

METALS EXPLORATION PTY LTD

ABN: 86 005 483 009

ANNUAL REPORT

For the Year Ended 30 June 2021

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CORPORATE DIRECTORY

DIRECTORS

Peter Gunzburg	Non-Executive Chairman
Patrick O'Connor	Non-Executive Director
Brett Smith	Executive Director

SECRETARY

Shannon Coates

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AUDITORS

Criterion Audit Pty Ltd
Suite 2, 642 Newcastle Street
Leederville WA 6007

Your Directors submit the financial report of the Company for the year ended 30 June 2021.

DIRECTORS

The names of Directors who held office during or since the end of the year:

Name	Title
Peter Gunzburg	Non-Executive Chairman (appointed 2 Sept 2020)
Brett Smith	Executive Director (appointed 21 July 2020)
Patrick O'Connor	Non-Executive Director (appointed 19 Dec 2019)
Stephen Robinson	Non-Executive Director (appointed 31 Jan 2017 -resigned 2 Sept 2020)
Michael Spreadborough	Non-Executive Director (appointed 19 Dec 2019- resigned 21 July 2020)
Damien Marantelli	Non-Executive Director (appointed 12 Nov 2018- resigned 19 Dec 2019)

COMPANY SECRETARY

Name	Title
Shannon Coates	Company Secretary (appointed 1 December 2020)
Fiona Van Maanen	Company Secretary (resigned 1 December 2020)

PRINCIPAL ACTIVITIES

During the period ended 30 June 2021, the principal activities of the Metals Exploration was exploration and studies for the advancement and development of Central Musgrave Project (CMP) located in Western and South Australia adjacent to the Governor's General corner of Western Australia, South Australia and the Northern Territory.

REVIEW OF RESULTS

The Profit after tax for the year ended 30 June 2021 was \$788,212 (2020: \$783,232).

DIVIDENDS

No dividends were paid or declared during the year ended 30 June 2021 (2020: Nil).

OPERATIONS

The Central Musgrave Nickel-Cobalt-Scandium Project (**CMP**) consists of a package of tenements which includes Wingellina (WA), Claude Hills (SA) and Mt Davies (SA) located adjoining the Surveyor Generals' Corner, the junction between Western Australia, the Northern Territory and South Australia. (Figure 1).

The Project covers approximately 1,469km² of the mid-Proterozoic Musgrave Block, an east-west trending belt of granulite-gneiss basement rocks approximately 500 kilometres long. Within this package is the economically significant Giles Complex which comprises over twenty-one separate layered ultramafic, mafic and anorthositic intrusions with a combined outcrop area of about 1,200km². Deep weathering of the Giles Complex rocks has developed substantial high metallurgical purity, limonite rich lateritic nickel-cobalt-scandium deposits.

The CMP comprises two lateritic nickel-cobalt resource areas; **Wingellina** located within Western Australia and **Claude Hills** located within South Australia, substantial exploration upside both through the extension of the defined resources and the Mt Davies Exploration Licence, an Exploration Licence covering the Lewis calcrete resource, and three Miscellaneous Licences covering defined water resources (Figure 2).

The Wingellina Nickel-Cobalt-Scandium Project is the largest undeveloped nickel-cobalt-scandium project in Australia.

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The Wingellina Nickel-Cobalt-Scandium Project is the largest undeveloped nickel-cobalt-scandium project in Australia.

LOCATION

The CMP is located along the Gunbarrel Highway adjoining Surveyor Generals' Corner, the junction between Western Australia, the Northern Territory and South Australia. Project tenure is located within both Western Australia and South Australia.

The Project is 220km from the sealed Lasseter Highway, which joins Uluru with Alice Springs, and 450km from the Central Australia Railway which joins the Port of Adelaide in South Australia with the Port of Darwin in the Northern Territory.

Road access to the Project is currently available from both Warburton in Western Australia or Uluru in the Northern Territory.

