

# **METALS AUSTRALIA LTD**

ACN: 008 982 474

## **ANNUAL REPORT**

**2018**

# METALS AUSTRALIA LTD

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# METALS AUSTRALIA LTD

## COMPANY DIRECTORY

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### DIRECTORS

Hersh Solomon Majteles (Chairman)  
Robert Collins  
Michael Scivolo  
Gino D'Anna

### COMPANY SECRETARY

Graham Baldisseri

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Central Park  
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### BANKERS

Westpac Banking Corporation  
Level 6, 109 40 St Georges Terrace  
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110 Stirling Highway  
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### SECURITIES EXCHANGE LISTING

The Company is listed on the  
Australian Securities Exchange

Home Exchange: Perth, Western  
Australia

ASX code for shares: MLS

## METALS AUSTRALIA LTD

### REVIEW OF OPERATIONS

#### **LETTER FROM THE BOARD**

Dear Shareholder,

I am pleased to present you with the 2018 Annual Report for Metals Australia Limited (ASX: MLS). In what has been a busy year, the Company has successfully executed upon its exploration and development strategy at the Company's high-grade Lac Rainy Graphite Project, located in Quebec, Canada, as we position ourselves to become a producer of high-grade and high-purity graphite for the burgeoning lithium-ion battery sector.

The outlook for high-grade graphite is positive and we are encouraged by the early exploration that has been demonstrated at Lac Rainy. As China has begun closing down several major graphite producing mines as part of a crackdown on unsafe and environmentally damaging practices in the industry, it is likely to be a net importer of graphite for the first time in the wake of these closures and additional regulations.

The positive market outlook combined with our early exploration success provides the Company with the confidence it needs to continue the development at Lac Rainy.

We have established a strategic landholding of more than 46sq km (4,576 hectares) in the Fermont region of Quebec. Geological mapping and geophysics completed by the Company in 2017 has confirmed high-grade outcropping graphite mineralisation at the Project. We have recently completed the Phase I exploration program which consisted of channel sampling across the width of the mineralised horizons, with geological interpretation assisting final drill collar locations.

The assay results are pending with preliminary results proving to be encouraging. We are fully funded to complete our initial 1,500m diamond core drilling program at Lac Rainy and have identified a strike length of mineralisation at the project in excess of 2.5 km. The Company is keen to see what the initial drilling indicates.

The Lac Rainy project has the potential to deliver a high-grade, near-surface graphite deposit. Our initial metallurgical testing indicates that Lac Rainy graphite mineralisation has the potential to produce a commercial graphite concentrate. The samples returned high head grades of 35.1% and 21.7% Graphitic Carbon (Cg) and achieved a graphite recovery of up to 91.0% using standard mineral processing technologies. The samples also achieved combined concentrate grades of up to 96.7% Total Carbon (Ct), exceeding typical cut-off grades for commercial grade graphite concentrates of 95% Ct. Importantly, the total carbon grades were up to 98.8% Ct in large and jumbo flake size fractions with low levels of potentially deleterious elements. Lac Rainy also boasts excellent project infrastructure and access to low-cost hydro-power.

During the year, we negotiated a MoU with the diversified and battery-related downstream graphite products manufacturer, Weihai Nanhai Carbon Ltd ("Nanhai Carbon"). We consider this strategic alliance important to our development and look forward to working with Nanhai Carbon as we continue to explore our Lac Rainy project. The MoU provides the Company with confidence for the continued exploration and development of the Lac Rainy Graphite Project. It also demonstrates the confidence of Nanhai Carbon in the grade, flake size and purity of the potential graphite concentrate from the Lac Rainy Graphite Project. Initial testing by Nanhai Carbon confirmed that the Lac Rainy graphite concentrate is a high-

## METALS AUSTRALIA LTD

### REVIEW OF OPERATIONS

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grade / high-purity product that upgrades with simple processing/beneficiation techniques implying a low-cost production profile.

As we look to the coming 12 months, it is shaping up to be a busy year for Metals Australia as we invest in exploration across our portfolio. We expect to provide regular news flows as we undertake this work, and we look forward to a successful year ahead.

Regards,

A handwritten signature in black ink, appearing to read 'Majteles.', with a large, sweeping initial 'M'.

