

# metalicity

**ABN 92 086 839 992**

Half-year report for the half-year ended  
31 December 2016

**Half-year report for the half year  
ended 31 December 2016**

**Corporate Directory**

**Directors**

Andrew Daley – Non-executive Chairman  
Matthew Gauci – Managing Director  
Christopher Bain – Non-executive Director  
Mathew Longworth – Non-executive Director

**Company Secretary**

Neil Hackett

**Auditors**

Stantons International  
Level 2  
1 Walker Avenue  
WEST PERTH WA 6005

**Solicitors**

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

**Bankers**

ANZ Banking Group Ltd  
1275 Hay Street  
WEST PERTH WA 6005

**Registered Office**

6 Outram Street  
WEST PERTH WA 6005  
Telephone: +61 8 9324 1053  
Facsimile: +61 8 9324 3366

**Share Registry**

Link Market Services  
Central Park  
Level 4, 152 St Georges Terrace  
PERTH WA 6000  
Investor Enquiries: 1300 554 474  
Facsimile: (02) 9287 0303

**Stock Exchange Listing**

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

**Web Site:** [www.metalicity.com.au](http://www.metalicity.com.au)

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**Half-year report for the half year  
ended 31 December 2016**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Metalicity Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## DIRECTORS' REPORT

The Directors of Metalicity Limited ("the Company") submit herewith the condensed consolidated financial statements of the Company and its subsidiaries for the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### Information about the Directors and senior management

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

Name	Particulars
Matthew Gauci	Managing Director
Andrew Daley	Non-Executive Chairman
Christopher Bain	Non-Executive Director
Mathew Longworth	Non-Executive Director

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The loss after tax for the half-year ended 31 December 2016 was \$1,581,342 (2015: Loss \$1,404,722), with \$789,492 relating to share based payments expense (2015: \$325,885).

### Admiral Bay Zinc Project

On the 20<sup>th</sup> June 2016 Metalicity Limited (ASX:MCT, "Metalicity" or "the Company") completed commercial negotiations with Kagara Limited (in Liquidation) and signed a Deed of Release and Termination extinguishing all potential future payments and obligations relating to the acquisition of the Admiral Bay Zinc Project (Admiral Bay). In consideration, the Company agreed to make a payment of \$750,000 cash and 23 million fully paid ordinary shares in Metalicity.

On the 4<sup>th</sup> July 2016, the Company announced a revised Inferred Mineral Resource Estimate (MRE) for Admiral Bay of 170Mt at 7.5% ZnEq, which represents an approximate 30% higher ZnEq grade and 100% increase in contained ZnEq metal relative to the previous Inferred MRE (see ASX Announcement 24/02/2016). Additionally, a new Exploration Target Range (ETR)\* was announced as 160Mt-210Mt at 7.2% - 7.8% ZnEq.

A positive Scoping Study on Admiral Bay was announced by the Company on the 27<sup>th</sup> July 2016, which confirmed Admiral Bay to have the potential to support a large, long life and low cost zinc-lead operation, with a preliminary hurdle rate of 20+ year mine life with an ore throughput of 3-5Mtpa. The Scoping Study was completed by expert technical consultants SRK Consulting (SRK).

On the 8<sup>th</sup> November 2016, the Company announced that it had commenced a process to define the pathway for the Pre-Feasibility Study (PFS) on Admiral Bay. In parallel to the PFS, a process to consider introducing a joint venture partner to the PFS at Admiral Bay commenced. Discussions with a wide range of global resources houses and financiers are ongoing.

### Lithium Projects

Metalicity compiled an extensive portfolio of tenements covering approximately 2,500km<sup>2</sup> located in proven lithium mining districts, which are considered prospective for the discovery of lithium (spodumene) mineralisation. These tenements are located in the Pilgangoora/Wodgina district, the Lake Cowan/Bald Hill district, and the Greenbushes district, in Western Australia.