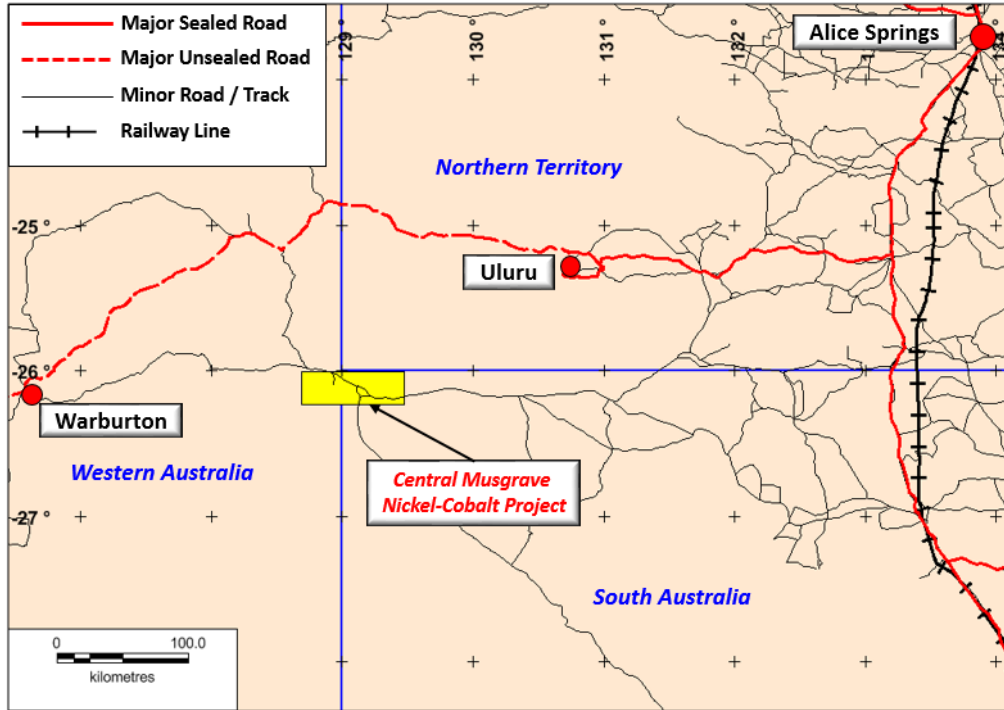


Figure 1 - Central Musgrave Project Location

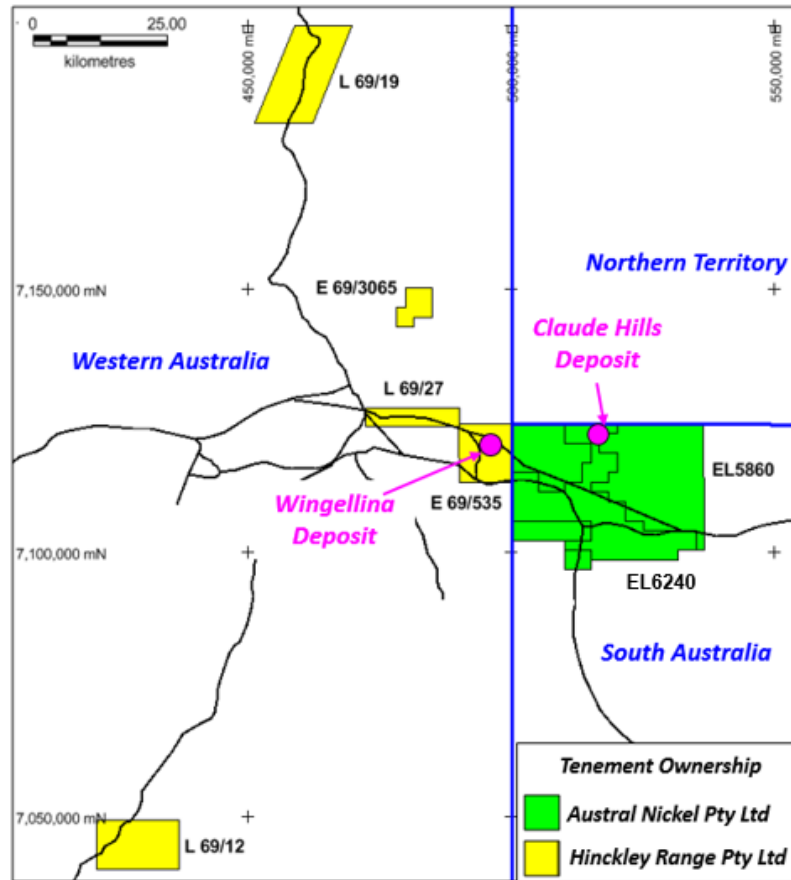


Figure 2 – Project Tenure Location

PROJECT RESOURCES AND RESERVES

The Central Musgrave Project has a Mineral Resource (JORC 2012) of approximately 1.95 million tonnes of nickel and 154,000 tonnes of cobalt, within which Wingellina hosts an Ore Reserve of approximately 1.56 million tonnes of nickel and 123,000 tonnes of cobalt.

Wingellina is one of the largest nickeliferous 'pure oxide' limonite accumulations in the world. The mineralogy of the Wingellina ore is a major strength of the project as, unlike most Australian nickel laterite projects, has characteristics perfectly suited to High Pressure Acid Leaching (HPAL) with high iron grades (resource average 47% Fe₂O₃) and a very low concentration of magnesium (resource average 1.6% Mg).

Wingellina is a development-ready, high-grade project, with a demonstrated ability to produce nickel & cobalt sulphates, sulphides and hydroxides. The unique characteristics of Wingellina provides a number of investment and development options for Metals X and potential investment partners.

In respect of Claude Hills Project, a significant exploration program was completed in 2010 which identified an initial deposit of 33.3 million tonnes at 0.81% Ni and 0.07% Co.