HS Majteles  
Chairman

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## **BASE METAL PROJECTS, WESTERN AUSTRALIA**

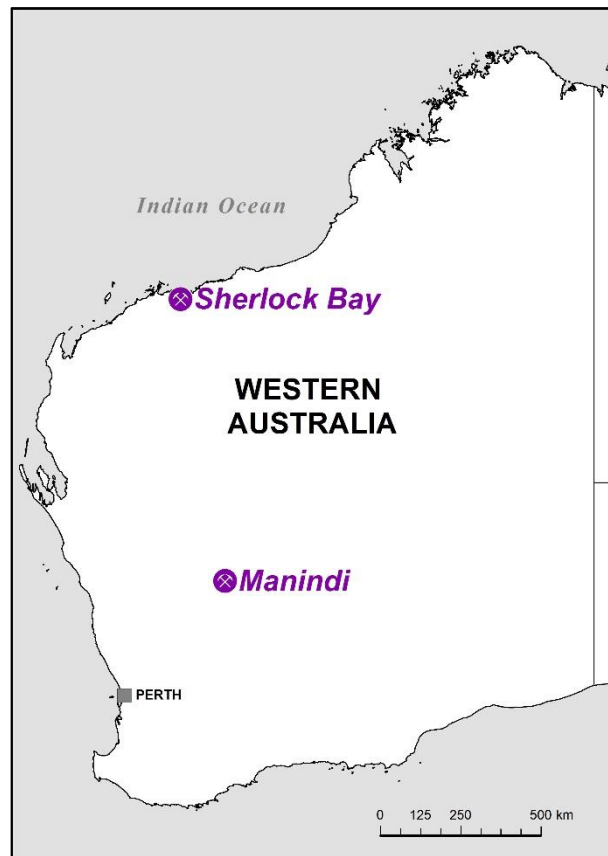
Metals Australia Ltd (the Company) holds an interest in two base metal projects in Western Australia (Figure 1).

The Manindi Zinc-Copper Project is located around 500 km northeast of Perth, and is being explored by the Company with a view to expanding the existing resources and examining the project's potential. The Manindi Project has also been identified as having potential for lithium mineralisation.

The Sherlock Bay Project encompasses the Sherlock Bay nickel-copper-cobalt deposit and exploration licenses located approximately 100 km east of Karratha in the Pilbara.

Up to 26 January 2018 the Company held an interest in the Sherlock Bay Extended joint venture that was being managed and explored by Australasian Resources Ltd (ASX:ARH).

As announced to the ASX on 29 January 2018, the Company acquired a free-carried interest in two exploration licenses and also in the mining lease formerly solely held by ARH over the Sherlock Bay deposit.



**Figure 1:** Location of the Western Australian base metals projects.

## **MANINDI PROJECT**

The Manindi Project is a significant unmined zinc-copper deposit located in the Murchison District of Western Australia, 20 km southwest of the Youanmi gold mine. The project is located on three granted mining leases (Appendix I).