On the 1<sup>st</sup> of December 2016, the Company completed first pass drilling programs at the Pilgangoora South project. The program consisted of reverse circulation (RC) drilling of 11 holes for 1,050m with the successful intersection of very thick albite rich Lithium-Cesium-Tantalum (LCT) type pegmatites up to 124m thick (from surface). The outcropping pegmatites have a combined north-south strike extent of 1km and up to 300m in width. Samples were dispatched for assaying and petrological analysis to determine lithium and spodumene content.

The Company expanded its lithium exploration portfolio on the 20<sup>th</sup> December 2016 by signing an agreement to acquire 579km<sup>2</sup> of tenements from Fortescue Metals Group Ltd (FMG) in the Pilbara Region of Western Australia. The Lynas Find North project is considered a high priority, with a 10km x 4km target area of lithium bearing pegmatites



## **DIRECTORS' REPORT (CONTINUED)**

identified. The agreement included the payment by Metalicity to Fortescue of \$250,000 cash, 5m fully paid ordinary shares, 5m unlisted options exercisable at 8c and 10m Fully Paid Ordinary Shares upon the definition of a JORC Inferred Mineral Resource Estimate of a minimum 20Mt @ 1% Li<sub>2</sub>O across any of the projects.

### **Cobalt Projects**

On the 4<sup>th</sup> October 2016, the Company compiled a highly prospective portfolio of tenements covering 645km<sup>2</sup> located in the Yerrida Basin, Western Australia. The Kyarra Cobalt Project (E51/1755, E51/1756 and E53/1894) lies within the Proterozoic Yerrida Basin on the northern margin of the Yilgarn Craton. Widespread cobalt anomalism exists across the Yerrida basin in historic surface rock chip samples, rotary air blast (RAB) drilling, and in diamond core drilling from historical exploration.

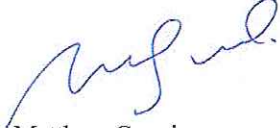
Anomalous historical results include up to 0.64% Co from surface samples and 2m at 612 ppm Co from drilling, across an initial strike extent of approximately 25km. The proposed exploration model is interpreted to have numerous similarities to the mineralisation model of the significant copper-cobalt deposits of the Zambian Copper Belt.

**Auditor's independence declaration**

The auditor's independence declaration is included on page 5 of the half-year report.

Signed in accordance with a resolution of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors



Matthew Gauci  
Managing Director  
Perth, Western Australia

15 March 2017

15 March 2017

Board of Directors  
Metalicity Limited  
6 Outram Street  
WEST PERTH WA 6005

Dear Directors

**RE: METALICITY LIMITED**

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

As Audit Director for the review of the financial statements of Metalicity Limited for the six months ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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

**Samir Tirodkar**  
Director

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
METALICITY LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Metalicity Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Metalicity Limited (the consolidated entity). The consolidated entity comprises both Metalicity Limited (the Company) and the entities it controlled during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Metalicity Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.



*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Metalicity Limited on 15 March 2017.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Metalicity Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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

*Stantons International*

*Samir*

**Samir Tirodkar**  
**Director**


West Perth, Western Australia  
15 March 2017

### **Directors' declaration**

In the opinion of the Directors of Metalicity Limited ("the Company")

- (a) the financial statements and notes set out on pages 9 to 19 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Consolidated entity as at 31 December 2016 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) as set out in Note 1(d), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Matthew Gauci  
Managing Director  
Perth, Western Australia

15 March 2017

**Consolidated condensed statement of profit or loss and other comprehensive income  
for the half-year ended 31 December 2016**

