



ABN 92 086 839 992

Annual report for the financial year ended
30 June 2017

Corporate Directory

Directors

Andrew Daley – Non-executive Chairman
Matthew Gauci – Managing Director
Chris 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
Cnr Hay and Outram Street
WEST PERTH WA 6005

Registered Office

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Telephone: +61 8 9324 1053
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Share Registry

Link Market Services Limited
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152 St Georges Terrace
PERTH WA 6000
Investor Enquiries: 1300 554 474
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Securities Exchange Listing

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

ASX Code: MCT

Web Site: www.metalicity.com.au

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Directors' Report

The Directors of Metalicity Limited submit herewith the annual financial report of the and its subsidiaries (the "Group") for the financial year ended 30 June 2017.

Officers and Directors

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

Name	Particulars
Andrew Daley	Non-Executive Chairman (appointed 19 August 2013)
Matthew Gauci	Managing Director (appointed 26 September 2012)
Chris Bain	Non-Executive Director (appointed 19 August 2013)
Mathew Longworth	Non-Executive Director (appointed 29 September 2014)

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

Principal activities

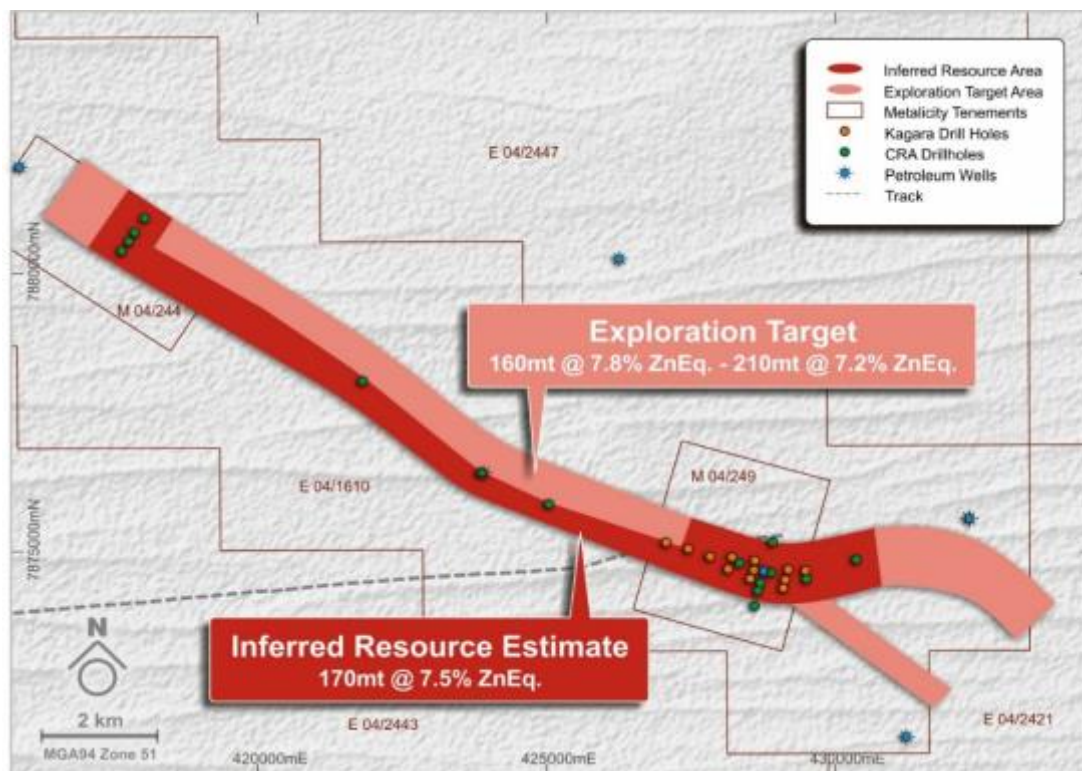
The Group's principal activity at the date of this report is mineral exploration.

Review of operations and results

Admiral Bay Zinc Project

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

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



Source: Metalicity

Directors' Report

Scoping Study

During the year, the Group received positive results from a Scoping Study on Admiral Bay. The Scoping Study, completed by independent technical consultants SRK Consulting, confirmed the view of the Metalicity Board that the Admiral Bay deposit has the potential to support a long life and low cost zinc/lead/silver operation of world class scale.

Key outcomes of the completed Scoping Study include:

- A new geological model and Inferred Mineral Resource Estimate (MRE) – an approximate 30% increase in ZnEq grade and 100% increase in ZnEq contained metal (see Metalicity ASX release 4 July 2016)
- Open stoping (with backfill) as the base case mining method with a recommended PFS option to evaluate longwall mining given rock properties, latest deposit geometry and further automation/cost benefits
- Metallurgical test work to date does not currently demonstrate deleterious metallurgical behaviour and predicts high projected metal recoveries (90-95%) through a conventional flotation processing route
- Sealed container trucking and shipping through existing Port Hedland facilities the preferred export path

Pre-feasibility Study

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

- The refinement of the preferred PFS pathway including the design and budgeting of drilling options
- The compilation of a new MRE for the high grade zone
- Mining optionality work including geotechnical, hydrogeological, geothermal and ventilation and ore sorting studies
- Metallurgical testwork studies

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

MOU with China Minmetals

On the 19th July 2017 the Group signed a Memorandum of Understanding (“**MOU**”) regarding future zinc and lead off-take with China Minmetals Nonferrous Metals Co., Ltd (“**CMN**”), a subsidiary of China Minmetals Corp (“Minmetals”) which is China’s, and one of the world’s, leading mining and metals companies.

The MOU contemplates the supply of an initial 10% of future offtake from an anticipated production of 174Kt zinc and 115Kt lead concentrate per annum from Admiral Bay in exchange for metallurgical and beneficiation testwork. This testwork may establish a pathway for investing in Metalicity and/or Admiral Bay at the company and/or project level. Both parties will work towards a binding agreement in due course.

Table 1. PRE-FEASIBILITY STUDY STRATEGY

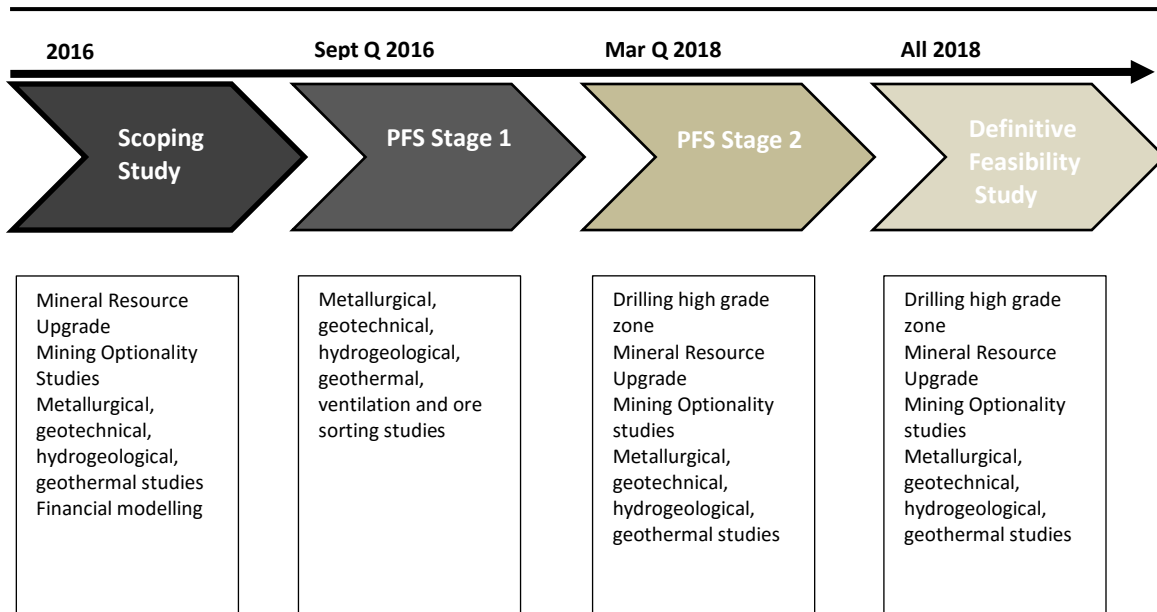
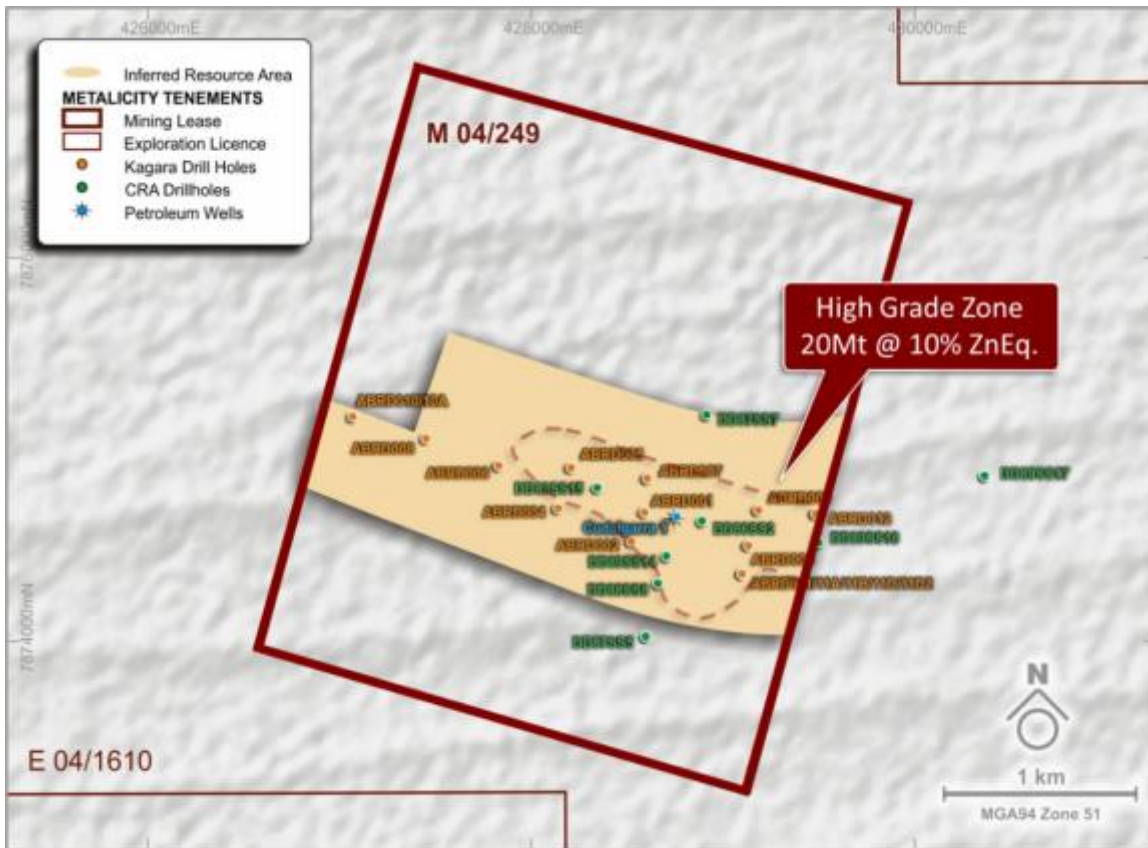


