the development of resource projects providing commercial and financial benefits to all stakeholders, whilst maintaining the respect of cultures, beliefs and traditions of the traditional owners.

## CLAUDE HILLS PROSPECT

Claude Hills is located approximately 25kms to the East of Wingellina and is one of a number of areas within the Company’s exploration titles where outcropping nickeliferous limonite similar to Wingellina is known. Metals X completed an extensive drilling campaign at the Claude Hills prospect to complement the drilling campaign carried out in late 2008 and has defined an Inferred Resource as follows:

Total Identified Mineral Resource Estimate as at 30 June 2011				
Cut-off (% Ni)	Million Tonnes	Ni (%)	Co (%)	Fe2O3 (%)
0.5%	33.3	0.81%	0.07%	39%
0.7%	19.2	0.96%	0.08%	44%

A total of 264 holes (16,514m) have been drilled by Metals X to date over a strike length of approximately 11.5km. The Claude Hills resource straddles the wholly owned tenement EL4751 and the Mt Davies JV tenement EL3932, of which approximately 50% of the resource is located within EL4751 and the remainder in EL3932. Mineralisation extends over a 5km strike length with widths of 50 to 250m and ore thicknesses of 12 to 60m, and lies below a remobilised cover of 5-20m. The grades obtained are similar to Wingellina for nickel, cobalt and magnesium, but the aluminium content is considerably lower. It is anticipated that the metallurgical behaviour of the ore will be as favourable as Wingellina as a result of the low magnesium and alumina grades.

The presence of well developed nickeliferous limonite at Claude Hills is an exciting development in the understanding of the Giles Complex, and the Company will continue to explore for additional resources to complement the Wingellina Project. The likelihood of further developing additional resources outside of the Wingellina deposit is considered to be high.

## CLAUDE HILLS

“AN ADDITIONAL  
**33.3 Mt @ 0.81% Ni**”

## MT DAVIES JOINT VENTURE

Metals X through its wholly owned subsidiary Austral Nickel Pty Ltd (“Austral”) entered into a farm-in agreement with Rio Tinto Exploration Pty Ltd (“Rio Tinto”) in July 2009 to earn an initial 51% interest in the South Australian exploration license E3932 (Mt Davies). This tenement is encapsulated within Metals X’s 100% owned tenement E3555, which is adjacent to the Wingellina deposit and hosts part of the Claude Hills deposit. Austral can increase its interest to 70% ownership by sole funding exploration and development expenditure to the completion of a pre-feasibility study. Rio Tinto can elect to contribute following the earn-in phase to retain a 49% interest and can elect to earn-back up to 70% ownership within 60 business days after the delivery by Austral of the pre-feasibility study, through the sole funding of a feasibility study. To date only a small percentage of the mineralisation system has been tested and there are numerous other limonite occurrences known to exist within the Mt Davies license. In addition there is also significant potential for the discovery of nickel and copper sulphides within the area.

## COMMUNITY INVOLVEMENT

The CMP is located in a relatively remote part of Australia, where mutual respect, assistance, and understanding are key factors in successfully achieving our goals. Our Western Australian leases lie within Aboriginal Reserve 17614, an area that is subject to a 99 year lease to the Ngaanyatjarra Land Council. Our South Australian lease lies on a freehold aboriginal land granted to the Anangu Pitjantjatjara Yankunytjatjara (“APY”).

Metals X has maintained a full time presence at the project since 2005 and has been welcomed into the region by members of the various communities, as evidenced by the completion of the mining agreement for Wingellina. The Community support that the Company has attained on the Aboriginal lands has been born out of the open and mutually beneficial relationship that has been developed since 2005.

Metals X has directly employed many local people in all on ground exploration and feasibility activities undertaken in the area, and sees the training of local people as a critical factor in the future development of the Wingellina operation.

Metals X has made its exploration camp available to accommodate service personnel working in the local communities, and continues to support local community development initiatives.



## TIN DIVISION

Metals X is Australia's largest tin producer through its 50% ownership of the Bluestone Mines Tasmania Joint Venture ("BMTJV"). The key asset of BMTJV is the Renison Tin Project, which consists of the world class Renison Tin Mine, a 680,000tpa tin concentrator and the proposed Renison Expansion Project (Rentails) which involves the construction of a tailings re-treatment concentrator and tin fuming plant.



### RENISON TIN PROJECT

The Renison Tin Project is located approximately 15km NE of Zeehan in the mineral-rich west coast region of Tasmania. The Mt Bischoff open pit mine is located approximately 80km north of the Renison Tin Project.

The annual net operating profit after income tax for the Renison Tin Project was \$21,506,342 compared to \$5,054,230 for the previous year.

Metals X's share of revenue from tin concentrate sales from the Renison Tin Project for the financial year was \$69,015,638 (2010: \$95,686,783). The revenue in the current year is lower than the previous year due to the sale of 50% of the Tin Project in the previous year.

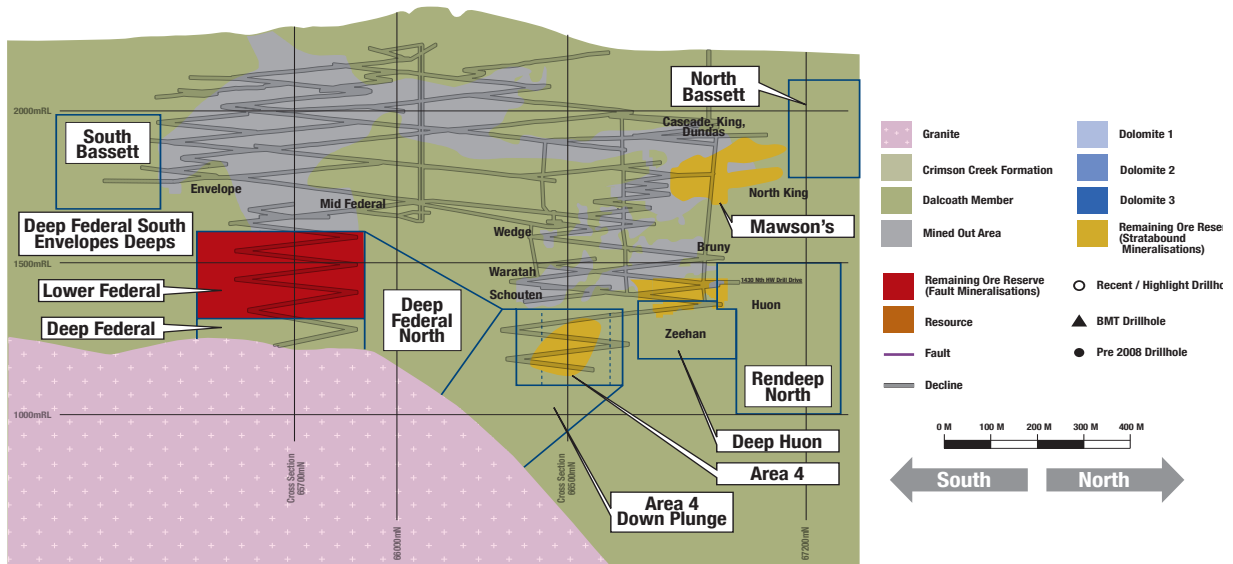
Metals X Entity's interest for the Renison Tin Project is summarised below:

Mining	2011	2010
<b>Renison Underground</b>		
Ore Hoisted (tonnes)	236,038	333,441
Grade (%Sn)	1.61	1.70
<b>Mt Bischoff Open Pit</b>		
Ore Mined (tonnes)	3,345	186,639
Grade (%Sn)	0.99	1.31
<b>Tin Concentration</b>		
Tonnes Processed (tonnes)	236,038	535,239
Grade (%Sn)	1.56	1.56
Recovery (%)	66	67
Concentrate Grade (%Sn)	56	55
Copper Metal Produced (tonnes)	94	-
Tin Metal Produced (tonnes)	2,701	5,340
Tin Metal Sales (tonnes)	2,788	5,129

\* Note that in the 2010 year, Metals X held 100% of the project for 9 months, and 50% of the project for 3 months. The Company has held 50% of the project for the entirety of 2011.

The current operating costs average of approximately A\$15,700 per tonne allow for a solid operating margin.

In the period since the mine was brought back to production in 2008, mining has been constrained to the South Renison area whilst mine de-watering and rehabilitation of the flooded North Renison decline and other associated ore zones were re-established. At year end de-watering and refurbishment of the Northern zone had advanced to a point that allowed access to the upper levels of the Zeehan ore body and subsequent to year end has now advanced to deepest point in the North Renison Decline. Rehabilitation has now commenced on the cross cuts and draw points of the Zeehan, Bruny, and Huon ore bodies with production expected to commence towards the end of calendar year 2011.

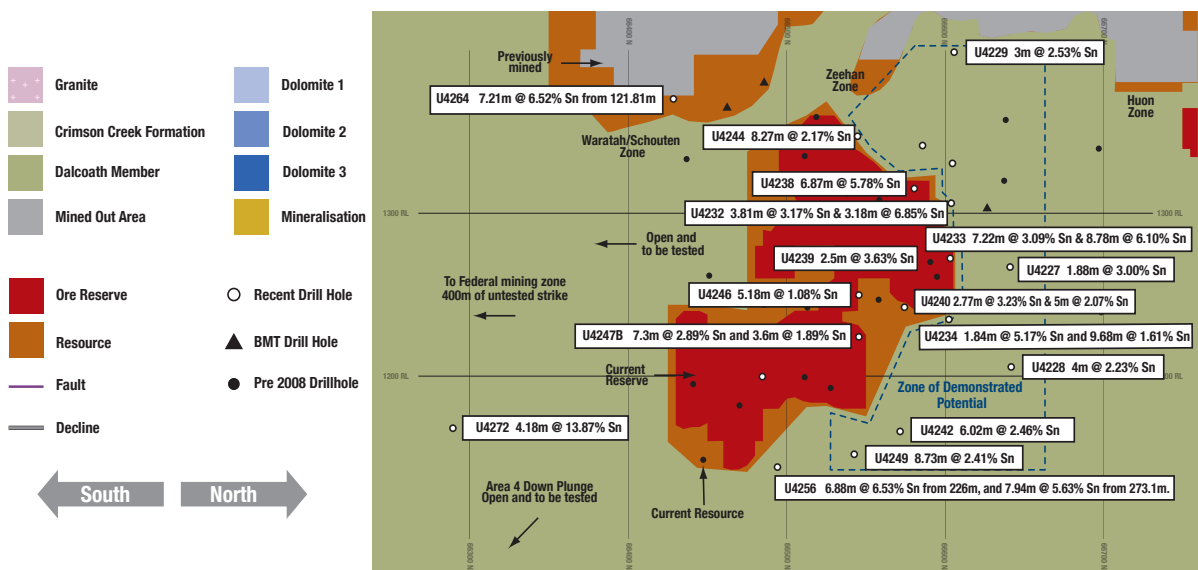


It is expected that once the higher grade production from the North Renison area commences, operating costs will further decline as a result of the higher tin production. The company expects to achieve its targeted mine productivity of 60,000 tonnes of ore per month and 8,000 tonnes of tin in concentrates per annum when mining fronts are fully established in both the North and South Renison declines in early 2012.

Another major milestone in the tin concentrator was the commissioning of the copper circuit enabling copper to be recovered as a co-product from the tin concentration process. Approximately 94 tonnes of copper was produced for the year and the circuit has now been fully commissioned. Copper in concentrate is now being output at a rate of approximately 500 tpa and is expected to increase further as higher grade coincident copper areas are mined.

During the year a core focus of BMTJV was on mine exploration. Two diamond drills continuously focussed on the task of upgrading and extending the Resources and Reserves of the mine. A third diamond drill rig operated on the surface with a focus on open pitable surface targets within the mining lease. Over 33,000m of diamond drilling was completed during the year.

The exploration outcomes resulted in an increase in the Total Identified Mineral Resource Estimate (as of 30 June 2011) to 8.35Mt @ 1.63%Sn containing 135,3790 tonnes of tin and underground mining reserves alone were increased to 2.61Mt at 1.43%Sn containing 37,202 tonnes of tin.





The highlight was Area 4 where over 12,000m of drilling was completed and resulted in a significant increase in the total resource of the Area 4 Zone to 1.33 Mt @ 1.9% Sn. Importantly, Area 4 is located approximately 150m from the main North Renison decline allowing for easy access. It is expected that production from Area 4 will commence within the fourth quarter of the 2012 financial year.

Drilling in Area 4 also returned numerous bonanza intercepts, including U4251 14.0m @ 8.11% Sn, U4233 8.78m @ 6.10% Sn and U4238 8.27m @ 5.78% Sn. The mineralisation remains open to the south and down plunge. Of significance was the drilling of a step out hole approximately 100m out from the current resource boundary returning an intercept of 4.18m @ 13.87% Sn & 0.36% Cu in hole U4272 providing clear evidence of the growth opportunities that are still to be realised from this part of the overall ore system.

Other significant exploration success was achieved from the Lower and Upper Federal and the newly defined Mawson's lode in the north of the mine located below the Dundas and King Resource areas that has continued to return significant high grade results including 5.01m @ 6.39% Sn & 0.20% Cu in hole U4449 and 12.41m @ 3.62% Sn & 0.76% Cu in hole U4456.

#### **MOUNT BISCHOFF**

Mount Bischoff is a significant deposit in its own right producing in excess of 60,000t of tin metal since the late 1800's. Although a resource remains at Mount Bischoff, the last of the ore from the current open pit was mined in July 2010. The remaining Mount Bischoff ore stockpiles were depleted by the end of 2010 as production from the Renison underground was advanced to provide the entire feed for the Renison Tin Concentrator.

The current strategy for the Mount Bischoff project is to remain in care and maintenance in the short term whilst options for further underground and open pit mining are evaluated. In addition, the BMTJV partners are undertaking a tenement scale geophysical review at Mount Bischoff to generate further exploration targets.

#### **AREA 4**

**“A SIGNIFICANT  
INCREASE TO  
1.33 Mt @ 1.9% Sn”**



## RENISON EXPANSION PROJECT (RENTAILS)

The Renison Expansion Project's ("Rentails") objective is to reprocess and recover tin and copper from an estimated 18.95 Mt of tailings output from the historical processing of tin ores at the Renison Bell mine since 1965. The tailings have an average grade of 0.44% Tin and 0.20% Copper and represent one of the largest single resources of tin available in Australia today.

Metals X completed a Definitive Feasibility Study into mining and re-processing of tailings for the recovery of tin and copper at Rentails in 2009. Financial outcomes estimated an average total cash cost of production of \$11,875 per tonne of tin after copper credits, assuming a copper price of A\$6,250 (current copper price A\$8,300). Capital costs were estimated to be AUD\$ 194 million +/- 15%. The study outcomes demonstrate that it remains exposed to upside from tin and copper prices .

The proposed process route uses proven technology and has developed a robust circuit for the recovery of both tin and copper. In addition, the project would allow for the treatment of other tin sulphide (stannite) ore bodies within the region, which are not currently viable under conventional tin processing routes, as they require tin fuming.

The Rentails flowsheet comprises the reclaiming of tailings from the historical dams at a rate of 2Mt per annum, producing approximately 5,300t of tin and 2,000t of copper in concentrate per annum. The tailings ore is finely ground to increase the liberation of the tin bearing minerals before removing the gangue sulphides by flotation. The sulphide flotation tails which contain the fine tin is then processed through classification, gravity recovery and tin flotation circuits. Flotation produces a 10% tin concentrate that will be smelted to produce a tin fume product assaying in excess of 68% tin. A by-product from the fuming process will be a saleable copper matte assaying 70% copper.

Metals X is currently working with its BMTJV partners to validate the feasibility study in preparation to committing to the project development.

## RENTAILS

**“ONE OF THE LARGEST SINGLE RESOURCES OF TIN IN AUSTRALIA”**





## COLLINGWOOD TIN PROJECT

The Company's Collingwood Tin Project is located in Far North Queensland approximately 30km south of Cooktown. The Company has decided to dispose these assets and is currently actively marketing the project for sale. In the meantime the project will remain under care and maintenance.

There was no production from the project for the reporting period. The net operating loss after income tax for the Collingwood Project for the financial year was \$505,195 (2010: \$820,100). There was no impairment of property, plant and equipment during the year (2010: \$500,000). There was no revenue from tin concentrate sales for the year.

## TIN MARKET

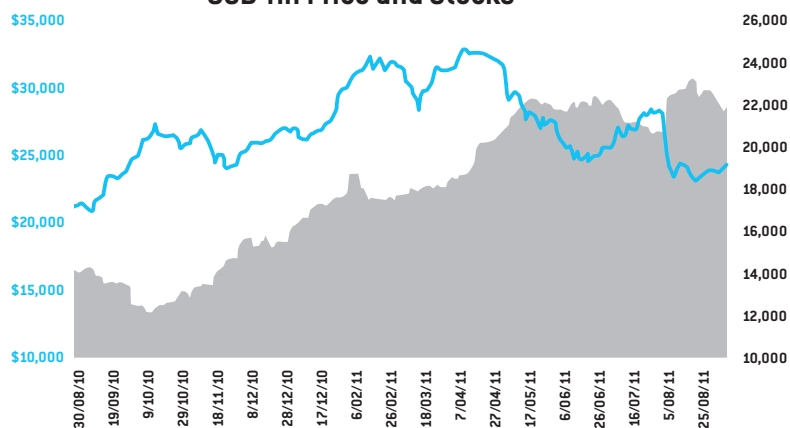
The LME Australian dollar tin price increased from approximately A\$20,000/t at the commencement of the year and reached an historical high of A\$33,255/t in April 2011 before receding to approximately A\$24,000/t by the end of the year.

The demand for tin returned to levels prior to the global financial crisis of approximately 360,000 tonnes per annum while production remained relatively flat at approximately 350,000 tonnes resulting in a deficit of approximately 10,000 tonnes for the 2011 financial year.

The supply of tin continues to remain extremely tight as production from China, Indonesia and Peru which together supplies 75% of global tin-in-concentrate, continue to show signs of decline. Limited additional global production capacity is currently being seen in the short to medium term. It is estimated that the supply deficit for the 2012 financial year will be similar to 2011 financial year of approximately 10,000 tonnes.

In the current period of substantial market volatility, the tin price has tended to trade in line with general market sentiment for base metals without cognisance of its specific supply-demand fundamentals. We expect price volatility in the current market but anticipate that the solid underlying supply pressures will ultimately prevail and create stronger pricing through 2012.

USD Tin Price and Stocks



## INVESTMENTS

Metals X has operated a strategy over the past few years to build a diverse portfolio of metal and industrial mineral interests. It is not always possible to acquire assets outright and when opportunities are identified our strategy is to invest directly within the publicly listed or unlisted entity that owns the assets. We consider this provides us with both the flexibility to fund and finance the exploration and development activities in a dedicated manner without the competition for capital from our operations.

Metals X looks to take significant shareholdings and Board representation in these entities such as:

1. Westgold Resources Limited 25.02% (2010: 31.99%);
2. Independence Group NL 3.23% (2010: Nil);
3. Mongolian Resource Company Limited 16.97% (2010: Nil); and
4. Aziana Limited 25.00% (2010: Nil).

This strategy proved successful during the year as the Company crystallised a \$55.2M profit from the partial sale of its investment in Jabiru Metals Limited (now Independence Group).

## WESTGOLD RESOURCES LIMITED

Westgold Resources Limited (“Westgold”) is an ASX listed (ASX:WGR) gold and base metals exploration company. Its principal focus is on exploring and developing a new gold field at its Rover project near Tennant Creek in the Northern Territory and the commencement of gold production from its large tenement holding in the Murchison Goldfields of Western Australia. Westgold currently holds a combined resource of over 3.2 million ounces gold equivalent within these two main projects and is aspiring to become Australia next 200,000 ounce per annum gold equivalent producer.

### Central Murchison Gold Project

The Central Murchison Project is located in the Murchison gold fields of Western Australia south of Cue. The project includes the historical production areas of Big Bell, Day Dawn and Cuddingwarra that have collectively produced over 5Moz.

During the year exploration programs continue to progress towards development and production. A successful underground mining study was undertaken which envisages an 800,000 tpa processing facility to produce approximately 100,000 oz pa. An open pit mining study is also in progress to supplement the underground ore feed. The strategy is to build a centralised processing plant to re-commence mining and production from as early as 2012. A current Total Identified Resource estimate of 2Moz has currently been identified.

### Rover Project

The Rover project is located approximately 100kms SW of Tennant Creek in the Northern Territory. Westgold has been targeting high grade gold and copper deposits similar to the historical mines of the Tennant Creek Goldfield renowned for their exceptional high grade gold and copper mines which produced over 5M ounces of gold and around 0.5Mt of copper metal between the 1930's to late 1990's.

The large portfolio of highly prospective tenements within the Rover field contains a number of coincident magnetic and gravity anomalies that are interpreted to signify iron oxide copper gold (“IOCG”) bodies under varying thicknesses (60m-250m) of un-conforming cover rocks. To date Westgold has focussed most of its attention on two of these targets which have both resulted in the discovery of significant ore bodies referred to as Rover 1 and Explorer 108.

During the year Westgold announced an updated resource at Rover 1 to 6.8 million tonnes at an equivalent gold grade of 5.57g/t for 1.22 million ounces of gold equivalent.

Within the Rover field there are also several other exciting targets that have very similar magnetic and gravity signatures of similar size. It is anticipated that several of these targets will be drilled over the proceeding year which could add significantly to the economics of the high quality Rover 1 discovery and to the development of a new Australian gold field.



Explorer 108 is a large alteration system, mineralised throughout with broad (100m+) intervals grading 2 to 5% Zn + Pb, but importantly contains a number of high grade lenses up to 60m thick containing grades over 7% Zn + Pb. The most significant of these discovered to date occurs in the base of dolomite sequence directly above the contact with the underlying acid volcanic sequence.

Westgold announced a maiden identified mineral resource estimate for Explorer 108 in 2008 as follows:

8.7Mt @ 5.7% (Zn + Pb) using a 2.5% Zn+Pb lower cut-off; or

4.0Mt @ 8.2% (Zn + Pb) using a 5.0% Zn + Pb lower cut-off

During the year Westgold successfully completed the off market takeover of Aragon Resources Limited ("Aragon"). Metals X Limited participated in the takeover of Aragon by accepting Westgold's offer to acquire the Company's 8.70% interest in Aragon for shares in Westgold. The Company received 20,271,858 Westgold shares as consideration for its 8.70% interest in Aragon. The Aragon share sale resulted in a profit of \$196,199 for Metals X. As a result of the takeover Metals X percentage holding in Westgold was decreased from 31.99% to approximately 24.5%. Metals X acquired an additional 10,457,150 Westgold shares subsequent to the takeover and currently holds 25.02% of Westgold's issued capital.

#### **INDEPENDENCE GROUP NL**

Independence is an ASX listed (ASX:IGO) Australian diversified explorer, developer and producer. Operations include the Long Nickel mine and the high grade Jaguar VMS copper, zinc, and silver mine in Western Australia. Independence also owns 30% of the 3.9Moz Tropicana gold project currently being developed and holds various exploration projects within Australia including the Stockman Copper, Zinc and silver project and the Karlawinda gold project.

During the year Independence successfully completed the off market takeover of Jabiru Metals Limited ("Jabiru"). Metals X Limited participated in the takeover of Jabiru by signing a pre-bid agreement with Independence to sell its 19.99% interest in Jabiru for cash and shares in Independence. The Company received \$48,089,540 in cash and 6,558,571 Independence shares as consideration for its 19.99% interest in Jabiru. The Jabiru share sale has resulted in a profit of \$55,268,640 for the Company.