Central Musgrave Project – Mineral Resource Estimate

Deposit	Mineral Resource Category ¹	Mt ²	Nickel		Cobalt	
			Grade % Ni	Nickel kt Ni ²	Grade % Co	Cobalt kt Co ²
Wingellina (cut-off 0.50% Ni)	Measured	37.6	0.98%	368	0.07%	28.0
	Indicated	130.9	0.91%	1,193	0.07%	94.6
	Inferred	14.1	0.87%	122	0.06%	9.1
	Total	182.6	0.92%	1,684	0.07%	131.7
Claude Hills (cut-off 0.50% Ni)	Measured	-	-	-	-	-
	Indicated	-	-	-	-	-
	Inferred	33.3	0.81%	270	0.07%	22.7
	Total	33.3	0.81%	270	0.07%	22.7
Total Central Musgrave Project	Measured	37.6	0.98%	368	0.07%	28.0
	Indicated	130.9	0.91%	1,193	0.07%	94.6
	Inferred	47.4	0.83%	392	0.07%	31.8
	Total	215.8	0.91%	1,953	0.07%	154.4

Notes:

1. The Mineral Resource estimate for the Central Musgrave Project is in compliance with the JORC Code (2012 Edition) and as of 30 June 2016 and was published on 18 August 2016. There has been no change to the Mineral Resource estimate since the date of this publication.
2. Mineral Resources are reported inclusive of Mineral Resources modified to produce the Ore Reserve.
3. Tonnes are reported as million tonnes (Mt) and rounded to nearest 100,000; nickel tonnes are reported as thousand tonnes (kt) and rounded to the nearest 1000 tonnes; cobalt tonnes are reported as thousand tonnes (kt) and rounded to the nearest 100 tonnes; rounding may result in some slight apparent discrepancies in totals.

Wingellina Project - Ore Reserve Estimate

Project	Ore Reserve Category ¹	Ore Mt ²	Nickel		Cobalt	
			Grade % Ni	Nickel kt Ni ²	Grade % Co	Cobalt kt Co ²
Wingellina	Proved	-	-	-	-	-
	Probable	168.4	0.93%	1,561	0.07%	122.6
	Total²	168.4	0.93%	1,561	0.07%	122.6

Notes:

1. Source: Metals X website.
2. The Ore Reserve estimate for the Wingellina Nickel-Cobalt Project is in compliance with the JORC Code (2012 Edition) and as of 30 June 2016 and was published on 18 August 2016. There has been no change to the Ore Reserve estimate since the date of this publication.
3. The Ore Reserve is based on the Wingellina Mineral Resource estimate as of 30 June 2016 with applied modifying factors, at a cut-off grade of 0.5% Ni.
4. Tonnes are reported as million tonnes (Mt) and rounded to nearest 100,000; nickel tonnes are reported as thousand tonnes (kt) and rounded to the nearest 1000 tonnes; cobalt tonnes are reported as thousand tonnes (kt) and rounded to the nearest 100 tonnes; rounding may result in some slight apparent discrepancies in totals.

HISTORY OF CENTRAL MUSGRAVE PROJECT

Metals X achieved a significant milestone in the latter part of 2005 by farming into an advanced nickel exploration project in Central Australia which contained the large scale Wingellina nickel-cobalt deposit. These assets are referred to collectively as the Central Musgrave Project (the Project). In early 2006 Metals X completed the acquisition of 100% of the Central Musgraves Project by buying out Acclaim Exploration NL's interests.

To the end of 2008 Acclaim and then Metals X completed 685 reverse circulation drill holes for a total of 57,586m to test the oxide resources at depth and along strike. Sample composite length by Acclaim varied from 1 to 4m. Samples taken during drilling by Metals X to better define the nickel-cobalt oxide resources were collected as 2m composite samples.

Metals X also completed 18 diamond drill holes to collect samples for dry bulk density measurements and metallurgical work. Samples were taken approximately every 5m down-hole and measured on site for density. A total of 225 samples of mineralised material (>0.5%Ni), and 42 samples of waste were measured for bulk density determinations.

A mineral resource of 183 million tonnes of ore containing 0.98% Ni and 0.076% Co (a total of 1.79 million tonnes of contained nickel metal) was defined for the Project in 2007.

Exploration works also defined a second resource of 33 million tonnes containing 0.81% Ni and 0.07% Co in the Claude Hills area of South Australia in APY Lands, about 20 kms ENE of the Wingellina deposit. Drill line spacings of 200 metres and 400 metres resulted in the resource being classified as Inferred. Further work, infill drilling, aimed at providing better definition of the resources has been planned and the data generated from it and future metallurgical testwork programs are to be used for a feasibility study for development.

A pre-feasibility study for the Wingellina deposit was compiled in 2008 which concluded that the Project would be highly profitable at a nickel price of \$US20,000 per tonne and an exchange rate of AUS\$0.85 per US\$. A Project life of at least 40 years was forecast based on the processing of 4 million tonnes of ore per year.