Figure 2: Admiral Bay Zinc Project: High grade zone within a 2km strike of M 04/249



Source: Metalicity

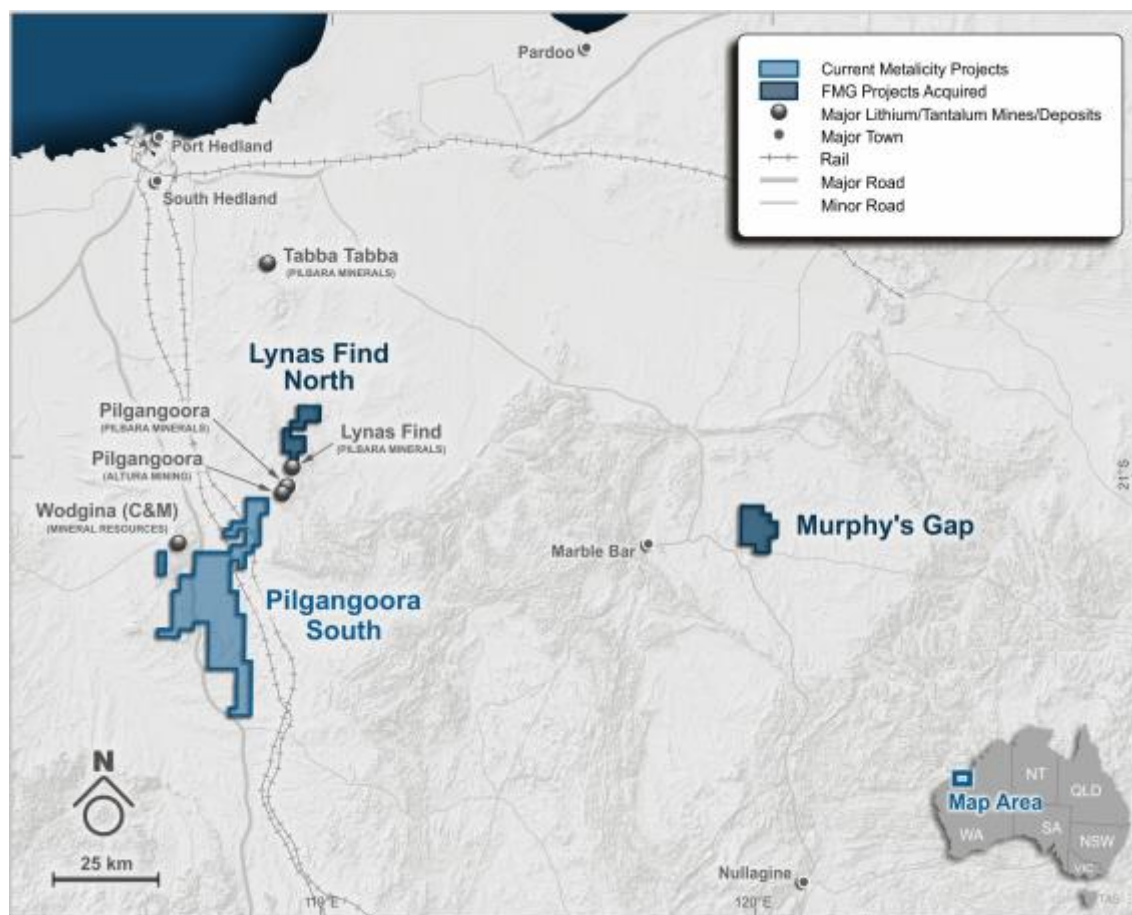
Lithium Projects

During the year, Metalicity commenced field exploration, rock chip sampling and first pass drilling programs across a number of projects considered prospective for lithium mineralisation in known lithium producing districts such as the Pilgangoora, Wodgina and Greenbushes districts.

Pilbara Projects

During the year, the Group completed a first pass RC drilling program at the 100% owned Wodgina South (Stannum) prospect (E45/4677) which is located adjacent to the Wodgina operations of Mineral Resources Limited (ASX:MIN) (See ASX:MCT 19/01/17). The Stannum prospect is located within the Wodgina greenstone belt, which hosts rare metal pegmatite deposits across numerous zones. Compilation of available data has identified several targets where outcropping pegmatites have been identified from existing geological mapping datasets, aerial imagery analysis, and limited previous surface sampling that was not analysed for lithium. A significant strike length of prospective rocks across approximately five kilometres has been identified on this basis.

Figure 3: Metalicity Pilbara lithium projects



Source: Metalicity

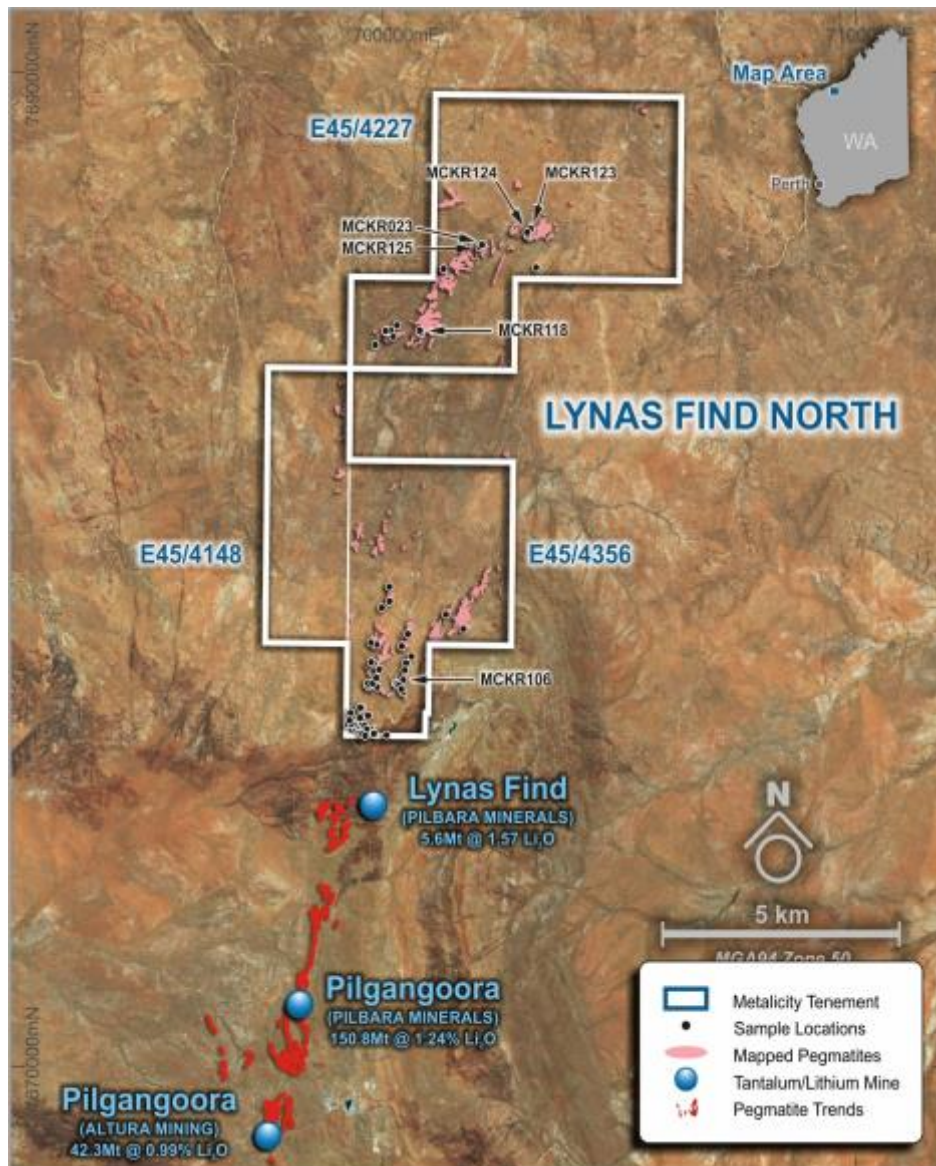
On 19 December 2016, Metalicity announced the acquisition of a portfolio of lithium exploration projects covering 579km² located in the Pilbara Region from Fortescue Metals Group (ASX:FMG)(ASX:MCT 19/12/16). The Projects include three granted tenements (E45/4148, E45/4356, and E45/4227) covering 51km² over the northern extension of the highly prospective Pilgangoora Greenstone Belt. The Pilgangoora

Directors' Report

North Lithium Project is located 8km along strike from Pilbara Minerals' Pilgangoora lithium deposit including the Lynas Find Lithium project (7.3Mt at 1.25% Li₂O). During the year, significant lithium bearing pegmatites were identified and mapped. The extensive pegmatites mapped over the ~10km x 4km project area were commonly observed to be shallowly dipping, stacked, sill-like bodies. The southernmost pegmatites are located only 1km along strike to the north from the Lynas Find deposit.

During the year, the Group received approval for an initial 500-600m RC drill program aimed at testing for mineralized pegmatites extending north into the southern parts of the tenement below the pegmatites already mapped at surface.

Figure 4: Stannum – hyperspectral data (red) highlighting potential spodumene mineralisation