#### **MONGOLIAN RESOURCES CORPORATION LIMITED**

MRC is an Australian listed Mongolian resource company. MRC's main two gold projects include the high grade Kargana (Blue Eyes) Gold Project (85%) and the Sujigtei Gold Project (90%) which are located 7 kms apart within the North Khentee gold belt of Mongolia. The Blue Eyes deposit has been mined for over 80 years by artisanal miners and currently contains an existing operation which is advancing over three levels. Sujigtei was actively explored and developed on five levels over 150 vertical meters in the 1960's by the East German Geological Department and has been worked in recent times by artisanal miners.

MRC is currently targeting a maiden resource at the Blue Eyes and Sujigtei Gold Deposits located. The North Khentei gold belt includes several historical mines and deposits including the Boroo and Gatsuurt gold mines, Bumbat, Erren, Khargant and Sujigetei gold deposits. Feasibility studies have commenced on the development of these high grade gold deposits, two mining licenses have been granted and the statutory approvals are at an advanced state to recommence mining activities.

MRC advised that sampling for near surface open pittable gold from outcropping quartz stockworks near Blue Eyes has returned an average of 1.0g/t from 319 samples. Rock chip samples have further highlighted the potential for open pit mineralization returning gold assays of 18.8g/t, 17.9g/t, 9.0g/t and 7.8g/t.

MRC also holds exploration permits covering the Barglit Iron Ore Prospect (100%), the Doshin Thermal Coal Prospect (100%) and various alluvial gold projects at Berleg, Selenge, Ovorhangay, Omnogovi and Bulgan.

## AZIANA LIMITED

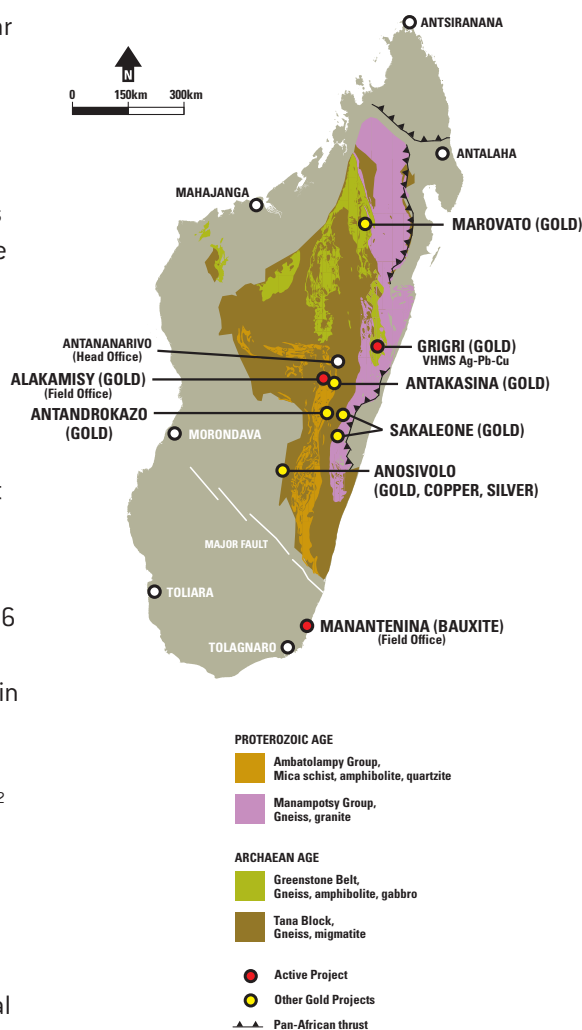
Aziana is an unlisted gold and bauxite explorer in Madagascar which currently undergoing preparations to become a publicly listed company on the ASX. The gold exploration activities are focused on the Central Madagascar Gold Belt (CMGB), Beforona Gold Belt (BGB) and Vohilava-Ampasary Gold Belt (VAGB). Aziana's gold prospects include large areas where substantial artisanal mining and gold production have occurred and Aziana is the first company to systematically sample, drill and explore these highly prospective gold targets.

In addition, Aziana is also the 99% beneficial owner of the exciting Manantenina Bauxite Prospect in southern Madagascar where exploration to date has shown significant potential for large tonnages of high grade bauxite/gibbsite development.

Aziana has been an active explorer in Madagascar since 2006 and now holds a leading position in gold exploration. In the past 5 years, Aziana has systematically reviewed the 10 main gold belts in the country, completed reconnaissance field works and selectively reduced its tenement portfolio from over 16,000km<sup>2</sup> to focus on the current core area of 950km<sup>2</sup> of highly prospective gold tenure. Early stage fieldwork has returned highly promising results and Aziana continues to intensify its exploration activities on its core projects.

The CMGB sits within the Ambatolampy Group of rocks and includes approximately half of Madagascar's known artisanal gold mining sites and Aziana's key Alakamisy, Antandrokazo and Antakasina gold projects. The BGB lies north-east of the capital and hosts Aziana's Grigri gold project while the VAGB lies south-east of the capital and hosts Aziana's Sakaleone gold field.

Metals X believes Aziana is a well-established gold and Bauxite explorer in one of the world's most untapped mineral provinces.



## IDENTIFIED MINERAL RESOURCES & MINING RESERVE ESTIMATES

### IDENTIFIED MINERAL RESOURCE – CONSOLIDATED AS AT 30 JUNE 2011

#### TIN DIVISION

PROJECT	TIN			COPPER		
	Tonnes (Kt)	Grade (%Sn)	Sn Metal (t)	Tonnes (Kt)	Grade (%Cu)	Cu Metal (t)
<b>Measured</b>						
Renison Bell	917	2.01	18,473	479	0.28	1,321
Mt Bischoff						
Rentails	19,505	0.44	86,594	19,505	0.21	41,353
Collingwood						
<b>Sub-total</b>	<b>20,422</b>	<b>0.51</b>	<b>105,067</b>	<b>19,985</b>	<b>0.21</b>	<b>42,673</b>
<b>Indicated</b>						
Renison Bell	4,260	1.52	64,585	2,995	0.39	11,737
Mt Bischoff	968	0.59	5,681			
Rentails	-	-	-			
Collingwood	652	1.29	8,436			
<b>Sub-total</b>	<b>5,879</b>	<b>1.34</b>	<b>78,702</b>	<b>2,995</b>	<b>0.39</b>	<b>11,737</b>
<b>Inferred</b>						
Renison Bell	3,177	1.66	2,732	1,242	0.36	4,426
Mt Bischoff	699	0.47	3,300			
Rentails	-	-	-			
Collingwood	51	1.12	570			
<b>Sub-total</b>	<b>3,927</b>	<b>1.44</b>	<b>56,602</b>	<b>1,242</b>	<b>0.36</b>	<b>4,426</b>
<b>TOTALS</b>						
Renison Bell	8,354	1.63	135,790	4,716	0.37	17,484
Mt Bischoff	1,667	0.54	8,981			
Rentails	19,505	0.44	86,594	19,505	0.21	41,353
Collingwood	702	1.28	9,006			
<b>Total I.M.R</b>	<b>30,229</b>	<b>0.80</b>	<b>240,370</b>	<b>24,221</b>	<b>0.24</b>	<b>58,837</b>

#### NICKEL DIVISION

Wingellina	Cut Off (%Ni)	Tonnes (Mt)	Ni (%)	Co (%)	Fe2O3 (%)
Measured	0.5	68.8	1.00	0.078	48.7
Indicated	0.5	98.6	0.97	0.075	46.4
Inferred	0.5	15.7	0.97	0.069	42.7
<b>Total I.M.R</b>	<b>0.5</b>	<b>183.2</b>	<b>0.98</b>	<b>0.076</b>	<b>47.0</b>

Claude Hills*	Cut-off (% Ni)	Tonnes (Mt)	Ni (%)	Co (%)	Fe2O3 (%)
Inferred	0.5	33.3	0.81	0.07	39
Inferred	0.7	19.2	0.96	0.08	44

\* Approximately 50% of the Claude Hills Resource is located within EL4751 and the remainder within the Mt Davies JV lease EL3932.

## MINING RESERVE ESTIMATE – CONSOLIDATED AS AT 30 JUNE 2011

### TIN DIVISION

PROJECT	TIN				COPPER		
	Cut-off %	Tonnes (Kt)	Grade (%Sn)	Sn Metal (t)	Tonnes (Kt)	Grade (%Cu)	Cu Metal (t)
<b>Proved Reserves</b>							
Renison Bell	0.80%	378	1.67	6,313	376	0.13%	492
Mt Bischoff	0.50%						
Rentails	0.00%	-	-	-			
Collingwood	0.70%	-	-	-			
<b>Sub-total</b>		<b>378</b>	<b>1.67</b>	<b>6,313</b>	<b>376</b>	<b>0.13%</b>	<b>492</b>
<b>Probable Reserves</b>							
Renison Bell	0.80%	2,230	1.39	30,890	1,541	0.29	4,481
Mt Bischoff	0.50%						
Rentails	0.00%	18,664	0.44	82,553	18,664	0.21	39,409
Collingwood	0.70%	-	-	-			
<b>Sub-total</b>		<b>20,894</b>	<b>0.54</b>	<b>113,442</b>	<b>20,206</b>	<b>0.22</b>	<b>43,890</b>
<b>Total Mining Reserves</b>							
Renison Bell	0.80%	2,608	1.43	37,202	1,918	0.26	4,973
Mt Bischoff	0.50%						
Rentails	0.00%	18,664	0.44	82,553	18,664	0.21	39,409
Collingwood	0.70%	-	-	-			
<b>Total Reserves</b>		<b>21,272</b>	<b>0.56</b>	<b>119,755</b>	<b>20,582</b>	<b>0.22</b>	<b>44,383</b>

### NICKEL DIVISION

Mining Reserve Estimate as at 30 June 2011				
Class	Tonnes (Kt)	Ni	Co	Fe2O3
Proven	-	-	-	-
Probable	167,470	0.98	0.08	47.34
<b>Total</b>	<b>167,470</b>	<b>0.98</b>	<b>0.08</b>	<b>47.34</b>

\*Reserves are a sub-set of the IMR estimate

### COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results is compiled by Metals X technical employees under the supervision of Mr Peter Cook (BSc (Applied Geology) (MSc (Min. Econ) MAusIMM). Mr Cook is not a full-time employee of the company. Mr Cook is an advisor to Metals X and the Non-Executive Chairman of Metals X. Mr Cook has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activities which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Cook consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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# DIRECTORS' AND FINANCIAL REPORT



# DIRECTORS' REPORT

The Directors submit their report together with the financial report of Metals X Limited ("Metals X" or "the Company") and of the Consolidated Entity, being the Company and its controlled entities, for the year ended 30 June 2011.

## DIRECTORS

The names and details of the Company's Directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

#### **Peter Gerard Cook** - Non-Executive Chairman

Mr Cook is a Geologist (BSc (Applied Geology)) and a Mineral Economist (MSc (Min. Econ), MAusIMM). In recent years he has been the Managing Director of Hill 50 Limited, the Chief Executive Officer of Harmony Gold Australia Pty Ltd, Managing Director of Abelle Limited and Chairman of both Metals Exploration Limited and Aragon Resources Limited. He has considerable experience in the fields of exploration and project and corporate management of mining companies. He is also a director of Westgold Resources Limited and Kingsrose Mining Limited and the Chairman of Pacific Niugini Limited. Mr Cook also serves on the Company's Audit and Remuneration Committees.

During the past three years he has served as a director of the following public listed companies:

- Westgold Resources Limited\* (Appointed 19 March 2007);
- Aragon Resources Limited\* (Appointed 18 May 2007);
- Pacific Niugini Limited\* (Appointed 31 August 2009); and
- Kingsrose Mining Limited\* (Appointed 10 October 2010).

#### **Warren Shaye Hallam** - Managing Director

Mr Hallam is a Metallurgist (B. App Sci (Metallurgy)) and a Mineral Economist (MSc (Min. Econ)) and holds a Graduate Diploma in finance. He has considerable technical and commercial experience within the resources industry. He is also a director of Westgold Resources Limited. In recent times he was the Managing Director of Metals Exploration Limited.

During the past three years he has served as a director of the following public listed company:

- Westgold Resources Limited\* (Appointed 18 March 2010).

#### **Michael Leslie Jefferies** - Non-Executive Director

Mr Jefferies has been an executive of Guinness Peat Group ("GPG") for the past 19 years and has extensive experience in finance and investment. He is a chartered accountant and holds a B. Comm. Mr Jefferies also serves on the Company's Audit and Remuneration Committees.

During the past three years he has served as a director of the following public listed companies:

- Tower Australia Group Limited (Appointed 8 August 2006 – Resigned 8 August 2008);
- Tower Limited\* (Appointed 14 December 2006);
- Ozgrowth Limited\* (Appointed 31 October 2007);
- Clearview Wealth Limited\* (Appointed 4 November 2008); and
- Capral Limited\* (Appointed 6 November 2008).

### **Dean Patrick Will** - Executive Director (Appointed 12 July 2011)

Mr Will is a Mining Engineer (BEng) with a Master's degree in Business Administration. Mr Will has over 26 years' experience and has numerous senior and executive roles across a diversity of companies. For the past nine years he has been the Chief Mining Engineer with Mincor Resources NL where he has been responsible for mining engineering, project evaluations, assisting business development, evaluations and contract management and successfully played a key role in Mincor's nickel expansion strategy.

Mr Will has held no other public company directorships in the past three years.

### **Scott James Huffadine** - Executive Director (Resigned 1 June 2011)

Mr Huffadine is a Geologist (BSc (Hons)) with broad experience in the resources industry, specifically in geology and mining project management. Prior to joining the Company Mr Huffadine was employed by Harmony Gold Australia Pty Ltd as the General Manager of the Hill 50 Gold Project for 4 years. His previous roles include Chief Geologist for both Harmony and Hill 50 Gold (Mt Magnet Project). He has also held Underground, Open Pit and Exploration Geology positions with WMC Resources at Mt Magnet WA, Dominion Mining at Mt Morgan's WA and Werrie Gold NSW.

During the past three years he has served as a director of the following public listed company:

- Westgold Resources Limited\* (Appointed 1 June 2011).

### **Sanlin Zhang** - Non-Executive Director

Mr Zhang is a Vice President of Jinchuan Group Limited and is responsible for international investments, legal council and community infrastructure. He is also the Non-Executive Chairman of Albidon Limited.

During the past three years he has served as a director of the following public listed company:

- Albidon Limited\* (Appointed 31 August 2010).

### **Yimin Zhang** - Alternate Non-Executive Director

Mr Zhang joined the Board to act as an alternate director for Sanlin Zhang. Mr Zhang is the Chief Representative for Jinchuan Australia and is also an Executive Director of Sino Nickel Pty Limited and Albidon Limited. Mr Zhang has worked for Jinchuan since 1981 and has been posted to several overseas positions to which he has been involved in numerous Jinchuan co-operative ventures. Mr Zhang holds a Diploma from the Metallurgical and Architectural Institute of Chung Chan.

During the past three years he has served as a director of the following public listed company:

- Albidon Limited\* (Appointed 9 September 2009).

\* Denotes current directorship

## INTERESTS IN THE SHARES OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares and options of Metals X Limited were:

Director	Fully Paid Ordinary Shares	Options expiring on 30 November 2012 exercisable at \$0.14
P G Cook	68,440,200	-
W S Hallam	6,350,000	1,500,000
M L Jefferies	2,700,000	-
D P Will	-	-
S Zhang (1)	176,000,000	-
Y Zhang (Alt Director)	-	-
<b>Total</b>	<b>253,490,200</b>	<b>1,500,000</b>

(1) Mr Zhang is a director of Jinchuan Group Limited which holds 176,000,000 fully paid ordinary shares in the Company.

## COMPANY SECRETARY

**Fiona Van Maanen** - Company Secretary

Mrs Van Maanen is a CPA, holds a Bachelor of Business (Accounting) degree and a Graduate Diploma in Company Secretarial Practice. She has many years of accounting and financial management experience in the mining and resources industry and has been with the Company since incorporation.

## DIVIDENDS

No dividends have been paid or declared by the Company during the financial period or up to the date of this report.

Refer to note 10 for available franking credits.

## PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the Consolidated Entity were:

- exploration for and the mining, processing, production and marketing of tin concentrate in Australia;
- exploration for nickel in Australia;
- exploration for phosphate in Australia;
- development of nickel projects; and
- exploration and mining for precious and base metals through significant shareholdings in Westgold Resources Limited, Independence Group NL, Mongolian Resource Corporation Limited and Aziana Exploration Corporation.

There have been no significant changes in the nature of these activities during the year.

## EMPLOYEES

The Consolidated Entity employed 87 employees at 30 June 2011 (2010: 81).

## OPERATING AND FINANCIAL REVIEW

A full review of the operations of the Consolidated Entity during the year ended 30 June 2011 is included on pages 3 to 20.

## **OPERATING RESULTS**

The net profit from continuing operations after income tax of the Consolidated Entity for the period was \$62,801,803 (2010: \$12,601,084), an improvement of 398% as compared to the previous year. This result reflects an increase in operating profits from the Renison Tin Project, profit on the sale of shares in Jabiru Metals Limited (\$55,268,640), Aragon Resources Limited (\$196,199) and Icon Resources Limited (\$252,942).

The Consolidated Entity's net profit after income tax for the year was \$62,296,608 (2010: \$11,780,984), an improvement of 429% as compared to the previous financial year.

## **REVIEW OF FINANCIAL CONDITION LIQUIDITY AND CAPITAL RESOURCES**

The consolidated statement of cash flows illustrates that there was an increase in cash and cash equivalents in the year ended 30 June 2011 of \$46,486,707 (2010: \$22,547,138). The increase in cash inflow in comparison with the prior year was due to the factors detailed below.

There has been an increase in the amount of cash generated from operating activities to \$23,976,007 (2010: \$4,437,180), which is largely due to a decrease in operating costs at the Renison Tin Project.

There has been an increase in the amount of cash generated from investing activities to \$22,502,060 (2010: \$8,665,319), which was mainly attributable to the sale of the Jabiru Metals Limited and Icon Resources Limited shares for \$48,579,912. This increase in cash flows was partly offset by the acquisition of shares in Mongolian Resources Corporation Limited, Westgold Resources Limited and Aziana Exploration Corporation for a total of \$10,558,620.

Financing activities resulted in \$8,640 (2010: \$9,444,639) of net cash inflows. The increase in the previous year was due to the placement of 178,000,000 shares to APAC Resources Limited for a total of \$15,986,833 after capital raising costs.

The Consolidated Entity's debt has decreased by \$1,675,890 (2010: \$7,219,019) over the last year due repayment of finance leases secured by mobile plant and equipment at the Renison Tin Project. Of the Consolidated Entity's debt, 81% (\$941,788) is repayable within one year of 30 June 2011, compared to 76% (\$2,153,380) in the previous year.

## **CAPITAL EXPENDITURE**

There has been a decrease in cash used to purchase property, plant and equipment in 2011 to \$2,252,369 from \$2,700,248 for the year ended 30 June 2010. Capital commitments of \$115,023 existed at the reporting date, principally relating to the purchase of maintenance plant and equipment and a tailings dam lift for the Renison Tin Project.

## **SHARE ISSUES DURING THE YEAR**

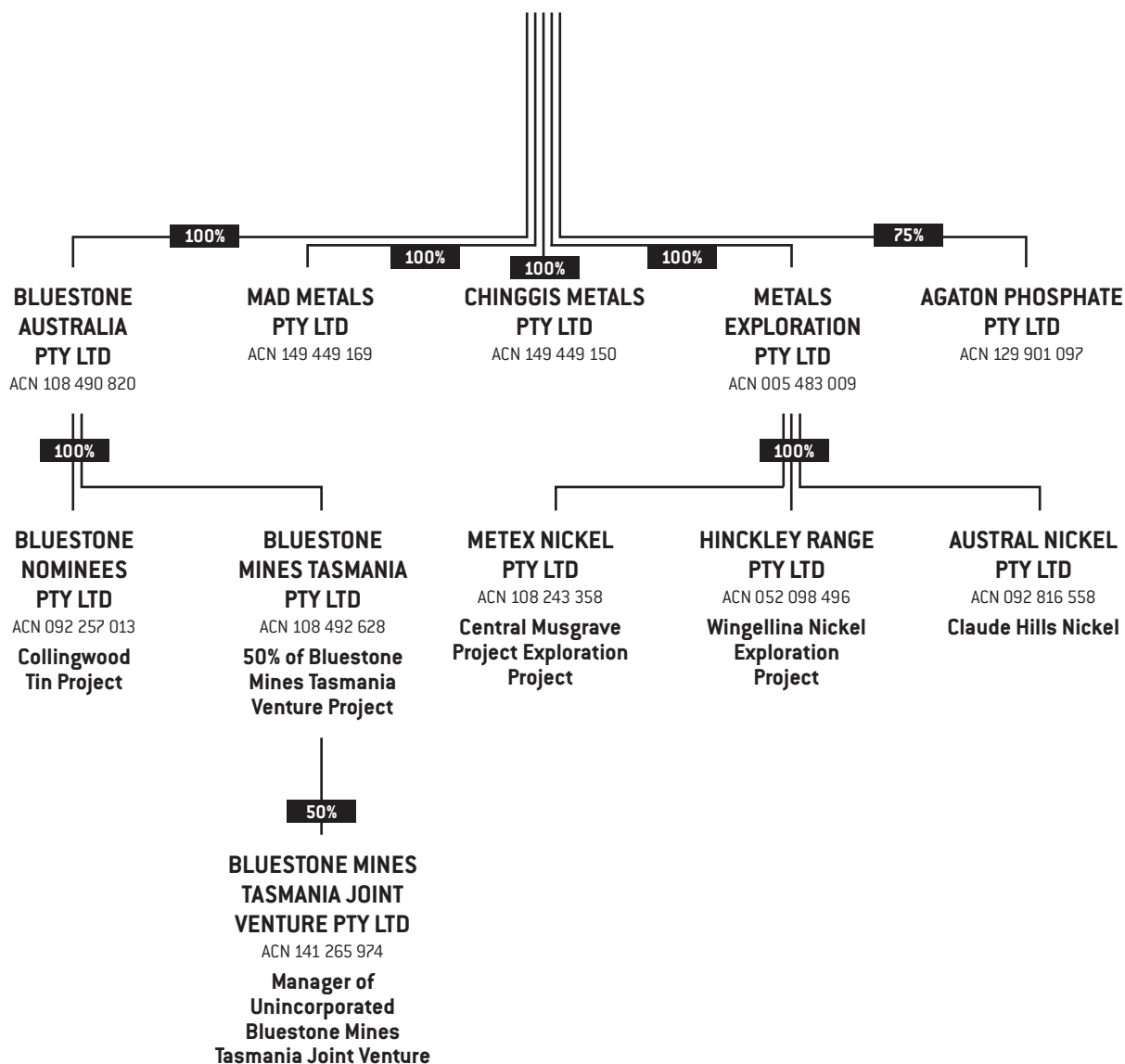
### **Share Placements**

There were no share placements during the financial year.

### **Option Conversions**

No options were converted during the financial year.

**CORPORATE INFORMATION**  
**CORPORATE STRUCTURE**



## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Total consolidated equity increased to \$263,953,921 from \$201,866,069, an increase of \$62,087,853. The movement was largely as a result of the increase in profits from the Renison Tin Project and the sale of Jabiru Metals Limited and Aragon Resources Limited shares.

