METALS X LIMITED

2012 ANNUAL REPORT

CORPORATE DIRECTORY

DIRECTORS
Peter Cook (Chairman)
Warren Hallam (Managing Director)
Dean Will
Andrew Ferguson
Xie Penggen
Yimin Zhang (Alternate for Xie Penggen)

COMPANY SECRETARY
Fiona J Van Maanen

KEY MANAGEMENT
Ross Cook (GM – Bluestone Mines Tasmania JV)
Michael Poepjes (Chief Mining Engineer)

REGISTERED OFFICE
Level 3, 123 Adelaide Terrace
East Perth WA 6004
Phone: 61-8-9220 5700
Fax: 61-8-9220 5757
E-mail: reception@metalsx.com.au
Website: www.metalsx.com.au

POSTAL ADDRESS
GPO Box 2606
PERTH WA 6001

SECURITIES EXCHANGE
Listed on the Australian Securities Exchange
Code: MLX

SHARE REGISTRY
Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Phone: 61-8-9315 2333
Fax: 61-8-9315 2233
E-mail: registrar@securitytransfer.com.au

DOMICILE AND COUNTRY OF INCORPORATION
Australia

METALS X LIMITED

TABLE OF CONTENTS

COMPANY PROFILE

Metals X Limited ("Metals X" or "the Company") is a diversified resource group with a considerable portfolio of growth assets at all stages of development; from exploration through to production; with exposure to tin, nickel, gold, silver, copper, zinc, bauxite and lead.

Metals X is Australia's largest tin producer with its 50% owned Tasmanian Renison Tin assets producing approximately 2.5% of the global supply of tin concentrates.

Metals X owns 100% of the world class Wingellina Nickel-Cobalt Project ("Wingellina") which hosts a total global resource of over 183Mt at 0.98% Ni including a mining reserve of 167Mt at 0.98% Ni, 0.08% Co and 47.3% Fe_2O_3. A project development feasibility study completed in 2008 concluded a robust project for the construction of a nickel and cobalt operation producing approximately 40,000tpa of nickel and 3,000tpa of cobalt for an initial mine life of 40 years at an operating cost of US$3.34 per pound of nickel after cobalt credits.

Metals X continues to move Wingellina towards development and has signed a landmark Native Title Mining Agreement with the traditional owners enabling the project to be advanced and developed. On 4 September Metals X announced that it had signed a non-binding Memorandum of Understanding ("MOU") with Samsung C&T Corporation ("Samsung") to establish a framework for collaboration and co-operation to develop Wingellina towards production. Samsung has agreed to use its financial reputation and capacity to assist Metals X with the financing and developing of the project. Metals X's objective of the collaboration is for the Company to retain a 30% interest in Wingellina free carried to production.

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. Metals X actively provides technical and financial support to those companies, these strategic investments including:

- Westgold Resources Limited ("Westgold") (26.98% interest) which holds resources of over 3.9Moz of gold within its Murchison goldfield in Western Australia and Rover project near Tennant Creek in the Northern Territory (Metals X and Westgold have agreed to merge via a scheme of arrangement that if successful will result in Metals X acquiring 100% of Westgold).
- Mongolian Resource Corporation Limited (14.76% interest) a Mongolian focused resource company that is involved in the mining and exploration of gold.
- Aziana Limited (25% interest) an established gold and bauxite explorer with highly prospective projects in Madagascar.
- Reed Resources Limited (5.17% interest) is a diversified explorer and emerging producer with gold, lithium, titanium, vanadium and iron projects throughout Australia (the majority of this holding was acquired in late June and early July 2012); and
- Independence Group NL (2.82% interest) is a diversified producer with nickel, zinc, copper and gold operations throughout Australia (this investment was as a result of Independence takeover of Jabiru Metals Limited of which Metals X owned a 19.99% holding);

As of 30 June 2012 the market value of Metals X investments was $50M and the company held cash and working capital of $62M and has no debt.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to present you the Metals X Limited Annual Report for the period ending 30 June 2012.

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

Our joint venture tin operations in Tasmania maintained consistent performance, although the mine's productivity was at levels below our internal expectations. We re-invested heavily into the long-term future of the operation, primarily on capital mine development and advancement of the Renison North lodes which has set the mine up for a bright future. Our geologists have now extended the Mineral Resources of tin to an equivalent of 14 years of plant capacity and Mining Reserves have expanded to 5 years. I have no doubt that the conversion of resources to reserves will be much higher in the fullness of time as it is sometimes difficult and expensive to drill-out reserves from the limited underground positions. That said, I do believe the Renison mine is in the strongest position it has been since we have owned it and any recovery in metal prices will reflect positively on our bottom line.

The Company has continued in advancing the Wingellina Nickel-Cobalt 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 has been signed paving the way for the development of this globally significant project. On 4 September the Company signed a MOU with Samsung that will see them collaborate with Metals X to complete a Detailed Feasibility Study ("DFS") and move the Wingellina Project to production. Further, Samsung has agreed to use its financial reputation and capacity to assist Metals X with financing and development proposals for the project.

Our strategy to make investments in assets via equity participation in other companies has continued throughout the year. We still hold a significant shareholding in the ASX listed entities Independence Group NL, Mongolian Resource Corporation Limited, Reed Resources Limited and Aziana Limited.

We commenced the consolidation of our gold investments and our intent to build a significant in-house gold division with an agreed merger by scheme of arrangement with Westgold. This is expected to conclude in October 2012.

On the financial front, our Company is in a strong position with substantial cash and investments with no debt. We completed our on-market share buy-back having acquired 48.99 million shares at an average price of $0.22 per share.

The year past has been one of unprecedented dis-interest in small stocks and growth assets. Like many others, Metals X has seen its share price whittle away on small volumes in the backdrop of lower buyer interest. Despite this, I can assure you that your Board and management will continue to strive to see that significant gap between fair market value of our assets and the share price is bridged.

After a very strong profit in the 2011 financial year it is disappointing to book a loss for the current year. However, the majority of this is due to depreciation in the market value of investments in line with general market trends for the year.

On behalf of our Board I thank our shareholders for their patience and belief in the company over the past year. We look forward to a far more positive 2013 financial year.

Peter Cook

Chairman

MANAGING DIRECTOR'S OPERATIONS REVIEW

OPERATING RESULTS

The net loss after income tax of the Consolidated Entity for the period was $43,717,642 (2011: $62,296,608 profit), a decline of 170% as compared to the previous year. This result reflects impairment losses on "available-for-sale financial assets" of $24,490,872 and impairment losses on "investment in associates" of $8,064,451 as a result of declines in the share prices of Mongolian Resource Corporation Limited, Independence Group NL and Westgold Resources Limited. Also the operating profit from the Renison Tin Project was lower than the previous financial year mainly due to the lower tin price and higher AUD:USD exchange rate.

TIN MARKET

The average LME Australian dollar tin price for the year was approximately A$21,500 compared to the previous year's average price of A$26,500.

The supply of tin continues to remain extremely tight as production from China, Indonesia and Peru which supplies 75% of global tin-in-concentrate production continue to show signs of declining supply with limited additional global production capacity being seen in the short to medium term. During the year the LME stockpiles observed a decline of 45% from 22,385t on the 1 July 2011 to 12,260t on 30 June 2012 (currently 11,500t) which is equivalent to less than two weeks of supply. It is estimated that the market supply deficit from 2012/2013 will be similar to that observed in 2011/2012 of approximately 8,000t to 10,000t.

NICKEL DIVISION

The cornerstone of the Company's nickel division is its 100% ownership of the world-class nickel assets in the Central Musgrave Project ("CMP") located in the Central Musgrave Ranges.

The CMP straddles the triple-point of the WA/NT/SA borders and the project encompasses 1,957km2 of prospective exploration tenure that includes the Wingellina nickel deposit, the Claude Hills nickel deposit, and the Mt Davies exploration prospects.

CENTRAL MUSGRAVE PROJECT

The key focus for the project is the development of the Wingellina nickel and cobalt deposit discussed in detail below.

Work at the CMP during the year focused on the following key areas:

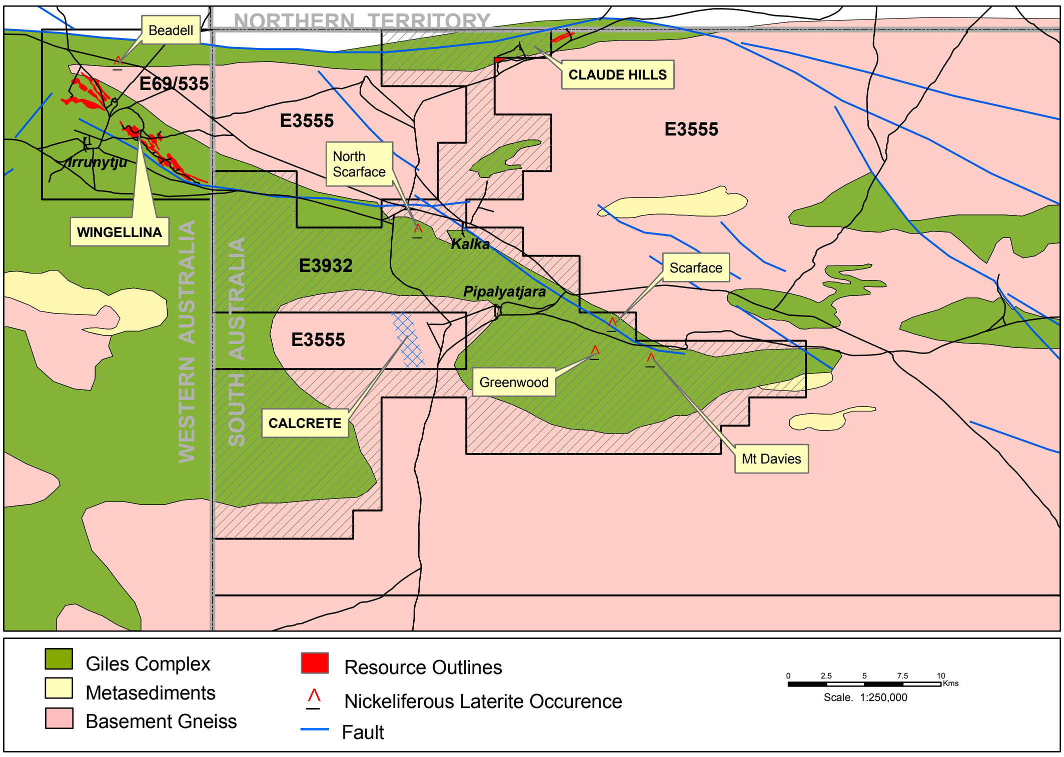
1. advancing the financing and development options for the Wingellina project;
2. finalising the statutory environmental approvals process;
3. further expanding the resource base within the Company's South Australian tenements; and
4. the collection of airborne electromagnetic survey data to target primary nickel and sulphide conductors.

WINGELLINA NICKEL-COBALT PROJECT

The Wingellina Nickel-Cobalt Project ("Wingellina") is one of the largest undeveloped nickel-cobalt mines in the world today.

Metals X has previously completed a phase 1 feasibility study (+/- 25%) that confirmed a robust project for the construction of a 4.3Mtpa nickel and cobalt High Pressure Acid Leaching ("HPAL") plant producing approximately 40,000tpa of nickel and 3,000tpa of cobalt. The initial mine life is 40 years with an estimated benchmark operating cost of US$3.34 per pound of nickel after cobalt credits. The key financial outcomes of the project concluded an after tax NPV (8% real) of A$3.4 billion based on a nickel price of US$20,000, cobalt price of $45,000 and a US$ exchange rate of $0.85. Capital cost estimates were A$2.2 billion.

The Mineral Resource Estimate defines an ore body containing approximately 1.8Mt of contained nickel metal and 139,000t of cobalt metal. Significantly, over 91% of the resource is defined as a Probable Mining Reserve in accordance with the JORC code (refer to page 21 for Resource and Reserve Estimates).



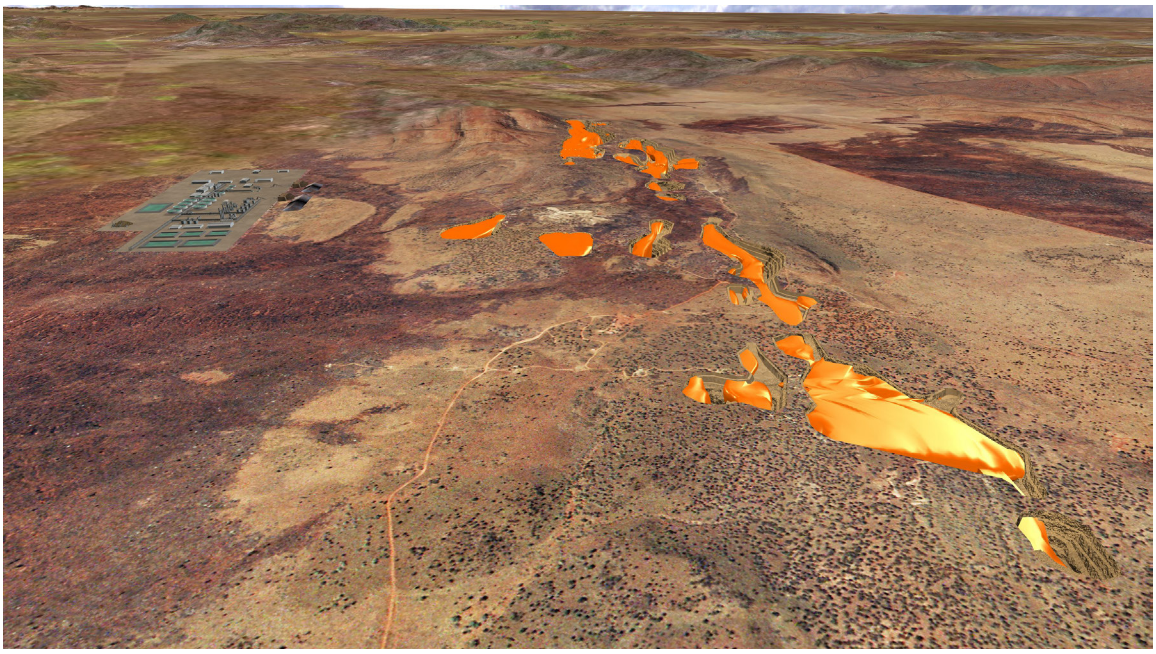
Metals X Central Musgrave Lease Holdings

Wingellina will be a simple mining operation with free-digging limonite ore occurring over a number of pits with a strike length of approximately 10km and widths of up to 500m. Average waste: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. This allows mining to progress with a strategy to mine higher grade ores early in the project life to maximise 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. Direct mining costs are less than 5% of the overall operating cost for the project.

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 HPAL, with high iron grades (resource average 47% Fe2O3) and a very low concentration of magnesium (resource average 1.6% Mg). The Wingellina ore has similar metallurgical characteristics to the successfully HPAL operations in the world today with a 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 Company has completed all of its baseline environmental studies and associated documentation required for the submission of the Public Environmental Review ("PER") document with the exception of detailed definition of the proposed water sources which is currently underway.

Metals X currently expects final PER documentation to be submitted to the EPA in the final quarter of 2012.



Schematic View of the Wingellina Nickel-Cobalt Project

WINGELLINA FINANCE FOR DEVELOPMENT

On 4 September the Company signed a MOU with Samsung that will see Samsung collaborate with Metals X to complete an updated DFS and move the Wingellina Project to production. Further, Samsung has agreed to use its financial reputation and capacity to assist Metals X with financing and development proposals for the project.

Upon completion of a successful DFS and project approval, the objectives of the collaboration are for Metals X to retain a 30% interest in Wingellina free carried to production and Samsung will be awarded the Engineering, Procurement and Construction contract on normal commercial terms. Samsung can also acquire direct equity in Wingellina and provide project delivery.

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 Ngaanyatjarraku 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 19,000km2.

CLAUDE HILLS DEPOSIT

Claude Hills is located approximately 25km to the east of Wingellina in South Australia and is one of a number of areas where outcropping nickeliferous limonite similar to Wingellina occurs within the Company's exploration titles. Metals X completed a drilling campaign at the Claude Hills prospect in 2010 to complement the drilling campaign carried out in late 2008 (refer to page 21 for Resource and Reserve Estimates).