Source: Metalicity

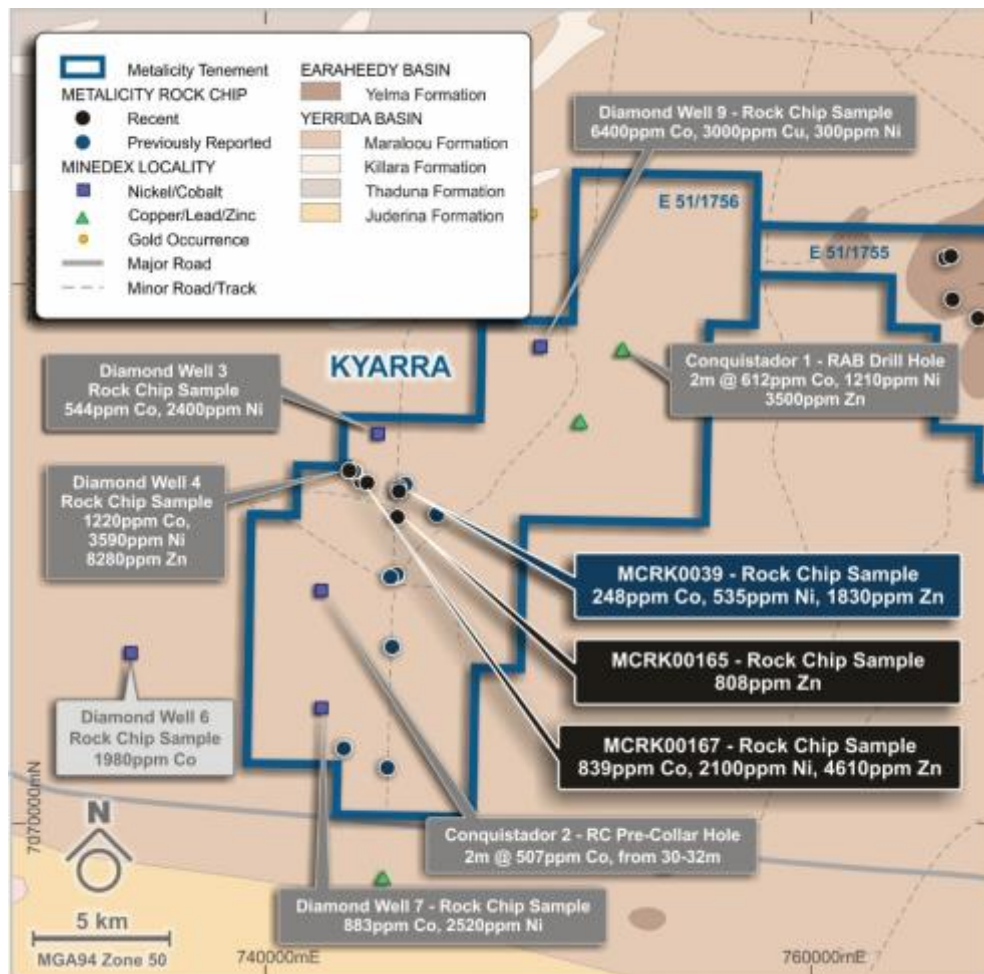
Cobalt Projects

During the year, the Group lodged three exploration license applications (ELA's) covering an area of 210km² that are considered highly prospective for cobalt mineralization, located in the newly identified cobalt district in the Yerrida Basin of the Northern Goldfields, WA. 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 between 20-40m depth, and in diamond core drilling to 388m (Figure 5). The extent of the cobalt anomalism highlights the potential for a significant cobalt mineralising system. Within the Kyarra Cobalt project area anomalous historical results have been reported including up to 0.64% Co from surface samples and 2m at 612 ppm Co from drilling, across an initial strike extent of approximately 25km (See ASX:MCT 15/3/17).

Initial field work confirmed anomalous surface base metal anomalism in the key Kyarra West target area. Significant rock chip sample results of up to 839ppm Co, 4610ppm Zn and 2100ppm Ni in weathered near-surface rock chips (ASX:MCT 21/6/17). Follow up infill sampling, detailed stratigraphic mapping and interpretation established high priority targets for a maiden drill program which is planned to include several reverse circulation (RC) traverses for a total of 1,500 m RC at Kyarra West.

Figure 5: Metalicity projects in the Albany Fraser Belt over regional geology



Source: Metalicity

Directors' Report

Disclaimer and Forward Looking Statements

This report is not a prospectus nor an offer of securities for subscription or sale in any jurisdiction nor a securities recommendation. The information in this report is an overview and does not contain all information necessary for investment decisions. In making investment decisions, investors should rely on their own examination of Metalicity Limited and consult with their own legal, tax, business and/or financial advisers in connection with any acquisition of securities. The information contained in this report has been prepared in good faith by Metalicity Limited. However, no representation or warranty, express or implied, is made as to the completeness or adequacy of any statements, estimates, opinions or other information contained in this report. To the maximum extent permitted by law, Metalicity Limited, its directors, officers, employees and agents disclaim liability for any loss or damage which may be suffered by any person through the use of, or reliance on, anything contained in or omitted from this report. Certain information in this report refers to the intentions of Metalicity Limited, but these are not intended to be forecasts, forward looking statements, or statements about future matters for the purposes of the Corporations Act (Cth, Australia) or any other applicable law. The occurrence of events in the future are subject to risks, uncertainties and other factors that may cause Metalicity Limited's actual results, performance or achievements to differ from those referred to in this report to occur as contemplated. The report contains only a synopsis of more detailed information to be published in relation to the matters described in this document and accordingly no reliance may be placed for any purpose whatsoever on the sufficiency or completeness of such information and to do so could potentially expose you to a significant risk of losing all of the property invested by you or incurring by you of additional liability. Recipients of this report should conduct their own investigation, evaluation and analysis of the business, data and property described in this document. In particular, any estimates or projections or opinions contained herein necessarily involve significant elements of subjective judgment, analysis and assumptions and you should satisfy yourself in relation to such matters.

Competent Person Statement

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The Information contained in this report has been presented in accordance with the JORC Code and references to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code. The information in this report that relates to Geology and Exploration Results is based, and fairly reflects, information compiled by Mr David Slater, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Slater is a contractor for Metalicity and a full time employee for SRK Consulting. Mr Slater has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Slater consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. All parties have consented to the inclusion of their work for the purposes of this announcement. The interpretations and conclusions reached in this report are based on current geological theory and the best evidence available to the authors at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for absolute certainty. Any economic decisions which might be taken on the basis of interpretations or conclusions contained in this report will therefore carry an element of risks.

Directors' Report

Tenement Schedule

The following table shows the tenements the Group has an interest in:

Project	TEN ID	Holder	Granted	Expires
Admiral Bay	ML04/244	Metalicity Limited 100%	21/03/1991	20/03/2033
Admiral Bay	ML04/249	Metalicity Limited 100%	21/03/1991	20/03/2033
Admiral Bay	EL04/1610	Metalicity Limited 100%	04/09/2007	03/09/2019
Turner River	EL45/4675	Metalicity Limited 100%	06/07/2017	05/07/2022
Turner River	EL45/4676	Metalicity Limited 100%	24/11/2016	23/11/2021
Yornup	EL70/4817	Metalicity Limited 100%	18/11/2016	17/11/2021
Rocky Gully ⁽¹⁾	EL70/2801	Stuart Town Gold Pty Ltd 90%	07/06/2007	06/06/2017
Rocky Gully	EL70/4543	Stuart Town Gold Pty Ltd 90%	10/10/2014	09/10/2019
Rocky Gully	EL70/4437	Stuart Town Gold Pty Ltd 90%	20/08/2014	19/08/2019
Rocky Gully	EL70/4622	Stuart Town Gold Pty Ltd 100%	03/02/2015	02/02/2020
Munglinup	EL74/550	Metalicity Energy Limited 100%	22/01/2015	21/01/2020
Lynas Find	EL45/4148	Metalicity Energy Limited 100%	26/08/2013	25/08/2018
Lynas Find	EL45/4227	Metalicity Energy Limited 100%	24/07/2014	23/07/2019
Lynas Find	EL45/4356	Metalicity Energy Limited 100%	17/11/2014	16/11/2019
Kyarra	EL51/1755	Metalicity Energy Limited 100%	24/05/2017	23/05/2022
Kyarra	EL51/1756	Metalicity Energy Limited 100%	24/05/2017	23/05/2022
Kyarra	EL53/1894	Metalicity Energy Limited 100%	24/05/2017	23/05/2022
Lake Cowan	EL15/1502	Metalicity Energy Limited 100%	01/11/2016	31/10/2021
Mudonna Hill	EL15/1503	Metalicity Energy Limited 100%	01/11/2016	31/10/2021
Murphies Gap	EL45/3438	Metalicity Energy Limited 100%	01/03/2011	28/02/2021
Murphies Gap	EL45/4498	Metalicity Energy Limited 100%	01/10/2015	30/09/2020
Stannum	EL45/4677	Metalicity Energy Limited 100%	10/10/2016	09/10/2021
Katterup	EL70/4816	Metalicity Energy Limited 100%	14/10/2016	13/10/2021
Boyup Brook	EL70/4809	Metalicity Energy Limited 100%	26/08/2016	25/08/2021

⁽¹⁾Tenement surrendered after 30 June 2017.

Results

The loss after income tax for the year ended 30 June 2017 was \$2,825,445 (30 June 2016: loss \$2,972,069).

Significant changes in state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

- The Group completed the 100% acquisition of the Lynas Find Project and Murphies Gap Project.

Environmental regulations

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

Dividends

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

Directors' Report

Subsequent events

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

- 1) On 19 July 2017, the Company announced it had signed a Memorandum of Understanding regarding future zinc and lead off-take with China Minmetals Nonferrous Metals Co., Ltd, a subsidiary of China Minmetals Corp.
- 2) On 27 July 2017, the Company announced that it has signed a Heads of Agreement with Ridgescape Holdings Pty Ltd ("Ridgescape") for the 100% acquisition of Ridgescape whose primary asset is an Option Agreement with Meridian over the Napier Range and Emanuel Range Projects.
- 3) On 18 August 2017, the Company announced it had placed 25,233,333 shares, with 12,616,670 options (1:2) with an exercise price of \$0.08, as part of a placement to sophisticated investors to raise \$960,000.
- 4) On 5 September 2017, the Company announced it had received oversubscribed offers for a \$500,000 share placement plan.
- 5) On 20 September 2017, the Company completed the acquisition of Ridgescape Holdings Pty Ltd and issued 13,888,888 Shares and cash consideration of \$100,000 as part consideration for acquisition of the Company. A further 13,888,888 Shares may be issued upon certain conditions being satisfied.

Likely developments and expected results of Operations

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

Directors' Report

Information on Directors

Matthew Gauci - Managing Director – appointed 26 September 2012

Experience and Expertise

Mr Gauci is a Mining Executive with more than 15 years' experience in strategic management and corporate finance in the mining industry having successfully financed and managed private and public mining exploration companies operating in Australia, Africa and South America. Mr Gauci has managed teams in the exploration, development and feasibility of a number of mining exploration projects in precious metals, base metals and bulk commodities. Mr Gauci has a BSc. and an MBA from the University of Western Australia.

Other Current Directorships

None

Former Directorships in the Last Three Years

None

Special Responsibilities

Managing Director

Interests in Shares and Options

13,049,033 ordinary shares and 33,500,000 unlisted options

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

Experience and Expertise

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

Other Current Directorships

None

Former Directorships in the Last Three Years

KGL Resources Limited (appointed 10 November 2004, retired 22 May 2015))

Special Responsibilities

Chairman, member of the Audit Committee and member of the Remuneration and Nomination Committee.