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

On 16 June 2011 the Company announced its intention to conduct an on-market buy-back of up to 10% of its issued capital over a twelve month period commencing on 1 July 2011. As at the date of this report the Company had acquired 25,208,407 shares for a total value of \$5,740,356.48 and an average price of \$0.228 per share.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

It is expected that the Consolidated Entity will continue its exploration, mining, processing, production and marketing of tin concentrate in Australia, and will continue its exploration and development of its nickel and phosphate projects. These are described in more detail in the Review of Operations above.

Further information regarding likely developments in the operations of the Consolidated Entity and the expected results from those operations in future financial years has not been included in this report because, in the opinion of your directors, its disclosure would prejudice the interests of the Consolidated Entity.

## **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Consolidated Entity's activities are subject to the relevant environmental protection legislation (Commonwealth and State legislation) at its projects. The Consolidated Entity believes that sound environmental practice is not only a management obligation but the responsibility of every employee and contractor.

During the period our achievements in the environmental area included:

- Continued focus on environmental management; and
- Continuous review and improvement of our environmental management systems across all projects.

No fines were imposed and no prosecutions were instituted by a regulatory body during the period.

## **SHARE OPTIONS**

### **Unissued shares**

As at the date of this report, there were 7,575,000 unissued ordinary shares under option (8,275,000 at reporting date), refer to note 29(e) for further details.

There are no participating rights or entitlements inherent in the options and option holders are not entitled to participate in new issues of capital or bonus issues offered or made to shareholders during the currency of the options.

### **Shares issued as a result of exercising options**

No options were exercised during the financial year.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium in respect to a contract of insurance to insure Directors and officers of the Company and related bodies corporate against those liabilities for which insurance is permitted under section 199B of the Corporations Act 2001. Disclosure of the nature of the liabilities and the amount of the premium is prohibited under the conditions of the contract of insurance.

## DIRECTORS' MEETINGS

The number of meetings of Directors' (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Directors Meetings	Audit	Remuneration
<b>No of meetings held:</b>	6	4	1
<b>No of meetings attended:</b>			
P G Cook	6	4	1
W S Hallam	6	-	-
S J Huffadine	5	-	-
M L Jefferies	6	4	1
S Zhang	1	-	-
Y Zhang (Alt Director)	1	-	-

All Directors were eligible to attend all meetings held, except for Mr S Huffadine who was eligible to attend 5 meetings.

## COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit Committee and a Remuneration Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

Audit	Remuneration
P G Cook *	P G Cook *
M L Jefferies	M L Jefferies
F J Van Maanen **	

### Notes:

\* Designates the Chairman of the Committee.

\*\* Mrs Van Maanen is the Company Secretary and is not a Director.

# REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2011 outlines the remuneration arrangements of the Company and the Consolidated Entity in accordance with the requirements of the Corporations Act 2001 (“the Act”) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for Key Management Personnel (“KMP”) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the parent and the Consolidated Entity receiving the highest remuneration.

For the purposes of this remuneration report, the term ‘executive’ includes the Managing Director, executive directors, senior executives, general managers and secretary of the parent and the Consolidated Entity.

## THE REMUNERATION REPORT IS PRESENTED UNDER THE FOLLOWING SECTIONS:

1. Individual key management personnel disclosures
2. Board oversight of remuneration
3. Non-executive Director remuneration arrangements
4. Executive remuneration arrangements
5. Company performance and the link to remuneration
6. Executive contractual arrangements
7. Equity instruments disclosures

## 1. INDIVIDUAL KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of KMP including the top five remunerated executives of the Parent and Consolidated Entity are set out below:

### KEY MANAGEMENT PERSONNEL

Name	Position	Date of appointment	Date of resignation
<b>Directors</b>			
P G Cook	Non-Executive Chairman	23 Jul 2004	-
W S Hallam	Managing Director	1 Mar 2005	-
S J Huffadine	Executive Director	17 Jun 2009	1 Jun 2011
M L Jefferies	Non-Executive Director	29 Dec 2006	-
D P Will	Executive Director	12 July 2011	-
S Zhang	Non-Executive Director	9 Nov 2009	-
Y Zhang	Alternate Non-Executive Director for S Zhang	3 Oct 2007	-
<b>Executives</b>			
P M Cmrlec	General Manager – Central Musgrave Project	19 Nov 2007	1 Jun 2011
R D Cook	General Manager - Renison	22 Apr 2010	-
F J Van Maanen	Company Secretary	1 Jul 2005	-

Other than the appointment of D. Will as shown above, there were no other changes to key management personnel after reporting date and before the date the financial report was authorised for issue.



## **2. BOARD OVERSIGHT OF REMUNERATION**

### **REMUNERATION COMMITTEE**

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration arrangements for non-executive directors and executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of non-executive directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team.

### **REMUNERATION APPROVAL PROCESS**

The Board approves the remuneration arrangements of the Managing Director and executives and all awards made under the long-term incentive plan, following recommendations from the remuneration committee. The Board also sets the aggregate remuneration of non-executive directors which is then subject to shareholder approval.

The remuneration committee approves, having regard to the recommendations made by the Managing Director, the level of the Consolidated Entity's short-term incentive pool.

### **REMUNERATION STRATEGY**

The Company's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Consolidated Entity.

To this end, the company embodies the following principles in its remuneration framework:

- retention and motivation of key executives;
- attraction of quality management to the Company; and
- performance incentives which allow executives to share the rewards of the success of the Company.

### **REMUNERATION STRUCTURE**

In accordance with best practice corporate governance, the structure of non-executive director and senior executive remuneration is separate and distinct.

## **3. NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENTS**

### **REMUNERATION POLICY**

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to non-executive directors of comparable companies. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

The Company's constitution and the ASX listing rules specify that the non-executive director fee pool shall be determined from time to time by a general meeting. The last determination was at the annual general meeting held on 24 November 2009 when shareholders approved an aggregate fee pool of \$200,000 per year.

The board will not seek any increase for the non-executive director pool at the 2011 annual general meeting.

### **Structure**

The remuneration of non-executive directors consists of director's fees. Non-executives are entitled to receive retirement benefits and to participate in any incentive programs. There are currently no specific incentive programs.

The non-executive Chairman receives a base fee of \$60,000 and each other non-executive director receives a base fee of \$40,000 for being a director of the Consolidated Entity. There are no additional fees for serving on any board committees.

Mr Cook who is a non-executive director receives \$215 per hour for each hour worked on behalf of the company. These consultant fees are exclusive of non-executive directors fees.

Non-executive directors have long been encouraged by the Board to hold shares in the Company. The shares are purchased by the directors at the prevailing market share price.

The remuneration report for the non-executive Directors for the year ending 30 June 2011 and 30 June 2010 is detailed in Table 1 and Table 2 respectively of this report.

## **4. EXECUTIVE REMUNERATION ARRANGEMENTS**

### **REMUNERATION POLICY**

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The current remuneration policy adopted is that no element of any executive package be directly related to the Company's financial performance. Indeed there are no elements of any executive remuneration that are dependent upon the satisfaction of any specific condition. Remuneration is not linked to the performance of the Company but rather to the ability to attract and retain executives of the highest calibre. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth.

### **STRUCTURE**

In determining the level and make-up of executive remuneration, the Remuneration Committee engages external consultants as needed to provide independent advice.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary and superannuation); and
- Variable remuneration (share options).

The proportion of fixed remuneration and variable remuneration for each executive for the period ending 30 June 2011 and 30 June 2010 are set out in Table 1 and Table 2.

### **FIXED REMUNERATION**

Executive contracts of employment do not include any guaranteed base pay increase. Fixed remuneration is reviewed annually by the remuneration committee. The process consists of a review of the Company, business unit and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component for executives for the period ending 30 June 2011 and 30 June 2010 are set out in Table 1 and Table 2.

## VARIABLE REMUNERATION – LONG TERM INCENTIVE (LTI)

The objective of the LTI plan is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth.

### *LTI – Share options*

#### *Structure*

LTI awards to executives are made under the Metals X Limited Employee Option Scheme and are delivered in the form of shares options. The number of options issued is determined by the policy set by the remuneration committee and is based on each executive's role and position with the Consolidated Entity.

The share options will vest after one year or as determined by the Board of Directors and executives are able to exercise the share options for up to three years after vesting before the options lapse. Where a participant ceases employment prior to the vesting of their share options, the share options are forfeited. Where a participant ceases employment after the vesting of their share options, the share options automatically lapse after six months of ceasing employment.

Table 3 provides details of LTI options granted and the value of options granted, exercised and lapsed during the year.

#### Hedging of equity awards

The Company does not have a policy to prohibit executives from entering into arrangements to protect the value of unvested LTI awards.

## 5. COMPANY PERFORMANCE AND THE LINK TO REMUNERATION

Remuneration is not linked to the performance of the Company but rather on the ability to attract and retain executives of the highest calibre. The overall remuneration policy framework however is structured in an endeavour to advance/create shareholder wealth.

The Metals X Limited Employee Option Scheme has no direct performance requirements but has specified time restrictions on the exercise of options. The granting of options is in substance a performance incentive which allows executives to share the rewards of the success of the Company.

The Consolidated Entity's performance is reflected in the following table:

	30 June 2007	30 June 2008	30 June 2009	30 June 2010	30 June 2011
Closing share price	\$0.39	\$0.41	\$0.11	\$0.10	\$0.26
Profit/(loss) per share (cents)	-0.44	-0.76	-4.82	0.92	4.56
Net tangible assets per share	\$0.18	\$0.20	\$0.15	\$0.15	\$0.19
Total Shareholder Return	90%	4%	-73%	-13%	166%

## 6. EXECUTIVE CONTRACTUAL ARRANGEMENTS

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below:

### MANAGING DIRECTOR

The Managing Director, Mr Hallam is employed under an annual salary employment contract. The current employment contract commenced on 17 June 2009. Under the terms of the present contract:

- Mr Hallam receives a fixed remuneration of \$381,500 (including superannuation) per annum.
- Mr Hallam may resign from his position and thus terminate this contract by giving three months written notice. On resignation any unvested options will be forfeited.
- The Company may terminate this employment agreement by providing three months written notice or providing payment in lieu of notice period (based on the fixed component of Mr Hallam's remuneration). On termination on notice by the Company, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause by the Company, any LTI options that have vested will be released. LTI options that have not yet vested will be forfeited.

### OTHER EXECUTIVE DIRECTORS

Mr Huffadine was employed under an annual salary employment contract and receives a fixed remuneration of \$348,800 (including superannuation) per annum. The other terms of the employment contracts are:

- Executive Directors may resign from their position and thus terminate their contract by giving three months written notice. On resignation any unvested options will be forfeited.
- The Company may terminate the employment agreement by providing three months written notice or providing payment in lieu of notice period (based on the fixed component of the executive director's remuneration). On termination on notice by the Company, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause by the Company, any LTI options that have vested will be released. LTI options that have not yet vested will be forfeited.

### OTHER KMP

All other executives have standard employment contracts. The other terms of the employment contracts are:

- Executives may resign from their position and thus terminate their contract by giving one month written notice. On resignation any unvested options will be forfeited.
- The Company may terminate the employment agreement by providing one month written notice or providing payment in lieu of notice period (based on the fixed component of the executive's remuneration). On termination on notice by the Company, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited.

- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause by the Company, any LTI options that have vested will be released. LTI options that have not yet vested will be forfeited.

### Remuneration of key management personnel and the five highest paid executives of the Company and the Consolidated Entity

**Table 1:** Remuneration for the year ended 30 June 2011

	Short Term		Post employment	Long term benefits	Share-based Payment	Total	% Performance related	% of remuneration that consists of options
	Salary and Fees	Non monetary benefits	Superannuation	Long service leave	Options			
<b>Non-executive Directors</b>								
P G Cook	172,230	-	5,400	-	-	177,630	-	-
M L Jefferies	40,000	-	-	-	-	40,000	-	-
S Zhang	-	-	-	-	-	-	-	-
Y Zhang (Alt Director)	-	-	-	-	-	-	-	-
	<b>212,230</b>	<b>-</b>	<b>5,400</b>	<b>-</b>	<b>-</b>	<b>217,630</b>		
<b>Executive Directors</b>								
W S Hallam	323,013	4,636	20,487	40,372	-	388,508	-	-
S J Huffadine*	420,645	4,456	23,778	-	-	448,879	-	-
<b>Other key management personnel</b>								
R D Cook	133,490	-	11,700	1,895	-	147,085	-	-
P M Cmrlec*	170,884	4,533	13,813	-	-	189,230	-	-
F J Van Maanen	130,655	4,121	11,309	26,607	-	172,692	-	-
	<b>1,178,687</b>	<b>17,746</b>	<b>81,087</b>	<b>68,874</b>	<b>-</b>	<b>1,346,394</b>		
<b>Totals</b>	<b>1,390,917</b>	<b>17,746</b>	<b>86,487</b>	<b>68,874</b>	<b>-</b>	<b>1,564,024</b>		

\* SJ Huffadine and CM Cmrlec both resigned on 1 June 2011.

## Remuneration of key management personnel and the five highest paid executives of the Company and the Consolidated Entity

**Table 2:** Remuneration for the year ended 30 June 2010

	Short Term		Post employment	Long term benefits	Share-based Payment	Total	% Performance related	% of remuneration that consists of options
	Salary and Fees	Non monetary benefits	Superannuation	Long service leave	Options			
<b>Non-executive Directors</b>								
P G Cook	210,364	-	3,600	-	-	213,964	-	-
M L Jefferies	40,000	-	-	-	-	40,000	-	-
P J Newton *	15,978	-	1,438	-	-	17,416	-	-
W Wei *	-	-	-	-	-	-	-	-
S Zhang	-	-	-	-	-	-	-	-
Y Zhang (Alt Director)	-	-	-	-	-	-	-	-
	<b>266,343</b>	<b>-</b>	<b>5,038</b>	<b>-</b>	<b>-</b>	<b>271,381</b>		
<b>Executive Directors</b>								
W S Hallam	315,659	4,572	28,409	13,189	71,659	433,488	-	17.24
S J Huffadine	300,000	4,024	27,000	4,527	47,773	383,324	-	12.75
<b>Other key management personnel</b>								
R D Cook **	167,025	-	14,573	2,464	-	184,062	-	-
P M Cmrlec	224,971	4,572	20,247	2,868	37,398	290,056	-	13.23
D J Coutts *	99,963	1,625	3,288	-	-	104,876	-	-
T De Vries **	205,115	-	17,784	-	-	222,899	-	-
F J Van Maanen	112,828	5,583	10,155	8,722	24,932	162,220	-	16.86
	<b>1,425,561</b>	<b>20,376</b>	<b>121,456</b>	<b>31,770</b>	<b>181,762</b>	<b>1,780,925</b>		
<b>Totals</b>	<b>1,691,904</b>	<b>20,376</b>	<b>126,494</b>	<b>31,770</b>	<b>181,762</b>	<b>2,052,306</b>		

\* PJ Newton resigned on 29 November 2009. W Wei resigned on 9 November 2009. DJ Coutts resigned on 14 August 2009.

\*\* T DeVries resigned on 22 April 2010 and RD Cook was appointed on the same day.

## 7. EQUITY INSTRUMENTS

**Table 3:** Options awarded and vested during the year [Consolidated]

30 June 2011	Granted		Terms and conditions for each Grant					Vested	
	Granted options	Grant Date	Fair value per option at grant date ^	Exercise price per option	Expiry date	First exercise date	Last exercise date	Vested number of options	% of options vested
<b>Executives</b>									
P M Cmrlec	-	-	-	-	-	-	-	750,000	100%
F J Van Maanen	-	-	-	-	-	-	-	500,000	100%
<b>Total</b>	-							<b>1,250,000</b>	

^ For details on valuation of the options, including models and assumptions used, please refer to note 33.

**Table 4:** Value of options awarded, exercised and lapsed during the year ^

	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Total value of options granted, exercised and lapsed during the year \$
<b>Executives</b>				
S J Huffadine *	-	-	-	-

^ For details on valuation of the options, including models and assumptions used, please refer to note 33.

\* During the period 1,000,000 options issued to Mr S Huffadine lapsed unexercised and were subsequently forfeited. The value of the options at the date of forfeiture was nil as the exercise price of the options was greater than the market value of the underlying shares.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

The maximum grant, which will be payable is equal to the number of options granted multiplied by the fair value at the grant date. The minimum grant payable if the options lapse is zero.

There were no shares issued on exercise of compensation options during the year.

End of Audited Remuneration Report.

## AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

### AUDITOR INDEPENDENCE

The Directors' received the Independence Declaration, as set out on page 38, from Ernst & Young.

### NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	\$
Tax compliance services	79,450

Signed in accordance with a resolution of the Directors.



**WS Hallam**

Managing Director

Perth, 29 September 2011



# AUDITOR'S INDEPENDENCE DECLARATION



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Perth WA 6000 Australia  
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Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
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**Auditor's Independence Declaration to the Directors of Metals X Limited**

In relation to our audit of the financial report of Metals X Limited for the financial year ended 30 June 2011 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

*Ernst & Young*

Ernst & Young

*[Signature]*

D S Lewsen  
Partner  
Perth  
29 September 2011

DL-VP:METALSX:008

Liability limited by a scheme approved  
under Professional Standards Legislation

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Metals X Limited is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of Metals X Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on Metals X Limited's key governance principles and practices.

## 1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Company, as a listed entity, must comply with the Corporations Act 2001 and the Australian Securities Exchange (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

For further information on corporate governance policies adopted by the Company, refer to the corporate governance section of our website: [www.metalsx.com.au](http://www.metalsx.com.au)

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 3(b), Remuneration Report	Yes
<b>Principle 2</b>	<b>Structure the Board to add value</b>		
2.1	A majority of the board should be independent directors.	2(e)	No
2.2	The chair should be an independent director.	2(c), 2(e)	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	Yes
2.4	The board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes
<b>Principle 3</b>	<b>Promote ethical and responsible decision-making</b>		
3.1	Establish a code of conduct and disclose the code or a summary as to:	4(a)	Yes
	<ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the company's integrity;</li> </ul>		
	<ul style="list-style-type: none"> <li>the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and</li> </ul>		
	<ul style="list-style-type: none"> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>		

Principle #	ASX Corporate Governance Council Recommendations (continued)	Reference	Comply
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary.	4(b)	Yes
3.3	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(b)	Yes
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it:	3(a)	No
	<ul style="list-style-type: none"> <li>consists only of non-executive directors;</li> </ul>		
	<ul style="list-style-type: none"> <li>consists of a majority of independent directors;</li> </ul>		
	<ul style="list-style-type: none"> <li>is chaired by an independent chair, who is not chair of the board; and</li> </ul>		
	<ul style="list-style-type: none"> <li>has at least three members.</li> </ul>		
4.3	The audit committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes
<b>Principle 7</b>	<b>Recognise and manage risk</b>		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The board should disclose whether it had received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>		
8.1	The board should establish a remuneration committee.	3(b)	Yes
8.2	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.3	Provide the information indicated in the Guide to reporting on principle 8.	3(b)	Yes

## 2. THE BOARD OF DIRECTORS

### 2(a) Roles and Responsibilities of the Board

The Board is accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position.

The Board is responsible for:

- Appointing, evaluating, rewarding and if necessary the removal of the Managing Director ("MD") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately;
- Approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted a Code of Conduct and that the Company practice is consistent with that Code; and other policies; and
- Reporting to and advising shareholders.

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Managing Director and Executive Management.

### 2(b) Board Composition

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Managing Director should be exercised by different individuals;
- the majority of the Board should comprise Directors who are non-executive;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

The Board is currently comprised of three non-executive Directors and two executive Directors. Details of the members of the Board, their experience, expertise, qualifications, terms of office and independent status are set out in the Directors' Report of the Annual Report under the heading "Directors".

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected.

Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Managing Director is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

### **2(c) Chairman and Managing Director**

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

The Board does not comply with the ASX Recommendation 2.2 in that the Chairman, whilst a non-executive, is not an independent Director due to his substantial interest in the Company (refer to 2(e) Independent Directors). The Board has considered this matter and decided that the non-compliance does not affect the operation of the Company.

The Managing Director is responsible for:

- implementing the Company's strategies and policies; and
- the day-to-day management of the Consolidated Entity's business activities

The Board specifies that the roles of the Chairman and the Managing Director are separate roles to be undertaken by separate people.

### **2(d) Nomination Committee**

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board in accordance with the Company's "Selection of New Directors Policy".

### **2(e) Independent Directors**

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

## 2. THE BOARD OF DIRECTORS (CONTINUED)

Directors of Metals X Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another group member other than as a Director.

The Company does not comply with ASX Recommendation 2.1, there is a majority of non-executive Directors but there is not a majority of independent Directors on the Board. In accordance with the definition of independence above, none of the Directors of the Company are considered to be independent.

The Board believes that the Company is not of sufficient size to warrant the inclusion of more independent non-executive Directors in order to meet the ASX recommendation of maintaining a majority of independent non-executive Directors. The Company maintains a mix of Directors from different backgrounds with complementary skills and experience.

In recognition of the importance of independent views and the Board's role in supervising the activities of management the Chairman must be a non-executive director.

### **2(f) Avoidance of conflicts of interest by a Director**

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

### **2(g) Board access to information and independent advice**

Directors are able to access members of the management team at any time to request relevant information.

There are procedures in place, agreed by the board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

### **2(h) Review of Board performance**

The performance of the board and each of its committees is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each board member's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Metals X Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

The performance of each committee is against the requirements of their respective charters.

### 3. BOARD COMMITTEES

To assist the Board in fulfilling its duties and responsibilities, it has established the following committees:

- Audit Committee; and
- Remuneration Committee.

#### 3(a) Audit Committee

The Board has established an Audit Committee that has three members, comprising two non-executive directors and the Company Secretary. The Audit Committee is governed by its charter, as approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in financial report.

The Audit Committee's main responsibilities include:

- approval of the scope and plan for the external audit;
- review of the independence and performance of the external auditor;
- review of significant accounting policies and practices; and
- review and recommendation to the Board for the adoption of the Consolidated Entity's half- year and annual financial statements.

The Audit Committee does not comply with ASX Recommendation 4.2 as only two of the three members are non-executive Directors and none are considered to be independent Directors (refer 2(e)). The Company believes that the committee has appropriate financial expertise, all members are financially literate and have an appropriate understanding of the Company's activities. The Audit Committee is comprised of:

Name	Position
P G Cook (Chairman)	Non-executive Chairman
M L Jefferies	Non-executive Director
F J Van Maanen	Company Secretary

The qualifications of the committee are set out in the Directors' Report of the Annual Report under the heading "Directors".

The number of times the Audit Committee has formerly met and the number of meetings attended by directors during the financial year are reported in Directors' Report of the Annual Report under the heading "Directors' Meetings".

#### *External Auditors*

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is Ernst & Young's policy to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

### 3. BOARD COMMITTEES (CONTINUED)

There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

The directors are satisfied that the provision of non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are satisfied that the provision of the non-audit services did not compromise the auditor's independence requirements of the Corporations Act because the services were provided by persons who were not involved in the audit and the decision as to whether or not to accept the tax planning advice was made by management.

#### 3(b) Remuneration Committee

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the Managing Director and executive team. The Board has established a Remuneration Committee, comprising two non-executives. The Remuneration Committee is governed by its charter, as approved by the Board. Members of the Remuneration Committee are:

Name	Position
P G Cook (Chairman)	Non-executive Chairman
M L Jefferies	Non-executive Director

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, senior executives and non-executive directors. Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance contribution to long-term growth, relevant comparative information and independent expert advice. Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights and responsibilities. As well as base salary, remuneration packages may include superannuation and retirement and termination entitlements. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

The number of times the Remuneration Committee has formally met and the number of meetings attended by directors during the financial year are reported in the Directors' Report of the Annual Report under the heading "Directors' Meetings".