The Claude Hills resource straddles the wholly owned tenement EL4751 and the Mt Davies JV tenement EL3932 (see Mt Davies section below), 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 12m to 60m, and lies below a remobilised cover of 5m to 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.

MT DAVIES JOINT VENTURE WITH RIO TINTO EXPLORATION

In July 2009 Metals X entered into a farm-in agreement with Rio Tinto Exploration Pty Ltd ("Rio Tinto") 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 EL4751, which is adjacent to the Wingellina deposit, and hosts part of the Claude Hills deposit. The Company 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 Metals X of the pre-feasibility study, through the sole funding of a feasibility study.

AIRBORNE GEOPHYSICAL SURVEY

During the year Metals X conducted an airborne geophysical (EM) survey within the Claude Hills (EL4751) and Mt Davies (EL3932) tenements in South Australia. The survey primarily targeted nickel and copper sulphide mineralisation and platinum group elements.

The survey was carried out using a SPECTREM system covering a total of 5,280 line kilometres with a line spacing of 250m. The SPECTREM system is a proven, high-powered, deep-looking EM system developed in the mid 1990's. It is more capable of penetrating surface weathered features and detecting deeper targets than other fixed-wing systems currently in use.

Initial interpretation by SPECTREM located 148 targets of which 15 zones were determined as high priority targets with a further nine anomalies warranting follow-up exploration. Anomalies are in the process of being accessed with Aboriginal ground heritage clearances underway.

COMMUNITY INVOLVEMENT

Metals X has been welcomed into the region by members of the various communities as evidenced by the completion of the Native Title 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 continues to directly employ a number of local community members to assist with ongoing exploration and project development activities.

TIN DIVISION

Metals X is a globally significant tin producer through its 50% ownership of the Bluestone Mines Tasmania Joint Venture. The key assets of the Joint Venture are the world class Renison Tin Mine, a 700,000tpa tin concentrator plant, the Renison Expansion Project (Rentails) and the Mount Bischoff Project.

RENISON TIN PROJECT – ANNUAL PERFORMANCE

The Renison Tin Project is located approximately 15km north-east of Zeehan on Tasmania's west coast. The Mount Bischoff open pit mine is located approximately 80km north of the Renison Tin Project.

During the year the company significantly advanced capital mine development and completed the de-watering and rehabilitation of the Northern Decline. For the first time in over a decade the Northern and Southern extents of the mine are in production. As a consequence, the mine's stocks of capitally developed tonnes have increased significantly setting the mine up well for the future.

Production from the mine was steady but still short of required levels throughout the year. This was impacted by delays in completing access to northern end of the mine and a seismic event which required ground rehabilitation and additional support in the Federal Decline.

The annual net operating loss for the Renison Tin Project was $9.2M compared to a profit of $21.5M for the previous year which was mainly attributable to the lower annual tin price compared to the previous financial year and the delays experienced in access the higher grade Northern zones of the mine.

Metals X's share of revenue from tin concentrate sales from the Renison Tin Project for the financial year was $48.9M (2011: $69.0M).

Metals X Entity's interest (50%) for the Renison Tin Project is summarised below:

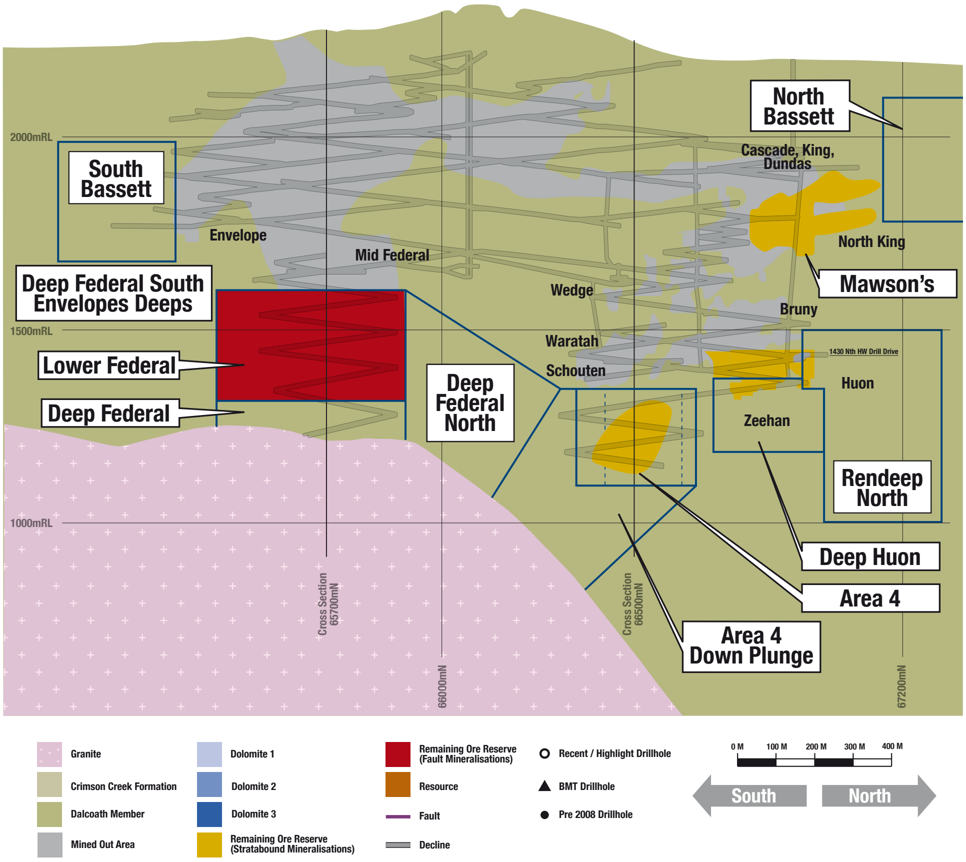
Mining	**2012**	**2011**
Renison Underground		
Ore Hoisted (tonnes)	267,697	236,038
Grade (%Sn)	1.46	1.61
Mt Bischoff Open Pit		
Ore Mined (tonnes)	-	3,345
Grade (%Sn)	-	0.99
Tin Concentration		
Tonnes Processed (tonnes)	272,792	236,038
Grade (%Sn)	1.45	1.56
Recovery (%)	63	66
Concentrate Grade (%Sn)	53	56
Copper Metal Produced (tonnes)	242	94
Tin Metal Produced (tonnes)	2,500	2,701
Tin Metal Sales (tonnes)	2,445	2,788
Operating Cost ($/t Sn)	$18,708	$16,800
Average Realised Tin Price ($/t Sn)	$20,006	$24,755

Operating costs per tonne were higher due to lower productivity against a high fixed cost base. The lower productivity was due to lower production grades as a direct result of delays in accessing and mining some of the higher grade northern lodes.

The long-term objective of the Renison Tin Project is a steady state production rate of approximately 60,000t of ore per month from the North Renison and South Renison declines combined and the production of 7,000t - 8,000t of tin in concentrates per annum.

Capital mine development during the financial year was well in excess of the sustaining capital requirements of the mine. Overall capital mine development during the year increased 64% from 1,072m to 1,762m with developed stocks (ore blocks ready to be mined) increasing to 460,000t from 320,000t and the amount of capital developed stocks (accessible to main decline but not yet developed laterally) at the end of the financial year being 973,000t.

During the year the mining fleet was also replaced and upgraded and has been fully commissioned. The upgrade included replacing two loaders, three additional trucks, an additional Jumbo, an additional charge up machine and a replacement of the underground grader.



Renison Bell – Mine Development Schematic Longitudinal Projection

THE RENISON TIN CONCENTRATOR

The tin concentrator plant performance was generally dictated by the mine performance with production rates running at nameplate capacity towards the end of the year. A new spiral circuit on the regrind mill has been installed and has been fully commissioned reducing the impact of fine grinding of tin in the circuit. The ultra-fine recovery circuit was optimised and two additional high-speed centrifugal concentrators are planned to be installed to further complement the three units currently in operation which will further enhance fine tin recovery.

Approximately 483t (100%) of copper in concentrate were produced during the year. Copper production is expected to increase further as the higher-grade copper areas are mined.

RENISON EXPLORATION

Underground and surface drilling continued to focus on the upgrading and extension of the Resources and Reserves in the underground mine and on near surface targets within the Renison mining lease. In addition, a deep penetrating aeromagnetic survey was completed to assist in targeting extensional surface and underground exploration opportunities.

Two underground diamond rigs operated for the entire year with a focus on the upgrading and extension of the Resource and Reserves of the Renison mine. Excellent success was achieved from a number of parts of the mine and this translated in significant increases in the overall Mineral Resource and Mining Reserve.

RENISON MINERAL RESOURCE AND MINING RESERVES

The success of exploration works during the year has resulted in a significant increase in both the Mineral Resources and Mining Reserve Estimates. The total Mining Reserve Estimate of tin metal for the Renison underground mine was increased by 23% (in addition to depletion from mine production), to 45,700t of contained tin metal, with a 13% increase of Mineral Resource Estimate (in addition to mine depletion), to 153,500t of contained tin metal.

Of significance was a 64% increase in the measured and Indicated Resource Estimate of the Area 4 zone which now totals 772,000t @ 2.4% Sn containing 18,700t of tin metal which has been converted to a probable reserve of 687,000t @ 1.90% Sn. In addition, an inferred resource estimate for the Area 4 Down-plunge zone details a further 948,000t @ 1.8% Sn containing 17,400t of tin metal.

Overall the total tin inventory is globally significant, and now totals 31Mt at 0.80% Sn containing 260,900t of contained tin metal across the Tasmanian tin projects, of which the Renison and Rentails projects contains 153,500t and 89,400t of tin metal respectively (refer to page 19 for Resource and Reserve Estimates).

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. Open pit mining since 2009 has produced approximately a further 5,000t of tin metal. Significant tin resources remain at depth under the Mount Bischoff pit and numerous historically mined areas remain underexplored.

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.

RENISON EXPANSION PROJECT

The Renison Expansion Project ("Rentails") holds a resource of over 83,000t of tin and 40,000t of copper. The project objective is to reprocess and recover tin and copper from an estimated 20Mt of tailings from the historical processing of tin ores from the Renison mine at an average grade of 0.45% tin and 0.21% copper.

Metals X completed a Definitive Feasibility Study for the Expansion Project in 2009 into the mining and re-processing of the tailings for the recovery of tin and copper. Feasibility outcomes were that an integrated 2Mtpa tin-concentrator and fumer plant (proven technology) could be constructed and produce approximately 5,300t of tin and 2,000t of copper contained in concentrates per annum. Financial outcomes estimated an average total cash cost of production of A$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 A$194M +/- 15%. 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.

Metals X is currently working with its Renison Joint Venture partners to validate the feasibility study in preparation for committing to the project development when tin prices return to anticipated higher and sustainable levels.

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 of these assets and is currently actively marketing the project for sale. In the meantime the project will remain under care and maintenance.

INVESTMENTS

Metals X has operated a strategy over the past few years to build a diverse portfolio of metal and industrial mineral interests. When opportunities emerge 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 wich includes:

1. Westgold Resources Limited (ASX:WGR) 26.98% (2011: 25.02%);
2. Independence Group NL (ASX:IGO) 2.82% (2011: 3.23%);
3. Reed Resources Limited (ASX:RDR) 5.17% (2011: Nil);
4. Mongolian Resource Corporation Limited (ASX:MUB) 14.76% (2011: 16.97%); and
5. Aziana Limited 25.00% (ASX:AZK) (2011: 25.00%).

WESTGOLD RESOURCES LIMITED – MERGER PROPOSAL

Westgold is an ASX listed gold and base metals exploration company.

Westgold boasts a resource of over 3.9Moz of gold equivalence and is endeavouring to become Australians next mid-tier gold producer with targeted production of 200,000oz per annum from two development ready projects:

1. The Central Murchison Gold Project ("CMGP") – Western Australia
2. The Rover Project - Tennant Creek Region - Northern Territory

The CMGP consists of the three historic goldfields of Big Bell, Cuddingwarra and Day Dawn which host a total Identified Mineral Resource Estimate of 2.7Moz of gold from a number of high-grade underground, lower grade open pit sources and stockpiles within the project area. Westgold's current strategy is to build a centralised processing plant to re-commence mining and production from underground and open pit mines within its CMGP. Westgold is currently completing a Definitive Feasibility at the CMGP that contemplates a 1.2M – 1.5Mtpa conventional gold processing plant that will produce an average of 100,000oz over an initial mine life of 8 years.

At its Rover Project near Tennant Creek in the Northern Territory Westgold is also targeting production from its Rover 1 Prospect where it has defined a virgin deposit of +1.22Moz gold equivalent resource. The Rover 1 ore body is an iron-oxide-copper gold ore system with lodes of gold and copper. Significant co-mineralisation of cobalt and bismuth also occurs.

At Rover, Westgold is proposing an exploration decline to enable more detailed drill evaluation. It has submitted a Mine Management Plan to the appropriate statutory authorities in the Northern Territory and anticipates approvals to be received by the end of 2012.

On 14 May 2012 Metals X announced a merger by scheme of arrangement with Westgold. Under the terms of the merger, eligible Westgold shareholders will receive 11 new Metals X shares for every 10 Westgold shares held. Also eligible Westgold option holders will receive 11 new Metals X options for every 10 Westgold options held at an exercise price of 10/11th of the current exercise price. The merger is expected to be complete in October 2012.

TIN DIVISION

MINERAL RESOURCES ESTIMATES – CONSOLIDATED SUMMARY

(Calculated as at 31 March 2012)

Project	Cut-off (%Sn)	Tin Tonnes (Kt)	Tin Grade (%Sn)	Tin Sn Metal (t)	Copper Tonnes (Kt)	Copper Grade (%Cu)	Copper Cu Metal (t)
Measured							
Renison Bell	0.80%	972	2.00	19,400	778	0.35	2,700
Mt Bischoff	0.50%	-	-	-	-	-	-
Rentails	0.00%	19,999	0.45	89,400	19,999	0.21	42,400
Collingwood	0.70%	-	-	-	-	-	-
Sub-total		**20,971**	**0.52**	**108,800**	**20,777**	**0.22**	**45,100**
Indicated							
Renison Bell	0.80%	5,457	1.46	79,900	4,754	0.34	16,000
Mt Bischoff	0.50%	968	0.59	5,700	-	-	-
Rentails	0.00%	-	-	-	-	-	-
Collingwood	0.70%	652	1.29	8,400	-	-	-
Sub-total		**7,077**	**1.33**	**94,000**	**4,754**	**0.34**	**16,000**
Inferred							
Renison Bell	0.80%	3,256	1.67	54,200	1,624	0.43	7,000
Mt Bischoff	0.50%	699	0.47	3,300	-	-	-
Rentails	0.00%	-	-	-	-	-	-
Collingwood	0.70%	51	1.12	600	-	-	-
Sub-total		**4,005**	**1.45**	**58,100**	**1,624**	**0.43**	**7,000**
TOTALS							
Renison Bell	0.80%	9,685	1.58	153,500	7,156	0.36	25,700
Mt Bischoff	0.50%	1,667	0.54	9,000	-	-	-
Rentails	0.00%	19,999	0.45	89,400	19,999	0.21	42,400
Collingwood	0.70%	702	1.28	9,000	-	-	-
Grand Total		**32,053**	**0.81**	**260,900**	**27,155**	**0.25**	**68,100**

Notes: Renison Bell, Mt Bischoff and Rentails Resources are 50% owned by Metals X.