Interests in Shares and Options

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

Directors' Report

Chris Bain - Non-executive Director – appointed 19 August 2013

Experience and Expertise

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

Other Current Directorships

KGL Resources Limited (appointed 5 September 2013)

Davenport Resources Limited (appointed 12 November 2015)

Former Directorships in the Last Three Years

Dart Mining Limited (resigned 18 February 2014)

Special Responsibilities

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

Interests in Shares and Options

1,286,667 ordinary shares and 10,200,000 unlisted options

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

Experience and Expertise

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

Other Current Directorships

None

Former Directorships in the Last Three Years

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

Special Responsibilities

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

Interests in Shares and Options

217,500 ordinary shares and 10,200,000 unlisted options

Company Secretary

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

Directors' Report

Directors' meetings

The number of meetings of the Company's board held during the year ended 30 June 2017 that each director was eligible to attend, and the number of meetings attended by each director were:

Director	Number of Meetings	
	Eligible to attend	Attended
Matthew Gauci	9	9
Andrew Daley	9	9
Chris Bain	9	9
Mathew Longworth	9	9

Remuneration Report (audited)

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

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

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

1 Principles used to determine the nature and amount of remuneration

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

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

Directors' Report

Remuneration Report (audited)

2 Details of remuneration

Executive fees

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

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

Non-executive directors

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

Retirement allowances and benefits

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

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

	Short term benefits			Post employment benefits	Equity settled share based payments			
2017	Salary, fees & leave	Bonuses	Other	Super-annuation	Options	Total	Performance related %	
Executive director								
Matthew Gauci	289,759	-	-	26,125	145,705	461,589	31.6%	
Non-executive directors								
Andrew Daley (a)	90,000	-	-	-	-	90,000	0.0%	
Chris Bain	54,795	-	-	5,205	-	60,000	0.0%	
Mathew Longworth (b)	60,000	-	-	-	-	60,000	0.0%	
Other executive								
Michael Hannington (c)	177,727	-	-	12,202	117,052	306,981	38.1%	
Pip Darvall (d)	194,539	-	-	-	117,052	311,591	37.6%	
Leonardo Romero	188,068	-	-	14,418	117,052	319,538	36.6%	
Justin Barton	91,324	-	-	8,676	117,052	217,052	53.9%	
Neil Hackett (e)	43,500	-	-	-	117,052	160,552	72.9%	
Chris Hilbrands (f)	11,416	-	-	1,084	-	12,500	0.0%	
Totals	1,201,128	-	-	67,710	730,965	1,999,803		

Directors' Report

Remuneration Report (audited)

Short term benefits				Post employment benefits	Equity settled share based payments		
2016	Salary, fees & leave	Bonuses	Other	Super-annuation	Options	Total	Performance related %
Executive director							
Matthew Gauci	242,208	158,000	-	22,312	78,188	500,708	47.2%
Non-executive directors							
Andrew Daley (a)	66,000	-	-	-	39,094	105,094	37.2%
Chris Bain	30,137	-	-	2,863	31,275	64,275	48.7%
Mathew Longworth (b)	33,000	-	-	-	31,275	64,275	48.7%
Other executive							
Michael Hannington (c)	157,025	-	-	12,882	31,691	201,598	15.7%
Pip Darvall (d)	30,000	-	-	-	-	30,000	-%
Neil Hackett (e)	42,000	-	-	-	11,528	53,528	21.5%
Chris Hilbrands (f)	45,662	-	-	4,338	11,528	61,528	18.7%
Totals	646,032	158,000	-	42,395	234,579	1,081,006	

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

- Dalenier Enterprises Pty Ltd, an entity associated with Andrew Daley, was paid or is payable \$90,000 (2016: \$66,000) for director's fees.
- Mat Mining Pty Ltd, an entity associated with Mathew Longworth, was paid or is payable \$60,000 (2016: \$33,000) for director's fees.
- Michael Hannington commenced employment on 5 October 2015 and ceased employment on 24 February 2017.
- EPI Space Pty Ltd, an entity associated with Pip Darvall, was paid or is payable \$194,539 (2016: \$30,000) for geological consulting fees. EPI Space Pty Ltd contract commenced on 18 May 2016.
- Corporate Starboard Pty Ltd, an entity associated with Neil Hackett, was paid or is payable \$43,500 (2016: \$42,000). Mr Hackett became a KMP from 1 July 2015.
- Chris Hilbrands became a KMP from 1 July 2015 and ceased employment on 30 September 2016.

Short term incentives

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

No short term incentives were paid during the year ended 30 June 2017.

Long term incentives

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

2017 LTI awarded in 2017

Matthew Gauci was awarded 8,000,000 options with vesting conditions during the 2017 financial year (Refer Note 15). These options were approved by shareholders at the 2016 Annual General Meeting.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is measured using the Black- Scholes methodology or equivalent.

Directors' Report

Remuneration Report (audited)

3 Service agreements

Directors

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

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

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

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

Key Management Personnel

There is a Consultancy Agreement with EPI Space Pty Ltd for Pip Darvall to perform the function of Exploration Manager of Non Admiral Bay Projects which commenced on 18 May 2016 until termination of the contract. The details are:

1. Remuneration of \$1,200 per day exclusive of GST;
2. Either party can terminate the agreement by giving 14 days written notice.

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

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

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

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

Directors' Report

Remuneration Report (audited)

4 Share-based compensation

4,000,000 options issued to directors or key management personnel were exercised. No options issued to directors or key management personnel were cancelled during the year.

During the financial year, the following share based payment arrangements for the key management personnel were granted:

Name	Exercise price	No. granted and vested	During the financial year		Value of options granted at grant date (a)
			Grant date	Expiry Date	
Matthew Gauci	\$0.06	2,000,000	25/11/2016	31/12/2019	\$45,673
Matthew Gauci	\$0.08	2,000,000	25/11/2016	31/12/2019	\$38,432
Matthew Gauci	\$0.10	2,000,000	25/11/2016	31/12/2019	\$32,948
Matthew Gauci	\$0.12	2,000,000	25/11/2016	31/12/2019	\$28,653
Michael Hannington	\$0.06	2,000,000	25/11/2016	31/12/2019	\$45,673
Michael Hannington	\$0.08	2,000,000	25/11/2016	31/12/2019	\$38,432
Michael Hannington	\$0.10	2,000,000	25/11/2016	31/12/2019	\$32,948
Pip Darvall	\$0.06	2,000,000	25/11/2016	31/12/2019	\$45,673
Pip Darvall	\$0.08	2,000,000	25/11/2016	31/12/2019	\$38,432
Pip Darvall	\$0.10	2,000,000	25/11/2016	31/12/2019	\$32,948
Leonardo Romero	\$0.06	2,000,000	25/11/2016	31/12/2019	\$45,673
Leonardo Romero	\$0.08	2,000,000	25/11/2016	31/12/2019	\$38,432
Leonardo Romero	\$0.10	2,000,000	25/11/2016	31/12/2019	\$32,948
Justin Barton	\$0.06	2,000,000	25/11/2016	31/12/2019	\$45,673
Justin Barton	\$0.08	2,000,000	25/11/2016	31/12/2019	\$38,432
Justin Barton	\$0.10	2,000,000	25/11/2016	31/12/2019	\$32,948
Neil Hackett	\$0.06	2,000,000	25/11/2016	31/12/2019	\$45,673
Neil Hackett	\$0.08	2,000,000	25/11/2016	31/12/2019	\$38,432
Neil Hackett	\$0.10	2,000,000	25/11/2016	31/12/2019	\$32,948

- (a) The value of options granted during the year is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards. These options vested during the year.

Directors' Report

Remuneration Report (audited)

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

(i) Option holdings

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

2017

	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Vested but not exercisable at end of year
Directors							
Matthew Gauci	25,500,000	8,000,000	-	-	33,500,000	18,500,000	15,000,000
Andrew Daley	12,750,000	-	-	-	12,750,000	5,250,000	7,500,000
Chris Bain	10,200,000	-	-	-	10,200,000	4,200,000	6,000,000
Mathew Longworth	10,200,000	-	-	-	10,200,000	4,200,000	6,000,000
Other executives							
Michael Hannington ¹	6,000,000	6,000,000	(4,000,000)	-	8,000,000	8,000,000	-
Pip Darvall	-	6,000,000	-	-	6,000,000	6,000,000	-
Leonardo Romero	-	6,000,000	-	-	6,000,000	6,000,000	-
Justin Barton	-	6,000,000	-	-	6,000,000	6,000,000	-
Neil Hackett	-	6,000,000	-	-	6,000,000	6,000,000	-
Chris Hilbrands	-	-	-	-	-	-	-
	64,650,000	38,000,000	(4,000,000)	-	98,650,000	64,150,000	34,500,000

The options issued to directors on 2 July 2015 (34,500,000 options) have vested but are subject to escrow. They become exercisable on 6 October 2017.

¹On 3 November 2016, Michael Hannington exercised 2,000,000 options at \$0.025 and exercised 2,000,000 options at \$0.03 when prevailing share price was \$0.049, a value of \$0.024 and \$0.019 respectively.

2016

	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Vested but not exercisable at end of year
Director							
Matthew Gauci	15,000,000	25,500,000	-	(15,000,000)	25,500,000	10,500,000	15,000,000
Andrew Daley	7,500,000	12,750,000	-	(7,500,000)	12,750,000	5,250,000	7,500,000
Chris Bain	3,750,000	10,200,000	-	(3,750,000)	10,200,000	4,200,000	6,000,000
Mathew Longworth	3,750,000	10,200,000	-	(3,750,000)	10,200,000	4,200,000	6,000,000
Other executive							
Michael Hannington	-	6,000,000	-	-	6,000,000	6,000,000	-
Pip Darvall	-	-	-	-	-	-	-
Neil Hackett	-	3,000,000	(3,000,000)	-	-	-	-
Chris Hilbrands	-	3,000,000	(3,000,000)	-	-	-	-
	30,000,000	70,650,000	(6,000,000)	(30,000,000)	64,650,000	30,150,000	34,500,000

Directors' Report

Remuneration Report (audited)

(ii) Share holdings

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

2017

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Director				
Matthew Gauci	11,726,927	-	1,039,501	12,766,428
Andrew Daley	1,845,245	-	326,770	2,172,015
Chris Bain	870,000	-	-	870,000
Mathew Longworth	-	-	217,500	217,500
	14,442,172	-	1,583,771	16,025,943

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

2016

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Director				
Matthew Gauci	9,589,427	-	2,137,500	11,726,927
Andrew Daley	1,374,245	-	471,000	1,845,245
Chris Bain	870,000	-	-	870,000
Mathew Longworth	-	-	-	-
	11,833,672	-	2,608,500	14,442,172

(End of Remuneration Report)

Directors' Report

Additional Information

(a) Shares under option

At the date of this report, the Company had 129,916,670 options over ordinary shares under issue (30 June 2016: 82,650,000). These options are exercisable as follows:

Details	No of Options	Grant Date	Date of Expiry	Conversion Price \$
Management incentive options	11,500,000	02/07/2015	01/07/2020	0.025
	11,500,000	02/07/2015	01/07/2020	0.03
	11,500,000	02/07/2015	01/07/2020	0.04
	8,050,000	27/11/2015	26/11/2020	0.03
	8,050,000	27/11/2015	26/11/2020	0.04
	8,050,000	27/11/2015	26/11/2020	0.05
	13,000,000	29/11/2016	31/12/2019	0.06
	13,000,000	29/11/2016	31/12/2019	0.08
	13,000,000	29/11/2016	31/12/2019	0.10
	2,000,000	29/11/2016	31/12/2019	0.12
Other options	1,500,000	17/02/2016	31/12/2019	0.04
	4,000,000	13/06/2016	12/06/2019	0.06
	3,000,000	17/02/2016	31/12/2019	0.08
	1,000,000	18/04/2016	31/12/2019	0.10
	3,000,000	17/02/2016	31/12/2019	0.12
	5,000,000	16/01/2017	16/01/2020	0.08
	12,766,670	18/08/2017	18/08/2020	0.08
129,916,670				

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

(b) Insurance of officers

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

(c) Agreement to indemnify officers

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

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

(d) Proceedings on behalf of the Group

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

Directors' Report

(e) Non-audit services

No non-audit services were provided by the auditor or any entity associated with the auditor for the year ended 30 June 2017 (2016: \$10,799). This 2016 fee related to the preparation of the independent accountants report included in the Information Memorandum. The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

(f) Corporate Governance

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

(g) Environmental Liabilities

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

Auditor's independence declaration

The auditor's independence declaration is included on page 23 of the annual report.