### 4. ETHICAL AND RESPONSIBLE DECISION MAKING

#### 4(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.



All Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

#### **4(b) Policy concerning trading in Company securities**

The Company's "Dealings in Company Shares and Options Policy" applies to all Directors, officers and employees. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market.

As a matter of practice, Company shares may only be dealt with by Directors and officers of the Company under the following guidelines:

- No trading is permitted in the period of 21 days prior to the announcement to the ASX of the Company's full year and half year results;
- Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and
- Prior approval of the Chairman, or in his absence, the approval of two directors is required prior to any trading being undertaken.

## **5. TIMELY AND BALANCED DISCLOSURE**

### **5(a) Shareholder communication**

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:

- be factual and subject to internal vetting and authorisation before issue;
- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Managing Director are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

## 5. TIMELY AND BALANCED DISCLOSURE (CONTINUED)

### 5(b) Continuous disclosure policy

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

## 6. RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established ("Risk Management and Internal Control Policy"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

### 6(a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

### **6(b) Risk management roles and responsibilities**

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

### **6(c) Managing Director and Chief Financial Officer Certification**

The Managing Director and Chief Financial Officer (or equivalent) provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implement the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

### **6(d) Internal review and risk evaluation**

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011	2010
<b>Continuing operations</b>			
Revenue	5	72,307,659	97,413,807
Cost of sales	7(a)	(57,984,022)	(99,783,417)
<b>Gross profit/(loss)</b>		<b>14,323,637</b>	<b>(2,369,610)</b>
Other income	6	70,665,220	21,052,629
Other expenses	7(b)	(3,637,636)	(3,050,362)
Fair value change in financial instruments	7(c)	(57,464)	(57,464)
Share of loss of associate	19	221,092	(127,475)
Impairment loss on investment in associates	19	(17,358,674)	-
Exploration and evaluation expenditure written off	23	(1,151,466)	(254,475)
<b>Profit from continuing operations before income tax and finance costs</b>		<b>63,004,709</b>	<b>15,193,243</b>
Finance costs	7(d)	(394,920)	(1,145,058)
<b>Profit before income tax</b>		<b>62,609,789</b>	<b>14,048,185</b>
Income tax benefit/(expense)	8	192,014	(1,447,101)
<b>Net profit after tax</b>		<b>62,801,803</b>	<b>12,601,084</b>
<b>Discontinued Operations</b>			
Loss from discontinued operations after income tax	11	(505,195)	(820,100)
<b>Net profit after tax</b>		<b>62,296,608</b>	<b>11,780,984</b>
<b>Other comprehensive income</b>			
Share of change in equity of associate		(980,165)	316,512
Net fair value gains on available-for-sale financial assets		1,076,551	(4,069,739)
Income tax on items of other comprehensive income		(322,966)	1,220,922
<b>Other comprehensive income for the period, net of tax</b>		<b>(226,580)</b>	<b>(2,532,305)</b>
<b>Total comprehensive income for the period</b>		<b>62,070,028</b>	<b>9,248,679</b>
<b>Profit for the period is attributable to:</b>			
Owners of the parent		62,442,848	11,840,789
Non-controlling interest		(146,240)	(59,805)
		<b>62,296,608</b>	<b>11,780,984</b>
<b>Total comprehensive income for the period is attributable to:</b>			
Owners of the parent		62,216,268	9,308,484
Non-controlling interest		(146,240)	(59,805)
		<b>62,070,028</b>	<b>9,248,679</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company</b>			
- basic for profit for the year (cents)	9	4.61	0.98
- diluted for profit for the year (cents)	9	4.60	0.97
<b>Earnings per share for profit attributable to the ordinary equity holders of the company</b>			
- basic for profit for the year (cents)	9	4.57	0.92
- diluted for profit for the year (cents)	9	4.57	0.91

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Notes	2011	2010
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12	75,983,334	29,496,627
Trade and other receivables	13	12,470,596	14,910,209
Inventories	14	13,168,960	14,821,577
Other assets	15	146,177	874,561
Other financial assets	16	3,320,730	5,005,260
		105,089,797	65,108,234
Assets of disposal group classified as held for sale	11	1,476,212	1,491,219
<b>Total current assets</b>		<b>106,566,009</b>	<b>66,599,453</b>
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial assets	17	49,004,755	34,064,803
Derivative financial instruments	18	228,269	57,464
Investment in associates	19	22,801,822	22,525,913
Property, plant and equipment	20	15,062,434	18,651,376
Mine properties and development costs	21	77,888,899	20,774,615
Intangible assets	22	2,648,484	2,648,484
Exploration and evaluation expenditure	23	827,947	53,353,863
Deferred tax assets	8	-	-
<b>Total non-current assets</b>		<b>168,462,610</b>	<b>152,076,518</b>
<b>TOTAL ASSETS</b>		<b>275,028,619</b>	<b>218,675,971</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	24	5,679,553	9,947,691
Interest bearing loans and borrowings	25	941,788	2,153,380
Provisions	26	819,678	789,757
		7,441,019	12,890,828
Liabilities directly associated with the assets classified as held for sale	11	886,260	886,260
<b>Total current liabilities</b>		<b>8,327,279</b>	<b>13,777,088</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	27	2,530,378	2,351,475
Interest bearing loans and borrowings	28	217,041	681,339
<b>Total non-current liabilities</b>		<b>2,747,419</b>	<b>3,032,814</b>
<b>TOTAL LIABILITIES</b>		<b>11,074,698</b>	<b>16,809,902</b>
<b>NET ASSETS</b>		<b>263,953,921</b>	<b>201,866,069</b>
<b>EQUITY</b>			
Issued capital	29	290,056,226	290,141,787
Accumulated losses	30	(41,680,191)	(104,123,039)
Option premium reserve	31	18,326,178	18,222,793
Other reserves	31	(2,729,920)	(2,503,340)
<b>Parent interests</b>		<b>263,972,293</b>	<b>201,738,201</b>
<b>Minority interests</b>	32	(18,372)	127,868
<b>TOTAL EQUITY</b>		<b>263,953,921</b>	<b>201,866,069</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		72,977,803	94,334,494
Interest received		1,904,148	1,081,219
Other income		624,118	709,283
Payments to suppliers and employees		(51,225,232)	(90,687,810)
Interest paid		(304,830)	(1,000,006)
<b>Net cash flows from operating activities</b>	<b>12(i)</b>	<b>23,976,007</b>	<b>4,437,180</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(2,252,369)	(2,700,248)
Payments for mine properties and development		(8,607,433)	(8,264,256)
Payments for exploration and evaluation		(4,858,324)	(3,384,694)
Payments for research and development		-	(56,149)
Proceeds from sale of property, plant and equipment - Tasmanian tin assets	38(c)	-	51,091,067
Proceeds from sale of property, plant and equipment - other		198,894	142,908
Proceeds from sale of intangible assets		-	19,750,000
Payments for available-for-sale financial assets		(7,150,000)	(37,762,112)
Proceeds from sales of available-for-sale financial assets		48,579,912	61,605
Payments for investment in associates		(3,408,620)	(10,212,802)
<b>Net cash flows from investing activities</b>		<b>22,502,060</b>	<b>8,665,319</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issue of shares		-	16,020,000
Payment of share issue costs		-	(33,167)
Proceeds from borrowings		-	20,000,000
Repayment of borrowings		-	(20,000,000)
Advance from customers		-	(2,644,230)
Payment of finance lease liabilities		(1,675,890)	(3,897,964)
Proceeds from performance bond facility		1,684,530	-
<b>Net cash flows from financing activities</b>		<b>8,640</b>	<b>9,444,639</b>
Net increase in cash and cash equivalents		46,486,707	22,547,138
Cash and cash equivalents at the beginning of the financial period		29,496,627	6,949,489
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>75,983,334</b>	<b>29,496,627</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Issued capital \$	Accumulated losses \$	Option premium reserve \$	Other reserves \$	Owners of the parent \$	Non-controlling interest \$	Total Equity \$
<b>2010</b>							
<b>At 1 July 2009</b>	<b>274,280,247</b>	<b>(115,963,773)</b>	<b>17,907,652</b>	<b>28,965</b>	<b>176,253,091</b>	<b>187,618</b>	<b>176,440,709</b>
Profit for the year	-	11,840,734	-	-	11,840,734	(59,750)	11,780,984
Other comprehensive income, net of tax	-	-	-	(2,532,305)	(2,532,305)	-	(2,532,305)
<b>Total comprehensive income and expense for the year net of tax</b>	<b>-</b>	<b>11,840,734</b>	<b>-</b>	<b>(2,532,305)</b>	<b>9,308,429</b>	<b>(59,750)</b>	<b>9,248,679</b>
<b>Transactions with owners in their capacity as owners</b>							
Issue share capital	16,020,000	-	-	-	16,020,000	-	16,020,000
Share-based payment	-	-	315,141	-	315,141	-	315,141
Share issue costs	(33,167)	-	-	-	(33,167)	-	(33,167)
Tax effect of share issue costs	(125,293)	-	-	-	(125,293)	-	(125,293)
<b>At 30 June 2010</b>	<b>290,141,787</b>	<b>(104,123,039)</b>	<b>18,222,793</b>	<b>(2,503,340)</b>	<b>201,738,201</b>	<b>127,868</b>	<b>201,866,069</b>
<b>2011</b>							
<b>At 1 July 2010</b>	<b>290,141,787</b>	<b>(104,123,039)</b>	<b>18,222,793</b>	<b>(2,503,340)</b>	<b>201,738,201</b>	<b>127,868</b>	<b>201,866,069</b>
Profit for the year	-	62,442,848	-	-	62,442,848	(146,240)	62,296,608
Other comprehensive income, net of tax	-	-	-	(226,580)	(226,580)	-	(226,580)
<b>Total comprehensive income and expense for the year net of tax</b>	<b>-</b>	<b>62,442,848</b>	<b>-</b>	<b>(226,580)</b>	<b>62,216,268</b>	<b>(146,240)</b>	<b>62,070,028</b>
<b>Transactions with owners in their capacity as owners</b>							
Issue share capital	-	-	-	-	-	-	-
Share-based payment	-	-	103,385	-	103,385	-	103,385
Share issue costs	-	-	-	-	-	-	-
Tax effect of share issue costs	(85,561)	-	-	-	(85,561)	-	(85,561)
<b>At 30 June 2011</b>	<b>290,056,226</b>	<b>(41,680,191)</b>	<b>18,326,178</b>	<b>(2,729,920)</b>	<b>263,972,293</b>	<b>(18,372)</b>	<b>263,953,921</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 1. CORPORATE INFORMATION

The financial report of Metals X Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 13 September 2011.

Metals X Limited ("the Parent") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

The address of the registered office is Level 3 Hyatt Centre, 123 Adelaide Terrace, East Perth, WA 6004.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (A) BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

### (B) STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board which include International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### *Adoption of new accounting standards*

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2010. The adoption of these new and revised Standards and Interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

The Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2010, adopted include:

- AASB 2009-5 Amendments to Australian Accounting arising from the Annual Improvements Project;
- AASB 2009-8 Amendments to Australian Accounting - Group Cash-settled Share-based Payment Transactions (AASB 2); and
- AASB 2010-3 Amendments to Australian Accounting arising from the Annual Improvements Project.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the annual reporting period ending 30 June 2011. A full assessment has not yet been completed of the impact of all the new or amended Accounting Standards and interpretations issued but not effective. These are outlined in the table below:



Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	1 January 2013	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<ul style="list-style-type: none"> <li>▶ These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>.</li> <li>▶ <u>This Standard shall be applied when AASB 9 is applied.</u></li> </ul>	1 January 2013	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>(a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</p> <p>(b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</p> <p>(c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other</p> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	1 July 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p>	1 January 2011	1 July 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)</p> <p>(b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability</p> <p>(b) All not-for-profit private sector entities</p> <p>Public sector entities other than the Australian Government and State, Territory and Local Governments</p>	1 July 2013	1 July 2013
AASB 1054	Australian Additional Disclosures	<p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <p>(a) Compliance with Australian Accounting Standards</p> <p>(b) The statutory basis or reporting framework for financial statements</p> <p>(c) Whether the financial statements are general purpose or special purpose</p> <p>(d) Audit fees</p> <p>(e) Imputation credits</p>	1 July 2011	1 July 2011

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	<p>This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	1 January 2011	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 [December 2010] [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	1 January 2013	1 July 2013
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	1 July 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single source of guidance under Australian Accounting Standards for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under Australian Accounting Standards when fair value is required or permitted by Australian Accounting Standards. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p>	1 January 2013	1 July 2013
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Fair Value Measurement Standard	Consequential amendments to existing Australian Accounting Standards as a result of the adoption of AASB 13 <i>Fair Value Measurement</i> .	1 January 2013	1 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards -Presentation of Items of Other Comprehensive Income  [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	<p>The main change resulting from the amendments relates to the Statement of Comprehensive Income and the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not remove the option to present profit or loss and other comprehensive income in two statements.</p> <p>The amendments do not change the option to present items of OCI either before tax or net of tax. However, if the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified to profit or loss and those that will not be reclassified) must be shown separately.</p>	1 July 2012	1 July 2012
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards	Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates as a result of the adoption of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 <i>Disclosure of Interests in Other Entities</i> .	1 January 2013	1 July 2013
AASB 119 (revised)	Employee Benefits	<p>The main amendments to the standard relating to defined benefit plans are as follows :-</p> <ul style="list-style-type: none"> <li>• Elimination of the option to defer the recognition of actuarial gains and losses (the 'corridor method');</li> <li>• Remeasurements (essentially actuarial gains and losses) to be presented in other comprehensive income;</li> <li>• Past service cost will be expensed when the plan amendments occur regardless of whether or not they are vested; and</li> <li>• Enhanced disclosures for Tier 1 entities.</li> </ul> <p>The distinction between short-term and other long-term employee benefits under the revised standard is now based on expected timing of settlement rather than employee entitlement.</p> <p>The revised standard also requires termination benefits (outside of a wider restructuring) to be recognised only when the offer becomes legally binding and cannot be withdrawn.</p>	1 January 2013	1 January 2013
****	Consolidated Financial Statements	<p>IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 <i>Consolidation – Special Purpose Entities</i>.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.</p>	1 January 2013	1 July 2013
****	Joint Arrangements	<p>IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.</p>	1 January 2013	1 July 2013

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Application date for Group*
****	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
****	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.  IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	1 July 2013

\* Designates the beginning of the applicable annual reporting period unless otherwise stated.

\*\* Only applicable to not-for-profit/public sector entities.

\*\*\* Only applicable to entities that would fit in Tier 2 (Reduced Disclosure Requirements) category.

\*\*\*\* The AASB has not issued this standard, which was finalised by the IASB in May 2011.

### (C) CHANGES IN ACCOUNTING POLICY

The accounting policies used in the preparation of these financial statements are consistent with those used in previous years.

### (D) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent entity and its subsidiaries ('the Consolidated Entity') as at 30 June each year.

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a consolidated entity controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Changes in ownership interest of a subsidiary (without a change in control) is accounted for as a transaction with owners in their capacity as owners.

## **(E) FOREIGN CURRENCY TRANSLATION**

### *(i) Functional and presentation currency*

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars (A\$).

### *(ii) Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the reporting date.

All exchange differences in the consolidated financial report are taken to the statement of comprehensive income.

## **(F) OPERATING SEGMENTS**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Consolidated Entity aggregates two or more operating segments when they have similar economic characteristics.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

## **(G) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities on the statement of financial position.

## **(H) TRADE AND OTHER RECEIVABLES**

Trade and other receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(I) INVENTORIES**

Inventories are valued at the lower of cost and net realisable value.

Cost includes expenditure incurred in acquiring and bringing the inventories to their existing condition and location and is determined using the weighted average cost method.

### **(J) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING**

The Consolidated Entity uses derivative financial instruments to manage commodity price exposures. Such derivative financial instruments are initially recorded at fair value on the date on which the derivative contract is entered into and are subsequently remeasured to fair value.

Certain derivative instruments are also held for trading for the purpose of making short term gains. None of the derivatives qualify for hedge accounting and changes in fair value are recognised immediately in profit or loss in other revenue and expenses.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

### **(K) INTEREST IN JOINTLY CONTROLLED ASSETS**

The Consolidated Entity recognises its share of the assets, classified as property, plant and equipment, mine properties and development, intangible assets and exploration and evaluation expenditure. In addition, the Consolidated Entity recognises its share of assets, liabilities, expenses and income from the use and output of the jointly controlled assets.

### **(L) AVAILABLE-FOR-SALE INVESTMENTS**

All available-for-sale investments are initially recognised at fair value plus directly attributable transaction costs.

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. Investments are designated as available for sale if they do not have fixed maturities and fixed and determinable payments and management intends to hold them for the medium to long term.

After initial recognition, available-for-sale investments are measured at fair value. Gains or losses are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

The fair value of investments that are actively traded in organised markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

For investments with no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where fair value cannot be reliably measured for certain unquoted investments, these investments are measured at cost.

### **(M) INVESTMENTS IN ASSOCIATES**

The Consolidated Entity's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Consolidated Entity has significant influence and that are neither subsidiaries nor joint ventures.

The Consolidated Entity generally deems it has significant influence if it has over 20% of the voting rights.

Under the equity method, investments in the associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associates.



Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise any impairment loss with respect to the Consolidated Entity's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Consolidated Entity's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Consolidated Entity are identical and the associates' accounting policies conform to those used by the Consolidated Entity for like transactions and events in similar.

## **(N) BUSINESS COMBINATIONS**

### **Subsequent to 1 July 2009**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Consolidated Entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in the host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

### **Prior to 1 July 2009**

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for in separate steps. Any additional interest in the acquiree acquired did not affect previously recognised goodwill. The goodwill amounts calculated at each step acquisition were accumulated.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were adjusted against goodwill.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (O) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Capital work-in-progress is stated at cost and comprises all costs directly attributable to bringing the assets under construction ready to their intended use. Capital work-in-progress is transferred to property, plant and equipment at cost on completion.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, or where appropriate, over the estimated life of the mine.

Major depreciation periods are:

- Mine specific plant and equipment is depreciated using – the shorter of life of mine or useful life. Useful life ranges from 2 to 10 years.
- Mine Buildings – the shorter of life of mine or useful life. Useful life ranges from 5 to 10 years.
- Office Plant and equipment is depreciated at 33% per annum for computers and office machines and 20% per annum for other office equipment and furniture.

#### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

#### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

### (P) EXPLORATION AND EVALUATION EXPENDITURE

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and;

- i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;
- ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the statement of comprehensive income or provided against.

## **Impairment**

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the statement of comprehensive income.

## **(Q) MINE PROPERTIES AND DEVELOPMENT**

Expenditure on the acquisition and development of mine properties within an area of interest are carried forward at cost separately for each area of interest. Accumulated expenditure is amortised over the life of the area of interest to which such costs relate on a production output basis.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

## **Impairment**

The carrying value of capitalised mine properties and development expenditure is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised mine properties and development expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the statement of comprehensive income.

## **(R) NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but is not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised as the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the assets and liabilities are presented separately on the face of the statement of financial position.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (S) INTANGIBLES

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits or losses in the year the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

#### Research and development costs

Research costs are expensed as incurred. An asset arising from development expenditure on an internal project is recognised only when the Consolidated Entity can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, or its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of policies applied to the Consolidated Entity's intangible assets is as follows:

#### Royalty Assets

- *Useful Lives*  
Finite.
- *Amortisation method used*  
Amortised over the period of expected future benefit from the related project on a unit of production basis.
- *Internally generated or acquired*  
Acquired.
- *Impairment testing*  
Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial period end.

#### Development Costs

- *Useful Lives*  
Finite.
- *Amortisation method used*  
Amortised over the period of expected future benefit from the related project on a straight-line basis.
- *Internally generated or acquired*  
Internally generated.
- *Impairment testing*  
Annually for assets not yet available for use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial period.

## **(T) REHABILITATION COSTS**

The Group is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation programme, discounted to its net present value, is provided when the related environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in profit or loss on a prospective basis over the remaining life of the operation.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by potential proceeds from the sale of assets or from plant clean up at closure.

## **(U) RECOVERABLE AMOUNT OF ASSETS**

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of plant and equipment, mine properties and development and exploration and evaluation expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

An assessment is also made at each reporting date as to whether there is any indication that a previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **(V) TRADE AND OTHER PAYABLES**

Trade payables and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

### **(W) INTEREST-BEARING LOANS AND BORROWINGS**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Consolidated Entity has the unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### **(X) BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **(Y) PROVISIONS**

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

### **(Z) LEASES**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

#### **(i) Operating Leases**

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

#### **(ii) Finance Leases**

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Consolidated Entity are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive income.

Capitalised leased assets are depreciated over the estimated useful life of the asset or where appropriate, over the estimated life of the mine.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

## **(AA) ISSUED CAPITAL**

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in the proceeds received.

## **(AB) REVENUE**

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### **Tin sales**

Revenue from tin production is recognised when the significant risks and rewards of ownership in the product has passed to the buyer pursuant to a sales contract. For tin concentrate sales, the sales price is determined on a provisional basis at the date of delivery. Adjustments to the sale price occur based on movements in the metal price up to the date of final pricing. Final pricing is determined within 45 days of delivery.

### **Interest income**

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### **Nickel royalty revenue**

Revenue from nickel royalties is recognised on an accruals basis in accordance with the substance of the relevant agreement.

## **(AC) SHARE-BASED PAYMENT TRANSACTIONS**

The Consolidated Entity provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Consolidated Entity has one plan in place that provides these benefits. It is the Employee Share Option Plan ("ESOP") which provides benefits to all employees including Directors. The scheme has no direct performance requirements but has specified time restrictions on the exercise of options. The share options will vest after one year or as determined by the Board of Directors and employees and Directors are able to exercise the share options for up to three years after vesting before the options lapse. Where a participant ceases employment prior to the vesting of their share options, the share options are forfeited. Where a participant ceases employment after the vesting of their share options, the share options automatically lapse after six months of ceasing employment. The Company does not have a policy to prohibit executives from entering into arrangements to protect the value of unvested LTI awards.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black & Scholes model. Further details of which are given in note 33.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (AC) SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Metals X Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Consolidated Entity, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Consolidated Entity, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### (AD) EMPLOYEE BENEFITS

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.



(iii) Superannuation

Contributions made by the Consolidated Entity to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

## **(AE) INCOME TAX**

The Consolidated Entity entered into a tax consolidated group as of 1 July 2004.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised income taxes are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### *Tax consolidation legislation*

Metals X Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004. The head entity, Metals X Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Consolidated Entity has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (AF) OTHER TAXES

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of amounts of GST recoverable from, or payable to, the taxation authority.

### (AG) EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent adjusted for:

- cost of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discriminatory changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

### ***(i) Significant accounting judgments***

- **Determination of mineral resources and ore reserves**

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates and provisions for mine rehabilitation. Metals X Limited estimates its mineral resource and reserves in accordance with the Australian code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the "JORC code"). The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

- **Impairment of available-for-sale-investments**

In determining the amount of impairment of financial assets, the Consolidated Entity has made judgements in identifying financial assets whose decline in fair value below cost is considered "significant" or "prolonged". A significant decline is assessed based on the historical volatility of the share price.

The higher the historical volatility, the greater the decline in fair value required before it is likely to be regarded as significant. A prolonged decline is based on the length of time over which the share price has been depressed below cost. A sudden decline followed by immediate recovery is less likely to be considered prolonged compared to a sustained fall of the same magnitude over a longer period.