TIN DIVISION (CONTINUED)

MINING RESERVES ESTIMATE – CONSOLIDATED SUMMARY

Mining Reserves are a subset of the Mineral Resource Estimate

(Calculated as at 31 March 2012)

Project	Cut-off (%Sn)	Tin			Copper		
		Tonnes (Kt)	Grade (%Sn)	Sn Metal (t)	Tonnes (Kt)	Grade (%Cu)	Cu Metal (t)
Proved Reserves							
Renison Bell	0.80%	372	1.44	5,300	372	0.32	1,200
Mt Bischoff	0.50%	-	-	-	-	-	-
Rentails	0.00%	-	-	-			
Collingwood	0.70%	-	-	-			
Sub-total		**372**	**1.44**	**5,300**	**372**	**0.32**	**1,200**
Probable Reserves							
Renison Bell	0.80%	2,970	1.36	40,300	2,603	0.27	6,900
Mt Bischoff	0.50%	-	-	-	-	-	-
Rentails	0.00%	19,158	0.45	85,300	19,158	0.21	40,400
Collingwood	0.70%	-	-	-			
Sub-total		**22,128**	**0.57**	**125,600**	**21,761**	**0.22**	**47,300**
Total Mining Reserves							
Renison Bell	0.80%	3,342	1.37	45,700	2,974	0.27	8,100
Mt Bischoff	0.50%	-	-	-	-	-	-
Rentails	0.00%	19,158	0.45	85,300	19,158	0.21	40,400
Collingwood	0.70%	-	-	-			
Total Reserves		**22,500**	**0.58**	**131,000**	**22,132**	**0.22**	**48,500**

Notes: Renison Bell, Mount Bischoff and Rentails Reserves are 50% owned by Metals X.

Figures have been rounded and hence may not add up exactly to the given totals.

Cut-off grades are estimated using current operating cost estimates for the projects and a tin price of A$24,000 per tonne. Additional modifying factors to account for minimum mining width, ore loss, mining recovery and mining dilution, etc, were applied in the estimation of the Mining Reserve.

NICKEL DIVISION

MINERAL RESOURCES ESTIMATES – CONSOLIDATED SUMMARY

(Calculated as at 30 June 2012)

Wingellina	Cut Off (%Ni)	Tonnes(Mt)	Ni (%)	Co (%)	Fe_2O_3(%)
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
Total I.M.R	**0.5**	**183.2**	**0.98**	**0.076**	**47.0**

Claude Hills	Cut-off (% Ni)	Tonnes (Mt)	Ni (%)	Co (%)	Fe_2O_3 (%)
Inferred	0.5	33.3	0.81	0.07	39
Inferred	0.7	19.2	0.96	0.08	44

MINING RESERVES ESTIMATE – CONSOLIDATED SUMMARY

Mining Reserves are a subset of the Mineral Resource Estimate

(Calculated as at 30 June 2012)

Wingellina	Tonnes (Kt)	Ni (%)	Co (%)	Fe_2O_3 (%)
Proven	-	-	-	-
Probable	167,470	0.98	0.08	47.34
Total	**167,470**	**0.98**	**0.08**	**47.34**

Competent Persons Statement

The information in this Resource report that relates to exploration results and mineral resources are compiled by Metals X technical employees under the supervision of Mr. Peter Cook BSc (Appl. Geol), MSc (Min. Econ.) and M.AusIMM). Mr Cook is an advisor to, 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.

The information in this Resource report that relates to ore reserves for Metals X is based on information compiled by Mr Michael Poepjes (BEng (Mining), MSc (Min. Econ.) and M.AusIMM), Chief Mining Engineer of Metals X. Mr Poepjes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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 Poepjes consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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 2012.

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 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 and Aziana 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);
- Kingsrose Mining Limited (Appointed 10 October 2010 – Resigned 21 August 2012); and
- Aziana Limited* (Appointed 30 May 2011).

Warren 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 and Aziana 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 companies:

- Westgold Resources Limited* (Appointed 18 March 2010); and
- Aziana Limited* (Appointed 30 May 2011).

Michael Jefferies – Non-Executive Director (Resigned 10 May 2012)

Mr Jefferies has been an executive of Guinness Peat Group ("GPG") for the past 20 years and has extensive experience in finance and investment. He is a Chartered Accountant and holds a B. Comm.

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

- 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 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, 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.

Xie Penggen – Non-Executive Director (Appointed – 9 February 2012)

Mr Xie Penggen is a minerals processing engineer with over 24 years of experience in the mining industry. Mr Xie commenced his career within the Jinchuan Group where he has undertaken various operational, technical and management roles. He is currently an executive in Jinchuan's global investment group which is responsible for the Group's international investments.

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

Sanlin Zhang – Non-Executive Director (resigned – 9 February 2012)

Mr Zhang is a Vice President of Jinchuan Group Limited and is responsible for international investments, legal counsel 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 Xie Penggen. 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).

Andrew Ferguson – Non-Executive Director (Appointed - 10 May 2012)

Mr Ferguson is an Executive Director and the Chief Executive Officer of APAC Resources Limited. Mr Ferguson holds a Bachelor of Science Degree in Natural Resource Development and worked as a mining engineer in Western Australia in the mid 90's. In 2003, Mr Ferguson co-founded New City Investment Managers in the United Kingdom. He has a proven track record in fund management and was the former co-fund manager of City Natural Resources High Yield Trust, which was awarded 'Best UK Investment Trust' in 2006. In addition, he managed New City High Yield Trust Ltd. and Geiger Counter Ltd. He worked as Chief Investment Officer for New City Investment Managers CQS Hong Kong, a financial institution providing investment management services to a variety of investors. He has 14 years of experience in the finance industry specialising in global natural resources. Mr Ferguson 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 company:

- ABM Resources Limited* (Appointed 9 July 2012).

* 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	Options expiring on 30 November 2014 exercisable at $0.30
P G Cook	68,940,200	-	-
W S Hallam	6,350,000	1,500,000	1,250,000
A C Ferguson (1)	397,630,281	-	-
D P Will	-	-	1,250,000
X Penggen (2)	176,000,000	-	-
Y Zhang (Alt Director)	-	-	-
Total	**648,920,481**	**1,500,000**	**2,500,000**

(1) AC Ferguson is a director of APAC Resources Limited which holds 397,630,281 fully paid ordinary shares in the Company.

(2) X Penggen 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 a number of 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 the Consolidated Entity were:

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

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

EMPLOYEES

The Consolidated Entity employed 89 employees at 30 June 2012 (2011: 87).

OPERATING AND FINANCIAL REVIEW

A full review of the operations of the Consolidated Entity during the year ended 30 June 2012 is included on pages 6 to 21.

OPERATING RESULTS

The Consolidated Entity's net loss after income tax for the period was $43,717,642 (2011: $62,296,608 profit), a decline of 170% as compared to the previous financial year.

The results reflect:

- Tin sales revenue for the year from the Renison Tin Project (50% owned) was 29% lower compared with the previous financial year. This was mostly attributable to the decline in the tin price and a decrease in tin production due to the production of lower grade ore while higher grade areas in the mine are being developed.
- Impairment losses on "available-for-sale financial assets" of $24,490,872 as a result of declines in the share prices of Mongolian Resource Corporation Limited ("MRC") ($2,191,731) and Independence Group NL ("Independence") ($22,299,141). In the previous financial 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 total investment in Jabiru by the Company was $37,765,892. Following the takeover of Jabiru 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 sale resulted in a profit of $55,268,640 in the previous financial year.
- Impairment loss on "investment in associate" of $8,064,451 due to a decline in the share price of Westgold Resources Limited ("Westgold").

REVIEW OF FINANCIAL CONDITION

Liquidity and Capital Resources

The consolidated statement of cash flows illustrates that there was a decrease in cash and cash equivalents in the year ended 30 June 2012 of $33,011,974 (2011: $46,486,707 increase). The decrease in cash inflow in comparison with the prior year was due to the factors detailed below.

There has been decrease in the amount of cash generated from operating activities to $5,942,682 (2011: $23,976,007), which is largely due to a decrease in tin price and production at the Renison Tin Project.

There has been increase in the amount of cash used in investing activities to $25,835,981 (2011: $22,502,060 inflow), which was mainly attributable to the cash re-investment at the Renison Tin Project and the acquisition of securities in Reed Resources Limited, Westgold and Aziana Limited for a total of $9,267,180. Cash inflows in the previous year were mainly due to the sale of the Jabiru and Icon Resources Limited shares for $48,579,912.

Financing activities resulted in $13,118,675 (2011: $8,640 inflow) of net cash outflows. This is mainly due to the on-market share buy-back of 48,998,525 shares for an amount of $10,932,265 undertaken during the year.

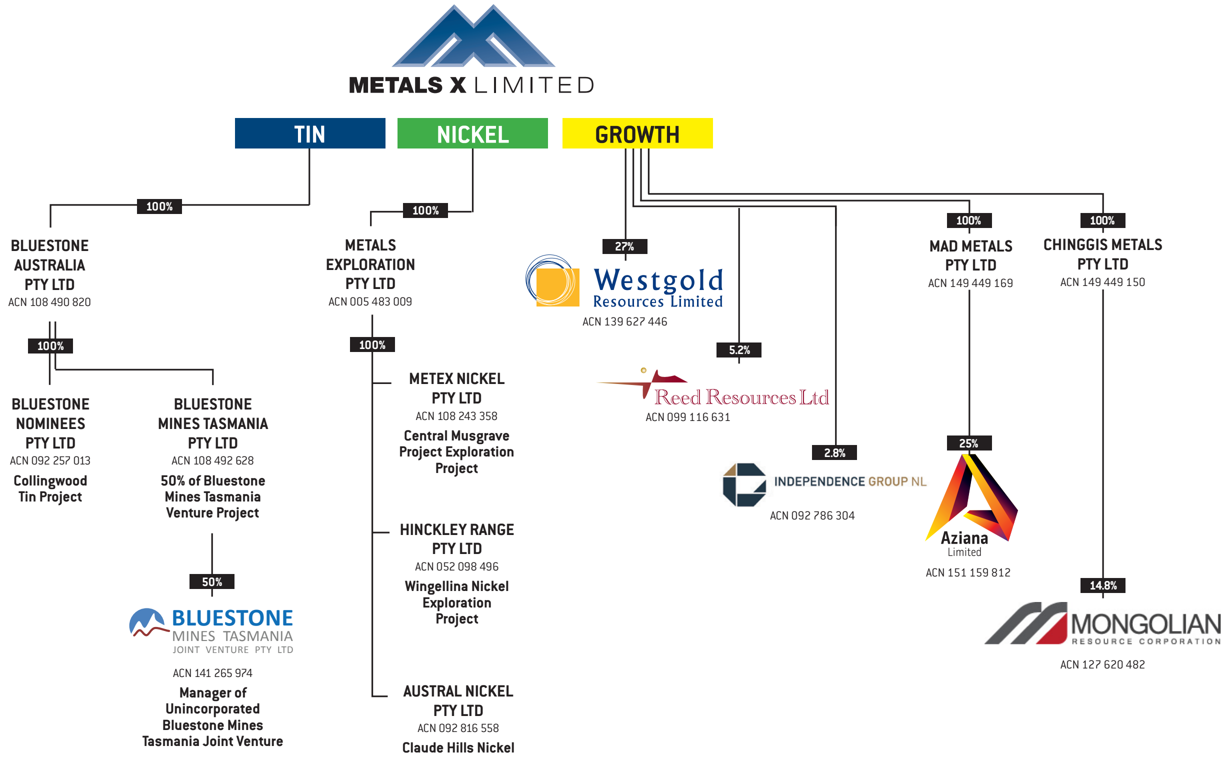
The Consolidated Entity's debt has increased by $3,291,433 (2011: $1,675,890 decrease) over the last year due to an upgrade of the mining fleet at the Renison Tin Project subject finance lease. Of the Consolidated Entity's debt, 34% ($1,507,448) is repayable within one year of 30 June 2012, compared to 81% ($941,788) in the previous year.

Capital Expenditure

There has been an increase in cash used to purchase property, plant and equipment in 2012 to $2,525,291 from $2,252,369 in 2011. Capital commitments of $299,457 existed at the reporting date, principally relating to the purchase of plant and equipment for the Renison Tin Project.

CORPORATE INFORMATION

CORPORATE STRUCTURE



SHARE ISSUES DURING THE YEAR

Share Placements

There were no share placements during the financial year.

Share Buy-Back

On 1 July 2011 the Company commenced an on-market buy-back of up to 10% of its issued capital over a twelve month period. During the financial period the Company had acquired 48,998,525 shares for a total value of $10,932,265 and an average price of $0.22 per share.

Option Conversions

No options were converted during the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity decreased to $212,823,758 from $263,953,921 a decrease of $51,130,163. The movement was largely as a result of operating losses from the Renison Tin Project, impairment losses on available-for-sale financial assets and impairment losses on investments in associates as a result of declines in the share prices of MRC, Independence and Westgold.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 4 September the Consolidated Entity announced that it had signed a non-binding Memorandum of Understanding ("MOU") with Samsung C&T Corporation ("Samsung") to establish a framework for collaboration and co-operation to develop the Wingellina Nickel-Cobalt Project ("Project") towards production. Under the MOU Samsung will offer its experience and expertise to assist in the completion of a Detailed Feasibility Study ("DFS"). Upon successful completion of the DFS and approval of the Project, Samsung will be awarded the Engineering, Procurement and Construction contract on normal commercial terms. Samsung has agreed to use its financial reputation and capacity to assist the Company with financing and development proposals for the project. Objectives of the collaboration are for the Company to retain a 30% interest in Wingellina free carried to production and Samsung will commit direct equity to the Project.

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 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 11,100,000 unissued ordinary shares under option (12,150,000 at reporting date), refer to note 28(e) for further details.

On 30 November 2011 the Company issued 4,850,000 options to directors and employees at an exercise price of $0.30 expiring 30 November 2014.

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
No of meetings held:	7	4	1
No of meetings attended:			
P G Cook	7	4	1
W S Hallam	7	-	-
D P Will	7	-	-
A C Ferguson	2	1	1
M L Jefferies	6	3	-
S Zhang	-	-	-
X Penggen	-	-	-
Y Zhang (Alt Director)	3	-	-

All Directors were eligible to attend all Director's meetings held, except for:

- AC Ferguson – eligible to attend 2 meetings;
- ML Jefferies – eligible to attend 6 meetings;
- X Penggen – eligible to attend 3 meetings; and
- S Zhang – eligible to attend 3 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 **
A C Ferguson **	A C Ferguson **
F J Van Maanen ***	

Notes:

* Designates the Chairman of the Committee.

** ML Jefferies resigned and AC Ferguson was appointed on 10 May 2012.

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

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2012 outlines the remuneration arrangements of 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 is presented under the following sections:

1. Introduction
2. Remuneration governance
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. INTRODUCTION

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 Consolidated Entity.

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

Details of KMP of the Consolidated Entity are set out below:

Name	Position	Date of appointment	Date of resignation
Directors			
P G Cook	Non-Executive Chairman	23 Jul 2004	-
W S Hallam	Managing Director	1 Mar 2005	-
A C Ferguson	Non-Executive Director	10 May 2012	-
M L Jefferies	Non-Executive Director	29 Dec 2006	10 May 2012
D P Will	Executive Director	12 Jul 2011	-
S Zhang	Non-Executive Director	9 Nov 2009	9 Feb 2012
X Penggen	Non-Executive Director	9 Feb 2012	-
Y Zhang	Alternate Non-Executive Director for X Penggen	3 Oct 2007	-
Executives			
R D Cook	General Manager – Renison	22 Apr 2010	-
M P Poepjes	Chief Mining Engineer	8 Aug 2011	-
F J Van Maanen	Company Secretary	1 Jul 2005	-

There were no other changes to key management personnel after reporting date and before the date the financial report was authorised for issue.

2. REMUNERATION GOVERNANCE

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 seek an increase for the non-executive director pool at the 2012 annual general meeting to an aggregate value of $300,000.

3. NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENTS (CONTINUED)

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 $75,000 and each other non-executive director receives a base fee of $45,000 for being a director of the Consolidated Entity. There are no additional fees for serving on any board committees.

A company associated with Mr Cook provides consulting services at $250 per hour for each hour worked on behalf of the Company. These fees are exclusive of non-executive director's fees and compensate Mr Cook for additional time spent on services outside of his usual non-executive director duties.

Non-executive directors have long been encouraged by the Board to hold shares in the Company and align their interests with the Company's shareholders. 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 2012 and 30 June 2011 is detailed in Table 1 and Table 2 respectively of this report.

4. EXECUTIVE REMUNERATION ARRANGEMENTS

Remuneration Policy

The Company's executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of executives and shareholders.

No KMP appointed during the period received a payment as part of their consideration for agreeing to hold the position.

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 and cash bonus).