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

On behalf of the Directors



Matthew Gauci
Managing Director
Perth, Western Australia

29 September 2017

29 September 2017

The Directors
Metalicity Limited
6 Outram Street
West Perth WA 6005

Dear Sirs

RE: METALICITY LIMITED

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

As Audit Director for the audit of the financial statements of Metalicity Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully,

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



Samir R Tirodkar
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METALICITY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Metalicity Limited the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

We 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.

Material Uncertainty Relating to Going Concern

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

As referred to in note 1 to the financial report, the financial report has been prepared on a going concern basis. At 30 June 2017, the Group had net assets of \$1,879,110, cash and cash equivalents of \$1,823,365 and net working capital surplus of \$1,551,682. The Group had incurred a loss for the year ended 30 June 2017 of \$2,825,445.

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

Key Audit Matters

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

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

Key Audit Matters	How the matter was addressed in the audit
<p>Carrying Value of Exploration and Evaluation Expenditure</p> <p>As at 30 June 2017, Capitalised Exploration and Evaluation Expenditure totals \$7,372,235 (refer to Note 9 of the financial report).</p> <p>The carrying value of Capitalised Exploration and Evaluation Expenditure is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the total balance (79% of total assets); • The necessity to assess management's application of the requirements of the accounting standard Exploration for and Evaluation of Mineral Resources ("AASB 6"), in light of any indicators of impairment that may be present; and • The assessment of significant judgements made by management in relation to the Capitalised Exploration and Evaluation Expenditure. 	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> Assessing the Group's right to tenure over exploration assets by corroborating the ownership of the relevant licences for mineral resources to government registries and relevant third party documentation; Reviewing the directors' assessment of the carrying value of the exploration and evaluation expenditure, ensuring the veracity of the data presented and that management has considered the effect of potential impairment indicators, commodity prices and the stage of the Group's projects against AASB 6; Evaluation of Group documents for consistency with the intentions for the continuing of exploration and evaluation activities in certain areas of interest, and corroborated with enquiries of management. Inter alia, the documents we evaluated included: <ul style="list-style-type: none"> ▪ Minutes of meetings of the board and management; ▪ Announcements made by the Group to the Australian Securities Exchange; and ▪ Cash forecasts; and Consideration of the requirements of accounting standard AASB 6. We assessed the financial statements in relation to AASB 6 to ensure appropriate disclosures are made.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

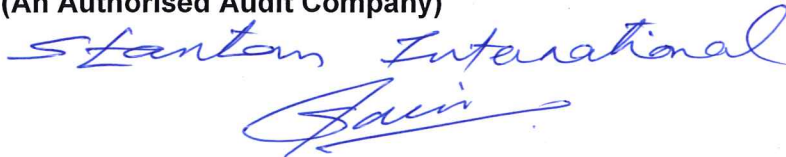
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 20 of the directors' report for the year ended 30 June 2017. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion the Remuneration Report of Metalicity Limited for the year ended 30 June 2017 complies with section 300A of the Corporations Act 2001.

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



Samir R Tirodkar
Director

West Perth, Western Australia
29 September 2017


Directors' declaration

In the directors' opinion:

1. the financial statements and notes set out on pages 29 to 56 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;
3. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
4. the audited remuneration disclosures set out on pages 14 to 20 of the Directors' Report comply with accounting standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations required by Section 295(A) of the *Corporations Act 2001* from the Managing Director and the Company Secretary for the year ended 30 June 2017.

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



Matthew Gauci
Managing Director
Perth, Western Australia

29 September 2017

**Consolidated statement of profit or loss and other comprehensive income
for the financial year ended 30 June 2017**

		Consolidated Group	
		2017	2016
	Note	\$	\$
Continuing operations			
Revenue	4	501,387	7,845
Expenses	5	(3,326,832)	(2,979,914)
Loss from continuing operations before income tax		(2,825,445)	(2,972,069)
Income tax expense	6	-	-
Loss after income tax from continuing operations		(2,825,445)	(2,972,069)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive loss for the period, net of tax		-	-
Total comprehensive loss for the year		(2,825,445)	(2,972,069)
Loss attributable to:			
Owners of the parent		(2,825,445)	(2,972,069)
Non controlling interest		-	-
		(2,825,445)	(2,972,069)
Total comprehensive loss attributable to:			
Owners of the parent		(2,825,445)	(2,972,069)
Non controlling interest		-	-
		(2,825,445)	(2,972,069)
Basic loss per share (cents)			
- Continuing operations	22(a)	(0.62)	(0.80)
		(0.62)	(0.80)
Diluted loss per share (cents)			
- Continuing operations	22(b)	(0.62)	(0.80)
		(0.62)	(0.80)

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

**Consolidated statement of financial position
as at 30 June 2017**

		Consolidated Group	
		2017	2016
	Note	\$	\$
Current assets			
Cash and cash equivalents	7(a)	1,823,365	4,924,011
Trade and other receivables		60,761	16,193
Other assets	8	76,178	349,969
Total current assets		1,960,304	5,290,173
Non-current assets			
Exploration and evaluation expenditure	9	7,372,235	5,357,642
Plant & equipment		8,373	3,562
Total non-current assets		7,380,608	5,361,204
Total assets		9,340,912	10,651,377
Current liabilities			
Trade and other payables	11	367,613	500,349
Provisions	12	41,009	50,201
Total current liabilities		408,622	550,550
Non-current liabilities			
Deferred income	13	7,053,180	7,053,180
Total non-current liabilities		7,053,180	7,053,180
Total liabilities		7,461,802	7,603,730
Net assets		1,879,110	3,047,647
Equity			
Issued capital	14	41,977,929	41,257,521
Other reserves		1,881,167	944,667
Accumulated losses		(41,979,986)	(39,154,541)
Total equity		1,879,110	3,047,647

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

**Consolidated statement of changes in equity
for the financial year ended 30 June 2017**

	Issued capital	Share Based Payments Reserve	Option Premium Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	36,315,416	85,588	1,500	(36,182,472)	220,032
(Loss) for the year	-	-	-	(2,972,069)	(2,972,069)
Total comprehensive loss for the year	-	-	-	(2,972,069)	(2,972,069)
<i>Transactions with owners in their capacity as owners</i>					
Issue of share capital	3,438,000	-	-	-	3,438,000
Share based payments	1,896,000	660,505	-	-	2,556,505
Share issue costs	(391,895)	197,074	-	-	(194,821)
Total transactions with owners	4,942,105	857,579	-	-	5,799,684
Balance at 30 June 2016	41,257,521	943,167	1,500	(39,154,541)	3,047,647
	Issued capital	Share Based Payments Reserve	Option Premium Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2016	41,257,521	943,167	1,500	(39,154,541)	3,047,647
(Loss) for the year	-	-	-	(2,825,445)	(2,825,445)
Total comprehensive loss for the year	-	-	-	(2,825,445)	(2,825,445)
<i>Transactions with owners in their capacity as owners</i>					
Issue of share capital (options exercised)	330,000	-	-	-	330,000
Share based payments	510,408	789,492	-	-	1,299,900
Acquisition of tenements	-	147,008	-	-	147,008
Share issue costs	(120,000)	-	-	-	(120,000)
Total transactions with owners	720,408	936,500	-	-	1,656,908
Balance at 30 June 2017	41,977,929	1,879,667	1,500	(41,979,986)	1,879,110

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

**Consolidated statement of cash flows
for the financial year ended 30 June 2017**

		Consolidated Group	
		2017	2016
	Note	\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(1,851,684)	(1,915,655)
Payment for exploration and acquisition of tenements		(2,008,547)	(3,260,991)
R& D Rebate		442,849	-
Lease income		51,946	-
Interest expense		(316)	(45,201)
Interest received		7,466	7,845
Net cash used in operating activities	7(b)	<u>(3,358,286)</u>	<u>(5,214,002)</u>
Cash flows from investing activities			
Payment for plant and equipment		(8,232)	(4,392)
Refund of tenement bond		-	-
Net cash used in investing activities		<u>(8,232)</u>	<u>(4,392)</u>
Cash flows from financing activities			
Proceeds from shares issued		330,000	3,438,000
Transaction costs		-	(174,824)
Repayment of convertible note		-	(500,000)
Receipt from sale of royalty		-	7,053,180
Net cash provided by financing activities		<u>330,000</u>	<u>9,816,356</u>
Net (decrease)/increase in cash and cash equivalents		(3,036,518)	4,597,962
Cash and cash equivalents at the beginning of the financial year		4,924,011	442,799
Effect of exchange rates on cash holdings in foreign currencies		(64,128)	(116,750)
Cash and cash equivalents at the end of the financial year	7(a)	<u>1,823,365</u>	<u>4,924,011</u>

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

Notes to Financial Statements for the financial year ended 30 June 2017

1. General information

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

The Financial Report of MCT for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the board of directors on 28 September 2017.

2. Significant accounting policies

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

(a) Basis of preparation

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

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

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

Comparative figures

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

Going concern basis

The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. For the year ended 30 June 2017 the Group incurred a loss after tax of \$2,825,445 (2016: \$2,972,069) and a net cash outflow from operations of \$3,358,286 (2016: \$5,214,002). At 30 June 2017, the Group had working capital of \$1,551,682 (2016: \$4,739,623) and current cash holding was \$1,823,365 (2016: \$4,924,011).

The directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will continue to raise further funds and meet its expenditure commitments as required.

Notes to Financial Statements for the financial year ended 30 June 2017

2. Significant accounting policies (continued)

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

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of subsidiaries of the Company as at 30 June 2017 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 subsidiaries are fully consolidated from the date of acquisition of the subsidiary. Consolidation will cease from the date that control of the subsidiary ceases. Any and all intercompany transactions and balances between the Company and the subsidiary are eliminated on consolidation.

(c) Business combinations

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

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

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

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

(d) Revenue recognition

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

(e) Cash and Cash Equivalents

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

2. Significant accounting policies (continued)**(f) Income Tax**

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

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

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

(g) Exploration Expenditure

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

(h) Other receivables

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

(i) Trade and other payables

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

(j) Borrowings

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

(k) Contributed equity

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

(l) Earnings per share

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

2. Significant accounting policies (continued)**(m) Goods and Services Tax (GST)**

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

(n) Employee Benefits

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

(o) Equity-Settled Compensation

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

(p) Financial Instruments**Initial Recognition and Measurement**

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

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

Classification and Subsequent Measurement**Available for Sale Financial Assets**

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

2. Significant accounting policies (continued)**Loans and Receivables**

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

Financial Liabilities

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

Fair Value

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

Impairment

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

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

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

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial asset is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognised the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

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

2. Significant accounting policies (continued)**(q) Critical Accounting Estimates and Judgements**

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

Key Estimates – Impairment

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

Key Estimates – Share based payment transactions

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

(r) Application of new and revised Accounting Standards

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

(s) New Accounting Standards for Application in Future Periods

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

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

Notes to Financial Statements for the financial year ended 30 June 2017

2. Significant accounting policies (continued)

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statement, the directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

- AASB 16: *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

The main changes introduced by the new Standard are as follows:

- recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- depreciating the right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;

Notes to Financial Statements for the financial year ended 30 June 2017

2. Significant accounting policies (continued)

- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, the directors anticipate that the adoption of AASB 16 will not have a material impact on the Group's recognition of leases and disclosures.

- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods commencing on or after 1 January 2018).

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3: *Business Combinations* to an associate or joint venture and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

3. Segment information**Identification of reportable segments**

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

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

Notes to Financial Statements for the financial year ended 30 June 2017

4. Revenue

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

	Consolidated Group	
	2017	2016
	\$	\$
R&D Rebate	442,849	-
Lease Income	51,070	-
Interest earned	7,468	7,845
	<u>501,387</u>	<u>7,845</u>

5. Expenses

	Consolidated Group	
	2017	2016
	\$	\$
Accounting & audit	129,731	89,800
ASX	46,119	107,750
Company secretarial fees	43,500	42,000
Consulting fees	118,429	225,436
Depreciation	3,421	830
Employee benefits	507,757	417,414
Foreign exchange loss	64,128	116,750
Insurance	32,481	22,585
Impairment - exploration	824,607	-
Interest expense	316	45,201
Investor relations	25,903	83,904
Legal fees	53,784	328,016
Project work & generation - cash	158,027	470,691
Rent & office costs	201,402	53,823
Seminars & conferences	53,448	51,488
Share based payments	789,492	660,505
Share registry fees	20,032	37,195
Travel & accommodation	124,346	150,897
Other	129,909	75,629
Total expenses	<u>3,326,832</u>	<u>2,979,914</u>

Notes to Financial Statements for the financial year ended 30 June 2017

6. Income taxes

a) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated Group	
	2017	2016
	\$	\$
Loss from continuing operations before income tax expense	(2,825,445)	(2,972,069)
Tax at the Australian tax rate of 27.5% (2016:30%)	(776,997)	(891,621)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	285,059	267,221
Tax effect of amounts which are deductible (taxable) in calculating taxable income	(657,864)	(567,222)
R&D Rebate	(121,783)	-
Under/over from prior year	197,751	-
Tax losses not recognised	1,073,834	1,191,622
Income tax expense	-	-

b) Tax losses

	Consolidated Group	
	2017	2016
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised	10,629,851	6,724,999
Potential tax benefit at 27.5% (2016: 30%)	2,923,209	2,017,500

Tax losses have not been recognised as a deferred tax asset as recoupment is dependent on, amongst other matters, sufficient future assessable income being earned. That is not considered certain in the foreseeable future and accordingly there is uncertainty that the losses can be utilised. There are deferred tax liabilities of approximately \$2,027,365 relating to capitalised exploration costs claimed for tax as at 30 June 2017 (2016: \$1,607,293). These are offset with the deferred tax assets that have been recognised to the extent of the deferred tax liabilities.

Notes to Financial Statements for the financial year ended 30 June 2017

7. Cash and cash equivalents

(a) Reconciliation of cash and cash equivalents

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

	Consolidated Group	
	2017	2016
	\$	\$
Cash and cash equivalents	1,823,365	4,924,011

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

Loss for the year	(2,825,445)	(2,972,069)
Share based payments	789,492	760,505
Foreign exchange loss	64,128	116,750
Depreciation	3,421	830
Capitalised exploration	(2,038,221)	(3,260,991)
Impairment of exploration and evaluation	824,607	-
(Increase)/decrease in other receivable and prepayment	(44,568)	(8,775)
Increase/(decrease) in trade and other payables	(122,508)	120,983
Increase/ (decrease) in provisions	(9,192)	28,765
Net cash (used in) operating activities	(3,358,286)	(5,214,002)

(c) Non cash investing and financing activities

For shares issued to acquire exploration tenements, refer to note 10. For options issued to acquire exploration tenements, refer to note 15.

8. Other assets

	Consolidated Group	
	2017	2016
	\$	\$
Tenement applications and deposits	17,928	331,333
Prepayments	16,750	18,636
Rental security	41,500	-
Expenditure incurred	76,178	349,969

Notes to Financial Statements for the financial year ended 30 June 2017

9. Exploration and evaluation expenditure

	Consolidated Group	
	2017	2016
	\$	\$
Exploration at cost at the beginning of the period	5,357,642	1,284
Acquisition costs	800,979	3,711,478
Expenditure incurred	2,038,221	1,644,880
Impairment expense	(824,607)	-
Closing balance	7,372,235	5,357,642

Total expenditure incurred and carried forward in respect of specific projects

- Admiral Bay Project	5,349,877	4,464,612
- Rocky Gully Project	370,539	748,283
- Lynas Find and Other	1,651,819	144,747
Total carried forward exploration expenditure	7,372,235	5,357,642

10. Acquisition of assets

Lynas Find Project

On 17 January 2017, the Group completed the acquisition of a highly prospective lithium exploration portfolio, including the highly prospective Lynas Find North Lithium Project, from Fortescue Metals Group for:

- \$250,000 cash payment;
- 5,000,000 fully paid ordinary shares in the Company;
- 5,000,000 unlisted options exercisable at \$0.08;
- 10,000,000 fully paid ordinary shares upon the definition of a JORC Inferred Mineral Resource Estimate of a minimum 20Mt @1% Li₂O across any of the projects.

11. Trade and other payables

	Consolidated Group	
	2017	2016
	\$	\$
Trade, other payables and accruals	288,089	450,797
Superannuation	15,833	8,859
BAS payable	63,691	40,693
	367,613	500,349

12. Provisions

	Consolidated Group	
	2017	2016
	\$	\$
Employee benefits	41,009	50,201

Notes to Financial Statements for the financial year ended 30 June 2017

13. Deferred income

	Consolidated Group	
	2017	2016
	\$	\$
Deferred income	7,053,180	7,053,180

The Company sold a 1% Net Smelter Royalty over the Admiral Bay Project for US\$5,000,000 (\$7,053,180) which was received during the year ended 30 June 2016. The Company has 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.

14. Issued capital

	2017	2016
	\$	\$
464,544,654 (2016: 450,044,654) fully paid ordinary shares	41,977,929	41,257,521

(a) Movement in ordinary share capital

Date	Details	Number of shares	\$
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	Balance at the end of the year	450,044,654	41,257,521

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

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 Financial Statements for the financial year ended 30 June 2017

14. Issued capital (continued)

(b) Options

As at 30 June 2017, there were 117,150,000 unissued ordinary shares under option (30 June 2016: 82,650,000). These options are exercisable as follows:

Details	No of Options	Grant Date	Date of Expiry	Conversion Price \$
Management incentive options	11,500,000	02/07/2015	01/07/2020	0.025
	11,500,000	02/07/2015	01/07/2020	0.03
	11,500,000	02/07/2015	01/07/2020	0.04
	8,050,000	27/11/2015	26/11/2020	0.03
	8,050,000	27/11/2015	26/11/2020	0.04
	8,050,000	27/11/2015	26/11/2020	0.05
	13,000,000	29/11/2016	31/12/2019	0.06
	13,000,000	29/11/2016	31/12/2019	0.08
	13,000,000	29/11/2016	31/12/2019	0.10
	2,000,000	29/11/2016	31/12/2019	0.12
	1,500,000	17/02/2016	31/12/2019	0.04
	4,000,000	13/06/2016	12/06/2019	0.06
	3,000,000	17/02/2016	31/12/2019	0.08
	1,000,000	18/04/2016	31/12/2019	0.10
	3,000,000	17/02/2016	31/12/2019	0.12
	5,000,000	16/01/2017	16/01/2020	0.08
	117,150,000			

The weighted average conversion price of the above options is \$0.058 (2016: \$0.043)

	2017 No.	2016 No.
Balance at beginning of the year	82,650,000	53,000,000
Granted during the year	46,000,000	89,650,000
Exercised during the year	(9,500,000)	(15,250,000)
Forfeited/expired/cancelled during the year	(2,000,000)	(44,750,000)
Balance at the end of the year	117,150,000	82,650,000

(c) Capital Management

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

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

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

Notes to Financial Statements for the financial year ended 30 June 2017

15. Share Based Payments

(a) Recognised share-based payment expense

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

	2017 \$	2016 \$
Expense arising from equity-settled share-based payment transactions	789,492	660,505

The following option arrangements were in existence during the current and prior reporting periods:

Option Series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
Issued 28/11/2012 (i)	5,000,000	28/11/2012	31/12/2015	\$0.04	\$0.0024
Issued 28/11/2012 (i)	5,000,000	28/11/2012	31/12/2015	\$0.08	\$0.0012
Issued 28/11/2012 (i)	5,000,000	28/11/2012	31/12/2015	\$0.12	\$0.0008
Issued 16/12/2013 (i)	3,750,000	28/11/2013	16/12/2016	\$0.04	\$0.0036
Issued 16/12/2013 (i)	3,750,000	28/11/2013	16/12/2016	\$0.08	\$0.0022
Issued 16/12/2013 (i)	3,750,000	28/11/2013	16/12/2016	\$0.12	\$0.0012
Issued 11/03/2014 (iv)	1,000,000	07/03/2014	11/03/2017	\$0.04	\$0.0016
Issued 11/03/2014 (iii)	1,000,000	07/03/2014	11/03/2017	\$0.08	\$0.0014
Issued 11/03/2014 (iii)	1,000,000	07/03/2014	11/03/2017	\$0.12	\$0.0012
Issued 24/11/2014 (i)	1,250,000	24/11/2014	24/11/2017	\$0.04	\$0.0062
Issued 24/11/2014 (i)	1,250,000	24/11/2014	24/11/2017	\$0.08	\$0.0040
Issued 24/11/2014 (i)	1,250,000	24/11/2014	24/11/2017	\$0.16	\$0.0014
Issued 23/07/2015	11,500,000	02/07/2015	01/07/2020	\$0.025	\$0.0057
Issued 23/07/2015	11,500,000	02/07/2015	01/07/2020	\$0.03	\$0.0038
Issued 23/07/2015	11,500,000	02/07/2015	01/07/2020	\$0.04	\$0.0021
Issued 23/07/2015 (ii)	2,000,000	09/07/2015	08/07/2020	\$0.025	\$0.0057
Issued 23/07/2015 (ii)	2,000,000	09/07/2015	08/07/2020	\$0.03	\$0.0038
Issued 23/07/2015 (ii)	2,000,000	09/07/2015	08/07/2020	\$0.04	\$0.0021
Issued 11/12/2015	2,000,000	05/10/2015	04/10/2020	0.025	\$0.0062
Issued 11/12/2015 (iv)	2,000,000	05/10/2015	04/10/2020	0.03	\$0.0054
Issued 11/12/2015 (iv)	2,000,000	05/10/2015	04/10/2020	0.04	\$0.0042
Issued 11/12/2015	8,050,000	27/11/2015	26/11/2020	0.03	\$0.0032
Issued 11/12/2015	8,050,000	27/11/2015	26/11/2020	0.04	\$0.0017
Issued 11/12/2015	8,050,000	27/11/2015	26/11/2020	0.05	\$0.0008
Issued 17/02/2016 (v)	4,000,000	17/02/2016	31/12/2019	0.04	\$0.0386
Issued 17/02/2016	3,000,000	17/02/2016	31/12/2019	0.08	\$0.0338
Issued 17/02/2016	3,000,000	17/02/2016	31/12/2019	0.12	\$0.0304
Issued 03/03/2016 (ii)	2,000,000	12/01/2016	31/12/2019	0.03	\$0.0115
Issued 03/03/2016 (ii)	2,000,000	12/01/2016	31/12/2019	0.04	\$0.0098
Issued 18/04/2016	1,000,000	18/04/2016	31/12/2019	0.10	\$0.0358
Issued 13/06/2016	4,000,000	13/06/2016	12/06/2019	0.06	\$0.0493
Issued 29/11/2016	13,000,000	29/11/2016	31/12/2019	0.06	\$0.0228
Issued 29/11/2016	13,000,000	29/11/2016	31/12/2019	0.08	\$0.0192
Issued 29/11/2016	13,000,000	29/11/2016	31/12/2019	0.10	\$0.0165
Issued 29/11/2016	2,000,000	29/11/2016	31/12/2019	0.12	\$0.0143
Issued 16/01/2017	5,000,000	16/01/2017	16/01/2020	0.08	\$0.0294