The Consolidated Entity considers a less than a 10% decline in fair value is unlikely to be considered significant for investments actively traded in a liquid market, whereas a decline in fair value of greater than 20% will often be considered significant. For less liquid investments that have historically been volatile (standard deviation greater than 25%), a decline of greater than 30% is usually considered significant.

Generally, the Consolidated Entity does not consider a decline over a period of less than three months to be prolonged. However, where the decline in fair value is greater than six months for liquid investments and 12 months for illiquid investments, it is usually considered prolonged.

- **Classification of assets and liabilities as held for sale**

The Consolidated Entity classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Consolidated Entity must be committed to selling the assets either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

### ***(ii) Significant accounting estimates and assumptions***

- **Mine rehabilitation provision**

The Consolidated Entity assesses its mine rehabilitation provision on an annual basis in accordance with the accounting policy stated in note 2(t). Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability include future development, changes in technology and changes in interest rates. When these factors change or become known in the future, such difference will impact the mine rehabilitation provision in the period in which they change or become known.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### *(ii) Significant accounting estimates and assumptions (Continued)*

- **Classification of and valuation of investments**

The Consolidated Entity has decided to classify investments in listed securities as “available-for-sale” investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations on an active market.

- **Impairment of capitalised exploration and evaluation expenditure**

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Consolidated Entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

- **Impairment of capitalised mine development expenditure**

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

- **Impairment of property, plant and equipment**

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of “value in use” (being net present value of expected future cash flows of the relevant cash generating unit) and “fair value less costs to sell”.

In determining the value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Variations to the expected cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which in turn could impact future financial results.

- **Life of mine method of amortisation and depreciation**

The Consolidated Entity applies the life of mine method of amortisation and depreciation to its mine specific plant and to mine properties and development based on ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and the production capacity of the plants to be depreciated under this method. Factors that are considered in determining reserves and resources and production capacity are the Consolidated Entity's history of converting resources to reserves and the relevant time frames, the complexity of metallurgy, markets and future developments. When these factors change or become known in the future, such differences will impact pre tax profit and carrying values of assets. During the year there was a decrease in the available reserves, which has had an impact on assets being amortised using the unit of production amortisation method resulting in an increase in the amortisation expense for the period.

- **Share-based payment transactions**

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black & Scholes model, using the assumptions as discussed in note 33. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities in the next annual reporting period but may impact expenses and equity.

## **4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Consolidated Entity's principal financial instruments comprise receivables, payables, unsecured loans, finance lease and hire purchase contracts, cash and short-term deposits and derivatives.

### **Risk exposures and responses**

The Consolidated Entity manages its exposure to key financial risks, including interest rate risk and currency risk in accordance with the Consolidated Entity's financial risk management policy. The objective of the policy is to support the delivery of the Consolidated Entity's financial targets while protecting future financial security.

The Consolidated Entity enters into derivative transactions, principally zero cost collar put and call options. The purpose is to manage the commodity price risks arising from the Consolidated Entity's operations. These derivatives provide economic hedges, but do not qualify for hedge accounting and are based on limits set by the board. The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, foreign currency risk, commodity risk, credit risk, equity price risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate, foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

The Consolidated Entity's principal financial instruments include investments in cash, equities, payables, interest bearing liabilities and derivatives. The accounting classification of each category of financial instruments as defined in note 2, and their carrying amounts, are set out below:

#### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Note	Cash and cash equivalents	Loans and receivables	Financial assets held for trading	Financial liabilities at amortised cost	Available-for-sale financial assets	Total carrying amount
<b>2011</b>							
<b>Financial assets</b>							
Cash and cash equivalents	10	75,983,334	-	-	-	-	75,983,334
Trade and other receivables (current)	13	-	12,470,596	-	-	-	12,470,596
Other financial assets	16	-	3,320,730	-	-	-	3,320,730
Available-for-sale financial assets (non-current)	17	-	-	-	-	49,004,755	49,004,755
Derivatives (non-current)	18	-	-	228,269	-	-	228,269
		75,983,334	15,791,326	228,269	-	49,004,755	141,007,684
<b>Financial liabilities</b>							
Trade and other payables (current)	24	-	-	-	(5,679,553)	-	(5,679,553)
Interest bearing loans (current)	25	-	-	-	(941,788)	-	(941,788)
Interest bearing loans (non-current)	28	-	-	-	(217,041)	-	(217,041)
		-	-	-	(6,838,382)	-	(6,838,382)
<b>Net</b>		<b>75,983,334</b>	<b>15,791,326</b>	<b>228,269</b>	<b>(6,838,382)</b>	<b>49,004,755</b>	<b>134,169,302</b>
<b>2010</b>							
<b>Financial assets</b>							
Cash and cash equivalents	10	29,496,627	-	-	-	-	29,496,627
Trade and other receivables (current)	13	-	14,910,209	-	-	-	14,910,209
Other financial assets	16	-	5,005,260	-	-	-	5,005,260
Available-for-sale financial assets (non-current)	17	-	-	-	-	34,064,803	34,064,803
Derivatives (non-current)	18	-	-	57,464	-	-	57,464
		29,496,627	19,915,469	57,464	-	34,064,803	83,534,363
<b>Financial liabilities</b>							
Trade and other payables (current)	24	-	-	-	(9,947,691)	-	(9,947,691)
Interest bearing loans (current)	25	-	-	-	(2,153,380)	-	(2,153,380)
Interest bearing loans (non-current)	28	-	-	-	(681,339)	-	(681,339)
		-	-	-	(12,782,410)	-	(12,782,410)
<b>Net</b>		<b>29,496,627</b>	<b>19,915,469</b>	<b>57,464</b>	<b>(12,782,410)</b>	<b>34,064,803</b>	<b>70,751,953</b>

### (a) Interest rate risk

The Consolidated Entity's exposure to risks of changes in market interest rates relate primarily to the Consolidated Entity's long term debt obligations and cash balances. The level of debt is disclosed in notes 25 and 28. The Consolidated Entity's policy is to manage its interest cost using fixed rate debt. Therefore the Consolidated Entity does not have any variable interest rate risk on its debt. The Consolidated Entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The sensitivity analysis is based on the variable position.

At 30 June 2011, if interest rates had moved by a reasonably possible 1%, as illustrated in the table below, with all other variables held constant, post tax losses and equity would have been affected as follows:

	Post tax profit		Other Comprehensive Income	
	higher/(lower)		higher/(lower)	
	2011	2010	2011	2010
Judgements of reasonably possible movements:				
+ 1.0% (100 basis points)	65,823	70,261	-	-
- 1.0% (100 basis points)	(65,823)	(70,261)	-	-

A sensitivity of +%1 or -1% has been selected as this is considered reasonable given the current level of short-term and long-term Australian dollar interest rates. The movements in profit are due to possible higher or lower interest income from variable rate cash balances. The sensitivity is lower in 2011 than 2010 because of cash backed performance bond funds being converted from floating interest rates to fixed interest term deposits in 2011.

At the reporting date the Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

2011	Floating interest rate	Fixed interest	Non-Interest bearing	Total carrying amount
<b>Financial Assets</b>				
Cash and cash equivalents	9,403,323	66,580,011	-	75,983,334
Trade and other receivables	-	-	12,470,596	12,470,596
Other financial assets	-	2,570,730	750,000	3,320,730
	9,403,323	69,150,741	13,220,596	91,774,660
<b>Financial Liabilities</b>				
Trade and other payables	-	-	(5,679,553)	(5,679,553)
Interest bearing liabilities	-	(1,158,829)	-	(1,158,829)
	-	(1,158,829)	(5,679,553)	(6,838,382)
<b>Net financial assets/(liabilities)</b>				<b>84,936,278</b>

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

2010	Floating interest rate	Fixed interest	Non-Interest bearing	Total carrying amount
<b>Financial Assets</b>				
Cash and cash equivalents	5,782,053	23,714,574	-	6,949,489
Trade and other receivables	-	-	14,910,209	3,733,658
Other financial assets	4,255,260	-	750,000	4,255,260
	10,037,313	23,714,574	15,660,209	14,938,407
<b>Financial Liabilities</b>				
Trade and other payables	-	-	(9,947,691)	(14,437,589)
Interest bearing liabilities	-	(2,834,719)	-	(10,053,738)
	-	(2,834,719)	(9,947,691)	(24,491,327)
<b>Net financial assets/(liabilities)</b>				<b>(9,552,920)</b>

### (b) Credit risk

Credit risk arises from the financial assets of the Consolidated Entity, which comprises cash and cash equivalents, trade and other receivables, available-for-sale financial assets, other financial assets held as security and derivative instruments. Cash and cash equivalents are held with National Australia Bank which is an Australian Bank with an AA credit rating (Standard & Poor's). The Consolidated Entity's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note) as well as \$3,320,730 (2010: \$5,005,260) in relation to financial guarantees granted and security deposits (refer to note 16).

The Consolidated Entity does not hold any credit derivatives to offset its credit exposure.

The Consolidated Entity trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Consolidated Entity's policy to securitise its trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity does not have a significant exposure to bad debts.

There are no significant concentrations of credit risk within the Consolidated Entity.

### (c) Price risk

#### Commodity Price Risk

The Consolidated Entity's revenues are exposed to commodity price fluctuations, in particular tin prices. Periodically the Consolidated Entity enters into derivatives contracts to manage commodity price exposure. In the 2011 financial year the Consolidated utilised derivatives to manage commodity price exposure however, these contracts were minor and there were no contracts outstanding at the year end.

A summary of the Consolidated Entity's assets subject to commodity risk is set out below:

Current assets	2011	2010
Trade receivables	1,962,509	4,930,361



At 30 June 2011, if commodity prices had moved by a reasonably possible 5%, as illustrated in the table below, with all other variables held constant, post tax losses and equity would have been affected as follows:

	Post tax profit		Other Comprehensive Income	
	higher/(lower)		higher/(lower)	
	2011	2010	2011	2010
Judgements of reasonably possible movements:				
Price + 5%	68,688	172,563	-	-
Price - 5%	(68,688)	(172,563)	-	-

A sensitivity of +5% or -5% has been selected as this is considered reasonable given recent fluctuations in tin commodity prices and management's expectations of future movements. The movements in commodity prices are due to possible higher or lower commodity prices from tin sales that are classified as trade receivables (refer to note 2(h)). The sensitivity in 2011 is lower due to a lower trade receivables balance at 30 June 2011 due to the sale of 50% of the Renison Tin Project in the previous financial year.

### Equity Security Price Risk

The Consolidated Entity's revenues are exposed to equity security price fluctuations arising from investments in equity securities.

At 30 June 2011, if equity security prices had moved by a reasonably possible 10%, as illustrated in the table below, with all other variables held constant, post tax losses and equity would have been affected as follows:

	Post tax profit		Other Comprehensive Income	
	higher/(lower)		higher/(lower)	
	2011	2010	2011	2010
Judgements of reasonably possible movements:				
Price + 10%	15,979	30,055	3,430,333	2,358,504
Price - 10%	(15,979)	(30,055)	(3,430,333)	(2,358,504)

A sensitivity of +10% or -10% has been selected as this is considered reasonable given recent fluctuations in equity prices and management's expectations of future movements. The movements in other comprehensive income are due to possible higher or lower equity security prices from investments in equity securities that are classified as available-for-sale financial assets (refer to note 2(i)). The overall sensitivity for post tax losses and equity in 2011 is higher due to increases in the market value of the underlying securities during the financial year and the increased equity investments in Mongolian Resource Corporation Limited, Independence Group NL, Westgold Resources Limited and Aziana Exploration Corporation (refer to notes 17 and 19).

### (d) Foreign Currency Risk Exposure

As a result of sales receipts being denominated in Malaysian Ringgit and US dollars, the Consolidated Entity's cash flows can be affected by movements in the Malaysian Ringgit/Australian dollar and US dollar /Australian dollar exchange rates. The Consolidated Entity's exposure to foreign currency is however not considered to be significant.

### (e) Liquidity Risk

Liquidity risk arises from the financial liabilities of the Consolidated Entity and the subsequent ability to meet the obligations to repay the financial liabilities as and when they fall due.

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of finance and hire purchase leases.

#### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The table below reflects all contractually fixed payables and receivables for settlement, repayment and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2011. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing as 30 June.

The remaining contractual maturities of the Consolidated Entity's financial liabilities are:

	2011	2010
6 months or less	6,518,430	11,014,823
6 - 12 months	141,399	1,361,401
1 - 5 years	235,665	697,478
Over 5 years	-	-
	<b>6,895,494</b>	<b>13,073,702</b>

Maturity analysis of financial assets and liabilities based on management's expectation.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments of working capital e.g. inventories and trade receivables. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, management monitors its Consolidated Entity's expected settlement of financial assets and liabilities on an ongoing basis.

2011	<6 months	6-12 months	1-5 years	>5 years	Total
<b>Financial assets</b>					
Cash and equivalents	9,927,557	70,291,841	-	-	80,219,398
Trade and other receivables	12,470,596	-	-	-	12,470,596
Available-for-sale financial assets	-	-	-	49,004,755	49,004,755
Derivatives-held for trading	228,269	-	-	-	228,269
Other financial assets	3,320,730	-	-	-	3,320,730
	25,947,152	70,291,841	-	49,004,755	145,243,748
<b>Financial liabilities</b>					
Trade and other payables	(5,679,553)	-	-	-	(5,679,553)
Interest bearing loans	(838,877)	(141,399)	(235,665)	-	(1,215,941)
	(6,518,430)	(141,399)	(235,665)	-	(6,895,494)
<b>Net inflow/(outflow)</b>	<b>19,428,722</b>	<b>70,150,442</b>	<b>(235,665)</b>	<b>49,004,755</b>	<b>138,348,254</b>

2010	<6 months	6-12 months	1-5 years	>5 years	Total
<b>Financial assets</b>					
Cash and equivalents	5,977,616	24,516,659	-	-	30,494,275
Trade and other receivables	14,910,209	-	-	-	14,910,209
Available-for-sale financial assets	-	-	-	34,064,803	34,064,803
Derivatives-held for trading	57,464	-	-	-	57,464
Other financial assets	5,005,260	-	-	-	5,005,260
	25,950,549	24,516,659	-	34,064,803	84,532,011
<b>Financial liabilities</b>					
Trade and other payables	(9,947,691)	-	-	-	(9,947,691)
Interest bearing loans	(1,067,132)	(1,361,401)	(697,478)	-	(3,126,011)
	(11,014,823)	(1,361,401)	(697,478)	-	(13,073,702)
<b>Net inflow/(outflow)</b>	<b>14,935,726</b>	<b>23,155,258</b>	<b>(697,478)</b>	<b>34,064,803</b>	<b>71,458,309</b>

### (f) Fair Values

All financial assets and liabilities recognised in the statement of financial position, due to their short term nature, carrying amount approximates fair value unless otherwise stated in the applicable notes.

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

The Consolidated Entity uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets.

Level 2 - the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from price).

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	2011				2010		
	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique non market observable inputs (Level 3)	Total
<b>Financial Assets</b>							
Available-for-sale financial assets							
Listed investments	47,004,755	-	-	47,004,755	34,064,803	-	34,064,803
Unlisted investments	-	2,000,000	-	2,000,000	-	-	-
Derivatives							
Listed investments	-	-	-	-	-	57,464	57,464
Unlisted investments	-	-	228,269	228,269	-	-	-
	<b>47,004,755</b>	<b>2,000,000</b>	<b>228,269</b>	<b>49,233,024</b>	<b>34,064,803</b>	<b>57,464</b>	<b>34,122,267</b>

## 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Consolidated Entity uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, forward commodity contracts and foreign exchange contracts not traded on a recognised exchange.

The fair value of unlisted debt and equity securities, as well as other investments that do not have an active market, are based on valuation techniques using market data that is not observable. Where the impact of credit risk on the fair value of a derivative is significant, and the inputs on credit risk (e.g., CDS spreads) are not observable, the derivative would be classified as based on non observable market inputs (Level 3). Certain long dated forward commodity contracts where there are no observable forward prices in the market are classified as Level 2 as the unobservable inputs are not considered significant to the overall value of the contract.

### Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

## 5. REVENUE

	2011	2010
Revenue from sale of tin concentrate	69,015,638	95,686,783
Revenue from nickel royalties	-	599,859
Interest received - other corporations	3,292,021	1,127,165
<b>Total revenue</b>	<b>72,307,659</b>	<b>97,413,807</b>

## 6. OTHER INCOME

	2011	2010
Net (loss)/gain on sale of assets	(463,516)	19,101,536
Net gain on share investments	55,717,781	34,035
(Loss)/gain on deemed disposal of associate	14,788,837	1,207,775
Other income	622,118	709,283
<b>Total other income</b>	<b>70,665,220</b>	<b>21,052,629</b>

## 7. EXPENSES

	2011	2010
<b>(a) Cost of sales</b>		
Salaries, wages expense and other employee benefits	6,383,364	16,020,872
Superannuation expense	532,393	1,413,621
Other cash costs	38,136,610	55,042,363
Reversal of write-down in value of inventories to estimated net realisable value	(1,832,571)	(2,967,314)
Royalty	2,158,215	1,900,994

	2011	2010
<b>Depreciation and amortisation expense</b>		
Depreciation of non-current assets		
Property, plant and equipment	3,661,459	6,299,690
Buildings	251,364	392,789
Amortisation of non-current assets		
Mine, properties and development costs	8,693,188	21,295,433
Intangible assets	-	384,969
<b>Total cost of sales</b>	<b>57,984,022</b>	<b>99,783,417</b>

<b>(b) Other expenses</b>		
<b>Administration expenses</b>		
<b>Employee benefits expense</b>		
Salaries and wages expense	1,965,882	1,638,753
Directors' fees and other benefits	105,400	101,895
Superannuation expense	175,507	178,818
Other employee benefits	23,993	16,321
Share-based payments	103,385	315,141
	2,374,167	2,250,928
<b>Other administration expenses</b>		
Consulting expenses	452,880	397,123
Travel and accommodation expenses	228,602	199,688
Administration costs	525,194	688,090
Operating lease costs	121,668	39,525
	1,328,344	1,324,426
<b>Depreciation expense</b>		
Depreciation of non-current assets		
Property plant and equipment	204,976	219,328
<b>Total Administration expenses</b>	<b>3,907,487</b>	<b>3,794,682</b>
<b>Other expenses</b>		
Care and maintenance costs	-	-
Foreign exchange (profit)/loss	(269,851)	(744,320)
	(269,851)	(744,320)
<b>Total other expenses</b>	<b>3,637,636</b>	<b>3,050,362</b>

<b>(c) Fair value change in financial instruments</b>		
Fair value change in derivatives	57,464	57,464
Gain on derivatives	-	-
<b>Total fair value change in financial instruments</b>	<b>57,464</b>	<b>57,464</b>

<b>(d) Finance costs</b>		
Interest	330,970	1,000,006
Unwinding of rehabilitation provision discount	63,950	145,052
<b>Total finance costs</b>	<b>394,920</b>	<b>1,145,058</b>

## 8. INCOME TAX

	2011	2010
<b>(a) Major components of income tax expense:</b>		
<b>Income Statement</b>		
<i>Current income tax expense</i>		
Current income tax benefit	-	-
Recognition/derecognition of carry forward losses and other temporary differences	(14,698,290)	3,484,319
Adjustments in respect of current income tax of previous years	(4,261,697)	(435,558)
<i>Deferred income tax</i>		
Relating to recoupment of carry forward tax losses in current year	8,236,339	9,251,277
Relating to origination and reversal of temporary differences in current year	10,375,231	(11,397,637)
Adjustments in respect of current income tax of previous years	(60,109)	193,228
<b>Income tax (benefit)/expense reported in the statement of comprehensive income</b>	<b>(408,526)</b>	<b>1,095,629</b>
<b>(b) Amounts charged or credited directly to equity</b>		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Unrealised (gain)/loss on available-for-sale investments	(322,965)	1,220,922
Share issue costs	(85,561)	(125,293)
<b>Income tax (benefit)/expense reported in equity</b>	<b>(408,526)</b>	<b>1,095,629</b>
<b>(c) A reconciliation of income tax benefit and the product of accounting loss before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:</b>		
Accounting profit before tax from continuing operations	62,609,789	14,048,185
Loss before tax from discontinued operations	(721,707)	(1,171,572)
<b>Total accounting profit before income tax</b>	<b>61,888,082</b>	<b>12,876,613</b>
At statutory income tax rate of 30% (2010: 30%)	18,566,425	3,862,984
Non-assessable items	-	(5,925,000)
Non-deductible items	130,706	97,471
Deductible items	(85,561)	(181,815)
Prior year tax benefits	(4,321,806)	(242,330)
Unrecognised tax losses and other temporary differences	(14,698,290)	3,484,319
<b>Income tax (benefit)/expense reported in income the statement of comprehensive income</b>	<b>(408,526)</b>	<b>1,095,629</b>
Effective income tax rate	-0.7%	8.5%

(d) Deferred income tax at 30 June relates to the following:

	Statement of financial position		Statement of comprehensive income	
	2011	2010	2011	2010
<b>Deferred tax liabilities</b>				
Intangible assets	-	-	-	7,208,313
Exploration	(16,365,494)	(15,983,715)	(381,781)	(594,178)
Deferred mining	(4,796,171)	(3,513,503)	(1,282,668)	3,746,015
Mine site establishment and refurbishment	(2,150,246)	(2,694,073)	543,827	5,025,762
Research and development	(794,545)	(794,545)	-	777,701
Available-for-sale financial assets	(7,246,353)	-	(7,246,353)	-
Interest receivable	(430,145)	(13,784)	(416,361)	(13,784)
Inventories	(738,210)	(668,750)	(69,460)	953,446
Diesel rebate	(4,397)	(927)	(3,470)	13,793
<b>Gross deferred tax liabilities</b>	<b>(32,525,561)</b>	<b>(23,669,297)</b>		
<b>Deferred tax assets</b>				
Accelerated depreciation for tax purposes	3,136,644	3,713,210	(576,565)	(932,202)
Accelerated amortisation for tax purposes	-	-	-	(2,747,828)
Investment in associates	5,778	256,843	(251,065)	(342,030)
Derivative held for trading	-	146,878	(146,878)	17,239
Inventories	114,407	664,178	(549,771)	(1,044,039)
Borrowing costs	-	13,288	(13,288)	(1,798)
Equity raising costs	37,775	123,336	-	-
Accrued expenses	37,650	35,955	1,695	(1,545)
Provision for employee entitlements	353,659	279,329	74,330	(221,718)
Provision for fringe benefits tax	3,521	3,343	178	2,637
Provision for rehabilitation	933,196	930,688	2,508	(641,375)
Recognised tax losses	27,902,931	17,502,249		
<b>Gross deferred tax assets</b>	<b>32,525,561</b>	<b>23,669,297</b>		
<b>Net deferred tax liabilities</b>	<b>-</b>	<b>-</b>		
Deferred tax income benefit			<b>(10,315,122)</b>	<b>11,204,409</b>

(e) Tax Consolidation

The Company and its 100% owned subsidiaries are a tax consolidated group with effect from 1 July 2004. Metals X Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payments obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(f) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 'Income Taxes'.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head company, Metals X Limited. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

(g) Unrecognised Losses

At 30 June 2011, there are unrecognised losses of \$7,862,244 for the Consolidated Entity (2010: \$22,237,568).