The proportion of fixed remuneration and variable remuneration for each executive for the period ending 30 June 2012 and 30 June 2011 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 2012 and 30 June 2011 are set out in Table 1 and Table 2.

Variable Remuneration

Short Term Incentive ("STI") – cash bonus

The objective of the STI is to link the increase in shareholder value over the year with the remuneration received by the executives charged with achieving that increase. The total potential STI cash bonus available is set at a level so as to provide sufficient incentive to the executives to achieve the performance goals and such that the cost to the Consolidated Entity is reasonable in the circumstances.

Annual STI payments granted to each executive depends on their performance over the preceding year and are based on recommendations from the Managing Director following collaboration with the Board. Typically included are measures such as contribution to strategic initiatives, risk management and leadership/team contribution.

The aggregate of annual STI payments available for executives across the Consolidated Entity is subject to the approval of the Board.

Long Term Incentive ("LTI") – Share options

The objective of the LTI plan is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. As such LTI's are made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Consolidated Entity's performance.

LTI awards to executives are made under the Metals X Limited Long Term Incentive Plan 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 prohibits executives from entering into arrangements to protect the value of unvested LTI awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

5. COMPANY PERFORMANCE AND THE LINK TO REMUNERATION

STI remuneration is linked to the performance of the Company. In the current financial year cash bonuses were awarded to executives based on the Company's performance in the preceding financial year.

LTI 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 Long Term Incentive Plan 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.

	30 June 08	30 June 09	30 June 10	30 June 11	30 June 12
Closing share price	$0.41	$0.11	$0.10	$0.26	$0.15
Profit/(loss) per share (cents)	-0.76	-4.82	0.92	4.48	-3.31
Net tangible assets per share	$0.20	$0.15	$0.15	$0.19	$0.16
Total Shareholder Return	4%	-73%	-13%	166%	-43%

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 $436,000 (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 Will was employed under an annual salary employment contract and receives a fixed remuneration of $337,900 (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.

6. EXECUTIVE CONTRACTUAL ARRANGEMENTS (CONTINUED)

Remuneration of key management personnel of the Consolidated Entity

Table 1: Remuneration for the year ended 30 June 2012

	Short Term			Post employ-ment	Long term benefits	Share-based Payment			
	Salary and Fees	Cash Bonus	Non monetary benefits	Superan-nuation	Long service leave	Options	Total	% Perfor-mance related	% of remuner-ation that consists of options
Non-executive Directors									
P G Cook	214,025	-	-	6,750	-	-	220,775	-	-
A C Ferguson	6,411	-	-	-	-	-	6,411	-	-
M L Jefferies *	38,256	-	-	-	-	-	38,256	-	-
X Penggen	-	-	-	-	-	-	-	-	-
S Zhang *	-	-	-	-	-	-	-	-	-
Y Zhang (Alt Director)	-	-	-	-	-	-	-	-	-
	258,692	**-**	**-**	**6,750**	**-**	**-**	**265,442**	**-**	**-**
Executive Directors									
W S Hallam **	323,232	25,000	4,385	17,101	14,363	103,801	487,882	5.12	21.28
D P Will	304,236	-	4,875	25,000	1,635	103,801	439,547	-	23.62
Other key management personnel									
R D Cook	133,900	-	-	12,051	12,973	-	158,924	-	-
M P Poepjes	173,889	-	-	15,650	935	49,825	240,299	-	20.73
F J Van Maanen ***	160,253	12,500	4,618	14,423	3,541	41,521	236,856	5.28	17.53
	1,095,510	**37,500**	**13,878**	**84,225**	**33,447**	**298,948**	**1,563,508**		
Totals	**1,354,202**	**37,500**	**13,878**	**90,975**	**33,447**	**298,948**	**1,828,950**		

* S Zhang and ML Jefferies resigned on 9 February 2012 and 10 May 2012 respectively.

** WS Hallam is a Director of Westgold and Aziana Limited ("Aziana"). During the period Westgold and Aziana paid for Directors fees associated with Westgold and Aziana.

*** FJ Van Maanen is the Company Secretary of Aziana. During the period Aziana paid for Company Secretarial fees associated with Aziana.

Table 2: Remuneration for the year ended 30 June 2011

	Short Term			Post employment	Long term benefits	Share-based Payment	Total		
	Salary and Fees	Cash Bonus	Non monetary benefits	Superannuation	Long service leave	Options		% Performance related	% of remuneration that consists of options
Non-executive Directors									
P G Cook	172,230	-	-	5,400	-	-	177,630	-	-
M L Jefferies	40,000	-	-	-	-	-	40,000	-	-
S Zhang	-	-	-	-	-	-	-	-	-
Y Zhang (Alt Director)	-	-	-	-	-	-	-	-	-
	212,230	**-**	**-**	**5,400**	**-**	**-**	**217,630**	**-**	**-**
Executive Directors									
W S Hallam *	323,013	-	4,636	20,487	40,372	-	388,508	-	-
S J Huffadine**	420,645	-	4,456	23,778	-	-	448,879	-	-
Other key management personnel									
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	-	-
	1,178,687	**-**	**17,746**	**81,087**	**68,874**	**-**	**1,346,394**		
Totals	**1,390,917**	**-**	**17,746**	**86,487**	**68,874**	**-**	**1,564,024**		

* WS Hallam is a Director of Westgold. During the period Westgold paid for Directors fees associated with Westgold.

** SJ Huffadine resigned on 1 June 2011.

** PM Cmrlec resigned on 1 June 2011. CM Cmrlec was a Director of Westgold. During the period Westgold paid for Directors fees associated with Westgold.

*** FJ Van Maanen is the Company Secretary of Aragon Resources Limited ("Aragon"). During the period Aragon paid for Company Secretarial fees associated with Aragon.

7. EQUITY INSTRUMENTS DISCLOSURES

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
Directors									
W S Hallam	1,250,000	29/11/11	$0.083	$0.30	29/11/14	29/11/11	29/11/14	1,250,000	100%
D P Will	1,250,000	29/11/11	$0.083	$0.30	29/11/14	29/11/11	29/11/14	1,250,000	100%
Executives									
M P Poepjes	600,000	29/11/11	$0.083	$0.30	29/11/14	29/11/11	29/11/14	600,000	100%
F J Van Maanen	500,000	29/11/11	$0.083	$0.30	29/11/14	29/11/11	29/11/14	500,000	100%
Total	**3,600,000**							**3,600,000**	

^ For details on valuation of the options, including models and assumptions used, please refer to note 32.

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 $
W S Hallam	103,801	-	-	103,801
D P Will	103,801	-	-	103,801
M P Poepjes	49,825	-	-	49,825
F J Van Maanen	41,521	-	-	41,521

^ For details on valuation of the options, including models and assumptions used, please refer to note 32.

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 40, 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	57,350

Signed in accordance with a resolution of the Directors.

WS Hallam

Managing Director

Perth, 20 September 2012

AUDITOR'S INDEPENDENCE DECLARATION

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

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 2012, 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

D S Lewsen
Partner
Perth
20 September 2012

Liability limited by a scheme approved
under Professional Standards Legislation

DL:DR:METALSX:022

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

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

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1	**Lay solid foundations for management and oversight**		
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
Principle 2	**Structure the Board to add value**		
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
Principle 3	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary as to:	6(a)	Yes
	• the practices necessary to maintain confidence in the company's integrity;		
	• the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and		
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning diversity and disclose the policy or a summary. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	6(c)	Yes

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	6(c)	Yes
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	6(c)	Yes
3.5	Provide the information indicated in the Guide to reporting on principle 3.	6(a), 6(c)	Yes
Principle 4	**Safeguard integrity in financial reporting**		
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
	• consists only of non-executive directors;		
	• consists of a majority of independent directors;		
	• is chaired by an independent chair, who is not chair of the board; and		
	• has at least three members.		
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
Principle 5	**Make timely and balanced disclosure**		
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.	4(a), 4(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	4(a), 4(b)	Yes
Principle 6	**Respect the rights of shareholders**		
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.	4(a), 4(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	4(a), 4(b)	Yes
Principle 7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	5(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.	5(a), 5(b), 5(d)	Yes
7.3	The board should disclose whether it had received assurance from the chief executive officer and the chief financial officer 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.	5(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	5(a), 5(b), 5(c), 5(d)	Yes

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 8	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee.	3(b)	Yes
8.2	The remuneration committee should be structured so that it:	3(b)	No
	• consists of a majority of independent directors;		
	• is chaired by an independent chair; and		
	• has at least three members.		
8.3	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b)	Yes
8.4	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. THE BOARD OF DIRECTORS (CONTINUED)

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.

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. THE BOARD OF DIRECTORS (CONTINUED)

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**
PG Cook (Chairman)	Chairman & Non-Executive Director
AC Ferguson	Non-Executive Director
FJ 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.

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. BOARD COMMITTEES (CONTINUED)

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-executive directors. The Remuneration Committee is governed by its charter, as approved by the Board.

The Remuneration Committee does not comply with ASX Recommendation 8.2 as none of the Directors are considered to be independent Directors (refer 2(e)). The Company believes that the committee has appropriate expertise and all members have an appropriate understanding of the Company's activities. Members of the Remuneration Committee are:

Name	Position
PG Cook (Chairman)	Chairman & Non-Executive Director
AC Ferguson	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.

Non-executive directors are remunerated by way of fees, in the form of cash and superannuation contributions. Non-executive directors do not participate in schemes designed for the remuneration of executives. Non-executive directors do not receive options or bonus payments. 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 formerly 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. TIMELY AND BALANCED DISCLOSURE

4(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.

4(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.

5. 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.

5. RECOGNISING AND MANAGING RISK (CONTINUED)

5(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.

5(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.

5(C) MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER CERTIFICATION

The Managing Director and Chief Financial Officer 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 implements the policies adopted by the Board; and
- the Company's risk management an internal compliance and control system is operating efficiently and effectively in all material respects.

5(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.

6. ETHICAL AND RESPONSIBLE DECISION MAKING

6(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.

6(B) POLICY CONCERNING TRADING IN COMPANY SECURITIES

The Company's "Securities Trading 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 one month prior to the announcement to the ASX of the Company's quarterly, half year and full 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.

6. ETHICAL AND RESPONSIBLE DECISION MAKING (CONTINUED)

6(C) POLICY CONCERNING DIVERSITY

The Company encourages diversity in employment throughout the Company and in the composition of the Board, as a mechanism to ensure that the Company is able to draw on a variety of skill, talent and previous experiences in order to maximise the Company's performance.

The Company's "Diversity Policy" has been implemented to ensure the Company has the benefit of a diverse range of employees with different skills, experience, age, gender, race and cultural backgrounds, and that the Company reports its results on an annual basis in achieving measurable targets which are set by the Board as part of implementation of the Diversity Policy.

The table below outlines the diversity objectives established by the Board, the steps taken during the year to achieve these objectives, and the outcomes.

Objectives	**Steps Taken/Outcome**
Increase the number of women in the workforce, including management and at board level.	Key senior female appointments during the year include: • Metals X appointed no females in managerial roles. • As at 30 June 2012, women represented 16% in the Consolidated Entity's workforce (2011: 15%), 2% in key management positions (2011: 2%) and Nil at board level (2011: Nil).
Review gender pay gaps on an annual basis and implement actions to address any variances.	As a part of the annual remuneration review, the Board assesses the performance and salaries of all key management personnel and executive directors. Any gender pay disparities are addressed.
Provide flexible workplace arrangements.	During the year Metals X employed 10 employees on flexible work arrangements (2011: 8).
Provide career development opportunities for every employee, irrespective of any cultural, gender and other differences.	Whilst Metals X places special focus on gender diversity, career development opportunities are equal for all employees. Employees are encouraged to attend professional development courses/workshops throughout the year.
Promote an inclusive culture that treats the workforce with fairness and respect.	Metals X has set a zero tolerance policy against discrimination of employees at all levels. The Company provides avenues to employees to voice their concerns or report any discrimination. No cases of discrimination were reported during the year (2011: Nil).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
Continuing operations			
Revenue	5	52,907,011	72,307,659
Cost of sales	7(a)	(57,714,749)	(57,984,022)
Gross (loss)/profit		**(4,807,738)**	**14,323,637**
Other income	6	815,377	70,652,215
Other expenses	7(b)	(4,609,688)	(4,294,853)
Fair value change in financial instruments	7(c)	(434,906)	(57,464)
Impairment loss on available-for-sale financial assets	16	(24,490,872)	-
Share of (loss)/profit of associate	18	(2,344,646)	221,092
Impairment loss on investment in associates	18	(8,064,451)	(17,358,674)
Exploration and evaluation expenditure written off	22	(285,175)	(1,189,719)
(Loss)/profit before income tax and finance costs		**(44,222,099)**	**62,296,234**
Finance costs	7(d)	(386,274)	(408,152)
(Loss)/profit before income tax		**(44,608,373)**	**61,888,082**
Income tax benefit/(expense)	8	890,731	408,526
Net (loss)/profit after tax		**(43,717,642)**	**62,296,608**
Other comprehensive income			
Share of change in equity of associate		1,059,669	(980,165)
Net fair value change in available-for-sale financial assets		107,369	1,076,551
Reclassification of cumulative fair value changes in available-for-sale financial assets previously recognised in equity to the profit and loss		2,843,188	-
Income tax on items of other comprehensive income		(852,957)	(322,966)
Other comprehensive profit/(loss) for the period, net of tax		**3,157,269**	**(226,580)**
Total comprehensive (loss)/profit for the period		**(40,560,373)**	**62,070,028**
(Loss)/profit for the period is attributable to:			
Owners of the parent		(43,923,687)	62,442,848
Non-controlling interest		206,045	(146,240)
		(43,717,642)	**62,296,608**
Total comprehensive (loss)/profit for the period is attributable to:			
Owners of the parent		(40,766,418)	62,216,268
Non-controlling interest		206,045	(146,240)
		(40,560,373)	**62,070,028**
(Loss)/earnings per share for profit attributable to the ordinary equity holders of the company			
- basic for profit for the year (cents)	9	(3.31)	4.57
- diluted for profit for the year (cents)	9	(3.31)	4.57

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 2012

	Notes	2012	2011
CURRENT ASSETS			
Cash and cash equivalents	11	42,971,360	75,983,334
Trade and other receivables	12	13,364,361	12,470,596
Inventories	13	11,898,557	13,168,960
Other assets	14	203,334	146,177
Other financial assets	15	3,990,730	3,320,730
Total current assets		**72,428,342**	**105,089,797**
NON-CURRENT ASSETS			
Available-for-sale financial assets	16	29,689,236	49,004,755
Derivative financial instruments	17	448,989	228,269
Investment in associates	18	19,839,153	22,801,822
Property, plant and equipment	19	18,757,169	16,538,646
Mine properties and development costs	20	87,080,629	77,888,899
Intangible assets	21	-	2,648,484
Exploration and evaluation expenditure	22	1,675,900	827,947
Total non-current assets		**157,491,076**	**169,938,822**
TOTAL ASSETS		**229,919,418**	**275,028,619**
CURRENT LIABILITIES			
Trade and other payables	23	8,320,501	5,679,553
Interest bearing loans and borrowings	24	1,507,488	941,788
Provisions	25	959,732	819,678
Total current liabilities		**10,787,721**	**7,441,019**
NON-CURRENT LIABILITIES			
Provisions	26	3,365,165	3,416,638
Interest bearing loans and borrowings	27	2,942,774	217,041
Total non-current liabilities		**6,307,939**	**3,633,679**
TOTAL LIABILITIES		**17,095,660**	**11,074,698**
NET ASSETS		**212,823,758**	**263,953,921**
EQUITY			
Issued capital	28	279,086,186	290,056,226
Accumulated losses	29	(85,603,878)	(41,680,191)
Option premium reserve	30	18,728,928	18,326,178
Other reserves	30	612,522	(2,729,920)
Parent interests		**212,823,758**	**263,972,293**
Minority interests	31	-	(18,372)
TOTAL EQUITY		**212,823,758**	**263,953,921**