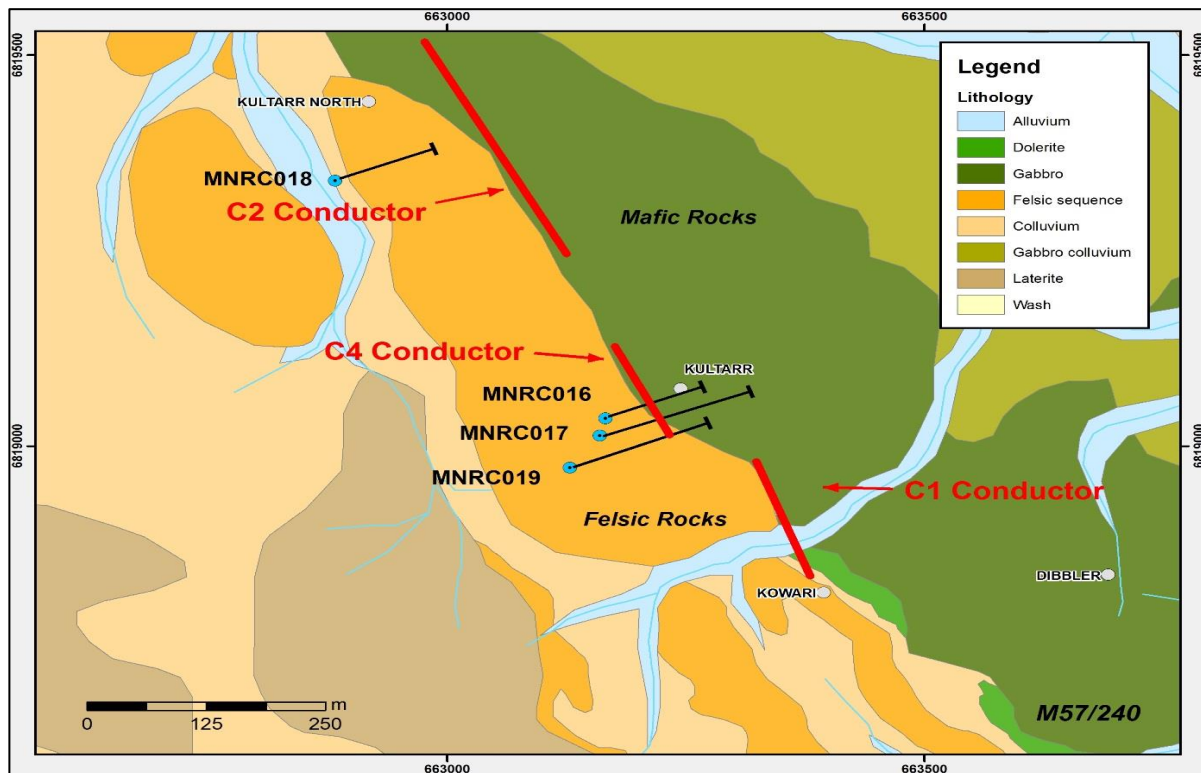
The Manindi base metal deposit is considered to be a volcanogenic massive sulphide (VMS) zinc deposit, comprising a series of lenses of zinc-dominated mineralisation that have been folded, sheared, faulted, and intruded by later dolerite and gabbro. The style of mineralisation is similar to other base metal sulphide deposits in the Yilgarn Craton, particularly Golden Grove at Yalgoo to the west of Manindi, and Teutonic Bore-Jaguar in the Eastern Goldfields.