## 9. EARNINGS PER SHARE

	2011	2010
The following reflects the income used in the basic and diluted earnings per share computations.		
<b>(a) Earnings used in calculating earnings per share</b>		
For basic earnings per share:		
Net profit from continuing operations attributable to ordinary equity holders of the parent	62,948,043	12,660,889
Loss attributable to discontinued operations	(505,195)	(820,100)
<b>Net profit attributable to ordinary equity holders of the parent</b>	<b>62,442,848</b>	<b>11,840,789</b>
Basic earnings per share (cents)	4.57	0.92
For diluted earnings per share:		
Net profit from continuing operations attributable to ordinary equity holders of the parent (from basic EPS)	62,948,043	12,660,889
Loss attributable to discontinued operations	(505,195)	(820,100)
<b>Net profit attributable to ordinary equity holders of the parent</b>	<b>62,442,848</b>	<b>11,840,789</b>
Fully diluted earnings per share (cents)	4.57	0.91
<b>(b) Weighted average number of shares</b>		
Weighted average number of ordinary shares for basic earnings per share	1,365,661,782	1,290,072,741
Effect of Dilution:		
Share Options	1,787,500	15,275,000
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>1,367,449,282</b>	<b>1,305,347,741</b>

There are no instruments (e.g. share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for either of the periods presented.

The Company commenced an on market buy-back of its ordinary shares on 1 July 2011. As at the date of this report the Company had acquired 25,208,407 shares resulting in a reduction of the Company's ordinary shares.

There have been no transactions involving ordinary shares or potential ordinary shares since that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and before the completion of these financial statements.

## 10. DIVIDENDS PAID AND PROPOSED

	2011	2010
No dividends have been paid or declared by the Company during the financial period or up to the date of this report.		
The amount of franking credits available for the subsequent financial year are:		
• franking account balance as at the end of the financial year at 30% (2010: 30%)	5,930,931	5,930,931
• franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
<b>The amount of franking credits available for future reporting years</b>	<b>5,930,931</b>	<b>5,930,931</b>

The franking credits were transferred to the Consolidated Entity on the acquisition of the Metals Exploration Limited Group.



## 11. DISCONTINUED OPERATIONS

### (a) Details of operations held for sale:

In 2009 the board of directors decided to dispose of Bluestone Nominees Pty Ltd, the company that owns the Collingwood Tin Project. The Company publicly announced this decision in February 2009 and is currently pursuing a suitable acquirer for the project.

	2011	2010
<b>(b) Financial performance of operations held for sale</b>		
The results of the discontinued operations for the year are presented below:		
Revenue	-	-
Expenses	(685,454)	(639,446)
Gross loss	(685,454)	(639,446)
Other income	2,000	9,219
Finance costs	-	-
Impairment loss on property, plant and equipment	-	(500,000)
Exploration and evaluation expenditure written off	(38,253)	(41,345)
Loss before tax from discontinued operations	(721,707)	(1,171,572)
Income tax benefit:		
- related to pre-tax profit/(loss)	216,512	351,472
<b>Loss for the year from discontinued operations</b>	<b>(505,195)</b>	<b>(820,100)</b>
Loss per share - cents per share		
- basic from discontinued operations	(0.04)	(0.06)
- diluted from discontinued operations	(0.04)	(0.06)

<b>(c) Assets and liabilities - held for sale operations</b>		
The major classes of assets and liabilities of Bluestone Nominees Pty Ltd at 30 June 2011 are as follows:		
<b>Assets</b>		
Property, plant and equipment	1,476,212	1,491,219
	1,476,212	1,491,219
<b>Liabilities</b>		
Provisions	(886,260)	(886,260)
	(886,260)	(886,260)
<b>Net assets attributable to discontinued operations</b>	<b>589,952</b>	<b>604,959</b>

<b>(d) Cash flow information - held for sale operations</b>		
Operating activities	(675,177)	84,436
Investing activities	(36,253)	(23,345)
<b>Net cash flow</b>	<b>(711,430)</b>	<b>61,091</b>

## 12. CASH AND CASH EQUIVALENTS

	2011	2010
Cash at bank and in hand	9,403,323	5,782,053
Short-term deposits	66,580,011	23,714,574
<b>Total</b>	<b>75,983,334</b>	<b>29,496,627</b>
<b>Reconciliation to statement of cash flows</b>		
For the purposes of the cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	9,403,323	5,782,053
Short-term deposits	66,580,011	23,714,574
	<b>75,983,334</b>	<b>29,496,627</b>
<b>STATEMENT OF CASH FLOWS RECONCILIATION</b>		
<b>Reconciliation of net profit/(loss) after income tax to net cash flows from operating activities</b>		
Net profit after income tax	62,296,608	11,780,984
Income tax (benefit)/expense	(408,526)	1,095,629
Amortisation and depreciation	12,810,987	28,592,210
Impairment losses	17,358,674	500,000
Gain on deemed disposal of associate	(14,788,837)	(1,207,775)
Share based payments	103,385	315,141
Unwinding of rehabilitation provision discount	63,950	145,052
Fair value change in financial instruments	57,464	57,464
Exploration and evaluation expenditure written off	1,189,720	295,820
Profit on disposal of available-for-sale financial assets	(55,717,781)	(34,035)
Profit on disposal of intangible assets	-	(5,266,690)
Loss/(profit) on disposal of property, plant and equipment	478,517	(13,844,070)
Share of associates' net losses	(221,092)	127,475
	23,223,069	22,557,205
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in inventories	1,652,616	(2,522,463)
(Increase)/decrease in trade and other debtors	3,167,995	(13,395,022)
Increase/(decrease) in trade and other creditors	(4,268,137)	(1,845,667)
Increase/(decrease) in employee entitlements	200,464	(356,873)
<b>Net cash from operating activities</b>	<b>23,976,007</b>	<b>4,437,180</b>

## 13. TRADE AND OTHER RECEIVABLES (CURRENT)

	2011	2010
Trade receivables (a)	1,962,509	4,930,361
Other debtors (b)	10,508,087	9,979,848
	<b>12,470,596</b>	<b>14,910,209</b>

- (a) Trade receivables are non-interest bearing and are generally on 30 - 90 day terms.
- (b) Other debtors primarily relate to cash calls advanced to the Bluestone Mines Tasmania Joint Venture. Other debtors are non-interest bearing and are generally on 30 - 90 day terms.
- (c) The carrying amounts disclosed above represent the fair value.

Collectibility of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

## 14. INVENTORIES (CURRENT)

	2011	2010
Ore stocks at net realisable value	147,395	823,380
Tin in circuit at cost	132,757	207,420
Tin concentrate at cost	10,747,418	11,806,514
Copper concentrate at cost	49,731	-
Stores and spares at cost	2,460,701	2,229,166
Provision for obsolete stores and spares	(369,042)	(244,903)
<b>Total inventories at lower of cost and net realisable value</b>	<b>13,168,960</b>	<b>14,821,577</b>

During the year due to an increase in the Tin metal price there was a reversal of inventory write-downs of \$1,832,571 (2010: reversal of write-down \$2,967,314) for the Consolidated Entity. This expense is included in cost of sales refer to note 7 (a).

## 15. OTHER ASSETS (CURRENT)

	2011	2010
<b>Prepayments</b>	<b>146,177</b>	<b>874,561</b>

## 16. OTHER FINANCIAL ASSETS (CURRENT)

	2011	2010
Other financial asset (a)	750,000	750,000
Other receivables - cash on deposit - performance bond facility (b)	2,570,730	4,255,260
	<b>3,320,730</b>	<b>5,005,260</b>

- (a) Other financial assets are used by way of security for the mining contractor at the Bluestone Mines Tasmania Joint Venture.
- (b) The cash on deposit is interest bearing and is used by way of security for government performance bonds.

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)

	2011	2010
Shares - Australian listed	47,004,755	34,064,803
Shares - British Virgin Island unlisted	2,000,000	-
	<b>49,004,755</b>	<b>34,064,803</b>

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT) (CONTINUED)

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

### Listed shares

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

The Consolidated Entity has a 3.23% (2010: Nil) ownership interest in Independence Group NL which is a listed resources company. During the period Independence Group NL completed a takeover of Jabiru Metals Limited. As a result of the takeover the Consolidated Entity sold its ownership interest (2010: 19.99%) in Jabiru Metals Limited to Independence Group NL. Consideration received for the Jabiru Metals Limited shares was \$48,089,540 in cash and 6,558,571 shares in Independence Group NL.

The Consolidated Entity has a 16.97% (2010: Nil) ownership interest in Mongolian Resource Corporation Limited which is a listed resources company.

During the period the Consolidated Entity disposed of its interest in Icon Resources Limited, which is a listed exploration company (2010: 4.76% ownership interest).

### Unlisted shares

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions, which are outlined in note 2(1), that are not supported by observable market prices or rates. Management believes that the estimated fair value resulting from the valuation techniques and recorded in the statement of financial position and the related changes in fair value recorded in other comprehensive income are reasonable and the most appropriate at the reporting date.

The Consolidated Entity has a 25% (2010: Nil) ownership interest in Aziana Exploration Corporation, which is an unlisted exploration company.

## 18. DERIVATIVE FINANCIAL INSTRUMENTS (NON-CURRENT)

	2011	2010
<b>Derivatives - held for trading</b>	<b>228,269</b>	<b>57,464</b>

### Derivatives - held for trading

The Consolidated Entity holds 670,000 unlisted options in Mongolian Resource Corporation Limited ("MRC"). These options were acquired for nil cost as part of a capital raising in MRC. On acquisition the options were valued using the binomial method. The fair value of the options have been determined using the binomial method. In 2010 the Consolidated Entity held 3,830,929 options in Aragon Resources Limited. These options were acquired for nil cost on 30 July 2007 as part of the IPO of Aragon Resources Limited. On acquisition the options were valued using the binomial method. The options expired unexercised in September 2010.

### (a) Instruments used by the Consolidated Entity

The Consolidated Entity is party to derivative financial instruments in the normal course of business in order to manage exposure to fluctuations in commodity prices in accordance with the Consolidated Entity's financial risk management policies (refer to note 4).

## 19. INVESTMENTS IN ASSOCIATES (NON-CURRENT)

	2011	2010
<b>(a) Investment details</b>		
<i>Listed</i>		
Westgold Resources Limited	22,801,822	19,170,160
Aragon Resources Limited	-	3,355,753
	<b>22,801,822</b>	<b>22,525,913</b>

**(b) Movements in carrying value of the Consolidated Entity's investment in associates**

	2011	2010
<b>Westgold Resources Limited</b>		
At 1 July	19,170,160	10,150,112
Additions	8,965,137	8,912,803
Share of (losses)/profits after income tax	(736,648)	97,503
Gain on deemed disposal of associate	13,727,073	-
Impairment	(17,358,674)	-
Share of change in reserves	(965,225)	9,742
<b>At 30 June</b>	<b>22,801,822</b>	<b>19,170,160</b>
<b>Aragon Resources Limited</b>		
At 1 July	3,355,753	766,185
Additions	626,400	1,300,000
Share of profits/(losses) after income tax	957,740	(224,978)
Gain on deemed disposal of associate	1,061,764	1,207,775
Share of change in reserves	(14,939)	306,771
Disposal of investment	(5,986,718)	-
<b>At 30 June</b>	<b>-</b>	<b>3,355,753</b>

**(c) Fair Value of investment in listed entities**

Based on the quoted share price the fair value of the Consolidated Entity's share investment in Westgold Resources Limited at balance date is \$22,801,822 (2010: \$21,874,691).

Based on the quoted share price the fair value of the Consolidated Entity's share investment in Aragon Resources Limited at balance date is nil (2010: \$3,355,753).

**(d) Summarised financial information**

The following table illustrates summarised financial information relating to the Consolidated Entity's associates:

<b>Extracts from the associates' statements of financial position:</b>		
Current assets	11,364,730	26,931,526
Non-current assets	106,269,419	54,971,362
	117,634,149	81,902,888
Current liabilities	4,370,705	2,776,859
Non-current liabilities	3,202,247	3,808,141
	7,572,952	6,585,000
<b>Net assets</b>	<b>110,061,197</b>	<b>75,317,888</b>
Share of associates' net assets	27,537,311	17,847,442
<b>Extracts from the associates' statements of comprehensive income:</b>		
Revenue	5,562,031	1,992,216
Net profit/(loss)	4,670,268	(245,477)

The Company has a 25.02% (2010: 31.99%) interest in Westgold Resources Limited ("Westgold"), which is involved in the exploration for base metals in the Northern Territory. Westgold is listed on the Australian Securities Exchange. At the end of the period the Company's investment was \$22,801,822 (2010: \$19,170,160) which represents cost plus post-acquisition changes in the Company's share of net assets of Westgold.

During the period Westgold completed a takeover of Aragon Resources Limited ("Aragon"). As a result of the takeover the Consolidated Entity sold its 8.70% (2010: 8.72%) interest in Aragon to Westgold. The Consolidated entity recognised a profit on the sale of the Aragon shares to Westgold of \$196,199.

## 20. PROPERTY, PLANT & EQUIPMENT (NON-CURRENT)

	2011	2010
<b>Plant and equipment</b>		
At cost	20,881,245	21,671,323
Accumulated depreciation	(11,321,898)	(8,528,076)
Net carrying amount	9,559,347	13,143,247
<b>Land and buildings</b>		
At cost	5,550,576	5,112,001
Accumulated depreciation	(731,324)	(481,803)
Net carrying amount	4,819,252	4,630,198
<b>Capital work in progress at cost</b>	<b>683,835</b>	<b>877,931</b>
<b>Total property, plant and equipment</b>	<b>15,062,434</b>	<b>18,651,376</b>

<b>Movement in property, plant and equipment</b>		
<b>Plant and equipment</b>		
At 1 July net of accumulated depreciation	13,143,247	31,206,574
Additions	940,526	1,519,203
Disposals - other	(657,991)	(56,603)
Disposals (refer to note 38)	-	(13,006,909)
Depreciation charge for the year	(3,866,435)	(6,519,018)
<b>At 30 June net of accumulated depreciation</b>	<b>9,559,347</b>	<b>13,143,247</b>

<b>Land and buildings</b>		
At 1 July net of accumulated depreciation	4,630,198	9,113,457
Additions	444,832	134,314
Disposals - other	(4,414)	-
Disposals (refer to note 38)	-	(4,224,784)
Depreciation charge for the year	(251,364)	(392,789)
<b>At 30 June net of accumulated depreciation</b>	<b>4,819,252</b>	<b>4,630,198</b>

<b>Capital work in progress</b>		
At 1 July net of accumulated depreciation	877,931	303,052
Additions	2,252,369	2,700,248
Disposals (refer to note 38)	-	(342,524)
Transfer to mine properties & development	(1,061,107)	(129,328)
Transfer to plant and equipment	(940,526)	(1,519,203)
Transfer to land and buildings	(444,832)	(134,314)
<b>At 30 June</b>	<b>683,835</b>	<b>877,931</b>

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2011 is \$2,827,596 (2010: \$4,485,166). Value of plant and equipment purchased under finance leases and hire purchase contracts for 30 June 2011 financial year is nil (2010: Nil).

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase lease liabilities (refer to notes 25 and 28).

## 21. MINE PROPERTY AND DEVELOPMENT (NON-CURRENT)

	2011	2010
<b>Development areas at cost</b>		
Mine site establishment	59,908,605	4,304,400
Net carrying amount	59,908,605	4,304,400
<b>Mine site establishment</b>		
Mine site establishment	31,545,457	30,539,938
Accumulated amortisation	(25,816,607)	(21,822,320)
Impairment	(4,322,330)	(4,322,330)
Net carrying amount	1,406,520	4,395,288
<b>Mine capital development</b>	45,080,208	35,882,459
Accumulated amortisation	(21,340,393)	(16,641,491)
Impairment	(7,166,041)	(7,166,041)
Net carrying amount	16,573,774	12,074,927
<b>Total mine properties and development</b>	<b>77,888,899</b>	<b>20,774,615</b>

<b>Movement in mine properties and development</b>		
<b>Development areas at cost</b>		
At 1 July	4,304,400	3,623,412
Additions	1,805,695	680,988
Transfer from exploration and evaluation expenditure (refer to note 23)	53,798,510	-
<b>At 30 June</b>	<b>59,908,605</b>	<b>4,304,400</b>

<b>Mine site establishment</b>		
At 1 July net of accumulated amortisation	4,395,288	22,609,334
Additions	-	-
Disposals (refer to note 38)	-	(6,211,677)
Transfer from capital work in progress (refer to note 20)	1,061,107	129,328
Increase/(decrease) in rehabilitation provision	(55,589)	(44,580)
Amortisation charge for the year	(3,994,286)	(12,087,117)
<b>At 30 June net of accumulated amortisation</b>	<b>1,406,520</b>	<b>4,395,288</b>

<b>Mine capital development</b>		
At 1 July net of accumulated amortisation	12,074,927	24,832,805
Additions	6,801,738	7,583,268
Disposals (refer to note 38)	-	(12,062,735)
Transfer from exploration and evaluation expenditure (refer to note 23)	2,396,011	929,905
Amortisation charge for the year	(4,698,902)	(9,208,316)
<b>At 30 June net of accumulated amortisation</b>	<b>16,573,774</b>	<b>12,074,927</b>

## 22. INTANGIBLE ASSETS (NON-CURRENT)

	2011	2010
<b>Development projects at cost</b>		
At cost	2,648,484	2,648,484
Net carrying amount	2,648,484	2,648,484
<b>Nickel royalties</b>		
At acquisition value	-	7,142,857
Accumulated amortisation	-	(6,450,976)
Accumulated Impairment	-	(691,881)
Net carrying amount	-	-
<b>Total intangible assets</b>	<b>2,648,484</b>	<b>2,648,484</b>

<b>Movement in intangible assets</b>		
<b>Development projects at cost</b>		
At 1 July net of accumulated amortisation	2,648,484	5,240,820
Additions	-	56,149
Disposals (refer to note 38)	-	(2,648,485)
<b>At 30 June net of accumulated amortisation</b>	<b>2,648,484</b>	<b>2,648,484</b>

<b>Nickel royalties</b>		
At 1 July net of accumulated amortisation	-	14,868,284
Additions	-	-
Disposals	-	(14,483,315)
Amortisation charge for the year	-	(384,969)
Impairment	-	-
<b>At 30 June net of accumulated amortisation</b>	<b>-</b>	<b>-</b>

### Description of the Consolidated Entity's intangible assets

#### *Development costs*

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset is still in the development stage. It has been assessed as having a finite life and will be amortised using the straight line method over the life of the project. This intangible asset relates to the Rentals Development Project.

#### *Nickel royalties*

Nickel royalties are carried at cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life and are amortised using the units of production method over the life of the assets. The amortisation has been recognised in the income statement in the line "cost of sales". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Intangible assets (nickel royalties) were disposed of by the Consolidated Entity during the previous year.



## 23. EXPLORATION EXPENDITURE (NON-CURRENT)

	2011	2010
Exploration and evaluation costs carried forward in respect of mining areas of interest		
<b>Pre-production areas</b>		
At Cost	827,947	53,353,863
Accumulated impairment	-	-
<b>Net carrying amount</b>	<b>827,947</b>	<b>53,353,863</b>

<b>Movement in deferred exploration and evaluation expenditure</b>		
At 1 July net of accumulated impairment	53,353,863	51,567,468
Additions	4,820,071	3,343,349
Disposals (refer to note 38)	-	(372,574)
Transferred to mine capital development (refer to note 21)	(2,396,011)	(929,905)
Transferred to development areas (refer to note 21)	(53,798,510)	-
Expenditure written off	(1,151,466)	(254,475)
<b>At 30 June net of accumulated impairment</b>	<b>827,947</b>	<b>53,353,863</b>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not recognised pending the commencement of production.

During the year exploration and evaluation expenditure of \$53,798,510 relating to the Wingellina Nickel Project was transferred to Mine Properties and Development. Completion of the first phase feasibility study in 2008 and signing the heads of agreement with Jinchuan during the year to advance the project.

During the year a review was undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Exploration and evaluation expenditure of \$1,189,720 (2010: \$295,820) was written off to the income statement, \$38,253 (2010: \$41,345) of this expense is attributable to exploration and evaluation expenditure written off in relation to the Collingwood Tin Project (refer to note 11). The major expenditure written off in the current financial year relate to the Agaton Phosphate Project (\$580,524) and the Mt Bischoff Tin Project (\$359,272). The major expenditure written off in the previous financial year related to areas of interest within the Wingellina and Claude Hills Projects. Management decided to abandon future exploration of these areas due to low potential from results returned in the areas.

## 24. TRADE AND OTHER PAYABLES (CURRENT)

	2011	2010
Trade creditors (a)	3,205,562	5,480,419
Sundry creditors and accruals (b)	2,473,991	4,467,272
	<b>5,679,553</b>	<b>9,947,691</b>

(a) Trade creditors are non-interest bearing and generally on 30 day terms.

(b) Sundry creditors and accruals are non-interest bearing and generally on 30 day terms.

Due to the short term nature of these payables, their carrying value approximates their fair value.

## 25. INTEREST BEARING LOANS AND BORROWINGS (CURRENT)

	2011	2010
<b>Lease liability</b>	<b>941,788</b>	<b>2,153,380</b>

Represents finance leases which have repayment terms of 36 months.

## 26. PROVISIONS (CURRENT)

	2011	2010
Provision for annual leave	807,941	778,612
Provision for fringe benefits tax payable	11,737	11,145
	<b>819,678</b>	<b>789,757</b>

The nature of the provisions is described in note 2(ad).

## 27. PROVISIONS (NON-CURRENT)

	2011	2010
Provision for long service leave (a)	305,985	135,443
Provision for Rehabilitation (b)	2,224,393	2,216,032
	<b>2,530,378</b>	<b>2,351,475</b>

(a) The nature of this provisions is described in note 2(ad).

(b) Provision for rehabilitation

Environmental obligations associated with the retirement or disposal of mining properties and/or of exploration activities are recognised when the disturbance occurs and are based on the extent of the damage incurred. The provision is measured as the present value of the future expenditure. The rehabilitation liability is remeasured at each reporting period in line with the change in the time value of money (recognised as an interest expense in the statement of comprehensive income and an increase in the provision), and additional disturbances/change in the rehabilitation cost are recognised as additions/changes to the corresponding asset and rehabilitation liability.

(c) Movements in provision for rehabilitation		
At 1 July	2,216,032	4,353,954
Arising/(reversing) during the year	-	-
Adjustment due to revised conditions	(55,589)	(44,580)
Unwind of discount	63,950	145,052
Disposal (refer to note 38)	-	(2,238,394)
<b>At 30 June</b>	<b>2,224,393</b>	<b>2,216,032</b>

## 28. INTEREST BEARING LOANS AND BORROWINGS (NON-CURRENT)

	2011	2010
<b>Lease liability</b>	<b>217,041</b>	<b>681,339</b>

Represents finance leases which have repayment terms of 36 months from inception.

The carrying amount of the Consolidated Entity's non-current loans and borrowings approximate their fair value. The difference between the carrying amount and fair value is immaterial.

<b>Financing facilities available</b>		
At reporting date, the following financing facilities were available:		
Total facilities		
- finance lease facility	1,158,829	2,834,719
Facilities used at reporting date		
- finance lease facility	1,158,829	2,834,719
<i>Assets pledged as security:</i>		
The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:		
<b>Non-current</b>		
Finance lease		
Plant and equipment	2,827,596	4,485,166
<b>Total non-current assets pledged as security</b>	<b>2,827,596</b>	<b>4,485,166</b>

Plant and equipment assets are pledged against lease liabilities for the term of the lease period.