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 2012

	Notes	2012	2011
OPERATING ACTIVITIES			
Receipts from customers		47,550,501	72,977,803
Interest received		4,705,048	1,904,148
Other income		1,190,622	624,118
Payments to suppliers and employees		(47,263,268)	(51,225,232)
Interest paid		(240,221)	(304,830)
Net cash flows from operating activities	11(i)	**5,942,682**	**23,976,007**
INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,525,291)	(2,252,369)
Payments for mine properties and development		(10,048,109)	(8,607,433)
Payments for exploration and evaluation		(4,170,610)	(4,858,324)
Proceeds from sale of property, plant and equipment - other		175,209	198,894
Payments for available-for-sale financial assets		(4,224,797)	(7,150,000)
Payments for derivative financial instruments		(655,625)	-
Proceeds from sales of available-for-sale financial assets		-	48,579,912
Payments for investment in associates		(4,386,758)	(3,408,620)
Net cash flows (used in)/from investing activities		**(25,835,981)**	**22,502,060**
FINANCING ACTIVITIES			
Payment for share buy-back		(10,932,265)	-
Payment of finance lease liabilities		(1,663,910)	(1,675,890)
Proceeds from minority interest share forfeiture		(2,500)	-
Proceeds from performance bond facility		-	1,684,530
Payments for performance bond facility		(520,000)	-
Net cash flows (used in)/from financing activities		**(13,118,675)**	**8,640**
Net (decrease)/increase in cash and cash equivalents		(33,011,974)	46,486,707
Cash and cash equivalents at the beginning of the financial period		75,983,334	29,496,627
Cash and cash equivalents at the end of the period	11	**42,971,360**	**75,983,334**

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 2012

	Issued capital	Accumulated losses	Option premium reserve	Other reserves	Owners of the parent	Non-controlling interest	Total Equity
2011							
At 1 July 2010	**290,141,787**	**(104,123,039)**	**18,222,793**	**(2,503,340)**	**201,738,201**	**127,868**	**201,866,069**
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)
Total comprehensive (loss)/profit for the year net of tax	**-**	**62,442,848**	**-**	**(226,580)**	**62,216,268**	**(146,240)**	**62,070,028**
Transactions with owners in their capacity as owners							
Share-based payment	-	-	103,385	-	103,385	-	103,385
Share issue costs	-	-	-	-	-	-	-
Tax effect of share issue costs	(85,561)	-	-	-	(85,561)	-	(85,561)
At 30 June 2011	**290,056,226**	**(41,680,191)**	**18,326,178**	**(2,729,920)**	**263,972,293**	**(18,372)**	**263,953,921**
2012							
At 1 July 2011	**290,056,226**	**(41,680,191)**	**18,326,178**	**(2,729,920)**	**263,972,293**	**(18,372)**	**263,953,921**
Loss for the year	-	(43,923,687)	-	-	(43,923,687)	206,045	(43,717,642)
Other comprehensive income, net of tax	-	-	-	3,157,269	3,157,269	-	3,157,269
Total comprehensive (loss)/profit for the year net of tax	**-**	**(43,923,687)**	**-**	**3,157,269**	**(40,766,418)**	**206,045**	**(40,560,373)**
Transactions with owners in their capacity as owners							
Share buy-back	(10,932,265)	-	-	-	(10,932,265)	-	(10,932,265)
Share-based payment	-	-	402,750	-	402,750	-	402,750
Tax effect of share issue costs	(37,775)	-	-	-	(37,775)	-	(37,775)
Reverse non-controlling interest in share of net assets	-	-	-	185,173	185,173	-	185,173
Non-controlling interest share of net assets	-	-	-	-	-	(187,673)	(187,673)
At 30 June 2012	**279,086,186**	**(85,603,878)**	**18,728,928**	**612,522**	**212,823,758**	**-**	**212,823,758**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION

The financial report of Metals X Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 20 September 2012.

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, 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 authorative 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 2011. 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 2011, adopted include:

Reference	Summary	Application date of standard*	Application date for Consolidated Entity*
AASB 124 (Revised)	The revised AASB 124 Related Party Disclosures (December 2009) simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: a. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other 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 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 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.	01/01/2011	01/07/2011
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] Makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. 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.	01/01/2011	01/07/2011
AASB 2010-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13] Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. 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. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. 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.	01/01/2011	01/07/2011
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] 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. These amendments have no major impact on the requirements of the amended pronouncements.	01/01/2011	01/07/2011

Reference	Summary	Application date of standard*	Application date for Consolidated Entity*
AASB 1054	Australian Additional Disclosures This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: a. Compliance with Australian Accounting Standards b. The statutory basis or reporting framework for financial statements c. Whether the entity is a for-profit or not-for-profit entity d. Whether the financial statements are general purpose or special purpose e. Audit fees f. Imputation credits	01/07/2011	01/07/2011
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 but which are 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.	01/07/2011	01/07/2011
AASB 2011-5**	Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131] This Standard makes amendments to: > AASB 127 Consolidated and Separate Financial Statements > AASB 128 Investments in Associates > AASB 131 Interests in Joint Ventures to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation, and relates primarily to those applying the reduced disclosure regime or not-for-profit entities.	01/07/2011	01/07/2011
AASB 1048	Interpretation of Standards AASB 1048 identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended Interpretations issued since the June 2010 version of AASB 1048.	01/07/2011	01/07/2011

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 2012. 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 2011-3**	Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This Standard makes amendments including clarifying the definition of the ABS GFS Manual, facilitating the orderly adoption of changes to the ABS GFS Manual and related disclosures to AASB 1049. Amendments to Australian Accounting Standards – Improvements to AASB 1049 can be found in AASB 2011-13.	01/07/2012	01/07/2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	01/07/2012	01/07/2012
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. 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. Consequential amendments were also made to other standards via AASB 2011-7.	01/01/2013	01/07/2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-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 it 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. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	01/01/2013	01/07/2013

Reference	Title	Summary	Application date of standard*	Application date for Group*
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 judgments 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.	01/01/2013	01/07/2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance 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 when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. 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. Consequential amendments were also made to other standards via AASB 2011-8.	01/01/2013	01/07/2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	01/01/2013	01/07/2013
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.	01/01/2013	01/07/2013

Reference	Title	Summary	Application date of standard*	Application date for Group*
Annual Improvem-ents 2009–2011 Cycle ****	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting • Interim financial reporting and segment information for total assets and liabilities	01/01/2013	01/07/2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	01/07/2013	01/07/2013

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: a. Tier 1: Australian Accounting Standards b. Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: a. For-profit entities in the private sector that have public accountability (as defined in this Standard) b. The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: a. For-profit private sector entities that do not have public accountability b. All not-for-profit private sector entities c. Public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.	01/07/2013	01/07/2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	01/01/2013	01/07/2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle; and	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	01/01/2013	01/07/2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities;	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	01/01/2014	01/07/2015

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be 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. b. 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. 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. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: i. The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ii. The remaining change is presented in profit or loss 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. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	01/01/2015 ***	01/07/2015

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

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

*** AASB ED 215 Mandatory effective date of IFRS 9 proposes to defer the mandatory effective date of AASB 9 from annual periods beginning 1 January 2013 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of ED 215 is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

**** These IFRS amendments have not yet been adopted by the AASB. In order to claim compliance with IFRS, these amendments should be noted in the financial statements.

(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.

A change 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.

(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 it 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 financial statements of the associate are prepared for the same reporting period as the Consolidated Entity. When necessary, adjustments are made to bring the accounting policies in line with those of the Consolidated Entity.

(N) BUSINESS COMBINATIONS

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 assess 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. Subsequent settlement is accounted for within equity. In instances, where the contingent consideration does not fall within the scope of AASB 39, it is measured in accordance with the appropriate AASB.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of the identifiable net assets acquired and liabilities assumed. If this consideration is lower than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(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.

(O) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 reporting 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.

(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:

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 end.

(T) 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.

(U) 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.

(V) 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.

(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 risks 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 shipment. 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 35 days after arrival at port.

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.

(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 Long Term Incentive Plan ("LTIP") 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 immediately for Directors and after one year or as determined by the Board of Directors for employees. 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 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 32.

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.

(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) 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.

(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) 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.

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.

(I) SIGNIFICANT ACCOUNTING JUDGMENTS (CONTINUED)

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(v). 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.

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 an increase in the available reserves, which has had an impact on assets being amortised using the unit of production amortisation method resulting in a decrease 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 32. 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:

2012	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
Financial assets							
Cash and cash equivalents	11	42,971,360	-	-	-	-	42,971,360
Trade and other receivables (current)	12	-	13,364,361	-	-	-	13,364,361
Other financial assets	15	-	3,990,730	-	-	-	3,990,730
Available-for-sale financial assets (non-current)	16	-	-	-	-	29,689,236	29,689,236
Derivatives (non-current)	17	-	-	448,989	-	-	448,989
		42,971,360	**17,355,091**	**448,989**	**-**	**29,689,236**	**90,464,676**
Financial liabilities							
Trade and other payables (current)	23	-	-	-	(8,320,501)	-	(8,320,501)
Interest bearing loans (current)	24	-	-	-	(1,507,488)	-	(1,507,488)
Interest bearing loans (non-current)	27	-	-	-	(2,942,774)	-	(2,942,774)
		-	**-**	**-**	**(12,770,763)**	**-**	**(12,770,763)**
Net		**42,971,360**	**17,355,091**	**448,989**	**(12,770,763)**	**29,689,236**	**77,693,913**

2011	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
Financial assets							
Cash and cash equivalents	11	75,983,334	-	-	-	-	75,983,334
Trade and other receivables (current)	12	-	12,470,596	-	-	-	12,470,596
Other financial assets	15	-	3,320,730	-	-	-	3,320,730
Available-for-sale financial assets (non-current)	16	-	-	-	-	49,004,755	49,004,755
Derivatives (non-current)	17	-	-	228,269	-	-	228,269
		75,983,334	**15,791,326**	**228,269**	**-**	**49,004,755**	**141,007,684**
Financial liabilities							
Trade and other payables (current)	23	-	-	-	(5,679,553)	-	(5,679,553)
Interest bearing loans (current)	24	-	-	-	(941,788)	-	(941,788)
Interest bearing loans (non-current)	27	-	-	-	(217,041)	-	(217,041)
		-	**-**	**-**	**(6,838,382)**	**-**	**(6,838,382)**
Net		**75,983,334**	**15,791,326**	**228,269**	**(6,838,382)**	**49,004,755**	**134,169,302**

(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 24 and 27. 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 2012, if interest rates had moved by a reasonably possible 0.5%, 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 higher/(lower)		Other Comprehensive Income higher/(lower)	
	2012	**2011**	**2012**	**2011**
Judgements of reasonably possible movements:				
+ 0.5% (50 basis points)	15,297	32,912	-	-
- 0.5% (50 basis points)	(15,297)	(32,912)	-	-

A sensitivity of +%0.5 or -0.5% 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 2012 than 2011 due to a decrease in the balance of cash and cash equivalents 2012.

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.

(A) INTEREST RATE RISK (CONTINUED)

2012	**Floating interest rate**	**Fixed interest**	**Non-Interest bearing**	**Total carrying amount**
Financial Assets				
Cash and cash equivalents	4,370,591	38,600,769	-	42,971,360
Trade and other receivables	-	-	13,364,361	13,364,361
Other financial assets	-	3,090,730	900,000	3,990,730
	4,370,591	**41,691,499**	**14,264,361**	**60,326,451**
Financial Liabilities				
Trade and other payables	-	-	(8,320,501)	(8,320,501)
Interest bearing liabilities	-	(4,450,262)	-	(4,450,262)
	-	**(4,450,262)**	**(8,320,501)**	**(12,770,763)**
Net financial assets/(liabilities)				**47,555,688**

2011	**Floating interest rate**	**Fixed interest**	**Non-Interest bearing**	**Total carrying amount**
Financial Assets				
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**
Financial Liabilities				
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)**
Net financial assets/(liabilities)				**84,936,278**

(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 $3,090,730 (2011: $2,570,730) in relation to financial guarantees granted and security deposits (refer to note 15).

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 2012 financial year the Consolidated Entity 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	2012	2011
Trade receivables	3,302,940	1,962,509

At 30 June 2012, if commodity 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 higher/(lower)		Other Comprehensive Income higher/(lower)	
	2012	2011	2012	2011
Judgements of reasonably possible movements:				
Price + 10%	231,206	137,376	-	-
Price - 10%	(231,206)	(137,376)	-	-

A sensitivity of +10% or -10% 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 2012 is higher due to a higher trade receivables balance at 30 June 2012.

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 2012, if equity security prices had moved by a reasonably possible 20%, 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 higher/(lower)		Other Comprehensive Income higher/(lower)	
	2012	2011	2012	2011
Judgements of reasonably possible movements:				
Price + 20%	70,538	31,958	3,994,793	6,860,666
Price - 20%	(70,538)	(31,958)	(3,994,793)	(6,860,666)

A sensitivity of +20% or -20% 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(l)). The overall sensitivity for post-tax losses and equity in 2012 is lower due to decreases in the market value of the underlying securities during the financial year (refer to notes 16 and 17).

(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.

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 2012. 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:

	2012	2011
6 months or less	9,203,821	6,518,430
6 - 12 months	858,129	141,399
1 - 5 years	3,248,508	235,665
Over 5 years	-	-
	13,310,458	**6,895,494**

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.

2012	<6 months	6-12 months	1-5 years	>5 years	Total
Financial assets					
Cash and equivalents	4,619,503	40,799,139	-	-	45,418,642
Trade and other receivables	13,364,361	-	-	-	13,364,361
Available-for-sale financial assets	-	-	-	29,689,236	29,689,236
Derivatives-held for trading	448,989	-	-	-	448,989
Other financial assets	3,990,730	-	-	-	3,990,730
	22,423,583	**40,799,139**	**-**	**29,689,236**	**92,911,958**
Financial liabilities					
Trade and other payables	(8,320,501)	-	-	-	(8,320,501)
Interest bearing loans	(883,320)	(858,129)	(3,248,508)	-	(4,989,957)
	(9,203,821)	**(858,129)**	**(3,248,508)**	**-**	**(13,310,458)**
Net inflow/(outflow)	**13,219,762**	**39,941,010**	**(3,248,508)**	**29,689,236**	**79,601,500**

2011	<6 months	6-12 months	1-5 years	>5 years	Total
Financial assets					
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**
Financial liabilities					
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)**
Net inflow/(outflow)	**19,428,722**	**70,150,442**	**(235,665)**	**49,004,755**	**138,348,254**

(F) FAIR VALUES

For 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.

2012	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total
Financial Assets				
Available-for-sale financial assets				
Listed investments	29,689,236	-	-	**29,689,236**
Unlisted investments	-	-	-	**-**
Derivatives				
Listed investments	-	-	-	**-**
Unlisted investments	-	-	448,989	**448,989**
	29,689,236	**-**	**448,989**	**30,138,225**

(F) FAIR VALUES (CONTINUED)

2011	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total
Financial Assets				
Available-for-sale financial assets				
Listed investments	47,004,755	-	-	**47,004,755**
Unlisted investments	-	-	2,000,000	**2,000,000**
Derivatives				
Listed investments	-	-	-	**-**
Unlisted investments	-	-	228,269	**228,269**
	47,004,755	**-**	**2,228,269**	**49,233,024**

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

During the period there was a removal of the Aziana Exploration Corporation shares out of Level 3 and transferred to investment in associates when the shares were acquired by Aziana Limited prior to its Initial Public Offering (refer to note 18). There were no transfers between Level 1 and Level 2, and no transfers into and out of Level 3 fair value measurement. Aziana Limited listed options were added to Level 1 listed derivative investments. The fair value decrease of the available-for-sale investments have been recorded in other comprehensive income.