## **DEEP RC PERCUSSION DRILLING PROGRAM**

During the financial year the Company completed four reverse circulation (RC) percussion drill holes, MNRC016-019, totalling 1,147.00m at the Manindi Project. Three holes, MNRC016, MNRC017 and MNRC019, were drilled in the vicinity of the existing Kultarr mineral resource

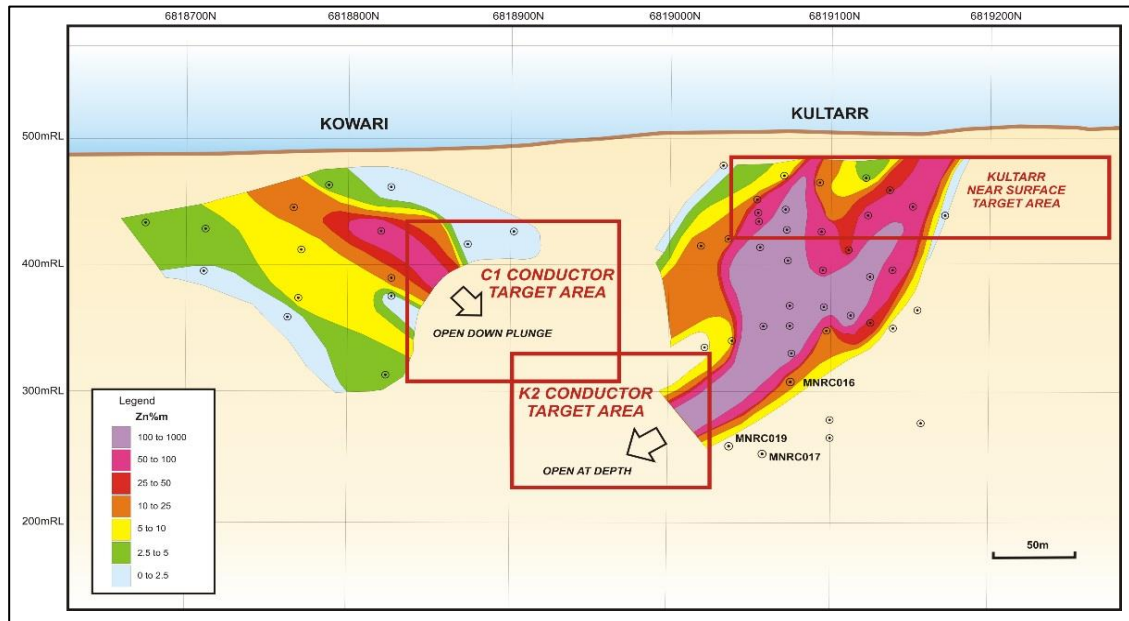
targeting the newly interpreted down plunge extension of the C4 geophysical target (Figure 2). The remaining hole, MNRC018 was designed to test the Kultarr North C2 geophysical target located approximately 350 m north along strike from the Kultarr resource. The drilling program was completed on the 11th September 2017.