Between 2008 and the present Metals X also completed comprehensive bench-scale metallurgical testwork studies, geotechnical diamond drilling, extensive flora and fauna studies, site engineering testing, an archaeology survey, heritage sites surveys to locate and register all aboriginal sites, a social impact study, hydrological studies for the sourcing of sufficient process water from the Officer Basin and Cobb Depression and also undertook preliminary logistics and regional infrastructure and transport corridor investigations in preparation for a bankable feasibility study.

In 2010 Metals X and the Ngaanyatjarra Land Council signed a Mining Agreement and an ILUA covering the Wingellina Ni-Co deposit.

Bulk samples of the ore were collected for metallurgical testing in 2013 (by wide-diameter Bauer drilling) and in 2014 (by trenching) from within the deposit. Successful pilot plant testing was completed on a 100 tonne parcel of the Wingellina ore in December 2014 that was sent to a POSCO owned laboratory in South Korea.

An Environmental Scoping Document was accepted by the EPA in June 2014. The final Public Environmental Review (PER) was submitted to the Department in August 2015. The EPA granted an Environmental Licence in September 2016 to proceed with development of the Project.

In August 2016 the total Central Musgrave Project resources were determined by Metals X to be 215.8Mt grading 0.91%Ni and 0.07%Co for contained metals totals of 1,953kt Ni and 154.4kt Co.

Metals X carried out an assessment of the high grade Ni-Co zones within the broader deposit in 2016. It then embarked on a program of resource definition drilling in 2017 of 15 defined high-grade zones. The results of drill testing of 7 high grade zones in 2017 and 2019 proved to be very successful and confirmed continuity of the high-grade tenor of the mineralisation.

FINANANCIAL YEAR ACTIVITES

Due to an outbreak of the COVID-19 pandemic in Australia in early 2020 Metals X was not permitted from April 2020 onwards to undertake any explorations of activities at its Central Musgraves Project as a measure to prevent any likelihood of accidental spread of the virus to local and regional aboriginal communities in WA, SA and NT. It is aimed for drill testing of the remaining 8 high grade Ni-Co zones at Wingellina to be undertaken following the lifting of the WA Declared State of Emergency. Further infill drilling of the Claude Hills Ni-Co deposit in SA is also planned to be undertaken as and when circumstances permit

During 2021 general activities continued in relation to maintaining the Wingellina Exploration camp, infrastructure and equipment. Various reviews and studies were also undertaken during 2021 to determine the optimum processing, mining routes and associated geological modelling.

The Central Musgrave Project is well endowed with significant resources of nickel and cobalt to contribute towards an expected increase in market demand for battery metals and for stainless steel production.

ENVIRONMENTAL REGULATION

The Company is subject to significant environmental and monitoring requirements in respect of its natural resources exploration activities. The Directors are not aware of any significant breaches of these requirements during the period.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no likely development of which the Directors are aware of which could be expected to significantly affect the results of the Company's operations in subsequent financial periods not otherwise disclosed in the 'Principal activities' and 'Review of operations' or the 'Significant events after the balance sheet date' sections of the Directors' report.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

The Directors' qualifications and experience are set out below:

Current Directors

Director	Details
Peter Gunzburg	
Qualifications	B Com
Position	Non-Executive Chairman
Appointment Date	2 September 2020
Resignation Date	N/A
Biography	Mr Gunzburg has over 40 years' experience acting as a public company director, Stockbroker, and investor. Mr Gunzburg has previously been a director of Resolute Ltd, Australian Stock Exchange Ltd, Eyres Reed Ltd, CIBC World Markets Australia Ltd and Fleetwood Corporation Ltd.
Current ASX Listed Directorships	Metals X Limited
Former ASX Listed Directorships	BARD1 Life Sciences Limited (2001 - 2020)
Brett Smith	
Qualifications	B.Eng Hons (Chem), MBA, MA
Position	Executive Director
Appointment Date	21 July 2020
Resignation Date	N/A
Biography	Mr. Smith has participated in the development of a number of mining and mineral processing projects including coal, iron ore, base and precious metals. He has also managed engineering and construction companies in Australia and internationally. Mr. Smith has served on the Board of private and listed mining and exploration companies and has over 32 years international experience in the engineering and construction of mineral processing operations.

Current ASX Listed Directorships	Metals X Limited Elementos Limited (appointed 24 January 2020). Tanami Gold NL (appointed 27 November 2018). APAC Resources Limited – HK (appointed 18 May 2016). Prodigy Gold NL (appointed 9 May 2016). Dragon Mining Limited – HK (appointed 7 February 2014).
Former ASX Listed Directorships	Nil
Patrick O'Connor	
Qualifications	B.Com FAICD
Position	Non-Executive Director
Appointment Date	19 December 2019
Resignation Date	N/A
Biography	Mr O'Connor has significant experience as an independent Non-Executive Director and as a Chief Executive Officer. His experience spans across mining (gold, copper, lead, zinc and coal), oil & gas exploration, biotechnology and government utility sectors. Mr O'Connor was previously a Non-Executive Director of Stanmore Coal Ltd. In addition, he has held the roles of Deputy Chairman and Chairman of Perilya Ltd, the operator of the Broken Hill mine in NSW Australia, prior to its takeover and delisting from the ASX. Mr O'Connor spent nine years as a director of the Water Corporation in WA including four years as its Chairman. Mr O'Connor was also the Chief Executive Officer for OceanaGold Corporation at the time of its listing on the ASX and remained for a period as a Non-Executive Director. Prior to OceanaGold, Mr O'Connor was Managing Director of Macraes Mining Co Ltd for nine years. Mr O'Connor was also appointed as a non-executive director of FAR Limited on 1 July 2021.
Current ASX Listed Directorships	Metals X Limited FAR Limited
Former ASX Listed Directorships	Stanmore Coal Limited (2014 – 2018). Tech Mpire Limited (2016 – 2017).