5. REVENUE

	2012	2011
Revenue from sale of tin concentrate	48,915,245	69,015,638
Interest received - other corporations	3,991,766	3,292,021
Total revenue	**52,907,011**	**72,307,659**

6. OTHER INCOME

	2012	2011
Net (loss)/gain on sale of assets	(375,245)	(478,521)
Net gain on share investments	-	55,717,781
Gain on deemed disposal of associate	-	14,788,837
Other income	1,190,622	624,118
Total other income	**815,377**	**70,652,215**

7. EXPENSES

		2012	2011
(a)	**Cost of sales**		
	Salaries, wages expense and other employee benefits	6,884,078	6,383,364
	Superannuation expense	619,567	532,393
	Other production cash costs	36,029,427	38,136,610
	Write-down (reversal of write-down) in value of inventories to estimated net realisable value	2,478,051	(1,832,571)
	Royalty	757,630	2,158,215
	Depreciation and amortisation expense		
	Depreciation of non-current assets		
	Property, plant and equipment	3,923,868	3,661,459
	Buildings	261,757	251,364
	Amortisation of non-current assets		
	Mine, properties and development costs	6,760,371	8,693,188
	Total cost of sales	**57,714,749**	**57,984,022**
(b)	**Other expenses**		
	Administration expenses		
	Employee benefits expense		
	Salaries and wages expense	1,862,681	1,965,882
	Directors' fees and other benefits	130,541	105,400
	Superannuation expense	190,904	175,507
	Other employee benefits	10,860	23,993
	Share-based payments	402,750	103,385
		2,597,736	2,374,167
	Other administration expenses		
	Consulting expenses	509,054	452,880
	Travel and accommodation expenses	204,257	228,602
	Administration costs	467,383	525,412
	Operating lease costs	111,905	121,668
		1,292,599	1,328,562
	Depreciation expense		
	Depreciation of non-current assets		
	Property plant and equipment	41,319	204,976
	Total Administration expenses	**3,931,654**	**3,907,705**

7. EXPENSES (CONTINUED)

		2012	2011
	Other expenses		
	Care and maintenance costs	653,719	656,999
	Foreign exchange loss/(profit)	24,315	(269,851)
		678,034	387,148
	Total other expenses	**4,609,688**	**4,294,853**
(c)	**Fair value change in financial instruments**		
	Fair value change in derivatives	434,906	57,464
	Total fair value change in financial instruments	**434,906**	**57,464**
(d)	**Finance costs**		
	Interest	275,717	344,202
	Unwinding of rehabilitation provision discount	110,557	63,950
	Total finance costs	**386,274**	**408,152**

8. INCOME TAX

		2012	2011
(a)	**Major components of income tax expense:**		
	Income Statement		
	Current income tax expense		
	Current income tax benefit	(4,828,469)	-
	(Recognition)/derecognition of carry forward losses and other temporary differences	12,731,288	(14,698,290)
	Adjustments in respect of current income tax of previous years	483,518	(4,261,697)
	Deferred income tax		
	Relating to recoupment of carry forward tax losses in current year	-	8,236,339
	Relating to origination and reversal of temporary differences in current year	(8,746,498)	10,375,231
	Adjustments in respect of deferred income tax of previous years	(530,570)	(60,109)
	Income tax reported in the income statement	**(890,731)**	**(408,526)**
(b)	**Amounts charged or credited directly to equity**		
	Deferred income tax related to items charged or credited directly to equity		
	Unrealised gain on available-for-sale investments	(852,956)	(322,965)
	Share issue costs	(37,775)	(85,561)
	Income tax reported in equity	**(890,731)**	**(408,526)**

(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:

	2012	2011
Total accounting profit before income tax	**(44,608,373)**	**61,888,082**
At statutory income tax rate of 30% (2011: 30%)	(13,382,512)	18,566,425
Non-deductible items	206,747	130,706
Deductible items	(399,202)	(85,561)
Prior year tax benefits	(47,052)	(4,321,806)
Tax losses not brought to account	12,731,288	-
Recognition of tax losses not previously recognised	-	(14,698,290)
Income tax reported in income the statement of comprehensive income	**(890,731)**	**(408,526)**
Effective income tax rate	2.0%	-0.7%

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

	Statement of financial position		Statement of comprehensive income	
	2012	2011	2012	2011
Deferred tax liabilities				
Exploration	(15,090,614)	(16,365,494)	1,274,881	(381,781)
Deferred mining	(6,524,102)	(4,796,171)	(1,727,931)	(1,282,668)
Mine site establishment and refurbishment	(4,283,758)	(2,150,246)	(2,133,512)	543,827
Research and development	-	(794,545)	794,545	-
Available-for-sale financial assets	(784,259)	(7,246,353)	6,462,094	(7,246,353)
Interest receivable	(216,161)	(430,145)	213,984	(416,361)
Inventories	(693,266)	(738,210)	44,944	(69,460)
Diesel rebate	(1,953)	(4,397)	2,444	(3,470)
Gross deferred tax liabilities	**(27,594,113)**	**(32,525,561)**		
Deferred tax assets				
Property, plant and equipment	2,507,887	3,136,644	(628,757)	(576,565)
Investment in associates	4,075,487	5,778	4,069,709	(251,065)
Derivative held for trading	130,472	-	130,472	(146,878)
Inventories	857,652	114,407	743,245	(549,771)
Borrowing costs	18,320	-	18,320	(13,288)
Equity raising costs	-	37,775	-	-
Accrued expenses	30,253	37,650	(7,397)	1,695
Provision for employee entitlements	430,968	353,659	77,309	74,330
Provision for fringe benefits tax	1,346	3,521	(2,175)	178
Provision for rehabilitation	878,090	933,196	(55,106)	2,508
Recognised tax losses	18,663,638	27,902,931		
Gross deferred tax assets	**27,594,113**	**32,525,561**		
Net deferred tax liabilities	-	-		
Deferred tax income expense/(benefit)			**9,277,069**	**(10,315,122)**

8. INCOME TAX (CONTINUED)

(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 2012, there are unrecognised losses of $21,446,488 for the Consolidated Entity (2011: $7,862,244).

9. EARNINGS PER SHARE

		2012	2011
	The following reflects the income used in the basic and diluted earnings per share computations.		
(a)	**(Loss)/earnings used in calculating earnings per share**		
	For basic (loss)/earnings per share:		
	Net (loss)/profit from continuing operations attributable to ordinary equity holders of the parent	(43,923,687)	62,442,848
	Net (loss) profit attributable to ordinary equity holders of the parent	**(43,923,687)**	**62,442,848**
	Basic (loss)/earnings per share (cents)	(3.31)	4.57
	For diluted (loss)/earnings per share:		
	Net (loss)/profit from continuing operations attributable to ordinary equity holders of the parent (from basic EPS)	(43,923,687)	62,442,848
	Net (loss) profit attributable to ordinary equity holders of the parent	**(43,923,687)**	**62,442,848**
	Fully (loss)/diluted earnings per share (cents)	(3.31)	4.57
(b)	**Weighted average number of shares**		
	Weighted average number of ordinary shares for basic (loss)/earnings per share	1,327,661,216	1,365,661,782
	Effect of Dilution:		
	Share Options	-	1,787,500
	Weighted average number of ordinary shares adjusted for the effect of dilution	**1,327,661,216**	**1,367,449,282**

The Company had 12,150,000 shares options on issue that are excluded from the calculation of diluted loss per share for the current financial period because they were anti-dilutive as their inclusion reduced the loss per share. In 2011 the Company had on issue 1,787,500 share options included in the calculation of diluted profit per share.

The Company commenced an on market buy-back of its ordinary shares on 1 July 2012. As at the date of this report the Company had acquired 48,998,525 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

	2012	2011
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	-	-
The amount of franking credits available for future reporting years	**5,930,931**	**5,930,931**

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

11. CASH AND CASH EQUIVALENTS

	2012	2011
Cash at bank and in hand	4,370,591	9,403,323
Short-term deposits	38,600,769	66,580,011
Total	**42,971,360**	**75,983,334**

Reconciliation to statement of cash flows

For the purposes of the cash flows, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	4,370,591	9,403,323
Short-term deposits	38,600,769	66,580,011
	42,971,360	**75,983,334**

STATEMENT OF CASH FLOWS RECONCILIATION

Reconciliation of net profit/(loss) after income tax to net cash flows from operating activities

Net profit after income tax	(43,717,642)	62,296,608
Income tax (benefit)/expense	(890,731)	(408,526)
Amortisation and depreciation	10,987,315	12,810,987
Impairment losses	32,555,323	17,358,674
Gain on deemed disposal of associate	-	(14,788,837)
Share based payments	402,750	103,385
Unwinding of rehabilitation provision discount	110,557	63,950
Fair value change in financial instruments	434,906	57,464
Exploration and evaluation expenditure written off	285,175	1,189,720
Profit on disposal of available-for-sale financial assets	-	(55,717,781)
Loss/(profit) on disposal of property, plant and equipment	375,245	478,517
Share of associates' net losses/(profits)	2,344,646	(221,092)
	2,887,544	**23,223,069**

11. CASH AND CASH EQUIVALENTS (CONTINUED)

	2012	2011
Changes in assets and liabilities		
(Increase)/decrease in inventories	1,270,404	1,652,616
(Increase)/decrease in trade and other debtors	(1,100,923)	3,167,995
Increase/(decrease) in trade and other creditors	2,613,391	(4,268,137)
Increase/(decrease) in employee entitlements	272,266	200,464
Net cash from operating activities	**5,942,682**	**23,976,007**

12. TRADE AND OTHER RECEIVABLES (CURRENT)

	2012	2011
Trade receivables (a)	3,302,940	1,962,509
Other debtors (b)	10,061,421	10,508,087
	13,364,361	**12,470,596**

(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.

13. INVENTORIES (CURRENT)

	2012	2011
Ore stocks at net realisable value	140,767	147,395
Tin in circuit at cost	126,702	132,757
Tin concentrate at cost	9,578,898	10,747,418
Copper concentrate at cost	146,327	49,731
Stores and spares at cost	2,310,888	2,460,701
Provision for obsolete stores and spares	(405,025)	(369,042)
Total inventories at lower of cost and net realisable value	**11,898,557**	**13,168,960**

During the year due to a decrease in the Tin metal price there were inventory write-downs of $2,478,051 (2011: reversal of write-down $1,832,571) for the Consolidated Entity. This expense is included in cost of sales refer to note 7(a).

14. OTHER ASSETS (CURRENT)

	2012	2011
Prepayments	**203,334**	**146,177**

15. OTHER FINANCIAL ASSETS (CURRENT)

	2012	2011
Other financial asset (a)	900,000	750,000
Other receivables - cash on deposit - performance bond facility (b)	3,090,730	2,570,730
	3,990,730	**3,320,730**

(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.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)

	2012	2011
Shares - Australian listed	29,689,236	47,004,755
Shares - British Virgin Island unlisted	-	2,000,000
	29,689,236	**49,004,755**

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 2.82% (2011: 3.23%) ownership interest in Independence Group NL which is a listed resources company.

The Consolidated Entity has a 4.57% (2011: nil) ownership interest in Reed Resources Limited which is a listed resources company.

The Consolidated Entity has a 15.33% (2011: 16.97%) ownership interest in Mongolian Resource Corporation Limited which is a listed resources company.

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(l), 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.

In the previous period the Consolidated Entity had a 25% ownership interest in Aziana Exploration Corporation, which was an unlisted exploration company.

During the year a review was undertaken of each available-for-sale investment to identify any financial assets whose decline in fair value below cost is considered significant or prolonged. An impairment amount of $24,490,872 (2011: nil) was recognised in the income statement as a result of declines in the share prices of Mongolian Resource Corporation Limited ($2,191,731) and Independence Group NL ($22,299,141).

17. DERIVATIVE FINANCIAL INSTRUMENTS (NON-CURRENT)

	2012	2011
Derivatives - held for trading	**448,989**	**228,269**

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. The Consolidated Entity also holds 14,014,500 listed options in Aziana Limited. These options were acquired for nil cost as part of the IPO of Aziana Limited. The fair value of the options for 30 June 2012 has been determined directly by reference to published price quotations in an active market.

(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).

18. INVESTMENTS IN ASSOCIATES (NON-CURRENT)

	2012	2011
(a) Investment details		
Listed		
Westgold Resources Limited	15,755,563	22,801,822
Aziana Limited	4,083,590	-
	19,839,153	**22,801,822**

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

	2012	2011
Westgold Resources Limited		
At 1 July	22,801,823	19,170,160
Additions	1,917,383	8,965,137
Share of (losses)/profits after income tax	(1,735,613)	(736,648)
Gain on deemed disposal of associate	-	13,727,073
Impairment	(8,064,451)	(17,358,674)
Share of change in reserves	836,421	(965,225)
At 30 June	**15,755,563**	**22,801,823**
Aziana Limited		
At 1 July	-	-
Transfer from available-for-sale financial assets at cost	2,000,000	-
Additions	2,469,375	-
Share of (losses)/profits after income tax	(609,033)	-
Share of change in reserves	223,248	-
At 30 June	**4,083,590**	**-**

	2012	2011
Aragon Resources Limited		
At 1 July	-	3,355,753
Additions	-	626,400
Share of (losses)/profits after income tax	-	957,740
Gain on deemed disposal of associate	-	1,061,764
Impairment	-	(14,939)
Share of change in reserves	-	(5,986,718)
At 30 June	**-**	**-**

(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 reporting date is $15,755,563 (2011: $22,801,822).

Based on the quoted share price the fair value of the Consolidated Entity's share investment in Aziana Limited at reporting date is $4,484,640 (2011: nil).

(d) Summarised financial information

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

Extracts from the associates' statements of financial position:		
Current assets	15,985,881	11,364,730
Non-current assets	110,180,321	106,269,419
	126,166,202	117,634,149
Current liabilities	4,579,239	4,370,705
Non-current liabilities	3,155,708	3,202,247
	7,734,947	7,572,952
Net assets	**118,431,255**	**110,061,197**
Share of associates' net assets	**31,733,687**	**27,537,311**
Extracts from the associates' statements of comprehensive income:		
Revenue	759,791	5,562,031
Net profit/(loss)	(7,314,989)	4,670,268

The Company has a 26.98% (2011: 25.02%) interest in Westgold , which is involved in the exploration for base metals in the Northern Territory and Western Australia. Westgold is listed on the Australian Securities Exchange. At the end of the period the Company's investment was $15,755,563 (2011: $22,801,822) which represents cost plus post-acquisition changes in the Company's share of net assets of Westgold.

The Company has a 25.00% (2011: nil) interest in Aziana, which is involved in the exploration for base metals in Madagascar. Aziana is listed on the Australian Securities Exchange. At the end of the period the Company's investment was $4,083,590 (2011: nil) which represents cost plus post-acquisition changes in the Company's share of net assets of Aziana.

19. PROPERTY, PLANT & EQUIPMENT (NON-CURRENT)

	2012	2011
Plant and equipment		
At cost	38,328,974	34,599,938
Accumulated depreciation	(21,738,747)	(19,747,096)
Impairment	(3,942,962)	(3,942,961)
Net carrying amount	12,647,265	10,909,881
Land and buildings		
At cost	5,940,901	5,886,734
Accumulated depreciation	(1,203,560)	(941,804)
Net carrying amount	4,737,341	4,944,930
Capital work in progress at cost	1,372,563	683,835
Total property, plant and equipment	**18,757,169**	**16,538,646**
Movement in property, plant and equipment		
Plant and equipment		
At 1 July net of accumulated depreciation	10,909,881	14,493,781
Additions	6,528,593	940,526
Disposals	(826,022)	(657,991)
Depreciation charge for the year	(3,965,187)	(3,866,435)
At 30 June net of accumulated depreciation	**12,647,265**	**10,909,881**
Land and buildings		
At 1 July net of accumulated depreciation	4,944,930	4,755,876
Additions	54,168	444,832
Disposals	-	(4,414)
Depreciation charge for the year	(261,757)	(251,364)
At 30 June net of accumulated depreciation	**4,737,341**	**4,944,930**
Capital work in progress		
At 1 July net of accumulated depreciation	683,835	877,931
Additions	7,783,760	2,252,369
Transfer to mine properties & development	(512,271)	(1,061,107)
Transfer to plant and equipment	(6,528,593)	(940,526)
Transfer to land and buildings	(54,168)	(444,832)
At 30 June	**1,372,563**	**683,835**

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2012 is $4,953,949 (2011: $2,827,596). Value of plant and equipment purchased under finance leases and hire purchase contracts for 30 June 2012 financial year is $5,258,469 (2011: 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 24 and 27).