This third phase drilling campaign at Manindi has intersected multiple zones of disseminated to heavy matrix sulphide mineralisation, characteristic of a volcanogenic massive sulphide (VMS) deposits. However the intersections were low-grade and are interpreted to be on the weakly mineralised periphery of the mineralised zone.



**Figure 2:** Plan view of the location for C1, C2 and C4 Conductor targets at Manindi highlighting the potential extensive strike length of zinc mineralization. The collar locations and traces of the recent drill holes MNRC016-019 are as shown.

Further drilling is required to ascertain the complex structural and lithological setting of the down plunge extension of the existing Kultarr mineral resource (Figure 3) and to evaluate the mineralisation associated with the other known conductor targets both along strike and down-plunge to the southeast of the known massive mineralisation. Further drilling is also warranted to test along strike of the current drilling to test for zones of more massive mineralisation and to increase the resource base.



**Figure 3:** Long-section looking west showing the potential down plunge extension of the Kultarr mineral resource and the interpreted pierce points of RC drill holes MNRC016, MNRC017 and MNRC019.

## DOWNHOLE GEOPHYSICAL SURVEY

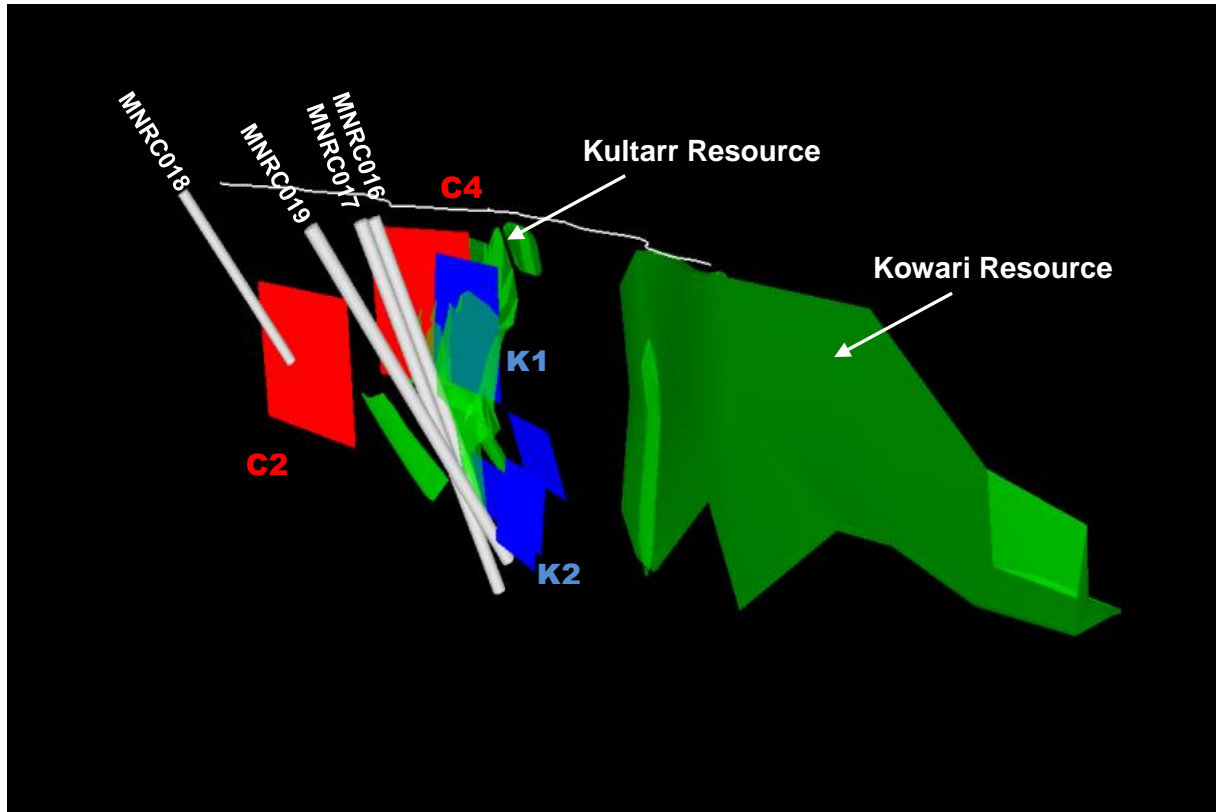
Two holes were selected for a downhole transient electromagnetic (DHTEM) survey at the conclusion of the RC percussion drilling program. The DHTEM survey was successfully completed in MNRC017 by Vortex Geophysics on the 23rd of September 2017 to a depth of 330 m. Another survey was planned for hole MNRC018 at the Kultarr North target. However, the work could not be completed due to pinching of the PVC casing at a shallow depth.