Notes to Financial Statements for the financial year ended 30 June 2017

15. Share Based Payments (continued)

- (i) Options were cancelled during the prior year upon issue of new options
- (ii) Options were exercised during the prior year
- (iii) Options were cancelled during the year
- (iv) Options were exercised during the year
- (v) 2,500,000 options were exercised during the year
- (vi) In addition, 50000000 options exercisable at \$0.08 each and valued at \$147,008 were issued for tenement acquisitions.

(b) Types of share-based payment plans

(i) Options

There were \$936,500 share based payments relating to options in 2017 (2016: \$857,579). The following tables lists the inputs to the model used:

2017

No of options	13,000,000	13,000,000	13,000,000	2,000,000	5,000,000
Grant date	29/11/16	29/11/16	29/11/16	29/11/16	16/01/17
Share price	\$0.049	\$0.049	\$0.049	\$0.049	\$0.078
Exercise price	\$0.06	\$0.08	\$0.10	\$0.12	\$0.08
Risk-free interest rate	1.920%	1.920%	1.920%	1.920%	1.920%
Vesting Conditions and Period	Nil	Nil	Nil	Nil	Nil
Expiry date	31/12/19	31/12/19	31/12/19	31/12/19	16/01/20
Volatility	71%	71%	71%	71%	55%
Fair value at grant date (cents)	2.855	2.402	2.059	1.791	2.940
Discount for vesting condition	Nil	Nil	Nil	Nil	Nil
Discount for being unlisted	20%	20%	20%	20%	Nil
Fair value after discounts (cents)	2.28	1.92	1.65	1.43	2.94

2016

No of options	11,500,000	11,500,000	11,500,000	2,000,000	2,000,000	2,000,000
Grant date	02/07/15	02/07/15	02/07/15	09/07/15	09/07/15	09/07/15
Share price	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02	\$0.02
Exercise price	\$0.025	\$0.03	\$0.04	\$0.025	\$0.03	\$0.04
Risk-free interest rate	2.385%	2.385%	2.385%	2.12%	2.12%	2.12%
Vesting Conditions and Period	(a)(b)	(a)(b)	(a)(b)	(a)(b)	(a)(b)	(a)(b)
Expiry date	01/07/20	01/07/20	01/07/20	08/07/20	08/07/20	08/07/20
Volatility	50%	50%	50%	50%	50%	50%
Fair value at grant date (cents)	0.788	0.686	0.533	0.781	0.678	0.527
Discount for vesting condition	10%	30%	50%	10%	30%	50%
Discount for being unlisted	20%	20%	20%	20%	20%	20%
Fair value after discounts (cents)	0.568	0.384	0.213	0.562	0.380	0.211

Notes to Financial Statements for the financial year ended 30 June 2017

15. Share Based Payments (continued)

No of options	2,000,000	2,000,000	2,000,000	8,050,000	8,050,000	8,050,000
Grant date	05/10/15	05/10/15	05/10/15	27/11/15	27/11/15	27/11/15
Share price	\$0.02	\$0.02	\$0.02	\$0.018	\$0.018	\$0.018
Exercise price	\$0.025	\$0.03	\$0.04	\$0.03	\$0.04	\$0.05
Risk-free interest rate	2.055%	2.055%	2.055%	2.29%	2.29%	2.29%
Vesting Conditions and Period	Nil	Nil	Nil	(b)	(b)	(b)
Expiry date	04/10/20	04/10/20	04/10/20	26/11/20	26/11/20	26/11/20
Volatility	50%	50%	50%	50%	50%	50%
Fair value at grant date (cents)	0.779	0.677	0.525	0.563	0.431	0.341
Discount for vesting condition	N/a	N/a	N/a	30%	50%	70%
Discount for being unlisted	20%	20%	20%	20%	20%	20%
Fair value after discounts (cents)	0.623	0.541	0.420	0.315	0.173	0.082

No of options	2,000,000	2,000,000	4,000,000	3,000,000	3,000,000	1,000,000	4,000,000
Grant date	12/01/16	12/01/16	17/02/16	17/02/16	17/02/16	18/04/16	13/06/16
Share price	\$0.029	\$0.029	\$0.062	\$0.062	\$0.062	\$0.066	\$0.08
Exercise price	\$0.03	\$0.04	\$0.04	\$0.08	\$0.12	\$0.10	\$0.06
Risk-free interest rate	1.995%	1.995%	1.825%	1.825%	1.825%	1.93%	1.545%
Vesting Conditions and Period	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expiry date	31/12/19	31/12/19	31/12/19	31/12/19	31/12/19	31/12/19	12/06/19
Volatility	65.4%	65.4%	107.4%	107.4%	107.4%	114.1%	126.4%
Fair value at grant date (cents)	1.441	1.226	4.825	4.229	3.810	4.481	6.159
Discount for vesting condition	N/a	N/a	N/a	N/a	N/a	N/a	N/a
Discount for being unlisted	20%	20%	20%	20%	20%	20%	20%
Fair value after discounts (cents)	1.153	0.981	3.860	3.383	3.048	3.585	4.927

(a) The conditional approval by ASX to reinstate the shares to trading on ASX and the Asset Sales Agreement

(b) The options will vest once the 20 Business Day VWAP has exceeded the Exercise Price. These options vested during the year.

(ii) Shares

There were nil share based payments relating to shares in 2017 (2016: \$100,000).

(c) Summary of share based payment options granted

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

	2017 No	2017 WAEP	2016 No	2016 WAEP
Outstanding at the beginning of the year	82,650,000	0.0434	33,000,000	0.0815
Granted during the year	46,000,000	0.0817	89,650,000	0.0410
Exercised during the year	(9,500,000)	0.0347	(10,000,000)	(0.0330)
Expired/forfeited/cancelled during the year	(2,000,000)	0.1000	(30,000,000)	(0.0817)
Outstanding at the end of the year	117,150,000	0.0582	82,650,000	0.0434

There are 83,000,000 options exercisable at 30 June 2017. 34,500,000 options are subject to escrow.

Notes to Financial Statements for the financial year ended 30 June 2017

15. Share Based Payments (continued)

(d) Weighted average of remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2017 is 2.81 years (2016: 3.91 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.025-\$0.12 (2016: \$0.025-\$0.12).

(f) Weighted average fair value

The weighted average fair value of options granted during the year was approximately \$0.0136 (2016: \$0.0095).

(g) Share options exercised during the year

The following options were exercised during the year.

2017

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

2016

Option Series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
Issued 23/07/2015	2,000,000	09/07/2015	08/07/2020	\$0.025	\$0.0057
Issued 23/07/2015	2,000,000	09/07/2015	08/07/2020	\$0.03	\$0.0038
Issued 23/07/2015	2,000,000	09/07/2015	08/07/2020	\$0.04	\$0.0021
Issued 03/03/2016	2,000,000	12/01/2016	31/12/2019	0.03	\$0.0115
Issued 03/03/2016	2,000,000	12/01/2016	31/12/2019	0.04	\$0.0098
	<u>10,000,000</u>				

16. Financial Risk Management

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

(a) Interest Rate Risk

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

Notes to Financial Statements for the financial year ended 30 June 2017

16. Financial Risk Management (continued)

	Floating interest rate \$	1 year or less \$	Over 1 year to 5 years \$	More than 5 years \$	Non interest bearing \$	Total \$
30 June 2017						
Financial Assets						
Cash and deposits	35,350	20,197	-	-	1,767,818	1,823,365
Trade and other receivables	-	-	-	-	60,761	60,761
	35,350	20,197	-	-	1,828,579	1,884,126
Weighted average interest rate	0.28%	0.20%				
Financial liabilities						
Trade and other payables	-	-	-	-	367,613	367,613
	-	-	-	-	367,613	367,613
30 June 2016						
Financial Assets						
Cash and deposits	2,690,157	20,000	-	-	2,213,854	4,924,011
Trade and other receivables	-	-	-	-	16,193	16,193
	2,690,157	20,000	-	-	2,230,047	4,940,204
Weighted average interest rate	0.70%	2.00%				
Financial liabilities						
Trade and other payables	-	-	-	-	500,349	500,349
	-	-	-	-	500,349	500,349

The Group has interest bearing assets and therefore income and operating cash flows are subject to changes in the market rates. However, market changes in interest rates will not have a material impact on the profitability or operating cash flows of the Group. A movement in interest rates of +/- 100 basis points will result in less than a +/- \$500 (2016: \$27,000) impact on the Group's income and operating cash flows. At this time, no detailed sensitivity analysis is undertaken by the Group.

(b) Market risk

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

(c) Credit risk

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

(d) Liquidity risk

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

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

Notes to Financial Statements for the financial year ended 30 June 2017

16. Financial Risk Management (continued)

(e) Effective interest rate and repricing analysis

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

(f) Currency risk

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

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

	2017 USD\$	2016 USD\$
Cash and cash equivalents	1,564,365	2,151,198
Total Exposure	1,564,365	2,151,198

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

17. Key management personnel disclosures

	Consolidated Group	
	2017	2016
	\$	\$
Key management personnel compensation		
Short-term employee benefits	1,201,128	804,032
Non-monetary benefits	-	-
Post-employment benefits	67,710	42,395
Share based payments	730,965	234,579
	1,999,803	1,081,006

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

Outside the Company's directors, the Group had 5 employees as at 30 June 2017 (30 June 2016: 3 employees).