20. MINE PROPERTY AND DEVELOPMENT (NON-CURRENT)

	2012	2011
Development areas at cost		
Mine site establishment	61,561,433	59,908,605
Net carrying amount	61,561,433	59,908,605
Mine site establishment		
Mine site establishment	34,411,967	31,545,457
Accumulated amortisation	(26,807,434)	(25,816,607)
Impairment	(4,322,330)	(4,322,330)
Net carrying amount	3,282,203	1,406,520
Mine capital development	56,512,971	45,080,208
Accumulated amortisation	(27,109,937)	(21,340,393)
Impairment	(7,166,041)	(7,166,041)
Net carrying amount	22,236,993	16,573,774
Total mine properties and development	**87,080,629**	**77,888,899**
Movement in mine properties and development		
Development areas at cost		
At 1 July	59,908,605	4,304,400
Additions	1,652,828	1,805,695
Transfer from exploration and evaluation expenditure (refer to note 22)	-	53,798,510
At 30 June	**61,561,433**	**59,908,605**
Mine site establishment		
At 1 July net of accumulated amortisation	1,406,520	4,395,288
Additions	-	-
Transfer from capital work in progress (refer to note 19)	512,271	1,061,107
Transfer from intangible development projects (refer to note 21)	2,648,484	-
Increase/(decrease) in rehabilitation provision	(294,245)	(55,589)
Amortisation charge for the year	(990,827)	(3,994,286)
At 30 June net of accumulated amortisation	**3,282,203**	**1,406,520**
Mine capital development		
At 1 July net of accumulated amortisation	16,573,774	12,074,927
Additions	8,395,281	6,801,738
Transfer from exploration and evaluation expenditure (refer to note 22)	3,037,482	2,396,011
Amortisation charge for the year	(5,769,544)	(4,698,902)
At 30 June net of accumulated amortisation	**22,236,993**	**16,573,774**

21. INTANGIBLE ASSETS (NON-CURRENT)

	2012	2011
Development projects at cost		
At cost	-	2,648,484
Net carrying amount	-	2,648,484
Total intangible assets	**-**	**2,648,484**
Movement in intangible assets		
Development projects at cost		
At 1 July net of accumulated amortisation	2,648,484	2,648,484
Additions	-	-
Transferred to mine capital development (refer to note 20)	(2,648,484)	-
At 30 June net of accumulated amortisation	**-**	**2,648,484**

Description of the Consolidated Entity's intangible assets

Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This asset related to the Renison Expansion Project which has progressed past the development stage and accordingly the costs were transferred to mine properties and development during the period.

22. EXPLORATION EXPENDITURE (NON-CURRENT)

	2012	2011
Exploration and evaluation costs carried forward in respect of mining areas of interest		
Pre-production areas		
At Cost	1,675,900	827,947
Accumulated impairment	-	-
Net carrying amount	**1,675,900**	**827,947**
Movement in deferred exploration and evaluation expenditure		
At 1 July net of accumulated impairment	827,947	53,353,863
Additions	4,170,610	4,858,324
Transferred to mine capital development (refer to note 20)	(3,037,482)	(2,396,011)
Transferred to development areas (refer to note 20)	-	(53,798,510)
Expenditure written off	(285,175)	(1,189,719)
At 30 June net of accumulated impairment	**1,675,900**	**827,947**

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.

In the prior 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 $285,175 (2011: $1,189,719) was written off to the income statement. The major expenditure written off in the current financial year relates to the Renison Tin Project ($82,293), the Collingwood Tin Project ($55,357) and the Wingellina Nickel Project ($147,525). The major expenditure written off in the previous financial year related to areas of interest within the Agaton Phosphate and Mount Bischoff Projects. Management decided to abandon future exploration of these areas due to low potential from results returned in the areas.

23. TRADE AND OTHER PAYABLES (CURRENT)

	2012	2011
Trade creditors (a)	5,235,688	3,205,562
Sundry creditors and accruals (b)	3,084,813	2,473,991
	8,320,501	**5,679,553**

(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.

24. INTEREST BEARING LOANS AND BORROWINGS (CURRENT)

	2012	2011
Lease liability	**1,507,488**	**941,788**

Represents finance leases which have repayment terms of 36 months.

25. PROVISIONS (CURRENT)

	2012	2011
Provision for annual leave	955,247	807,941
Provision for fringe benefits tax payable	4,485	11,737
	959,732	**819,678**

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

26. PROVISIONS (NON-CURRENT)

	2012	2011
Provision for long service leave (a)	438,200	305,985
Provision for Rehabilitation (b)	2,926,965	3,110,653
	3,365,165	**3,416,638**

(a) The nature of the provisions are 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	3,110,653	3,102,292
Arising/(reversing) during the year	-	-
Adjustment due to revised conditions	(294,245)	(55,589)
Unwind of discount	110,557	63,950
At 30 June	**2,926,965**	**3,110,653**

27. INTEREST BEARING LOANS AND BORROWINGS (NON-CURRENT)

	2012	2011
Lease liability	**2,942,774**	**217,041**

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.

Financing facilities available

At reporting date, the following financing facilities were available:

Total facilities		
- finance lease facility	4,450,262	1,158,829
Facilities used at reporting date		
- finance lease facility	4,450,262	1,158,829

Assets pledged as security:

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

Non-current		
Finance lease		
Plant and equipment	4,953,949	2,827,596
Total non-current assets pledged as security	**4,953,949**	**2,827,596**

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

28. ISSUED CAPITAL

		2012	2011
(a)	**Ordinary Shares**		
	Issued and fully paid	**279,086,186**	**290,056,226**

		Number	$
(b)	**Movements in ordinary shares on issue**		
	At 1 July 2010	1,365,661,782	290,141,787
	Deferred tax asset recognised on equity transactions	-	(85,561)
	At 30 June 2011	**1,365,661,782**	**290,056,226**
	Deferred tax asset recognised on equity transactions	-	(37,775)
	Share buy-back	(48,998,525)	(10,932,265)
	At 30 June 2012	**1,316,663,257**	**279,086,186**

(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.

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*	30 November 2012	14 cents	2,450,000
Unlisted**	30 November 2013	13 cents	2,800,000
Unlisted*	30 November 2013	32 cents	1,000,000
Unlisted**	30 November 2014	30 cents	4,850,000
Total			**11,100,000**

(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 $212,823,758 at 30 June 2012 (2011: $290,056,226). 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 2012, 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 2012, interest bearing liabilities increased as a result of the Consolidated Entity increasing its finance lease facility to finance additional property, plant and equipment at its Renison Tin Project (refer to note 37). The net effect was an increase in the gearing ratio.

	2012	2011
Gearing ratio	2.09%	0.44%
Net debt	4,450,262	1,158,829
capital	212,823,758	263,953,921

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

29. ACCUMULATED LOSSES

	2012	2011
At 1 July	(41,680,191)	(104,123,039)
Net profit in current period attributable to members of the parent entity	(43,923,687)	62,442,848
At 30 June	**(85,603,878)**	**(41,680,191)**

30. RESERVES

	Option premium reserve	Net unrealised gains reserve	Total
At 30 June 2010	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 change in available-for-sale financial assets	-	1,076,551	1,076,551
Tax effect on fair value change in available-for-sale financial assets	-	(322,966)	(322,966)
At 30 June 2011	**18,326,178**	**(2,729,920)**	**15,596,258**
Share based payments	402,750	-	402,750
Share of change in equity of associate	-	1,059,669	1,059,669
Non-controlling interest share of net assets	-	185,173	185,173
Fair value change in available-for-sale financial assets	-	2,950,557	2,950,557
Tax effect on fair value change in available-for-sale financial assets	-	(852,957)	(852,957)
At 30 June	**18,728,928**	**612,522**	**19,341,450**

Nature and purpose of reserves

Net unrealised gains reserve – This reserve records the movements in the fair value of available-for-sale investments, the movements in non-controlling interests 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
Employee option scheme	2,350,000	0.083	195,147
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 - director	2,500,000	0.083	207,603
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
Total	**225,705,000**		**18,728,928**

The options have been valued using a Black & Scholes model, which takes account of 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.

31. NON-CONTROLLING INTEREST

	2012	2011
Equity contribution	-	2,500
Accumulated losses	-	(206,045)
Non-controlling interest share of net assets in controlled entity	-	185,173
	-	**(18,372)**

Agaton Phosphate Pty Ltd of which the Consolidated Entity owned 75% was deregistered on 27 March 2012.

32. SHARE-BASED PAYMENTS

	2012	2011
(a) Recognised share-based payment expense		
The expense recognised for services received during the year is shown in the table below:		
Expense arising from equity-settled share-based payments	**402,750**	**103,385**

The share-based payment plan is described below. There have been no cancellations or modifications to the plan during 2012 and 2011.

(b) Long Term Incentive Plan

The Consolidated Entity has a Long term Incentive Plan ("LTIP") 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 LTIP will vest when the following conditions are met:

i. The LTIP 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 LTIP 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; and

vii. Upon exercise, these options will be settled in ordinary fully paid shares of the Company

viii. The Board of Directors may alter, delete or add to the terms and conditions of the LTIP at any time.

32. SHARE-BASED PAYMENTS (CONTINUED)

(c) Summary of options granted under the Long Term Incentive Plan

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options issued under the LTIP.

	2012 Number	2012 WAEP	2011 Number	2011 WAEP
Outstanding at the beginning of the year	4,775,000	0.240	7,775,000	0.301
Granted during the year	2,350,000	0.300	-	-
Exercised during the year	-	-	-	-
Lapsed/cancelled during the year	(975,000)	0.341	(3,000,000)	0.397
Outstanding at the year end	6,150,000	0.247	4,775,000	0.240
Exercisable at the year end	6,150,000	0.247	4,775,000	0.240

The outstanding balance as at 30 June 2012 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
17/07/08	17/7/09	31/07/12	45 cents	1,250,000	(250,000)	-	1,000,000	1,000,000
27/11/09	06/07/10	30/11/13	13 cents	3,100,000	(300,000)	-	2,800,000	2,800,000
29/11/11	29/11/11	29/11/14	30 cents	2,350,000	-	-	2,350,000	2,350,000
Total				**6,700,000**	**(550,000)**	**-**	**6,150,000**	**6,150,000**

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is 1.58 years (2011: 1.73 years).

(e) Range of exercise price

The range of exercise prices for LTIP options outstanding at the end of the year was $0.13 - $0.45 (2011: $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 $0.08 (2011: nil).

(g) Option pricing model

The fair value of the equity-settled share options granted under the LTIP 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:

	2012	2011	2010
Grant date	**Nil**	**Nil**	**Nil**
Expected Volatility (%)	60%	n/a	80%
Risk-free interest rate (%)	3.15%	n/a	4.98%
Expected life of options (yrs)	2.5	n/a	2.0
Options exercise price ($)	$0.30	n/a	$0.32
Share price at grant date ($)	$0.25	n/a	$0.26
Fair value at grant date ($)	$0.083	n/a	$0.103

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.

(h) Directors options

In addition to the LTIP, 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.

32. SHARE-BASED PAYMENTS (CONTINUED)

(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:

	2012 Number	2012 WAEP	2011 Number	2011 WAEP
Outstanding at the beginning of the year	2,500,000	0.140	6,500,000	0.337
Granted during the year	2,500,000	0.300	-	-
Exercised during the year	-	-	-	-
Lapsed/cancelled during the year	-	-	(4,000,000)	0.460
Outstanding at the year end	5,000,000	0.220	2,500,000	0.140
Exercisable at the end of the year	5,000,000	0.220	2,500,000	0.140

The outstanding balance as at 30 June 2012 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
27/11/09	27/11/09	30/11/12	14 cents	2,500,000	-	-	2,500,000	2,500,000
29/11/11	29/11/11	29/11/14	30 cents	2,500,000	-	-	2,500,000	2,500,000
Total				**5,000,000**	**-**	**-**	**5,000,000**	**5,000,000**

(j) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is 2.92 years (2011: 1.42).

(k) Range of exercise price

The exercise price for options outstanding at the end of the year was $0.14 - $0.30 (2011: $0.14).

(l) Weighted average fair value

The weighted average fair value of options granted during the year was $0.08 (2011: nil).

(m) Contractors options

In addition to the LTIP, 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:

	2012 Number	2012 WAEP	2011 Number	2011 WAEP
Outstanding at the beginning of the year	1,000,000	0.320	1,000,000	0.460
Granted during the year	-	-	1,000,000	0.320
Exercised during the year	-	-	-	-
Lapsed/cancelled during the year	-	-	(1,000,000)	0.460
Outstanding at the year end	1,000,000	0.320	1,000,000	0.320
Exercisable at the end of the year	1,000,000	0.320	1,000,000	0.320

The outstanding balance as at 30 June 2012 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
01/12/10	01/12/10	30/11/13	32 cents	1,000,000	-	-	1,000,000	1,000,000
Total				**1,000,000**	**-**	**-**	**1,000,000**	**1,000,000**

(o) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is 1.42 years (2011: 2.42).

(p) Range of exercise price

The exercise price for options outstanding at the end of the year was $0.32 (2011: $0.32).

(q) Weighted average fair value

The weighted average fair value of options granted during the year was nil (2011: $0.10).

33. COMMITMENTS

(a) Capital commitments

Commitments relating to jointly controlled assets

At 30 June 2012 the Consolidated Entity has capital commitments that relate principally to the purchase of 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

	2012	2011
- Within one year	**299,457**	**115,023**

(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 37.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

(i) Property leases as lessee:		
- Within one year	261,931	250,243
- After one year but not more than five years	521,954	779,310
	783,885	**1,029,553**
(ii) Equipment leases:		
- Within one year	18,013	13,764
- After one year but not more than five years	17,774	19,499
	35,787	**33,263**
(iii) Mineral tenement leases:		
- Within one year	306,236	282,043
- After one year but not more than five years	854,356	936,111
- After more than five years	391,850	861,519
	1,552,442	**2,079,673**

(c) Operating lease commitments - Company as lessor

The Company has entered into a commercial sub-lease on the above mentioned office space.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

(i) Property leases as lessor:		
- Within one year	18,013	-
- After one year but not more than five years	17,774	-
	35,787	**-**

(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:

	2012	
	Minimum lease payments	**Present value of lease payments**
Within one year	1,741,449	1,507,488
After one year but not more than five years	3,248,508	2,942,774
Total minimum lease payments	4,989,957	4,450,262
Less amounts representing finance charges	(539,695)	-
Present value of minimum lease payments	**4,450,262**	**4,450,262**

	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**

	2012	**2011**
Included in the financial statements as:		
Current interest-bearing loans and borrowings (note 24)	1,507,488	941,788
Non-current interest-bearing loans and borrowings (note 27)	2,942,774	217,041
Total included in interest-bearing loans and borrowings	**4,450,262**	**1,158,829**

The weighted average interest rate impact in the leases for the Company is 5.70% (2011: 14.23%).

34. CONTINGENT ASSETS AND LIABILITIES

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: 1.9% of Net sales + (profit x 0.4 x profit/net sales). This royalty is capped at 5.35% 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.

35. EVENTS AFTER THE BALANCE SHEET DATE

On 4 September the Consolidated Entity announced that it had signed a non-binding Memorandum of Understanding ("MOU") with Samsung C&T Corporation ("Samsung") to establish a framework for collaboration and co-operation to develop the Wingellina Nickel-Cobalt Project ("Project") towards production. Under the MOU Samsung will offer its experience and expertise to assist in the completion of a Detailed Feasibility Study ("DFS"). Upon successful completion of the DFS and approval of the Project, Samsung will be awarded the Engineering, Procurement and Construction contract on normal commercial terms. Samsung has agreed to use its financial reputation and capacity to assist the Company with financing and development proposals for the project. Objectives of the collaboration are for the Company to retain a 30% interest in Wingellina free carried to production and Samsung will commit direct equity to the Project.

36. AUDITOR'S REMUNERATION

	2012	2011
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	177,102	192,627
Other services in relation to the entity and any other entity in the Consolidated Entity:		
- tax compliance	57,350	79,450
Total auditor remuneration	**234,452**	**272,077**

37. INTEREST IN A JOINTLY CONTROLLED OPERATION

The Consolidated Entity has a 50% interest in the Renison Tin Project which is 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.