The data from the DHTEM survey has been interpreted by Southern Geoscience Consultants (Figure 4). The results show that the hole did not intersect any strong conductors, however there are two very strong and distinct off-hole conductors.

- 1) A shallow conductor (K1), which is coincident with the bulk of the Kultarr resource model and the previously defined C4 conductor; and
- 2) The deeper conductor (K2), which is coincident with the deeper extents of the resource model, but also extends further to the southeast

In addition to these well-defined anomalies, there is a response in the data at the very end of the hole which suggests that the drillhole was trending towards a deeper conductor modelled around 30m below the drill-hole).



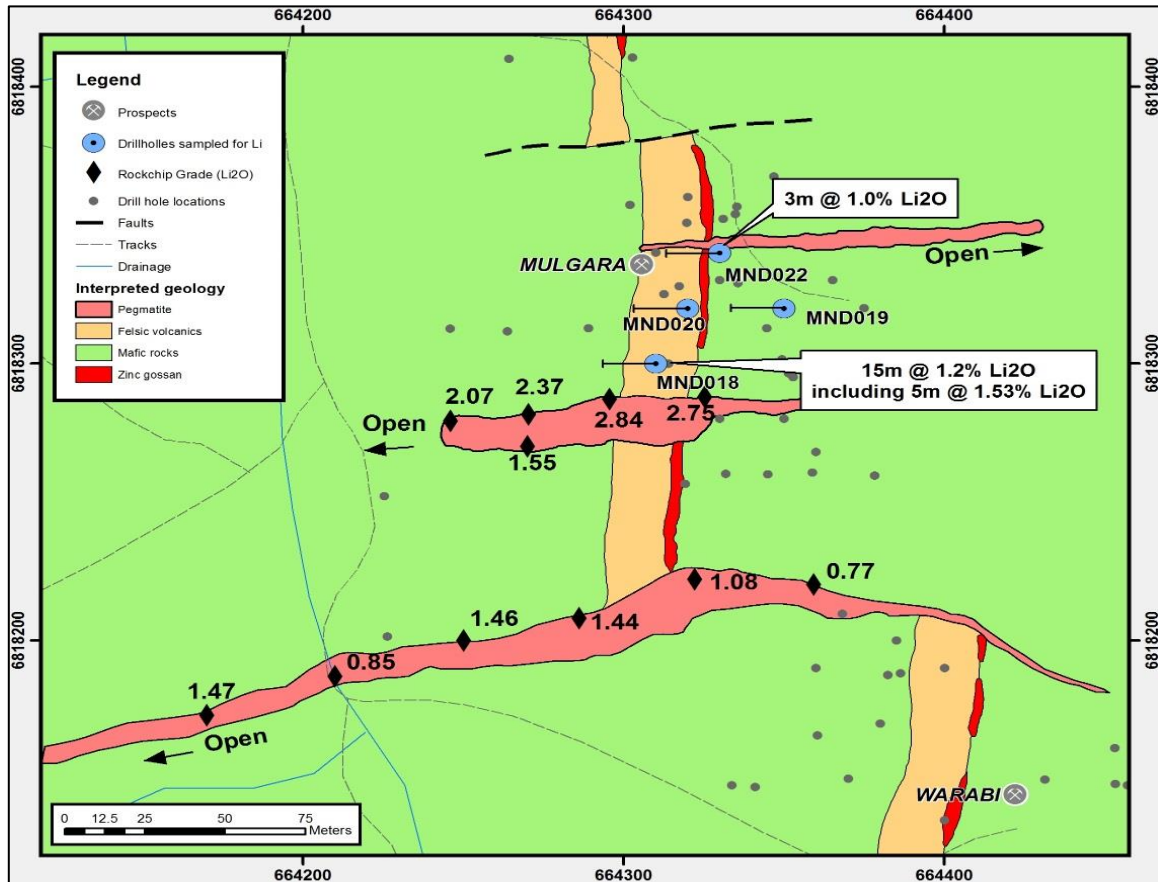


**Figure 4:** 3D model view (looking north) of the interpreted Kultarr and Kowari mineral resource areas, interpreted TEM conductors and the trace of the recently completed RC percussion drill holes MNRC016-MNRC019.

## **MANINDI LITHIUM PROJECT**

Lithium-bearing pegmatite dykes have previously been identified on the Manindi mining leases in the vicinity of the Mulgara-Warabi Prospect areas (Figure 5). Surface mapping has identified at least three lepidolite mineralised pegmatite dykes outcropping at surface with strike lengths of over 300 m and widths up to 25-30 m.

Results from twelve rock chip samples collected from these pegmatites have returned high grade assays up to 2.84% Li<sub>2</sub>O. The pegmatites were sampled where exposed and mapping indicated that they extend under cover.



**Figure 5:** Interpreted geology of the Mulgara-Warabi prospect area showing pegmatite intrusions, rock chip sample locations, historic drill holes sampled for lithium, historic drill hole collar positions and outcropping zinc mineralisation (shown in red) on the felsic-mafic contact.

## METALLURGICAL TESTWORK

Preliminary metallurgical testing of the lithium mineralisation at the Manindi Lithium Project was completed during the reporting period. Metallurgical consultants NAGROM were selected to undertake the testwork program on two composite diamond drill core samples taken from holes MND018 and MND022 (Figure 5). Testwork included sample preparation and compositing, semi-quantitative XRD analysis, size fraction analysis, wet screen analysis, heavy liquid separation, magnetic separation and sighter flotation testing.

Mineral characterisation results confirmed that the lithium mineralisation principally occurs as the mineral lepidolite. The metallurgical test work completed has indicated that flotation is the preferred option for treatment of the lithium mineralisation identified at Manindi. An un-optimised sighter flotation testing program achieved a concentrate grade of up to 3.05% Li<sub>2</sub>O and recovery of up to 77% with a mass yield of approximately 30%.