		Consolidated Group	
		31 December 2016 \$	31 December 2015 \$
	Note		
Revenue from continuing operations	3	72,600	1,621
Expenses	4	(1,653,942)	(1,406,343)
Loss before income tax expense		(1,581,342)	(1,404,722)
Income tax expense		-	-
<b>Loss after income tax</b>		<b>(1,581,342)</b>	<b>(1,404,722)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive loss for the period</b>		<b>(1,581,342)</b>	<b>(1,404,722)</b>
<b>Loss attributable to:</b>			
Owners of the parent		(1,581,342)	(1,404,722)
Non-controlling interest		-	-
		<b>(1,581,342)</b>	<b>(1,404,722)</b>
<b>Total comprehensive loss attributable to:</b>			
Owners of the parent		(1,581,342)	(1,404,722)
Non-controlling interest		-	-
		<b>(1,581,342)</b>	<b>(1,404,722)</b>
<b>Basic loss per share (cents)</b>	5	<b>(0.35)</b>	<b>(0.39)</b>
<b>Diluted loss per share (cents)</b>	5	<b>(0.35)</b>	<b>(0.39)</b>

The accompanying notes form part of these financial statements.

**Consolidated condensed statement of financial position  
as at 31 December 2016**

		Consolidated	
		31 December 2016	30 June 2016
	Note	\$	\$
<b>Current assets</b>			
Cash and cash equivalents		3,157,434	4,924,011
Trade and other receivables		112,399	16,193
Other assets		239,000	349,969
Total current assets		3,508,833	5,290,173
<b>Non-current assets</b>			
Exploration and evaluation expenditure	6	6,404,424	5,357,642
Plant & equipment		8,925	3,562
Total non-current assets		6,413,349	5,361,204
<b>Total assets</b>		9,922,182	10,651,377
<b>Current liabilities</b>			
Trade and other payables		446,692	500,349
Provision		56,513	50,201
Total current liabilities		503,205	550,550
<b>Non-current liabilities</b>			
Deferred income	7	7,053,180	7,053,180
Total non-current liabilities		7,053,180	7,053,180
<b>Total liabilities</b>		7,556,385	7,603,730
<b>Net assets</b>		2,365,797	3,047,647
<b>Equity</b>			
Issued Capital	8	41,367,521	41,257,521
Other reserves		1,734,159	944,667
Accumulated losses		(40,735,883)	(39,154,541)
<b>Total equity</b>		2,365,797	3,047,647

The accompanying notes form part of these financial statements.



**Consolidated condensed statement of changes in equity  
for the half-year ended 31 December 2016**

	Contributed Equity	Shares to be Issued	Share Based Payments Reserve	Option Premium Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>						
Balance at 1 July 2016	41,257,521	-	943,167	1,500	(39,154,541)	3,047,647
Loss for the period	-	-	-	-	(1,581,342)	(1,581,342)
Total comprehensive loss for the period	-	-	-	-	(1,581,342)	(1,581,342)
Shares issued	110,000	-	-	-	-	110,000
Share based payments	-	-	789,492	-	-	789,492
Total transactions with owners	110,000	-	789,492	-	-	899,492
<b>Balance at 31 December 2016</b>	<b>41,367,521</b>	<b>-</b>	<b>1,732,659</b>	<b>1,500</b>	<b>(40,735,883)</b>	<b>2,365,797</b>
<b>Consolidated</b>						
Balance at 1 July 2015	36,315,416	-	85,588	1,500	(36,182,472)	220,032
Loss for the period	-	-	-	-	(1,404,722)	(1,404,722)
Total comprehensive loss for the period	-	-	-	-	(1,404,722)	(1,404,722)
Shares to be issued	-	45,000	-	-	-	45,000
Share based payments	330,000	-	225,885	-	-	555,885
Share issue costs	-	-	-	-	-	-
Total transactions with owners	330,000	45,000	225,885	-	-	600,885
<b>Balance at 31 December 2015</b>	<b>36,645,416</b>	<b>45,000</b>	<b>311,473</b>	<b>1,500</b>	<b>(37,587,194)</b>	<b>(583,805)</b>

The accompanying notes form part of these financial statements.