## 29. ISSUED CAPITAL

	2011	2010
<b>(a) Ordinary Shares</b>		
<b>Issued and fully paid</b>	<b>290,056,226</b>	<b>290,141,787</b>

	Number	\$
<b>(b) Movements in ordinary shares on issue</b>		
<b>At 1 July 2009</b>	1,187,661,782	274,280,247
Issued on 3 December 2009 for cash pursuant to placement	178,000,000	16,020,000
Deferred tax asset recognised on equity transactions	-	(125,293)
Share issue costs	-	(33,167)
<b>At 30 June 2010</b>	1,365,661,782	290,141,787
Deferred tax asset recognised on equity transactions	-	(85,561)
Share issue costs	-	-
<b>At 30 June 2011</b>	<b>1,365,661,782</b>	<b>290,056,226</b>

### (c) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up the Company the holders are entitled to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

## 29. ISSUED CAPITAL (CONTINUED)

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par share values. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares.

### (d) Escrow Restrictions

There are no current escrow restrictions on the issued capital of the Company.

### (e) Options on Issue

Unissued ordinary shares of the company under option at the date of this report are as follows:

Type	Expiry Date	Exercise Price	Number of options
Unlisted**	31 March 2012	36 cents	225,000
Unlisted**	31 July 2012	45 cents	1,000,000
Unlisted*	30 November 2012	14 cents	2,500,000
Unlisted**	30 November 2013	13 cents	2,850,000
Unlisted*	30 November 2013	13 cents	1,000,000
<b>Total</b>			<b>7,575,000</b>

\* The above options are exercisable at any time on or before the expiry date.

\*\* These options were issued pursuant to the Metals X Limited Employee Option Scheme and can only be exercised pursuant to the scheme rules.

Share options carry no right to dividends and no voting rights.

### (f) Option conversions

There were no option conversions during the financial year.

### (g) Capital management

Capital managed by the Board includes shareholder equity, which was \$290,056,226 at 30 June 2011 (2010: \$290,141,787). When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Managed capital is disclosed on the face of the statement of financial position and comprises shareholder equity, accumulated losses and reserves.

Management may adjust the capital structure to take advantage of favourable costs of capital or higher returns on assets. As the market is constantly changing, management may issue new shares or sell assets to raise cash, change the amount of dividends to be paid to shareholders (if at all) or return capital to shareholders.

During the financial year ending 30 June 2011, management did not pay a dividend and does not expect to pay a dividend in the foreseeable future.

The Consolidated Entity monitors the adequacy of capital by analysing cash flow forecasts for each of its projects. To a lesser extent, gearing ratios are also used to monitor capital. Appropriate capital levels are maintained to ensure that all approved expenditure programs are adequately funded. This funding is derived from an appropriate combination of debt and equity.

The gearing ratio is calculated as net debt divided by total capital. Net debt is defined as interest bearing liabilities and total capital is calculated as equity as shown in the statement of financial position (including minority interest).

During the year ended 30 June 2011, interest bearing liabilities decreased as a result of the Consolidated Entity making repayments of its finance lease facility to finance property, plant and equipment at its Renison Tin Project (refer to note 38). The net effect was a decrease in the gearing ratio.

	2011	2010
Gearing ratio	0.44%	1.00%
Net debt	1,158,829	2,834,719
Capital	263,853,027	201,866,069

The entity is not subject to any externally imposed capital requirements.

## 30. ACCUMULATED LOSSES

	2011	2010
At 1 July	(104,123,039)	(115,963,773)
Net profit in current period attributable to members of the parent entity	62,442,848	11,840,734
<b>At 30 June</b>	<b>(41,680,191)</b>	<b>(104,123,039)</b>

## 31. RESERVES

	Option premium reserve \$	Net unrealised gains reserve \$	Total \$
<b>CONSOLIDATED ENTITY</b>			
<b>At 1 July 2009</b>	17,907,652	28,965	17,936,617
Share based payments	315,141	-	315,141
Share of change in equity of associate	-	316,512	316,512
Fair value on available-for-sale financial assets	-	(4,069,739)	(4,069,739)
Tax effect on gain on available-for-sale financial assets	-	1,220,922	1,220,922
<b>At 30 June 2010</b>	18,222,793	(2,503,340)	15,719,453
Share based payments	103,385	-	103,385
Share of change in equity of associate	-	(980,165)	(980,165)
Fair value on available-for-sale financial assets	-	1,076,551	1,076,551
Tax effect on gain on available-for-sale financial assets	-	(322,966)	(322,966)
<b>At 30 June 2011</b>	<b>18,326,178</b>	<b>(2,729,920)</b>	<b>15,596,258</b>

### Nature and purpose of reserves

#### *Net unrealised gains reserve*

This reserve records the movements in the fair value of available-for-sale investments and the share of changes in equity of associates.

#### *Option premium reserve*

This reserve is used to record the value of options issued.

The option premium reserve relates to the issue of:

Details of issue	Number of options	Fair value per option (\$)	Value
Rights issue - capital raising cost	110,540,000	0.057	6,312,054
Employee option scheme	1,890,000	0.102	191,880
Employee option scheme	400,000	0.414	165,524
Employee option scheme	2,200,000	0.114	250,300
Employee option scheme	400,000	0.168	67,272
Employee option scheme	3,900,000	0.122	475,134
Employee option scheme	1,700,000	0.084	142,260
Employee option scheme	825,000	0.119	98,434
Employee option scheme	1,000,000	0.150	150,421
Employee option scheme	2,850,000	0.050	142,111
Share-based payment - director	4,000,000	0.174	694,563
Share-based payment - director	2,500,000	0.048	119,432
Share-based payment - contractor	400,000	0.168	67,272
Share-based payment - contractor	1,000,000	0.120	119,631
Share-based payment - contractor	1,000,000	0.103	103,385
Placement fee - capital raising cost	2,000,000	0.049	97,288
Convertible notes conversion	67,500,000	0.111	7,463,700
Acquisition of a subsidiary	16,750,000	0.099	1,665,517
<b>Total</b>	<b>220,855,000</b>		<b>18,326,178</b>

## 32. MINORITY INTEREST

	2011	2010
Equity contribution	2,500	2,500
Accumulated losses	(206,045)	(59,805)
Non-controlling interest share of net assets in controlled entity	185,173	185,173
	<b>(18,372)</b>	<b>127,868</b>

## 33. SHARE-BASED PAYMENTS

	2011	2010
<b>(a) Recognised share-based payment expense</b>		
The expense recognised for services received during the year is shown in the table below:		
<b>Expense arising from equity-settled share-based payments</b>	<b>103,385</b>	<b>315,141</b>

The share-based payment plan is described below. There have been no cancellations or modifications to the plan during 2011 and 2010.

### (b) Employee Share Option Plan

The Consolidated Entity has an Employee Option Scheme (EOS) for the granting of non-transferable options to senior executives and other staff members of the Consolidated Entity in accordance with guidelines established by the Board of the Company.

The options issued under the EOS will vest when the following conditions are met:

- (i) The EOS has no direct performance requirements but has specified time restrictions on the exercise of options.
- (ii) The director or senior executive or other staff member continues to be employed by the Consolidated Entity on the first anniversary of the grant date or as determined by the Board of Directors.

*Other relevant terms and conditions applicable to the options granted under EOS include:*

- (i) The options are issued for nil consideration;
- (ii) The options will not be quoted on the ASX;
- (iii) The exercise price of the options is equal to 120% of the weighted average closing sale price of the Company's fully paid ordinary shares on ASX over the 5 trading days immediately preceding the day on which the Board resolves to offer that Option;
- (iv) Options vest after one year or as determined by the Board of Directors;
- (v) Any options that are not exercised by the fourth anniversary of their grant date will lapse;
- (vi) The options will lapse after six months if a person ceases employment with the Consolidated Entity;
- (vii) Upon exercise, these options will be settled in ordinary fully paid shares of the Company; and
- (viii) The Board of Directors may alter, delete or add to the terms and conditions of the EOS at any time.

### (c) Summary of options granted under the Employee Option Scheme

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued under the EOS.

	2011 Number	2011 WAEP	2010 Number	2010 WAEP
Outstanding at the beginning of the year	7,775,000	0.326	8,550,000	0.333
Granted during the year	-	-	3,100,000	0.130
Exercised during the year	-	-	-	-
Lapsed/cancelled during the year	(3,000,000)	0.397	(3,875,000)	0.261
Outstanding at the year end	4,775,000	0.240	7,775,000	0.326
Exercisable at the year end	4,775,000	0.240	4,925,000	0.400

The outstanding balance as at 30 June 2011 is represented by the following table:

Grant date	Vesting date	Expiry date	Exercise price	Options granted	Options lapsed/ cancelled	Options exercised	Number of options at end of period	
							On issue	Vested
6 September 2007	6 September 2008	31 August 2011	35 cents	1,700,000	(1,000,000)	-	700,000	700,000
31 March 2008	31 March 2009	31 March 2012	36 cents	1,850,000	(1,625,000)	-	225,000	225,000
17 July 2008	17 July 2009	31 July 2012	45 cents	1,250,000	(250,000)	-	1,000,000	1,000,000
1 June 2009	1 June 2010	30 June 2013	13 cents	500,000	(500,000)	-	-	-
27 November 2009	6 July 2010	30 November 2013	13 cents	3,100,000	(250,000)	-	2,850,000	2,850,000
<b>Total</b>				<b>8,400,000</b>	<b>(3,625,000)</b>	<b>-</b>	<b>4,775,000</b>	<b>4,775,000</b>

**(d) Weighted average remaining contractual life**

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 1.73 years (2010: 2.08 years).

**(e) Range of exercise price**

The range of exercise prices for ESOP options outstanding at the end of the year was \$0.13 - \$0.45 (2010: \$0.13 - \$0.45).

As the range of prices is wide, refer to section (c) above for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

**(f) Weighted average fair value**

The weighted average fair value of options granted during the year was nil (2010: \$0.13).

**(g) Option pricing model**

The fair value of the equity-settled share options granted under the EOS is estimated at the date of grant using a Black & Scholes model, which takes into account factors including the options exercise price, the volatility of the underlying share price, the risk-free interest rate, the market price of the underlying share at grant date and the expected life of the option.

The following table gives the assumptions made in determining the fair value of the options granted:

Grant date	2011	2010
	Nil	27 Nov 2009
Expected Volatility (%)	n/a	85%
Risk-free interest rate (%)	n/a	4.80%
Expected life of options (yrs)	n/a	2.5
Options exercise price (\$)	n/a	\$0.13
Share price at grant date (\$)	n/a	\$0.11
Fair value at grant date (\$)	n/a	\$0.050

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility was determined using a historical sample of the Company's share price over a 12 month period. The resulting expected volatility therefore reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

### 33. SHARE-BASED PAYMENTS (CONTINUED)

#### (h) Directors options

In addition to the EOS, the Company has issued options to Directors.

Other relevant terms and conditions applicable to the options granted to Directors include:

- (i) The options issued to Directors vest immediately;
- (ii) The option issue has no direct performance requirements;
- (iii) The options are issued for nil consideration;
- (iv) The options will not be quoted on the ASX;
- (v) The exercise price of the options is equal to 120% of the weighted average closing sale price of the Company's fully paid ordinary shares on ASX over the 20 trading days immediately preceding the day on which the members resolve to offer that Option;
- (vi) Any options that are not exercised by the third anniversary of their grant date will lapse; and
- (vii) Upon exercise, these options will be settled in ordinary fully paid shares of the Company.

#### (i) Summary of options granted to Directors

The following table illustrates the number and weighted average (WAEP) of, and movements in, share options issued to Directors:

	2011 Number	2011 WAEP	2010 Number	2010 WAEP
Outstanding at the beginning of the year	6,500,000	0.337	4,000,000	0.460
Granted during the year	-	-	2,500,000	0.140
Exercised during the year	-	-	-	-
Lapsed/cancelled during the year	(4,000,000)	0.460	-	-
Outstanding at the year end	2,500,000	0.140	6,500,000	0.337
Exercisable at the end of the year	2,500,000	0.140	6,500,000	0.337

The outstanding balance as at 30 June 2011 is represented by the following table:

Grant date	Vesting date	Expiry date	Exercise price	Options granted	Options lapsed/cancelled	Options exercised	Number of options at end of period	
							On issue	Vested
27 November 2009	27 November 2009	30 November 2012	14 cents	2,500,000	-	-	2,500,000	2,500,000
<b>Total</b>				<b>2,500,000</b>	<b>-</b>	<b>-</b>	<b>2,500,000</b>	<b>2,500,000</b>

#### (j) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 1.42 years (2010: 1.19).

#### (k) Range of exercise price

The exercise price for options outstanding at the end of the year was \$0.14 (2010: \$0.14 - \$0.46).

#### (l) Weighted average fair value

The weighted average fair value of options granted during the year was nil (2010: \$0.14).

#### (m) Contractors options

In addition to the EOS, the Company has issued options to Contractors.

Other relevant terms and conditions applicable to the options granted to Contractors include:

- (i) The options issued to Contractors vest immediately;
- (ii) The option issue has no direct performance requirements;
- (iii) The options are issued for nil consideration;
- (iv) The options will not be quoted on the ASX;
- (v) The exercise price of the options is equal to 120% of the weighted average closing sale price of the Company's fully paid ordinary shares on ASX over the 5 trading days immediately preceding the day on which the members resolve to offer that Option;
- (vi) Any options that are not exercised by the expiry date as determined by the Directors at their grant date will lapse; and
- (vii) Upon exercise, these options will be settled in ordinary fully paid shares of the Company.



**(n) Summary of options granted to Contractors**

The following table illustrates the number and weighted average (WAEP) of, and movements in, share options issued to Contractors:

	2011 Number	2011 WAEP	2010 Number	2010 WAEP
Outstanding at the beginning of the year	1,000,000	0.460	1,400,000	0.426
Granted during the year	1,000,000	0.320	-	0.000
Exercised during the year	-	-	-	-
Lapsed/cancelled during the year	(1,000,000)	0.460	(400,000)	0.340
Outstanding at the year end	1,000,000	0.320	1,000,000	0.460
Exercisable at the end of the year	1,000,000	0.320	1,000,000	0.460

The outstanding balance as at 30 June 2011 is represented by the following table:

Grant date	Vesting date	Expiry date	Exercise price	Options granted	Options lapsed/cancelled	Options exercised	Number of options at end of period	
							On issue	Vested
1 December 2010	1 December 2010	30 November 2013	32 cents	1,000,000	-	-	1,000,000	1,000,000
<b>Total</b>				<b>1,000,000</b>	-	-	<b>1,000,000</b>	<b>1,000,000</b>

**(o) Weighted average remaining contractual life**

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 2.42 years (2010: 1.25).

**(p) Range of exercise price**

The exercise price for options outstanding at the end of the year was \$0.32 (2010: \$0.46).

**(q) Weighted average fair value**

The weighted average fair value of options granted during the year was \$0.10 (2010: nil).

## 34. COMMITMENTS

	2011	2010
<b>(a) Capital commitments</b>		
<i>Commitments relating to jointly controlled assets</i>		
At 30 June 2011 the Consolidated Entity has capital commitments that relate principally to the purchase of maintenance plant and equipment for the Bluestone Mines Tasmania Joint Venture.		
Capital expenditure commitments		
Estimated capital expenditure contracted for at reporting date, but not recognised as liabilities in respect of the Bluestone Mines Tasmania Joint Venture		
<b>- Within one year</b>	<b>115,023</b>	<b>223,868</b>

### (b) Operating lease commitments - Company as lessee

The Company has entered into commercial property leases on office rental and remote area residential accommodation. The Company has entered into commercial leases on office equipment. These operating leases have an average life of between one month and three years with renewal options included in the contracts. The Company also has commercial leases over the tenements in which the mining operations are located. These tenement leases have a life of between six months and twenty one years. In order to maintain current rights to explore and mine the tenements the Consolidated Entity is required to perform minimum exploration work to meet the expenditure requirements specified by the relevant state governing body. There are no restrictions placed on the lessee by entering into these contracts. The operating lease commitments include Joint Venture commitments as disclosed in note 38.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2011	2010
<b>(i) Property leases as lessee:</b>		
- Within one year	250,243	246,971
- After one year but not more than five years	779,310	1,026,768
	1,029,553	1,273,739
<b>(ii) Equipment leases:</b>		
- Within one year	13,764	11,677
- After one year but not more than five years	19,499	550
	33,263	12,227
<b>(iii) Mineral tenement leases:</b>		
- Within one year	282,043	245,157
- After one year but not more than five years	936,111	807,441
- After more than five years	861,519	933,688
	2,079,673	1,986,286

### (c) Operating lease commitments - Company as lessor

The Company has entered into a commercial sub-lease on the above mentioned office space which expired in January 2011.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2011	2010
(i) Property leases as lessor:		
- Within one year	-	57,943
- After one year but not more than five years	-	-
- After more than five years	-	-
	-	57,943

**(d) Finance lease and hire purchase commitments**

The Company has finance leases and hire purchase contracts for various items of plant and machinery. The leases do have terms of renewal but no escalation clauses. Renewals are at the option of the specific entity that holds the lease. The finance and hire purchase contracts have an average term of 36 months with the right to purchase the asset at the completion of the lease term for a pre-agreed amount.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the minimum lease payments are as follows:

	2011	
	Minimum lease payments	Present value of lease payments
Within one year	980,276	941,788
After one year but not more than five years	235,665	217,041
Total minimum lease payments	1,215,941	1,158,829
Less amounts representing finance charges	(57,112)	-
Present value of minimum lease payments	1,158,829	1,158,829
	2010	
	Minimum lease payments	Present value of lease payments
Within one year	2,428,534	2,153,380
After one year but not more than five years	697,478	681,339
Total minimum lease payments	3,126,012	2,834,719
Less amounts representing finance charges	(291,293)	-
Present value of minimum lease payments	2,834,719	2,834,719
	2011	2010
Included in the financial statements as:		
Current interest-bearing loans and borrowings (note 25)	941,788	2,153,380
Non-current interest-bearing loans and borrowings (note 28)	217,041	681,339
<b>Total included in interest-bearing loans and borrowings</b>	<b>1,158,829</b>	<b>2,834,719</b>

The weighted average interest rate impact in the leases for the Company is 14.23% (2010: 9.70%).

## 35. CONTINGENT ASSETS AND LIABILITIES

### (a) Royalties

At the Bluestone Mines Tasmania Joint Venture Renison Tin Project the following royalties apply:

- Bluestone Mines Tasmania Pty Ltd has an obligation to pay a State Government Royalty on tin production at the rate of: 1.6% of Net sales + (profit x 0.4 x profit/net sales). This royalty is capped at 5% of Net Sales.

At the Collingwood Tin Project the following royalties apply (the project is currently under care and maintenance):

- Bluestone Nominees Pty Ltd has an obligation to pay a private royalty of 2% of the Net Smelter Return from the sale of ores, concentrates or other mineral products produced.
- A State Government royalty of 2% of the value of the mineral produced is applicable.

## 36. EVENTS AFTER THE BALANCE SHEET DATE

On 16 June 2011 the Company announced its intention to conduct an on-market buy-back of up to 10% of its issued capital over a twelve month period commencing on 1 July 2011. As at the date of this report the Company had acquired 25,208,407 shares for a total value of \$5,740,356.48 and an average price of \$0.228 per share.

## 37. AUDITOR'S REMUNERATION

	2011	2010
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit or review of financial reports of the entity and any other entity within the Consolidated Entity	192,627	161,338
Other services in relation to the entity and any other entity in the Consolidated Entity:		
- tax compliance	79,450	43,575
<b>Total auditor remuneration</b>	<b>272,077</b>	<b>204,913</b>

## 38. INTEREST IN A JOINTLY CONTROLLED OPERATION

In 2010 the subsidiary Bluestone Mines Tasmania Pty Ltd sold 50% of the assets at its Renison Tin Project and entered into a jointly controlled operation called the Bluestone Mines Tasmania Joint Venture. The Consolidated Entity is entitled to 50% of the operation's production. The Consolidated Entity's interest in the assets and liabilities of the jointly controlled operation are included in the consolidated statement of financial position.

	2011	2010
<b>(a) Commitments relating to the jointly controlled assets</b>		
<b>Share of capital commitments (refer to note 34(a))</b>	<b>115,023</b>	<b>223,868</b>

Share of operating lease commitments (refer to note 34(b))

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2011	2010
<b>(i) Property leases as lessee:</b>		
- Within one year	985	7,230
	985	7,230
<b>(ii) Equipment leases:</b>		
- Within one year	13,764	11,677
- After one year but not more than five years	19,499	550
	33,263	12,227

	2011	2010
(iii) Mineral tenement leases:		
- Within one year	172,916	126,863
- After one year but not more than five years	683,795	503,734
- After more than five years	15,724	134,251
	872,435	764,848

(b) <b>Impairment</b>		
No assets employed in the jointly controlled operation were impaired during the year (2010: nil).		

(c) **Assets and liabilities sold to the Joint Venture partner**

	As at 19 March 2010
<b>Current assets</b>	
Inventories	3,685,448
Trade and other receivables	25,026
Other assets	693,397
	4,403,871
<b>Non-current assets</b>	
Property, plant and equipment (refer to note 20)	17,574,217
Mine properties and development costs (refer to note 21)	18,274,412
Intangible assets (refer to note 22)	2,648,485
Exploration and evaluation expenditure (refer to note 23)	372,574
	38,869,688
<b>Total assets</b>	<b>43,273,559</b>
<b>Current liabilities</b>	
Interest bearing loans and borrowings (refer to note 25)	(1,813,499)
Provisions (refer to note 26)	(389,585)
	(2,203,084)
<b>Non-current liabilities</b>	
Interest bearing loans and borrowings (refer to note 28)	(1,507,556)
Provisions (refer to note 27)	(2,238,394)
	(3,745,950)
<b>Total liabilities</b>	<b>(5,949,034)</b>
<b>Net assets disposed</b>	<b>37,324,525</b>
Proceeds from sale of assets	51,091,067
<b>Profit on sale of assets</b>	<b>13,766,542</b>

## 39. OPERATING SEGMENTS

### Identification of reportable segments

The Consolidated Entity has identified its operating segments based on internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which resources are allocated. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the mineral being mined or explored, as these are the sources of the Consolidated Entity's major risks and have the most effect on rates of return.

The Consolidated Entity comprises the following reportable segments:

- Tin Projects: Mining, treatment and marketing of tin concentrate.
- Nickel Projects: Nickel royalty income and exploration of nickel assets.
- Phosphate Projects: Phosphate exploration projects.

### Accounting policies and inter-segment transactions

The accounting policies used by the Consolidated Entity in reporting segments internally are the same as those contained in note 2 to the financial report.

The Consolidated Entity does not have any inter-entity sales.

Corporate charges comprise non-segmental expenses such as head office expenses and interest. Corporate charges are not allocated to operating segments.

It's the Consolidated Entity's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are not allocated to segments. This is to avoid allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest revenue.
- Fair value gains/losses on financial instruments.
- Net gains on disposal of available-for-sale investments.
- Share of loss of associates.
- Finance costs.

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2011 and 30 June 2010.

### Major customers

The Consolidated Entity only has one customer to which it provides both products and services. The Consolidated Entity sends its tin concentrate to a South East Asian customer that accounts for 95% of external revenue (2010: 98%).