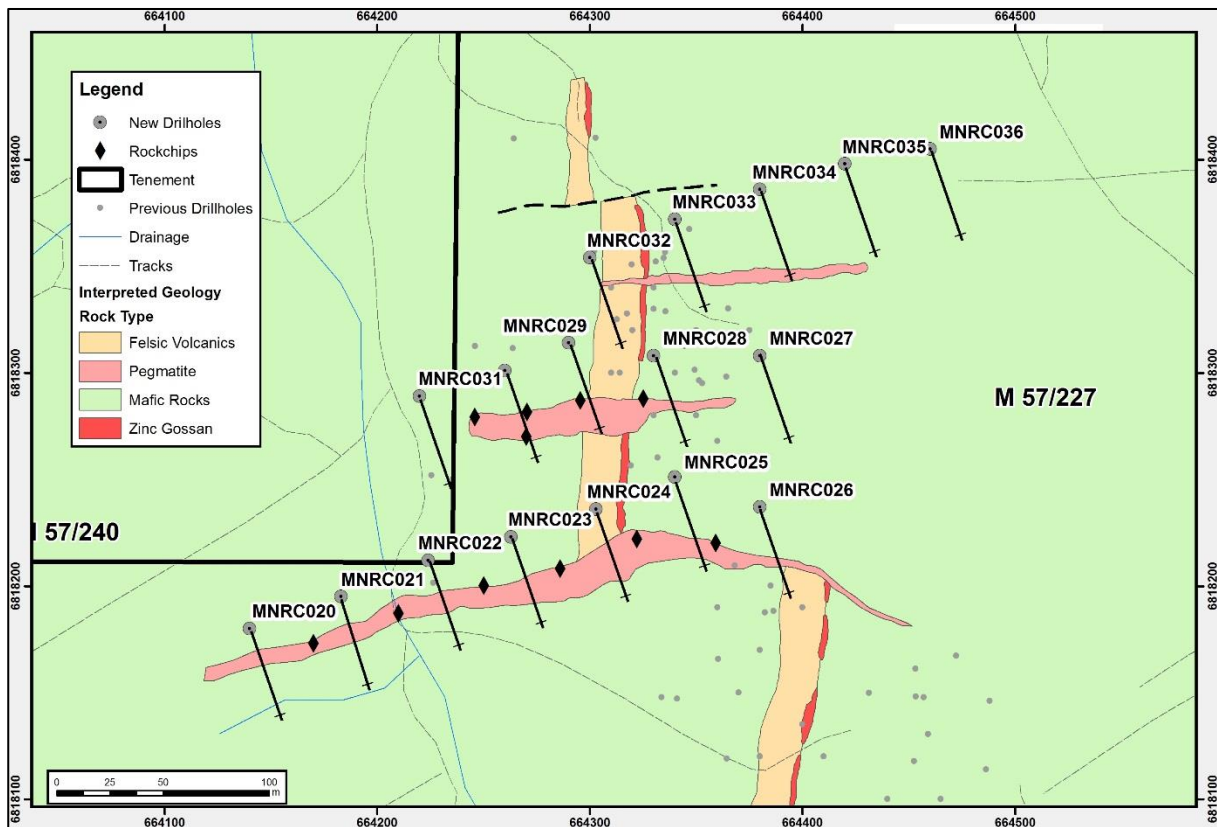
These concentrate grades and recovery profiles compare favourably against other lepidolite-hosted lithium projects and are encouraging given that the flowsheet was not tailored to the mineralisation identified at Manindi.

The Company's consultants have made recommendations for future testing to (1) ensure representivity of a potential future mill feed; (2) optimise the process for the specific mineralisation at the Manindi Project; (3) evaluate recovery of the tantalum in the mineralisation; and (4) evaluate comminution characteristics of the mineralisation.

## DRILLING PROGRAM

An RC percussion drilling program was completed at the Mulgara Prospect to test the three outcropping pegmatite dykes (Figure 6). The pegmatite dykes trend east-northeast and have a moderate dip to the north-northwest. All drill holes were oriented at  $-60^\circ$  towards  $160^\circ$  in order to obtain intersections of the pegmatite dykes as close as possible to true width.

A total of 17 RC percussion drill holes were completed along three traverses, for a total of 837m of drilling. Hole collars were located at approximately 40 metre intervals along the traverses.



**Figure 6:** Drill hole locations at the Manindi Lithium Project

Lithium mineralisation within the pegmatite dykes occurs as the mineral lepidolite, which was easily identified by its characteristic purple colour (Image 1).



**Image 1:** Lepidolite mineralised pegmatite in RC percussion drill chips (hole MNRC022, 28-29m).

Anomalous lithium and tantalum mineralisation occurred in all of the drill holes where pegmatite was intersected. Significant intersections (0.3% Li<sub>2</sub>O cut-off grade) are tabulated below. Intersections are based on the length-weighted average of 1 m assay results.