**Consolidated condensed statement of cash flows  
for the half-year ended 31 December 2016**

	<b>Consolidated Group</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(1,936,862)	(1,206,766)
Interest received	6,709	1,621
Other income	7,510	-
Net cash used in operating activities	(1,922,643)	(1,205,145)
<b>Cash flows from investing activities</b>		
Payment for exploration expenditure and acquisition of tenements	-	(1,515,576)
Payment for plant and equipment	(6,915)	(3,193)
Net cash used in investing activities	(6,915)	(1,518,769)
<b>Cash flows from financing activities</b>		
Proceeds from share application not issued	-	45,000
Proceeds from share issue	110,000	-
Receipts from sale of royalty	-	7,053,180
Net cash provided by financing activities	110,000	7,098,180
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,819,558)</b>	<b>4,374,266</b>
Cash and cash equivalents at the beginning of the financial period	4,924,011	442,799
Effects of exchange rate changes on the balance of cash held in foreign currencies	52,981	(147,548)
<b>Cash and cash equivalents at the end of the financial period</b>	<b>3,157,434</b>	<b>4,669,517</b>

The accompanying notes form part of these financial statements.

**Notes to the consolidated condensed financial statements  
for the half-year ended 31 December 2016**

**1. Significant accounting policies**

**a. Statement of compliance**

The half-year financial report is a general purpose financial report which was prepared in accordance with the Corporations Act 2001 and Accounting Standards AASB 134, Interim Financial Reporting where possible (refer to Basis of preparation note below). The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

**b. Basis of preparation**

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Metalicity Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 15 March 2017.

**c. Accounting Policies**

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

*The following standards became effective for annual reporting periods beginning on or after 1 January 2016 and therefore effective for the current interim period.*

- *AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;*
- *AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle;*
- *AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;*

**d. Going Concern**

The half year financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

For the half year ended 31 December 2016, the Consolidated Group recorded a loss of \$1,581,342 (2015: loss \$1,404,722).

The Consolidated Group has a working capital surplus of \$3,005,628 at 31 December 2016 (June 2016: surplus of \$4,739,623). The Consolidated Group has sufficient funds to meet its current ongoing expenditures in respect of administration, exploration and evaluation expenditure on its projects at 31 December 2016.



**Notes to the consolidated condensed financial statements  
for the half-year ended 31 December 2016**

**1. Significant accounting policies (continued)**

**e. Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of the Company as at 31 December 2016 and the results of the subsidiaries for the period then ended.

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

**2. Segment information**

**Identification of reportable segments**

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

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

**3. Revenue**

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

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>\$</b>	<b>\$</b>
Tenement rental refunds	7,510	-
Rental income	5,400	-
Foreign exchange gains	52,981	-
Interest earned	6,709	1,621
	<u>72,600</u>	<u>1,621</u>



**Notes to the consolidated condensed financial statements  
for the half-year ended 31 December 2016**

**4. Expenses**

	31 December 2016	31 December 2015
	\$	\$
Accounting & audit	43,350	23,714
ASX	21,638	63,994
Company secretarial fees	19,500	21,000
Consulting fees – cash	39,000	113,112
Depreciation	1,552	246
Directors' remuneration - cash	180,647	145,662
Directors' remuneration – share based payment	145,705	179,833
Other – share based payment	643,787	46,052
Foreign exchange loss	-	147,548
Insurance	9,036	12,603
Investor relations	4,457	57,890
Legal fees	47,111	233,248
Project work and generation - cash	137,465	85,919
Project work and generation – share based payment	-	100,000
Rent & office costs	68,476	34,737
Salaries and on costs	83,596	24,997
Share registry fees	15,858	14,300
Travel & accommodation	43,519	57,691
Other	149,245	43,797
<b>Total Expenses</b>	<b>1,653,942</b>	<b>1,406,343</b>

**5. Earnings/(loss) per share**

	31 December 2016 Cents	31 December 2015 Cents
<b>(a) Basic loss per share</b>		
Loss attributable to the ordinary equity holders of the Company	(0.35)	(0.39)
<b>(b) Diluted loss per share</b>		
Loss attributable to the ordinary equity holders of the Company	(0.35)	(0.39)
<b>(c) Reconciliation of loss used in calculating earnings per share</b>	31 December 2016 \$	31 December 2015 \$
<i>Basic and diluted loss per share</i>		
Loss attributable to the ordinary equity holders of the Company	(1,581,342)	(1,404,722)