MEETINGS OF DIRECTORS

There were no directors meetings held for the group during the year.

SHARES UNDER OPTION

There are no unissued ordinary shares of the Company under option at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of the Company issued during the financial year ended 30 June 2021 and up to the date of this report on the exercise of options.

DIRECTORS' INTERESTS AND BENEFITS

There are no shares held by directors of the company.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has agreed to indemnify all of the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

NON AUDIT SERVICES

Criterion Audit Pty Ltd was appointed as the Company's auditor on 30 June 2021 and has not provided any non-audit services to the Company since its appointment.

EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances have arisen since the end of the year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods other than the following:

- The Company's holding company Metals X Limited has entered into a legally binding termsheet with Nico Resources Limited to acquire all of the shares in Metals Exploration Pty Ltd. Nico Resources Limited (Nico) will be undertaking a capital raising and IPO to fund the purchase.
- The consideration payable by Nico for the purchase will be \$5,000,000 to be satisfied by the issue to Metals X of:
 - 25,000,000 Nico Shares at a deemed issue price of \$0.20 per share to be distributed in specie to Metals X to eligible Metals X shareholders as a return of capital simultaneously with the listing of Nico on the ASX
 - 25,000,000 options to subscribe to Nico shares exercisable at \$0.25 each, expiring 3 years after grant.
 - Conditional upon shareholder approval from Metals X shareholders.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2021 has been received and is included within the financial statements.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3) of the Corporation Act 2001. Signed in accordance on behalf of the Directors.



Peter Gunzburg
Non-Executive Chairman

1 November 2021

Criterion Audit Pty Ltd

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LEEDERVILLE WA 6007

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Metals Exploration Pty Ltd for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



CHRIS WATTS CA
Director

CRITERION AUDIT PTY LTD

DATED at PERTH this 1st day of November 2021

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	Company 30 June 2021 \$	Company 30 June 2020 \$
Revenue		5,937	3,738
Corporate expenses		(1,355)	(884)
Depreciation expenses		(30,978)	(34,844)
Loan forgiveness		806,689	805,624
Impairment of Asset Carrying Value		-	-
Other expenses		-	-
Profit/(loss) before tax		780,293	773,634
Income tax benefit/(expense)	3	7,919	9,598
Net profit/(loss)for the year from operations		788,212	783,232
Other comprehensive income		-	-
Total comprehensive profit/(loss)for the year		788,212	783,232
Basic profit/(loss) per share (cents)	4	0.14c	0.14c

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	Note	Company 30 June 2021 \$	Company 30 June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	20,183	36,105
Trade and other receivables	6	33,684	27,001
Inventories	7	28,701	24,936
Total Current Assets		82,568	88,042
Non-Current Assets			
Plant and equipment	8	93,911	102,497
Deferred Tax Assets	3	57,573	-
Exploration and evaluation expenditure	9	4,471,191	3,384,007
Total Non-Current Assets		4,622,675	3,486,504
Total Assets		4,705,243	3,574,546
LIABILITIES			
Current Liabilities			
Trade and other payables	10	27,640	83,367
Total Current Liabilities		27,640	83,367
Non-Current Liabilities			
Provisions	11	15,000	15,000
Deferred Tax Liabilities	3	1,350,340	952,128
Total Non-Current Liabilities		1,365,340	967,128
Total Liabilities		1,392,980	1,050,495
Net Assets		3,312,263	2,524,051
EQUITY			
Contributed equity	12	21,701,750	21,701,750
Accumulated losses		(18,389,487)	(19,177,699)
Total Equity		3,312,263	2,524,051

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

Company	Contributed Equity	Accumulated Losses	Total
	\$	\$	\$
Balance at 30 June 2020	21,701,750	(19,177,699)	2,524,051
Profit for the period	-	788,212	788,212
Other comprehensive income	-		
Total comprehensive profit for the period	-	788,212	788,212
Balance at 30 June 2021	21,701,750	(18,389,487)	3,312,263
Balance at 30 June 2019	21,701,750	(19,960,931)	1,740,820
Profit for the period	-	783,232	783,232
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	783,232	783,232
Balance at 30 June 2020	21,701,750	(19,177,699)	2,524,051