Notes to Financial Statements for the financial year ended 30 June 2017

18. Remuneration of auditors

Consolidated Group	
2017	2016
\$	\$
During the year the following fees (exclusive of GST) were paid or payable for services provided by the auditor of the Group:	
Audit services	
- Audit and review of financial report and other audit work under the <i>Corporations Act 2001</i>	38,617 33,086
- Under provision of audit fees for prior year	- 3,816
Non-audit services	
- Other services provided	- 10,799
Total remuneration for audit and other services	38,617 47,701

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

19. Contingent liabilities and contingent assets

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 on 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 has lodged a counter offer and is still awaiting a response from the Office of State Revenue.

20. Commitments for expenditure

(a) Exploration Commitments

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

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

	Consolidated Group	
	2017	2016
	\$	\$
Not longer than 1 year	1,614,100	851,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	1,614,100	851,000

(b) Operating Lease Commitments

The Group has no operating lease commitments.

Notes to Financial Statements for the financial year ended 30 June 2017

21. Related Party transactions

(a) Key management personnel

Staff debtors of \$4,658 relates to expenses incurred by Mr Matt Gauci on his credit card for which no receipts have been provided to date. If valid receipts are provided, this debt is expensed, otherwise Mr Matt Gauci must repay the Company.

All other disclosures relating to key management personnel are set out in Note 17 and the detailed remuneration disclosures to the Directors' Report.

(b) Transaction with related parties

Transactions with related parties are set out in the detailed remuneration disclosures to the Directors' Report.

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

Related parties are owed \$Nil (2016: \$Nil) at the reporting date.

22. Earnings per share

(a) Basic earnings per share

Loss from continuing operations attributable to the ordinary equity holders of the Company

Consolidated Group	
2017	2016
Cents	Cents*
(0.62)	(0.80)
(0.62)	(0.80)

(b) Diluted earnings/(loss) per share

Loss from continuing operations attributable to the ordinary equity holders of the Company

(0.62)	(0.80)
(0.62)	(0.80)

(c) Reconciliation of profit/(loss) used in calculating earnings per share

Basic and diluted profit/(loss) per share

Loss from continuing operations attributable to the ordinary equity holders of the Company
Loss from discontinued operations

2017	2016
\$	\$
(2,825,445)	(2,972,069)
-	-
(2,825,445)	(2,972,069)

(d) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share

Adjustment for calculation of diluted profit/(loss) per share - Options

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share

2017	2016
Number	Number
456,988,490	372,036,594
-	-
456,988,490	372,036,594

As the Group made a loss for the year ended 30 June 2017 and 30 June 2016, the options on issue have no dilutive effect. Therefore, dilutive loss per share is equal to basic loss per share.

Notes to Financial Statements for the financial year ended 30 June 2017

23. Group entities

	Country of incorporation	Interest 2017	Interest 2016
Parent entity			
Metalicity Limited	Australia		
Subsidiary			
Stuart Town Gold Pty Ltd	Australia	100%	100%
Metalicity Energy Pty Ltd	Australia	100%	100%

24. Parent entity information

Statement of financial position

As at 30 June 2017

	Parent 2017 \$	Parent 2016 \$
ASSETS		
Total current assets	1,934,575	5,276,980
Total non-current assets	7,396,789	5,372,373
TOTAL ASSETS	9,331,364	10,649,353
LIABILITIES		
Total current liabilities	398,532	548,526
Total non-current liabilities	7,053,180	7,053,180
TOTAL LIABILITIES	7,451,712	7,601,706
NET ASSETS	1,879,652	3,047,647
EQUITY		
Contributed equity	41,977,929	41,257,521
Other reserves	1,881,167	944,667
Accumulated losses	(41,979,444)	(39,154,541)
TOTAL EQUITY	1,879,652	3,047,647
(Loss) of the parent entity	(2,815,243)	(1,779,639)
Total comprehensive (loss) of the parent entity	(2,815,243)	(1,779,639)

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

25. Subsequent events

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

- 1) On 19 July 2017, the Group announced it had signed a Memorandum of Understanding regarding future zinc and lead off-take with China Minmetals Nonferrous Metals Co., Ltd, a subsidiary of China Minmetals Corp.
- 2) On 27 July 2017, the Group announced that it has signed a Heads of Agreement with Ridgescape Holdings Pty Ltd ("Ridgescape") for the 100% acquisition of Ridgescape whose primary asset is an Option Agreement with Meridian over the Napier Range and Emanuel Range Projects.
- 3) On 18 August 2017, the Group announced it had placed 25,233,333 shares, with 12,616,670 options (1:2) with an exercise price of \$0.08, as part of a placement to sophisticated investors to raise \$960,000.
- 4) On 5 September 2017, the Group announced it had received oversubscribed offers for a \$500,000 share placement plan.
- 5) On 20 September 2017, the Group completed the acquisition of Ridgescape Holdings Pty Ltd and issued 13,888,888 Shares and cash consideration of \$100,000 as part consideration for acquisition of the Company. A further 13,888,888 Shares may be issued upon certain conditions being satisfied.

ASX Additional Information

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

The shareholder information was applicable as at 22 September 2017.

(a) Substantial Shareholder

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

(b) Voting Rights

Ordinary Shares

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

Options

There are no voting rights attached to the options

(c) Distribution of Equity Security Holders

Category	Ordinary Fully Paid Shares	% Issued Capital
1 – 1,000	312,005	0.06
1,001 – 5,000	873,251	0.17
5,001 – 10,000	1,310,242	0.25
10,001 – 100,000	41,221,256	7.95
100,001 and over	474,611,272	91.57
Total	518,328,026	100.00

There were 2,708 holders of less than a marketable parcel of ordinary shares.

ASX Additional Information

(d) Equity Security Holders

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

Name	Number Held	Percentage of Issued Shares
1. KAGARA LTD	20,995,367	4.05
2. J P MORGAN NOMINEES AUSTRALIA LIMITED	20,324,474	3.92
3. MR ZHANGHE CHEN	16,544,409	3.19
4. HERON RESOURCES LIMITED	13,375,000	2.58
5. MR RICHARD GORDON WHITE	12,200,000	2.35
6. ELLIOT HOLDINGS PTY LTD <CBM FAMILY A/C>	11,800,000	2.28
7. MR HUGH WARNER & MRS DIANNE WARNER <CBM SUPERANNUATION A/C>	11,145,000	2.15
8. MISS PINGPING ZHANG	9,749,022	1.88
9. MACROCON PTY LTD <MACONDO FAMILY A/C>	9,546,928	1.84
10. RANCLAND HOLDINGS PTY LTD <FT # 1 A/C>	6,492,477	1.25
11. VIMINALE PTY LTD <D A PAGANIN FAMILY NO 2 A/C>	6,388,889	1.23
12. HOLLOWAY COVE PTY LTD <HOLLOWAY COVE S/F A/C>	6,250,000	1.21
12. MRS TRACEY JANINE WATT	6,250,000	1.21
13. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	6,118,733	1.18
14. NEXUS SUPERANNUATION PTY LTD <RUSSO SUPER FUND A/C>	5,500,000	1.06
15. VIREYA PTY LTD <GOUGH SUPER FUND A/C>	5,416,667	1.05
16. MR XIAOHUA CHEN	5,400,000	1.04
17. MR ANDRE SZARUKAN + MS ROSE BRANISKA <THE A & R SUPER FUND A/C>	5,235,982	1.01
18. PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	5,150,904	0.99
19. AMANDA JANE CROSER <CROSER FAMILY A/C>	5,092,593	0.98
20. FMG PILBARA PTY LTD	5,000,000	0.96
Total	193,976,445	37.42

Unquoted equity securities

Number on Issue

Options exercisable at 4 cents before 31 December 2019	1,500,000
Options exercisable at 8 cents before 31 December 2019	3,000,000
Options exercisable at 10 cents before 31 December 2019	1,000,000
Options exercisable at 12 cents before 31 December 2019	3,000,000
Options exercisable at 2.5 cents before 1 July 2020	11,500,000
Options exercisable at 3 cents before 1 July 2020	11,500,000
Options exercisable at 4 cents before 1 July 2020	11,500,000
Options exercisable at 3 cents before 26 November 2020	8,050,000
Options exercisable at 4 cents before 26 November 2020	8,050,000
Options exercisable at 5 cents before 26 November 2020	8,050,000
Options exercisable at 6 cents before 13 June 2019	4,000,000
Options exercisable at 6 cents before 31 December 2019	13,000,000
Options exercisable at 8 cents before 31 December 2019	13,000,000
Options exercisable at 10 cents before 31 December 2019	13,000,000
Options exercisable at 12cents before 31 December 2019	2,000,000
Options exercisable at 8 cents before 18 August 2020	12,766,670

ASX Additional Information

(e) Tenement List:

Project	TEN ID	Holder	Granted	Expires
Admiral Bay	ML04/244	Metalicity Limited 100%	21/03/1991	20/03/2033
Admiral Bay	ML04/249	Metalicity Limited 100%	21/03/1991	20/03/2033
Admiral Bay	EL04/1610	Metalicity Limited 100%	04/09/2007	03/09/2019
Turner River	EL45/4675	Metalicity Limited 100%	06/07/2017	05/07/2022
Turner River	EL45/4676	Metalicity Limited 100%	24/11/2016	23/11/2021
Yornup	EL70/4817	Metalicity Limited 100%	18/11/2016	17/11/2021
Rocky Gully ⁽¹⁾	EL70/2801	Stuart Town Gold Pty Ltd 90%	07/06/2007	06/06/2016
Rocky Gully	EL70/4543	Stuart Town Gold Pty Ltd 90%	10/10/2014	09/10/2019
Rocky Gully	EL70/4437	Stuart Town Gold Pty Ltd 90%	20/08/2014	19/08/2019
Rocky Gully	EL70/4622	Stuart Town Gold Pty Ltd 100%	03/02/2015	02/02/2020
Munglinup	EL74/550	Metalicity Energy Limited 100%	22/01/2015	21/01/2020
Lynas Find	EL45/4148	Metalicity Energy Limited 100%	26/08/2013	25/08/2018
Lynas Find	EL45/4227	Metalicity Energy Limited 100%	24/07/2014	23/07/2019
Lynas Find	EL45/4356	Metalicity Energy Limited 100%	17/11/2014	16/11/2019
Kyarra	EL51/1755	Metalicity Energy Limited 100%	24/05/2017	23/05/2022
Kyarra	EL51/1756	Metalicity Energy Limited 100%	24/05/2017	23/05/2022
Kyarra	EL53/1894	Metalicity Energy Limited 100%	24/05/2017	23/05/2022
Lake Cowan	EL15/1502	Metalicity Energy Limited 100%	01/11/2016	31/10/2021
Mudonna Hill	EL15/1503	Metalicity Energy Limited 100%	01/11/2016	31/10/2021
Murphies Gap	EL45/3438	Metalicity Energy Limited 100%	01/03/2011	28/02/2021
Murphies Gap	EL45/4498	Metalicity Energy Limited 100%	01/10/2015	30/09/2020
Stannum	EL45/4677	Metalicity Energy Limited 100%	10/10/2016	09/10/2021
Katterup	EL70/4816	Metalicity Energy Limited 100%	14/10/2016	13/10/2021
Boyup Brook	EL70/4809	Metalicity Energy Limited 100%	26/08/2016	25/08/2021

⁽¹⁾Tenement surrendered after 30 June 2017.