**Notes to the consolidated condensed financial statements  
for the half-year ended 31 December 2016**

**5. Earnings/(loss) per share (continued)**

(d) Weighted average number of shares used as the denominator	31 December 2016 Number	31 December 2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	451,305,524	359,641,937
Adjustment for calculation of diluted earnings/(loss) per share – Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	451,305,524	359,641,937

**6. Exploration and evaluation expenditure**

	31 December 2016 \$	30 June 2016 \$
Opening balance	5,357,642	1,284
Acquisition of tenements	-	3,711,478
Expenditure incurred	1,046,782	1,644,880
Closing balance	6,404,424	5,357,642
Total expenditure incurred and carried forward in respect of specific projects		
Admiral Bay Project	4,664,574	4,464,612
Rocky Gully Project	828,030	748,283
Other	911,820	144,747
	6,404,424	5,357,642

**Royalty Security**

The Company has issued two equal first ranking mining mortgages over one or more of the tenements comprising the Admiral Bay Project.

**7. Deferred income**

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

**Notes to the consolidated condensed financial statements  
for the half-year ended 31 December 2016**

**8. Contributed equity**

**(a) Issued share capital**

	<b>31 December 2016</b>	<b>30 June 2016</b>
	\$	\$
454,044,654 (30 June 2016: 450,044,654) fully paid ordinary shares	41,367,521	41,257,521

**(b) Movement in ordinary share capital**

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>\$</b>
01/07/2016	Opening balance	450,044,654	41,257,521
03/11/2016	Issued during the period at \$0.025 and \$0.03	4,000,000	110,000
31/12/2016	<b>Balance at the end of the period</b>	<b>454,044,654</b>	<b>41,367,521</b>

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>\$</b>
01/07/2015	Opening balance	696,539,557	36,315,416
23/07/2015	1:2 share consolidation	(348,269,903)	-
14/09/2015	Issued for project work and generation at \$0.02	5,000,000	100,000
14/09/2015	Issued as consideration for tenements at \$0.016	14,375,000	230,000
15/01/2016	Exercise of options at \$0.02	5,250,000	105,000
17/02/2016	Issued as consideration for tenements at \$0.02	1,250,000	25,000
22/02/2016	Exercise of options at \$0.025, \$0.03 and \$0.04	6,000,000	190,000
07/06/2016	Share placement at \$0.07	42,900,000	3,003,000
13/06/2016	Exercise of options at \$0.03 and \$0.04	4,000,000	140,000
21/06/2016	Issued as consideration for tenements at \$0.067	23,000,000	1,541,000
	Share issue costs	-	(391,895)
30/06/2016	<b>Balance at the end of the period</b>	<b>450,044,654</b>	<b>41,257,521</b>

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

**Notes to the consolidated condensed financial statements  
for the half-year ended 31 December 2016**

**9. Options**

As at 31 December 2016, there were 119,650,000 unissued ordinary shares under option (30 June 2016: 82,650,000). These options are exercisable as follows:

Details	No of Options	Date of Expiry	Conversion Price \$
Management incentive options	11,500,000	1/07/2020	0.025
	11,500,000	1/07/2020	0.03
	11,500,000	1/07/2020	0.04
	2,000,000	4/10/2020	0.04
	8,050,000	26/11/2020	0.03
	8,050,000	26/11/2020	0.04
	8,050,000	26/11/2020	0.05
	13,000,000	31/12/2019	0.06
	13,000,000	31/12/2019	0.08
	13,000,000	31/12/2019	0.10
	2,000,000	31/12/2019	0.12
Consultant options	1,000,000	11/03/2017	0.04
	1,000,000	11/03/2017	0.08
	1,000,000	11/03/2017	0.12
	4,000,000	12/06/2019	0.06
	4,000,000	31/12/2019	0.04
	3,000,000	31/12/2019	0.08
	1,000,000	31/12/2019	0.10
	3,000,000	31/12/2019	0.12
	<b>119,650,000</b>		