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	Company 30 June 2021 \$	Company 30 June 2020 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,355)	(884)
Proceeds from receipt of interest		30	742
Proceeds from other income		5,907	2,996
Net cash provided form/(used in) operating activities	16	<u>4,582</u>	<u>2,854</u>
Cash flows from investing activities			
Acquisition of Fixed Assets		(22,392)	(7,450)
Acquisition of Exploration Assets		(78,492)	(115,929)
Acquisition Mine Properties & Development		<u>(1,008,694)</u>	<u>(1,216,936)</u>
Net cash (used in) investing activities		<u>(1,109,578)</u>	<u>(1,340,315)</u>
Cash flows from financing activities			
Proceeds from Borrowings		<u>1,089,074</u>	1,293,196
Net cash provided from financing activities		<u>1,089,074</u>	1,293,196
Net increase/(decrease) in cash held		(15,922)	(44,265)
Cash and cash equivalents at beginning of the year		<u>36,105</u>	80,370
Cash and cash equivalents at year end	5	<u><u>20,183</u></u>	<u><u>36,105</u></u>

The accompanying notes form part of these financial statements.

1. Corporate information

This annual report covers Metals Exploration Pty Ltd (the “Company”), a company incorporated in Australia on 26 August 1954 for the year ended 30 June 2021. The presentation currency of the Company is Australian Dollars (“\$”). A description of the Company’s operations is included in the review and results of operations in the Directors’ Report. The Directors’ Report is not part of the financial statements. The Company is a for-profit entity and limited by shares incorporated in Australia. The financial statements were authorised for issue on 29 October 2021 by the Directors of the Company. The Directors have the power to amend and reissue the financial statements. The principal accounting policies adopted in the preparation of the financial statements are set out below.

2. Accounting policies

a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Metals Exploration Pty Ltd is a for-profit entity for the purpose of preparing the financial statements. The financial statements are presented in Australian dollars and have been prepared under the historical cost convention.

b. Going concern

The annual financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company incurred a profit from ordinary activities of \$788,212 for the year ended 30 June 2021 (2020 \$783,232) which included debt forgiven of \$806,689 (2020 \$805,625) and net cash outflows from operating activities of \$4,582 (2020: \$2,854). The net working capital surplus of the Company at 30 June 2021 was \$54,928 (2020: \$4,675). The ability of the Company to continue to pay its debts as and when they fall due is principally dependent upon the Company’s holding company successfully raising additional share capital to loan to Metals Exploration Pty Ltd. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern. The Holding Company Metals X Limited funds the Group and is responsible for raising capital to ensure the Company remains a going concern. The Directors prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate.

2. *Accounting policies (continued)*

c. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

d. Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

e. Significant management judgement in applying accounting policies and estimate uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below.

i. Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

ii. 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

2. Accounting policies (continued)

e. Significant management judgement in applying accounting policies and estimate uncertainty (continued)

iii. Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

f. Accounting Standards that are mandatorily effective for the current reporting year

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020.

The Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Company accounting policies.

g. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Company has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Company's accounting policies, however further analysis will be performed when the relevant standards are effective.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	Company 30 June 2021 \$	Company 30 June 2020 \$
3. Income tax benefit / (expense)		
A reconciliation between the income tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
Profit / (loss) before tax	780,293	773,634
Statutory income tax rate for the Company at 30.0% (2019: 30%)	234,088	235,090
Tax effect of amounts which are not deductible /(taxable) in calculating taxable income:		
Write off Interco Loans	(242,007)	(241,687)
Unrecognised tax losses	344,029	414,688
Timing Differences	(344,029)	(414,688)
Income tax expense/(benefit) reported in the statement of comprehensive income	(7,919)	(9,597)
Unrecognised deferred tax assets and liabilities		
Deferred Tax Assets		
Property Plant and Equipment	57,573	-
Net deferred tax assets	57,573	-
Deferred Tax Liabilities		
Exploration & Mine Properties	(1,341,395)	(944,363)
Tax Profit	(8,946)	(7,765)
Net deferred tax liabilities	(1,350,341)	(952,128)

Accounting policy

Income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. 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 assets and liabilities are recognised for all taxable temporary differences:

- Except for 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
- In respect of 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.

3. Income tax benefit / (expense) (continued)

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 deferred income tax assets 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 income tax 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 profit or loss.

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 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.

Tax effect accounting by 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'. 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. 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.

Goods and services and sales tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of the asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	Company 30 June 2021	Company 30 June 2020
	\$	\$
4. Earnings per share	\$0.14	\$0.50

Loss used for basic and diluted profit per share are profit after tax of \$788,212 (2020: Profit after tax of \$783,232). The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share is 5,785,219 ordinary shares (2020: 5,785,219 ordinary shares). There were no potential ordinary shares that are considered dilutive in the current reporting year.