		2012	2011
(a)	**Commitments relating to the jointly controlled assets**		
	Share of capital commitments (refer to note 33(a))	**299,457**	**115,023**
	Share of operating lease commitments (refer to note 33(b))		
	Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:		
(i)	**Property leases as lessee:**		
	- Within one year	2,694	985
		2,694	**985**
(ii)	**Equipment leases:**		
	- Within one year	13,764	13,764
	- After one year but not more than five years	5,735	19,499
		19,499	**33,263**
(iii)	**Mineral tenement leases:**		
	- Within one year	189,619	172,916
	- After one year but not more than five years	576,341	683,795
	- After more than five years	-	15,724
		765,960	**872,435**

(b) Impairment

No assets employed in the jointly controlled operation were impaired during the year (2011: nil).

38. 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.

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 2012 and 30 June 2011.

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 92% of external revenue (2011: 95%).

Year ended 30 June 2012	Tin Projects	Nickel Projects	Adjustments and eliminations	Total
Revenue				
External customers	48,915,245	-	-	48,915,245
Other revenue	-	-	3,991,766	3,991,766
Total revenue	**48,915,245**	**-**	**3,991,766**	**52,907,011**
Results				
Other income	18,079	-	797,298	815,377
Interest expense	(275,167)	-	(550)	(275,717)
Depreciation and amortisation	(10,837,073)	(108,926)	(41,316)	(10,987,315)
Exploration and evaluation expenditure written off	(137,651)	(147,524)	-	(285,175)
Impairment losses	-	-	(32,555,323)	(32,555,323)
Share of loss of associate	-	-	(2,344,646)	(2,344,646)
Other non-cash expenses	(110,557)	-	(402,750)	(513,307)
Income tax (expense)/benefit	(10,825,114)	82,788	11,633,057	890,731
Segment profit/(loss)	**(8,384,195)**	**(127,300)**	**5,785,110**	**(2,726,385)**
Operating assets	**69,859,039**	**62,469,005**	**67,453,149**	**199,781,193**
Operating liabilities	**(14,525,083)**	**(206,699)**	**(2,363,878)**	**(17,095,660)**
Other disclosures				
Investments in associates	-	-	19,839,153	19,839,153
Capital expenditure	(19,463,962)	(2,161,275)	(4,210,744)	(25,835,981)

38. OPERATING SEGMENTS (CONTINUED)

Year ended 30 June 2011	Tin Projects	Nickel Projects	Adjustments and eliminations	Total
Revenue				
External customers	69,015,638	-	-	69,015,638
Other revenue	-	-	3,292,021	3,292,021
Total segment revenue	**69,015,638**	**-**	**3,292,021**	**72,307,659**
Results				
Other income	35,369	5,266,685	65,350,161	70,652,215
Interest expense	(301,532)	-	(42,670)	(344,202)
Depreciation and amortisation	(12,494,665)	(111,200)	(205,122)	(12,810,987)
Exploration and evaluation expenditure written off	(397,525)	(211,670)	(580,524)	(1,189,719)
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 benefit/(expense)	11,253,320	4,675,785	(15,520,579)	408,526
Segment profit/(loss)	**11,570,669**	**(96,366)**	**3,881,978**	**15,356,281**
Operating assets	**61,794,262**	**60,412,009**	**103,589,324**	**225,795,595**
Operating liabilities	**(9,654,653)**	**(491,529)**	**(928,516)**	**(11,074,698)**
Other disclosures				
Investments in associates	-	-	22,801,822	22,801,822
Capital expenditure	(11,158,445)	(3,838,429)	37,498,934	22,502,060

(a) Segment revenue reconciliation to the statement of comprehensive income

	2012	2011
Total segment revenue	52,907,011	72,307,659
Other revenue from continuing operations	-	-
Total revenue	**52,907,011**	**72,307,659**

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	3,991,766	3,292,021
South east asia	48,915,245	69,015,638
Total revenue	**52,907,011**	**72,307,659**

(b) Segment (loss)/profit reconciliation to the statement of comprehensive income

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 (loss)/profit:	2012	2011
Segment (loss)/profit	(2,726,385)	15,356,281
Income tax expense at 30% (2011: 30%)	(890,731)	(408,526)
Share of loss of associates	(2,344,646)	221,092
Finance costs	(386,274)	(408,152)
Corporate expenses	(4,609,688)	(4,294,853)
Impairment of assets	(8,064,451)	(17,358,674)
(Loss)/gain on deemed disposal of associate	-	14,788,837
Exploration and evaluation expenditure written off	(285,175)	(1,189,719)
Fair value gain on financial instruments	(434,906)	(57,464)
Impairment loss on available-for-sale financial assets	(24,490,872)	-
Net gains on disposal of available-for-sale investments	-	55,717,781
Net gain on disposal of assets	(375,245)	(478,521)
Total consolidated (loss)/profit	**(44,608,373)**	**61,888,082**

(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:	2012	2011
Segment operating assets	199,781,193	225,795,595
Available-for-sale assets	29,689,236	49,004,755
Derivative assets	448,989	228,269
Total assets per the statement of financial position	**229,919,418**	**275,028,619**

(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:	2012	2011
Segment operating liabilities	17,095,660	11,074,698
Total liabilities per the statement of financial position	**17,095,660**	**11,074,698**

39. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Directors

		Appointed	Resigned
P G Cook	Non-Executive Chairman	23 July 2004	-
W S Hallam	Managing Director	1 March 2005	-
D P Will	Executive Director	12 July 2011	-
A C Ferguson	Non-Executive Director	10 May 2012	-
M L Jefferies	Non-Executive Director	29 December 2006	10 May 2012
X Penggen	Non-Executive Director	9 February 2012	-
S Zhang	Non-Executive Director	9 November 2009	9 February 2012
Y Zhang	Alternate for X Penggen	3 October 2007	-

(ii) Executives

		Appointed	Resigned
R D Cook	General Manager - Renison	22 April 2010	-
M P Poepjes	Chief Mining Engineer	8 August 2011	-
F J Van Maanen	Company Secretary	1 July 2005	-

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

	2012	2011
Short-term employee benefits	1,405,580	1,408,663
Post employment benefits	90,975	86,487
Other long-term benefits	33,447	68,874
Share-based payment	298,948	-
	1,828,950	**1,564,024**

(c) Option holdings of Key Management Personnel (including nominees)

30 June 2012	Balance at beginning of period 1 July 2011	Granted as remuneration	Net change other ^	Options exercised	Balance at end of period 30 June 2012	Not vested and not exercisable	Vested and exercisable
Directors							
P G Cook	-	-	-	-	-	-	-
W S Hallam	1,500,000	1,250,000	-	-	2,750,000	-	2,750,000
D P Will	-	1,250,000	-	-	1,250,000	-	1,250,000
A C Ferguson	-	-	-	-	-	-	-
M L Jefferies *	-	-	-	-	-	-	-
S Zhang *	-	-	-	-	-	-	-
X Penggen	-	-	-	-	-	-	-
Y Zhang (Alternate Director)	-	-	-	-	-	-	-
Executives							
R D Cook	-	-	-	-	-	-	-
M P Poepjes	-	600,000	-	-	600,000	-	600,000
F J Van Maanen	700,000	500,000	(200,000)	-	1,000,000	-	1,000,000
Total	**2,200,000**	**3,600,000**	**(200,000)**	**-**	**5,600,000**	**-**	**5,600,000**

All options are exercisable once vested.

^ Options lapsed during the period and forfeited.

* ML Jefferies and S Zhang resigned on 10 May 2012 and 9 February 2012 respectively and are no longer Directors.

39. KEY MANAGEMENT PERSONNEL (CONTINUED)

(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
Directors							
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)	-	-	-	-	-	-	-
Executives							
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
Total	**8,850,000**	**-**	**(6,650,000)**	**-**	**2,200,000**	**-**	**2,200,000**

All options are exercisable once vested.

^ Options lapsed during the period and forfeited.

* SJ Huffadine and PM Cmrlec both resigned on 1 June 2011 and are no longer a Director and Executive respectively.

(c) **Shareholdings of Key Management Personnel**

Ordinary shares held in Metals X Limited (number)

30 June 2012	Balance held at 1 July 2011	Granted as remuneration	On exercise of options	Net change other	Balance held at 30 June 2012
Directors					
P G Cook	68,440,200	-	-	-	68,440,200
W S Hallam	6,350,000	-	-	-	6,350,000
D P Will	-	-	-	-	-
A C Ferguson *	-	-	-	397,630,281	397,630,281
M L Jefferies **	2,700,000	-	-	(2,700,000)	-
S Zhang ***	176,000,000	-	-	(176,000,000)	-
X Penggen ***	-	-	-	176,000,000	176,000,000
Y Zhang (Alternate Director)	-	-	-	-	-
Executives					
R D Cook	-	-	-	-	-
M P Poepjes	-	-	-	-	-
F J Van Maanen	2,070,000	-	-	-	2,070,000
Total	**255,560,200**	**-**	**-**	**394,930,281**	**650,490,481**

* On 10 May 2012 AC Ferguson was appointed as a Director representing Apac Resources Limited who hold 397,630,281 shares in the Company.

** ML Jefferies resigned on 10 May 2012 and is no longer a Director.

*** On 9 February 2012 S Zhang resigned and X Penggen was appointed as a Director representing Jinchuan Group Limited who hold 176,000,000 shares in the Company.

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
Directors					
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)	-	-	-	-	-
Executives					
P M Cmrlec *	-	-	-	-	-
R D Cook	-	-	-	-	-
F J Van Maanen	2,070,000	-	-	-	2,070,000
Total	**255,560,200**	**-**	**-**	**-**	**255,560,200**

* SJ Huffadine and PM Cmrlec both resigned on 1 June 2011 and are no longer a Director and Executive respectively.

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.

39. KEY MANAGEMENT PERSONNEL (CONTINUED)

(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

PG Cook and WS Hallam are Directors of Westgold and its controlled entities. In the current period $45,780 (2011: $72,877) has been charged to Westgold for Directors fees.

PG Cook and WS Hallam are of Aziana. FJ Van Maanen is the Company Secretary of Aziana. The Consolidated Entity provides accounting, secretarial and administrative services at cost to Aziana. In the current period $96,818 (2011: Nil) has been charged to Aziana for these Company Secretarial and Directors fees.

40. 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:

		Ownership Interest		Investment ($)	
Name	**Country of incorporation**	**2012**	**2011**	**2012**	**2011**
Agaton Phosphate Pty Ltd *	Australia	-	75%	-	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%	1	2	2
Chinggis Metals Pty Ltd	Australia	100%	1	2	2
				91,664,239	**92,414,239**
Subsidiary Companies of Metals Exploration Pty Ltd					
Austral Nickel Pty Ltd	Australia	100%	100%	9,058,896	9,058,896
Hinckley Range Pty Ltd	Australia	100%	100%	1,069,750	1,069,750
Metex Nickel Pty Ltd	Australia	100%	100%	1	1
Subsidiary companies of Bluestone Australia Pty Ltd					
Bluestone Mines Tasmania Pty Ltd	Australia	100%	100%	1	1
Bluestone Nominees Pty Ltd	Australia	100%	100%	1	1
Subsidiary companies of Bluestone Mines Tasmania Pty Ltd					
Bluestone Mines Tasmania Joint Venture Pty Ltd	Australia	50%	50%	50	50

* Agaton Phosphate Pty Ltd was deregistered on 27 March 2012.

(b) Ultimate parent

Metals X Limited is the ultimate parent entity. There are no Class Orders in place at 30 June 2012.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 39.

(d)	Transactions with related parties	2012	2011
(i)	**Jointly controlled assets**		
	Amounts charged by Bluestone Australia Pty Ltd to the unincorporated Bluestone Mines Tasmania Joint Venture for services provided *	354,836	309,734
(ii)	**Associates**		
	Amounts charged by Bluestone Australia Pty Ltd to Aziana Ltd for services provided **	281,016	-
	Amounts charged by Bluestone Australia Pty Ltd to Westgold Resources Ltd for services provided ***	407,188	243,464
	Amounts charged by Bluestone Australia Pty Ltd to Aragon Resources Ltd for services provided ****	-	229,370

* Subsidiary Bluestone Mines Tasmania Pty Ltd has a 50% joint venture interest in the unincorporated Bluestone Mines Tasmania Joint Venture.

** The Company has a 25.00% interest in Aziana Limited (2011: 25.00%).

*** The Company has a 26.98% interest in Westgold Resources Limited (2011: 25.02%).

**** The Company had an 8.70% interest in Aragon Resources Limited prior to the sale of the shares to Westgold Resources Limited on 14 April 2011.

41. INFORMATION RELATING TO METALS X LIMITED ("THE PARENT ENTITY")

	2012	2011
Current assets	46,678,789	79,923,951
Total assets	258,780,642	289,470,356
Current Liabilities	1,573,524	284,762
Total Liabilities	1,573,524	284,762
Issued capital	288,366,186	299,336,226
Accumulated losses	(37,280,516)	(16,435,491)
Option premium reserve	18,728,928	18,326,178
Other reserves	(12,607,479)	(12,041,318)
Total Equity	**257,207,119**	**289,185,595**
(Loss)/profit of the parent entity	(20,845,025)	96,186,116
Total comprehensive (loss)/profit of the parent entity	(21,411,186)	87,301,700

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries.	Nil
Contingent liabilities of the parent entity.	Nil
Contractual commitments by the parent entity for the acquisition of property, plant or equipment.	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 2012 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 2012.

On behalf of the Board.

WS Hallam

Managing Director

Perth, 20 September 2012

INDEPENDENT AUDIT REPORT

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Independent audit report to 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 2012, 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, 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:DR:METALSX:021

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 2012 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.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
20 September 2012

DL:DR:METALSX:021

SECURITY HOLDER INFORMATION AS AT 11 SEPTEMBER 2012

(a) Top 20 Quoted Shareholders

	%	Number of shares
Sun Hung Kai Investment Services Limited <Client A/C>	19.68	259,130,281
Jinchuan Group Limited	13.37	176,000,000
Sun Hung Kai Investment Services Limited <Client APAC Res A/C>	10.56	139,000,000
National Nominees Limited	7.62	100,264,299
Sabatica Pty Limited	6.06	79,742,210
Fitel Nominees Limited	4.43	58,325,779
All-States Finance Pty Ltd	4.03	53,000,000
Ajava Holdings Pty Ltd	3.05	40,110,000
Bell Potter Nominees Limited <BB Nom A/C>	2.64	34,705,348
Richard Farleigh	1.82	23,979,065
Peter Gerard Cook	1.64	21,550,000
JP Morgan Nominees Australia Limited	1.51	19,880,799
Sun Hung Kai Investment Services Limited <Client Katong Assets Ltd A/C>	1.01	13,265,866
HSBC Custody Nominees Australia Limited	0.75	9,852,916
Western Bridge Pty Ltd <HK Hawkins S/F A/C>	0.66	8,655,212
Joan Christine Cook <Cojo S/F A/C>	0.54	7,056,200
Oaksouth Pty Ltd	0.53	7,000,000
Milstern Enterprises Pty Ltd	0.42	5,500,000
RBC Investor Services Australia Nominees Pty Ltd <BKCUST A/C>	0.39	5,175,713
Liberty Management Pty Ltd	0.37	4,900,000
Total	**81.08**	**1,067,093,688**

(b) Distribution of quoted ordinary shares

Size of parcel	Number of share holders	Number of shares
1 to 1,000	104	28,803
1,001 to 5,000	892	2,835,762
5,001 to 10,000	778	6,440,384
10,001 to 100,000	2,006	71,804,450
100,001 to 25,000,000	417	1,235,553,858
Total	**4,197**	**1,316,663,257**

(c) Number of holders with less than a marketable parcel of ordinary shares	621	1,208,965

(d) Substantial Shareholders

	%	Number of shares
Apac Resources Limited	30.16	397,130,281
Jinchuan Group Limited	13.26	176,000,000
Guinness Peat Group plc and its subsidiaries	5.84	79,742,210
Peter Gerard Cook	5.24	68,940,200

(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

Number of Options	Exercise Price	Expiry Date	Number holders
2,500,000	14 cents	30/11/2012	2
2,800,000	13 cents	30/11/2013	9
1,000,000	32 cents	30/11/2013	1
4,800,000	30 cents	30/11/2014	12

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 69/0012

E 69/0535

E 69/2458

E 69/3017

AUSTRAL NICKEL PTY LTD

CLAUDE HILLS – 100%

EL 4751