	<b>31 December 2016 No.</b>	<b>30 June 2016 No.</b>
Balance at beginning of the period	82,650,000	53,000,000
Granted during the period	41,000,000	89,650,000
Exercised during the period	(4,000,000)	(20,500,000)
Forfeited/expired during the period	-	(39,500,000)
Balance at the end of the period	<b>119,650,000</b>	<b>82,650,000</b>

**10. Share Based Payments**

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

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

	<b>31 December 2016 \$</b>	<b>31 December 2015 \$</b>
Expense arising from equity-settled share-based payment transactions	789,492	325,885

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

**(i) Options**

There were \$789,492 of share based payments relating to options for the period ended 31 December 2016 (2015: \$325,885).

**(ii) Shares**

There were no share based payments relating to shares issued in the period ended 31 December 2016 (2015: \$100,000).



**Notes to the consolidated condensed financial statements  
for the half-year ended 31 December 2016**

## **11. Commitments**

In order to maintain the mineral tenements in which the Group is involved, the Group is committed to fulfill the minimum annual expenditure conditions under which the tenements are granted. Minimum annual expenditure required to maintain the Group's tenements is \$1,909,180. This obligation is capable of being varied from time to time. Exploration expenditure commitments beyond this time cannot be reliably determined.

## **12. Contingent liabilities**

The Company paid stamp duty of \$581,015 on the acquisition of the Admiral Bay Project, based on an assessment value of \$11.4m. The Company had lodged an objection with the Office of State Revenue seeking a refund. On 3 February 2017, the Office of State Revenue communicated that a compromise assessment be issued and that duty of the transaction be assessed in the amount of \$695,715 (based on a dutiable value of \$13.4m plus costs), with undervalued penalty tax remitted in full. The Company is still considering the offer.

## **13. Subsequent events**

On 20<sup>th</sup> December 2016, the Company announced it had reached an agreement with Fortescue Metals Group Ltd for the acquisition of a highly prospective lithium exploration portfolio, including the highly prospective Lynas Find North Lithium Project. On 17 January 2017, the Company completed the acquisition of these assets for:

- \$250,000 cash payment;
- 5m fully paid ordinary shares in the Company;
- 5m unlisted options exercisable at \$0.08;
- 10m fully paid ordinary shares upon the definition of a JORC Inferred Mineral Resource Estimate of a minimum 20Mt @1% Li<sub>2</sub>O across any of the projects.

On the 2<sup>nd</sup> February 2017, a Memorandum Of Understanding (MOU) was signed with China Nonferrous Metals (NFC), to review, finance and develop Admiral Bay. NFC has entered the Shenzhen 100 Stock Index and Shanghai-Shenzhen 300 Composite Index organisation with a strong track record in supporting the development of large, long life zinc projects in Europe, Africa and Asia and is seeking further projects related to resources in developed markets such as Australia.

On the 19<sup>th</sup> of January 2017, the company announced the intersections of lithium mineralisation at the Pilgangoora South project. First pass wide spaced drilling intersected 22m at 0.18% Li<sub>2</sub>O including 2m at 0.48% Li<sub>2</sub>O confirming the discovery of significant lithium anomalism in a world class district. X-Ray Diffraction analysis has been undertaken to determine the host minerals of the lithium and several minerals have been identified including eucryptite, an alteration product of spodumene. Additional drilling has been planned to determine the extent and grades of mineralisation targeting the numerous pegmatites identified in the immediate area.

On the 2<sup>nd</sup> of March the Company announced that it was in advanced discussions to extend its existing MOU with Shanghai Metals regarding lithium, to also cover cobalt. These discussions commenced after the Company announced the acceleration of exploration activities and focus on its Kyarra Cobalt project on the 14<sup>th</sup> February 2017.

Subsequent to balance sheet date, 3,000,000 options were exercised into 3,000,000 new ordinary shares raising \$120,000 before costs.