Accounting policy

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Company 30 June 2021	Company 30 June 2020
	\$	\$
5. Cash and cash equivalents		
Cash at bank	20,183	36,105
	20,183	36,105

Accounting policy

Cash and cash equivalents include cash on hand and in the bank, and other short-term deposits. Bank overdrafts are shown separately in current liabilities on the Statement of Financial Position. For the purposes of the Statement of Cash Flows, cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

6. Trade and other receivables	Company 30 June 2021	Company 30 June 2020
	\$	\$
Other Debtors	27,863	18,030
Prepayments	-	-
GST receivable	5,821	8,971
	<u>33,684</u>	<u>27,001</u>

Accounting policy

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. This category generally applies to trade and other receivables. Trade and other receivables are generally due for settlement within no more than 30 days from the date of recognition. Due to their current nature, the carrying amount of trade and other receivables approximates fair value. The carrying amount of trade and other receivables is reduced through the use of an allowance account and the loss is recognised in the profit or loss

7. Inventories	Company 30 June 2021	Company 30 June 2020
	\$	\$
Stores and Spares	28,701	24,936
	<u>28,701</u>	<u>24,936</u>

Accounting policy

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.

8. Plant and equipment	Company 30 June 2021	Company 30 June 2020
	\$	\$
Balance at beginning of year	102,497	129,891
Additions	22,392	7,450
Disposals	-	-
Depreciation	(30,978)	(34,844)
	<u>93,911</u>	<u>102,497</u>

8. Plant and equipment (continued)

Accounting policy

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 and useful life. Useful life ranges from 2 to 10 years.
- Buildings – the shorter of life of mine and useful life. Useful life ranges from 5 to 40 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.

	Company 30 June 2021 \$	Company 30 June 2020 \$
9. Exploration expenditure		
Exploration Expenditure		
Balance at beginning of year	75,859,419	74,526,553
Expenditure incurred	1,087,183	1,332,866
Impairment	(72,490,411)	(72,490,411)
	4,456,191	3,369,008
Rehabilitation Asset	15,000	15,000
Balance at end of year	4,471,191	3,384,008

9. Exploration expenditure (continued)

Accounting policy

Recognition and measurement

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 Company in conjunction with the Holding Entity (**Metals X**) assess each asset or cash generating unit (CGU) at the end of each reporting period to determine whether an indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of value in use (VIU) (being net present value of expected future cash flows of the relevant cash generating unit) and fair value less costs to sell" (FVLCS).

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, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

The Company regularly reviews the carrying values of its mine development assets in the context of independent expert valuations, internal and external consensus forecasts for commodity prices and foreign exchange rates, with the application of appropriate discount rates for the assets concerned.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profit in the period in which this determination is made. Capitalised mine development expenditure is assessed for recoverability in a manner consistent with property, plant and equipment.

Exploration and evaluation

Exploration and evaluation expenditure in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditure are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

9. Exploration expenditure (continued)

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Indirect costs that are included in the cost of an exploration and evaluation asset include, among other things, charges for depreciation of equipment used in exploration and evaluation activities. If an area of interest is abandoned or is considered to be of no further commercial interest, the accumulated exploration costs relating to the area are written off against income in the year of abandonment.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

	Company 30 June 2021	Company 30 June 2020
	\$	\$
10. Trade and other payables		
Trade creditors	<u>27,640</u>	<u>83,367</u>
	<u>27,640</u>	<u>83,367</u>

Accounting policy

Trade and other payables amounts represent liabilities for goods and services provided to the entity prior to the end of the year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of invoice.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	Company 30 June 2021	Company 30 June 2020
	\$	\$
11. Provisions		
Provision for Rehabilitation	15,000	15,000
	15,000	15,000

Accounting policy

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.

	Company 30 June 2021		Company 30 June 2020	
	No.	\$	No.	\$
12. Contributed equity				
Balance at beginning of year	5,785,219	21,701,750	5,785,219	21,701,750
Balance at end of year	5,785,219	21,701,750	5,785,219	21,701,750

Ordinary shares

Ordinary shares have no par value and have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Share capital represents the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

13. Related Party Disclosure

The Company's ultimate holding is Metals X Limited, an ASX listed company (ASX:MLX), who own 100% of the company. Metals X Limited provides 100% funding for the company through loans to each subsidiary and these loans have been forgiven as at the balance date in accordance with the legally binding term sheet and proposed share sale agreement between Metals X Limited and Nico Resources Limited.

14. Commitments

The Company has tenements in which the mining operations are located. To maintain current rights to explore and mine the tenements the company is required to perform minimum exploration work to meet the expenditure requirements specified by the relevant state governing body.

	Company 30 June 2021	Company 30 June 2020
	\$	\$
Within one year	67,857	59,886
After one year but not more than five years	98,628	74,992
After more than five years	165,908	148,647
Total	<u>332,393</u>	<u>283,525</u>

15. Operating segments

The Company has determined operating segments based on the information provided to the Board of Directors. The Company operates predominantly in one business segment being the exploration for minerals in one geographic segment, being Australia.