Year ended 30 June 2011	Tin Projects	Nickel Projects	Phosphate Projects	Unallocated items	Total
<b>Revenue</b>					
Sales to external customers	69,015,638	-	-	-	69,015,638
Other revenue from external customers	-	-	-	-	-
Other revenue	-	-	-	3,292,021	3,292,021
<b>Total segment revenue</b>	<b>69,015,638</b>	<b>-</b>	<b>-</b>	<b>3,292,021</b>	<b>72,307,659</b>
<b>Segment net operating profit/(loss) after tax</b>	<b>33,858,795</b>	<b>9,255,204</b>	<b>(3,971)</b>	<b>(27,972,259)</b>	<b>15,137,769</b>
<b>Other segment information</b>					
Other income	48,374	5,266,685	-	63,350,161	70,665,220
Interest income	-	-	-	3,292,021	3,292,021
Interest expense	(288,300)	-	-	(42,670)	(330,970)
Depreciation and amortisation	(12,494,665)	(111,200)	(200)	(204,922)	(12,810,987)
Exploration and evaluation expenditure written off	(359,272)	(211,670)	(580,524)	-	(1,151,466)
Impairment losses	-	-	-	(17,358,674)	(17,358,674)
Share of loss of associate	-	-	-	221,092	221,092
Other non-cash expenses	(63,950)	-	-	(103,385)	(167,335)
Income tax expense	11,036,808	4,675,785	-	(15,520,579)	192,014
Discontinued operations after tax income	(505,195)	-	-	-	(505,195)
<b>Segment assets</b>	<b>60,318,050</b>	<b>60,412,009</b>	<b>51</b>	<b>103,589,273</b>	<b>224,319,383</b>
Investments in associates	-	-	-	22,801,822	22,801,822
Capital expenditure	(11,158,445)	(3,838,429)	(19,223)	37,518,157	22,502,060
<b>Segment liabilities</b>	<b>(8,768,393)</b>	<b>(491,529)</b>	<b>4,326</b>	<b>(932,842)</b>	<b>(10,188,438)</b>
<b>Cash flow information</b>					
Net cash flow from operating activities	25,966,625	(173,195)	(29,491)	(1,787,932)	23,976,007
Net cash flow from investing activities	(11,158,445)	(3,838,429)	(19,223)	37,518,157	22,502,060
Net cash flow from financing activities	(16,056,181)	4,016,932	48,204	11,999,685	8,640

### 39. OPERATING SEGMENTS (CONTINUED)

Year ended 30 June 2010	Tin Projects	Nickel Projects	Phosphate Projects	Unallocated items	Total
<b>Revenue</b>					
Sales to external customers	95,686,783	-	-	-	95,686,783
Other revenue from external customers	-	599,859	-	-	599,859
Other revenue	-	-	-	1,127,165	1,127,165
<b>Total segment revenue</b>	<b>95,686,783</b>	<b>599,859</b>	<b>-</b>	<b>1,127,165</b>	<b>97,413,807</b>
<b>Segment net operating profit/(loss) after tax</b>	<b>(12,661,910)</b>	<b>8,730,484</b>	<b>38,670</b>	<b>785,328</b>	<b>(3,107,428)</b>
<b>Other segment information</b>					
Other income	14,008,372	5,266,685	-	1,777,572	21,052,629
Interest income	-	-	-	1,127,165	1,127,165
Interest expense	(738,137)	-	-	(261,869)	(1,000,006)
Depreciation and amortisation	(27,867,970)	(504,711)	(200)	(219,328)	(28,592,209)
Exploration and evaluation expenditure written off	-	(1,810)	(252,665)	-	(254,475)
Impairment losses	-	-	-	-	-
Share of loss of associate	-	-	-	(127,475)	(127,475)
Other non-cash expenses	(145,052)	-	-	(315,141)	(460,193)
Income tax benefit	(4,836,931)	4,317,688	19,435	(947,293)	(1,447,101)
Discontinued operations after tax income	(820,100)	-	-	-	(820,100)
<b>Segment assets</b>	<b>73,906,406</b>	<b>57,125,951</b>	<b>564,881</b>	<b>51,465,247</b>	<b>183,062,485</b>
Investments in associates	-	-	-	22,525,913	22,525,913
Capital expenditure	38,822,803	17,778,284	(58,467)	(47,877,301)	8,665,319
<b>Segment liabilities</b>	<b>(14,149,649)</b>	<b>(807,412)</b>	<b>(28,348)</b>	<b>(938,233)</b>	<b>(15,923,642)</b>
<i>Cash flow information</i>					
Net cash flow from operating activities	4,742,150	2,160,382	5,555	(2,470,907)	4,437,180
Net cash flow from investing activities	38,822,803	17,778,284	(58,467)	(47,877,301)	8,665,319
Net cash flow from financing activities	(43,757,076)	(19,971,989)	52,272	73,121,432	9,444,639

**(a) Segment revenue reconciliation to the statement of comprehensive income**

	2011	2010
Total segment revenue	72,307,659	97,413,807
Other revenue from continuing operations	-	-
<b>Total revenue</b>	<b>72,307,659</b>	<b>97,413,807</b>
Revenue from external customers by geographical locations is detailed below. Revenue is attributable to geographical location based on the location of the customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than as shown.		
Australia	3,292,021	1,727,024
South east asia	69,015,638	95,686,783
<b>Total revenue</b>	<b>72,307,659</b>	<b>97,413,807</b>



(b) **Segment net operating profit/(loss) after tax reconciliation to the statement of comprehensive income**

	2011	2010
Executive management meet on a regular basis to assess the performance of each segment by analysing the segment's net operating profit after tax. A segment's net operating profit after tax excludes non operating income and expense such as dividends received, fair value gains and losses, gains and losses on disposal of assets and impairment charges. Income tax expenses are calculated on the segment's net profit or loss.		
Reconciliation of segment net operating loss after tax to net profit/(loss) before tax :		
Segment net operating profit/(loss) after tax	15,137,769	(3,107,428)
Income tax expense	(192,014)	1,447,101
Share of loss of associates	221,092	(127,475)
Finance costs	(394,920)	(1,145,058)
Corporate expenses	(3,637,636)	(3,050,362)
Impairment of assets	(17,358,674)	-
(Loss)/gain on deemed disposal of associate	14,788,837	1,207,775
Exploration and evaluation expenditure written off	(1,151,466)	(254,475)
Fair value gain on financial instruments	(57,464)	(57,464)
Net gains on disposal of available-for-sale investments	55,717,781	34,035
Net gain on disposal of assets	(463,516)	19,101,536
<b>Total net profit before tax per statement of comprehensive income</b>	<b>62,609,789</b>	<b>14,048,185</b>

(c) **Segment assets reconciliation to the statement of financial position**

In assessing the segment performance on a regular basis, executive management analyses the segment result as described above in relation to segment assets. Segment assets are those operating assets of the entity that management views as directly attributing to the performance of the segment. These assets include plant, equipment, receivables, inventory and intangibles and exclude available-for-sale assets, derivative assets and deferred tax assets.

Reconciliation of operating assets to total assets:

Segment operating assets	224,319,383	183,062,485
Available-for-sale assets	49,004,755	34,064,803
Derivative assets	228,269	57,464
Assets of disposal group classified as held for sale	1,476,212	1,491,219
<b>Total assets per the statement of financial position</b>	<b>275,028,619</b>	<b>218,675,971</b>

(d) **Segment liabilities reconciliation to the statement of financial position**

Segment liabilities includes trade and other payables and debt. The Consolidated Entity has a centralised finance function that is responsible for raising debt and capital for the entire operations. Each entity or business uses this central function to invest excess cash or obtain funding for its operations. Executive management reviews the level of debt for each segment on a regular basis.

Reconciliation of operating liabilities to total liabilities:

Segment operating liabilities	10,188,438	15,923,642
Liabilities of disposal group classified as held for sale	886,260	886,260
<b>Total liabilities per the statement of financial position</b>	<b>11,074,698</b>	<b>16,809,902</b>

## 40. KEY MANAGEMENT PERSONNEL

### (a) Details of Key Management Personnel

(i) Directors		Appointed	Resigned
		P G Cook	Non-Executive Chairman
W S Hallam	Managing Director	1 March 2005	-
S J Huffadine	Executive Director	17 June 2009	1 June 2011
M L Jefferies	Non-Executive Director	29 December 2006	-
D P Will	Executive Director	12 July 2011	-
Sanlin Zhang	Non-Executive Director	9 November 2009	-
Y Zhang	Alternate for Mr Sanlin Zhang	3 October 2007	-
(ii) Executives		Appointed	Resigned
		R D Cook	General Manager - Renison
P M Cmrlec	General Manager - Central Musgrave Project	19 November 2007	1 June 2011
F J Van Maanen	Company Secretary	1 July 2005	-

Other than the appointment of D. Will as shown above there are no other changes of the key management personnel after the reporting date and the date the financial report was authorised for issue.

### (b) Compensation of Key Management Personnel

	2011	2010
Short-term employee benefits	1,408,663	1,712,280
Post employment benefits	86,487	126,494
Other long-term benefits	68,874	31,770
Share-based payment	-	181,762
	<b>1,564,024</b>	<b>2,052,306</b>

### (c) Option holdings of Key Management Personnel (including nominees)

30 June 2011	Balance at beginning of period 1 July 2010	Granted as remuneration	Net change other ^	Options exercised	Balance at end of period 30 June 2011	Not vested and not exercisable	Vested and exercisable
<b>Directors</b>							
P G Cook	2,000,000	-	(2,000,000)	-	-	-	-
W S Hallam	2,500,000	-	(1,000,000)	-	1,500,000	-	1,500,000
S J Huffadine *	2,000,000	-	(2,000,000)	-	-	-	-
M L Jefferies	-	-	-	-	-	-	-
S Zhang	-	-	-	-	-	-	-
Y Zhang (Alternate Director)	-	-	-	-	-	-	-
<b>Executives</b>							
P M Cmrlec *	1,250,000	-	(1,250,000)	-	-	-	-
R D Cook	400,000	-	(400,000)	-	-	-	-
F J Van Maanen	700,000	-	-	-	700,000	-	700,000
<b>Total</b>	<b>8,850,000</b>	<b>-</b>	<b>(6,650,000)</b>	<b>-</b>	<b>2,200,000</b>	<b>-</b>	<b>2,200,000</b>

All options are exercisable once vested.

^ Options lapsed during the period and forfeited.

\* S J Huffadine and P M Cmrlec both resigned on 1 June 2011 and are no longer a Director and Executive respectively.

(c) Option holdings of Key Management Personnel (including nominees)

30 June 2010	Balance at beginning of period 1 July 2009	Granted as remuneration	Net change other	Options exercised	Balance at end of period 30 June 2010	Not vested and not exercisable	Vested and exercisable
<b>Directors</b>							
P G Cook	2,000,000	-	-	-	2,000,000	-	2,000,000
W S Hallam	1,000,000	1,500,000	-	-	2,500,000	-	2,500,000
S J Huffadine	1,000,000	1,000,000	-	-	2,000,000	-	2,000,000
M L Jefferies	-	-	-	-	-	-	-
P J Newton *	-	-	-	-	-	-	-
W Wei	-	-	-	-	-	-	-
S Zhang	-	-	-	-	-	-	-
Y Zhang (Alternate Director)	-	-	-	-	-	-	-
<b>Executives</b>							
P M Cmrlec	500,000	750,000	-	-	1,250,000	750,000	500,000
R D Cook	400,000	-	-	-	400,000	-	400,000
D J Coutts **	1,000,000	-	(1,000,000)	-	-	-	-
T De Vries **	500,000	-	(500,000)	-	-	-	-
F J Van Maanen	550,000	500,000	(350,000)	-	700,000	500,000	200,000
<b>Total</b>	<b>6,950,000</b>	<b>3,750,000</b>	<b>(1,850,000)</b>	<b>-</b>	<b>8,850,000</b>	<b>1,250,000</b>	<b>7,600,000</b>

All options are exercisable once vested.

\* Mr P J Newton resigned on 24 November 2009 and is no longer a Director.

\*\* D J Coutts and T De Vries resigned on 14 August 2009 and 22 April 2010 respectively and are no longer Executives.

(d) Shareholdings of Key Management Personnel

Ordinary shares held in Metals X Limited (number)

30 June 2011	Balance held at 1 July 2010	Granted as remuneration	On exercise of options	Net change other	Balance held at 30 June 2011
<b>Directors</b>					
P G Cook	68,440,200	-	-	-	68,440,200
W S Hallam	6,350,000	-	-	-	6,350,000
S J Huffadine *	-	-	-	-	-
M L Jefferies	2,700,000	-	-	-	2,700,000
S Zhang	176,000,000	-	-	-	176,000,000
Y Zhang (Alternate Director)	-	-	-	-	-
<b>Executives</b>					
P M Cmrlec *	-	-	-	-	-
R D Cook	-	-	-	-	-
F J Van Maanen	2,070,000	-	-	-	2,070,000
<b>Total</b>	<b>255,560,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>255,560,200</b>

## 40. KEY MANAGEMENT PERSONNEL (CONTINUED)

Ordinary shares held in Metals X Limited (number)

30 June 2010	Balance held at 1 July 2009	Granted as remuneration	On exercise of options	Net change other	Balance held at 30 June 2010
<b>Directors</b>					
P G Cook	67,296,200	-	-	1,144,000	68,440,200
W S Hallam	6,350,000	-	-	-	6,350,000
S J Huffadine	-	-	-	-	-
M L Jefferies	2,700,000	-	-	-	2,700,000
P J Newton **	66,219,002	-	-	(66,219,002)	-
W Wei ***	176,000,000	-	-	(176,000,000)	-
S Zhang ***	-	-	-	176,000,000	176,000,000
Y Zhang (Alternate Director)	-	-	-	-	-
<b>Executives</b>					
P M Cmrlec	-	-	-	-	-
R D Cook	-	-	-	-	-
D J Coutts****	-	-	-	-	-
T De Vries****	-	-	-	-	-
F J Van Maanen	2,070,000	-	-	-	2,070,000
<b>Total</b>	<b>320,635,202</b>	<b>-</b>	<b>-</b>	<b>(65,075,002)</b>	<b>255,560,200</b>

\* S J Huffadine and P M Cmrlec both resigned on 1 June 2011 and are no longer a Director and Executive respectively.

\*\* Mr P J Newton resigned on 24 November 2009 and is no longer a Director.

\*\*\* On 9 November 2009 Mr W Wei resigned and Mr S Zhang was appointed as a Director representing Jinchuan Group Limited who hold 176,000,000 shares in the Company.

\*\*\*\* D J Coutts and T De Vries resigned on 14 August 2009 and 22 April 2010 respectively and are no longer Executives.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

### (e) Loans to Key Management Personnel

There were no loans to key management personnel during the current or previous financial year.

### (f) Other transactions and balances with Key Management Personnel

Mr PG Cook, Mr WS Hallam and Mr PM Cmrlec are Directors of Westgold Resources Limited ("Westgold") and its controlled entities. In the current period \$72,877 (2010: \$31,179) has been charged to Westgold for Directors fees.

Mr PG Cook is also a Director of Aragon Resources Limited ("Aragon"). Mrs FJ Van Maanen is the Company Secretary of Aragon. The Consolidated Entity provides accounting, secretarial and administrative services at cost to Aragon. In the current period \$48,039 (2010: \$116,193) has been charged to Aragon for these services and Directors fees.

## 41. RELATED PARTY DISCLOSURES

### (a) Subsidiaries

The consolidated financial statements include the financial statements of Metals X Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	Ownership interest		Investment (\$)	
		2011	2010	2011	2010
Agaton Phosphate Pty Ltd	Australia	75%	75%	750,000	750,000
Bluestone Australia Pty Ltd	Australia	100%	100%	19,950,000	19,950,000
Metals Exploration Pty Ltd	Australia	100%	100%	71,714,235	71,714,235
Mad Metals Pty Ltd	Australia	100%	-	2	-
Chinggis Metals Pty Ltd	Australia	100%	-	2	-
				<b>92,414,239</b>	<b>92,414,235</b>
<b>Subsidiary companies of Metals Exploration Limited</b>					
Austral Nickel Pty Ltd	Australia	100%	100%	9,058,896	9,058,896
Harbour Capital (WA) Pty Ltd *	Australia	-	100%	-	220,020
Hinckley Range Pty Ltd	Australia	100%	100%	1,069,750	1,069,750
Metex Nickel Pty Ltd	Australia	100%	100%	1	1
<b>Subsidiary companies of Bluestone Australia Pty Ltd</b>					
Bluestone Mines Tasmania Pty Ltd	Australia	100%	100%	1	1
Bluestone Nominees Pty Ltd	Australia	100%	100%	1	1
<b>Subsidiary companies of Bluestone Mines Tasmania Pty Ltd</b>					
Bluestone Mines Tasmania Joint Venture Pty Ltd	Australia	50%	50%	50	50

\* Harbour Capital (WA) Pty Ltd was deregistered on 11 May 2011.

### (b) Ultimate parent

Metals X Limited is the ultimate parent entity. There are no Class Orders in place at 30 June 2011.

### (c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 40.

		2011	2010
<b>(d) Transactions with related parties</b>			
<b>(i) Jointly controlled assets</b>			
	Amounts charged by Bluestone Australia Pty Ltd to the unincorporated Bluestone Mines Tasmania Joint Venture for services provided *	309,734	282,397
<b>(ii) Associates</b>			
	Amounts charged by Bluestone Australia Pty Ltd to Aragon Resources Ltd for services provided **	229,370	116,193
	Amounts charged by Bluestone Australia Pty Ltd to Westgold Resources Ltd for services provided ***	243,464	31,179

\* Subsidiary Bluestone Mines Tasmania Pty Ltd has a 50% joint venture interest in the unincorporated Bluestone Mines Tasmania Joint Venture.

\*\* The Company had an 8.70% interest in Aragon Resources Limited (2010: 8.72%) prior to the sale of the shares to Westgold Resources Limited on 14 April 2011.

\*\*\*The Company has a 25.02% interest in Westgold Resources Limited (2010: 31.99%).

## 42. INFORMATION RELATING TO METALS X LIMITED ("THE PARENT ENTITY")

	2011	2010
Current assets	79,923,951	27,546,305
Total assets	289,470,356	202,129,401
Current Liabilities	284,762	263,332
Total Liabilities	284,762	263,332
Issued capital	299,336,226	299,421,787
Accumulated losses	(16,435,491)	(112,621,608)
Option premium reserve	18,326,178	18,222,793
Other reserves	(12,041,318)	(3,156,903)
	<b>289,185,595</b>	<b>201,866,069</b>
Profit of the parent entity	96,186,116	11,158,236
Total comprehensive income of the parent entity	87,301,700	9,248,679
<b>Guarantees entered into by the parent entity in relation to the debts of its subsidiaries.</b>	Nil	Nil
<b>Contingent liabilities of the parent entity.</b>	Nil	Nil
<b>Contractual commitments by the parent entity for the acquisition of property, plant or equipment.</b>	Nil	Nil

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Metals X Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b) and;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

On behalf of the Board.




**Warren Hallam**

Managing Director

Perth, 29 September 2011

# INDEPENDENT AUDIT REPORT



**ERNST & YOUNG**

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**Independent auditor's report to the members of Metals X Limited**

**Report on the financial report**

We have audited the accompanying financial report of Metals X Limited, which comprises the consolidated statement of financial position as at 30 June 2011, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

***Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2 (b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***


In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

DL:VP:METALSX:009

Liability limited by a scheme approved under Professional Standards Legislation



# INDEPENDENT AUDIT REPORT



**Opinion**

In our opinion:

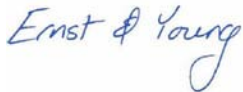
- a. the financial report of Metals X Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2 (b).

**Report on the remuneration report**


We have audited the Remuneration Report included in of the directors' report for the year ended 30 June 2011. 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**

In our opinion, the Remuneration Report of Metals X Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



D S Lewsen  
Partner  
Perth  
29 September 2011

DL:VP:METALSX:009

# SECURITY HOLDER INFORMATION AS AT 21 SEPTEMBER 2011

<b>(a)</b>	<b>Top 20 Quoted Shareholders</b>	<b>%</b>	<b>Number of shares</b>
	Sun Hung Kai Investment Services Limited <Client A/C>	21.58	291,052,299
	Jinchuan Group Limited	13.05	176,000,000
	Sun Hung Kai Investment Services Limited <Client APAC Res A/C>	10.31	139,000,000
	National Nominees Limited	6.44	86,804,106
	Sabatica Pty Limited	5.91	79,742,210
	All-States Finance Pty Ltd	3.93	53,000,000
	Fitel Nominees Limited	3.69	49,817,046
	Bell Potter Nominees Limited <BB Nom A/C>	3.17	42,738,997
	Ajava Holdings Pty Ltd	2.94	39,610,000
	Richard Farleigh	1.78	23,979,065
	Peter Gerard Cook	1.60	21,550,000
	Equity Trustees Limited <SGH PI Smaller Co.>	1.30	17,480,394
	JP Morgan Nominees Australia Limited	1.15	15,474,066
	HSBC Custody Nominees Australia Limited	0.82	11,083,995
	Joan Christine Cook <Cojo S/F A/C>	0.52	7,056,200
	Oaksouth Pty Ltd	0.52	7,000,000
	Western Bridge Pty Ltd <HK Hawkins S/F A/C>	0.51	6,888,889
	Western Bridge Pty Ltd <Harold K Hawkins F>	0.47	6,401,990
	Milstern Enterprises Pty Ltd	0.41	5,500,000
	Citicorp Nominees Pty Ltd	0.39	5,314,616
	<b>Total</b>	<b>80.49</b>	<b>1,085,493,873</b>
<b>(b)</b>	<b>Distribution of quoted ordinary shares</b>	<b>Number of share holders</b>	<b>Number of shares</b>
	<b>Size of parcel</b>		
	1 to 1,000	96	28,103
	1,001 to 5,000	932	2,960,469
	5,001 to 10,000	860	7,160,278
	10,001 to 100,000	2,163	77,701,038
	100,001 to 25,000,000	422	1,260,733,582
	<b>Total</b>	<b>4,473</b>	<b>1,348,583,470</b>
<b>(c)</b>	<b>Number of holders with less than a marketable parcel of ordinary shares</b>	<b>609</b>	<b>1,173,219</b>
<b>(d)</b>	<b>Substantial Shareholders</b>	<b>%</b>	<b>Number of shares</b>
	Apac Resources Limited	29.08	397,130,281
	Jinchuan Group Limited	12.89	176,000,000
	COL Capital Limited	7.35	100,376,141
	Guinness Peat Group plc and its subsidiaries	6.57	89,742,210
	Chong Sok Un	5.15	70,331,581
	Peter Gerard Cook	5.01	68,440,200

**(e) Voting Rights**

The voting rights for each class of security on issue are:

*Ordinary fully paid shares*

Each ordinary shareholder is entitled to one vote for each share held.

*Options*

The holders of options have no rights to vote at a general meeting of the company.

**(f) Unquoted Equity Securities**

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Number holders</b>
225,000	36 cents	31/03/2012	3
1,000,000	45 cents	31/07/2012	1
2,500,000	14 cents	30/11/2012	2
2,850,000	13 cents	30/11/2013	10
1,000,000	32 cents	30/11/2013	1

# SUMMARY OF MINING TENEMENTS

## **BLUESTONE MINES TASMANIA PTY LTD**

### **RENISON – 50%**

ML 12M/1995

### **MOUNT BISCHOFF – 50%**

ML 12M/2006

ML 2M/2008

### **MOUNT RAMSAY – 50%**

EL 72/2007

## **BLUESTONE NOMINEES PTY LTD**

### **COLLINGWOOD – 100%**

ML 2796

ML 3065

ML 3066

ML 3067

ML 3068

ML 3069

ML 3070

MDL 111

MDL 112

EPM 14815

### **MOUNT GARNET – 100%**

MDL 381

## **HINCKLEY RANGE PTY LTD**

### **WINGELLINA – 100%**

E 69/0535

E 69/0012

E 69/0013

## **AUSTRAL NICKEL PTY LTD**

### **CLAUDE HILLS – 100%**

EL 4751





**METALS X** LIMITED