Accounting policy

Operating segments are identified based on the internal reports that are regularly reviewed by the Board of Director's, the Chief Operation Decision Maker, for the purpose of allocating resources and assessing performance. The adoption of this "management approach" has resulted in the identification of reportable segments.

	Company 30 June 2021	Company 30 June 2020
	\$	\$
16. Reconciliation of cashflows from operating activities		
Profit/(loss) before tax	780,293	773,634
Depreciation	30,978	34,844
Debt Forgiveness	(806,689)	(805,624)
Change in trade & other payables	-	-
Net cash used in operating activities	<u>4,582</u>	<u>2,854</u>

17. Events after the end of the reporting year

There are no matters or circumstances have arisen since the end of the year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods other than the following:

- The Company's holding company Metals X Limited has entered into a legally binding terms sheet with Nico Resources Limited to acquire all of the shares in Metals Exploration Pty Ltd. Nico Resources Limited (Nico) will be undertaking a capital raising and IPO to fund the purchase.
- The consideration payable by Nico for the purchase will be \$5,000,000 to be satisfied by the issue to Metals X of:
 - 25,000,000 Nico Shares at a deemed issue price of \$0.20 per share to be distributed in specie to Metals X to eligible Metals X shareholders as a return of capital simultaneously with the listing of Nico on the ASX
 - 25,000,000 options to subscribe to Nico shares exercisable at \$0.25 each, expiring 3 years after grant.

Conditional upon shareholder approval from Metals X shareholders.

18. Financial instruments

Financial risk management objectives, policies and processes

The Company has exposure to the following risks from their use of financial instruments:

- credit risk,
- liquidity risk, and
- market risk (including gold price risk, interest rate and currency risk).

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Company's principal financial instruments comprise cash. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Company. The Company also has other financial instruments such as receivables and payables which arise directly from its operations. For the year under review, it has been the Company's policy not to trade in financial instruments.

	Company 30 June 2021	Company 30 June 2020
	\$	\$
<u>Financial instruments</u>		
Financial assets		
Cash and cash equivalents	20,183	36,105
Trade and other receivables	33,684	27,001
Other Assets	28,701	24,936
	82,569	88,042

16. Financial instruments (continued)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

	Company 30 June 2021	Company 30 June 2020
	\$	\$
Financial liabilities		
Trade and other payables	27,640	83,367
Borrowings	-	-
	27,640	83,367

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. The Company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually. The Company does not have any significant credit risk exposure to the National Australia Bank. The credit risk on liquid funds is reduced because the counterparty is a bank with high credit rating assigned by international credit rating agencies.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities, determining when capital raising is required and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company did not have any undrawn facilities at its disposal as at reporting date. The table below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Details	>1 Year \$	1-2 Years \$	2-5 Years \$	>5 Years \$	Total \$
30 June 2021					
Trade and other payables	27,640	-	-	-	27,640
Rehabilitation Provision		15,000	-	-	15,000
Borrowings	-	-	-	-	-
Total	27,640	15,000	-	-	42,640
30 June 2020					
Trade and other payables	83,367	-	-	-	83,367
Rehabilitation Provision		15,000	-	-	15,000
Total	83,367	15,000	-	-	98,367

16. Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company does not have short or long-term debt and therefore the risk is minimal. The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature. The Company's cash and cash equivalents at 30 June 2020 are fixed interest rate financial instruments. Therefore, they are not subject to interest rate risk.

Fair value measurements

The fair values of cash, receivables, trade and other payables approximate their carrying amounts as a result of their short maturity.

**DIRECTORS DECLARATION
FOR THE YEAR ENDED 30 JUNE 2021**

In the opinion of the Directors:

- a) the financial statements and notes set out on pages 14 to 32 are in accordance with the *Corporations Act 2001* including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2021 and of the performance for the year ended 30 June 2021; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Peter Gunzburg
Non-Executive Chairman

1 November 2021

Criterion Audit Pty Ltd

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Independent Auditor's Report

To the Members of Metals Exploration Pty Ltd

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of Metals Exploration Pty Ltd ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the matters described in the *Basis for Qualified Opinion*, the accompanying financial report of Metals Exploration Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis of Qualified Opinion - Inventories

We were not able to attend the inventory count on 30 June 2021 due to our audit appointment after balance date. As a consequence, we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of stock on hand at 30 June 2021, appearing in the statement of financial position at \$28,701. There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the existence of stock on hand. Accordingly, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Any adjustment to the figure may have a consequential significant effect on the results for the year and net assets at 30 June 2021.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion above, we draw attention to Note 2b to the annual report, which indicates that the Consolidated Entity incurred a net profit of \$788,212 which included debt forgiven of \$806,689 and as of that date, the

Consolidated Entity had net operating cash inflows of \$4,582. These conditions, along with other matters as set forth in Note 2b, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and

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

- Obtain an understanding of internal control relevant to the audit 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 Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards.

Criterion Audit

CRITERION AUDIT PTY LTD

Watts

CHRIS WATTS CA
Director

DATED at PERTH this 1st day of November 2021