**Table 1:** Significant intersections from RC percussion drilling

Hole ID	From (m)	To (m)	Interval (m)	Assay Grade	
				Li <sub>2</sub> O* (%)	Ta <sub>2</sub> O <sub>5</sub> ** (ppm)
MNRC020	21	25	4	0.63	167
MNRC021	21	25	4	0.65	171
MNRC022	23	28	5	0.62	109
MNRC023	23	29	6	0.49	116
MNRC024	21	30	9	0.60	64
MNRC025	28	30	2	0.47	132
MNRC030	18	26	8	1.06	159
including	20	23	3	1.65	196
MNRC033	32	40	8	1.00	158
including	32	34	2	1.55	167
including	37	39	2	1.34	186
	42	49	7	1.29	242
including	42	47	5	1.53	230
MNRC034	27	31	4	0.33	331
	39	41	2	0.66	457
MNRC035	29	32	3	0.59	336
MNRC036	19	20	1	0.42	431

\* Calculated from Li assay grade based on the following conversion: Li<sub>2</sub>O = Li x 2.153

\*\* Calculated from Ta assay grade based on the following conversion: Ta<sub>2</sub>O<sub>5</sub> = Ta x 1.221

Highest grade lithium mineralisation was intersected in hole MNRC030 and MNRC033, where maximum 1 m results of 1.96% Li<sub>2</sub>O (20-21 m) and 1.90% Li<sub>2</sub>O (33-34 m) were returned, respectively.

No significant intersections were returned for holes MNRC026-028 (no pegmatite intersected); MNRC029 (low grade) and MNRC031 (no pegmatite intersected). Hole MNRC032 contained only anomalous lithium but significant tantalum (10-17 m, 7 m @ 599 ppm Ta<sub>2</sub>O<sub>5</sub>) suggesting that there is some zonation of the lithium and tantalum mineralisation.

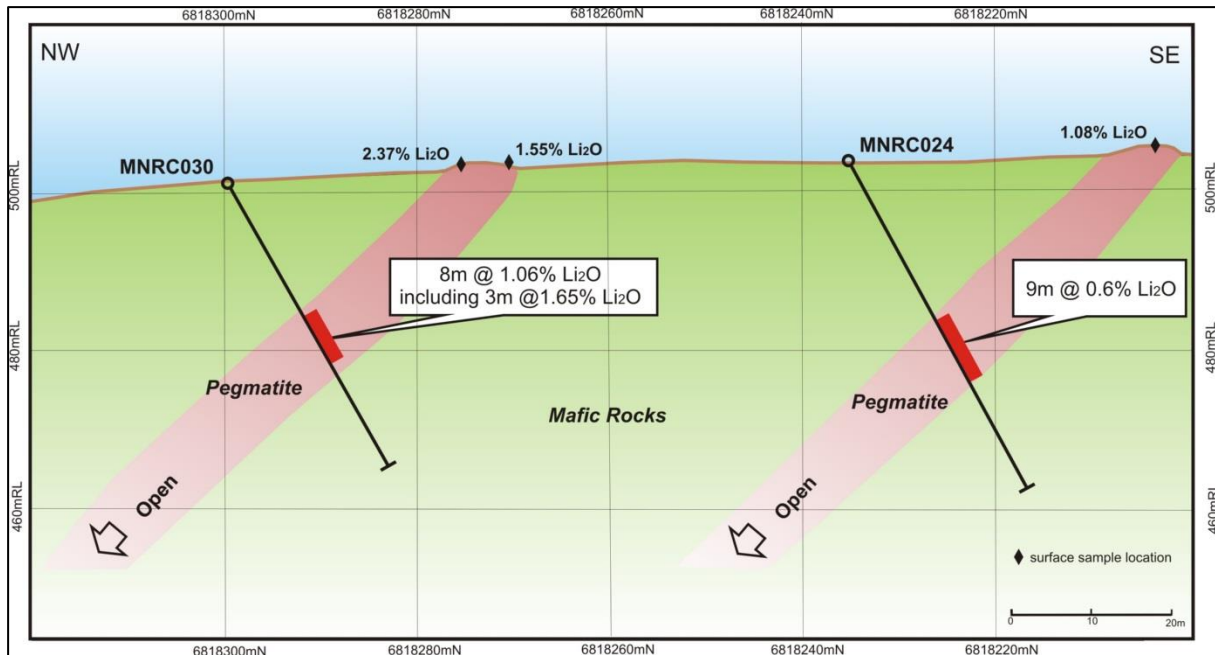
Drill holes typically intersected the pegmatite dykes at a shallower depth than anticipated, indicating that the dykes have a moderate dip to the north-northwest (Figure 7). The southernmost pegmatite dyke showed excellent grade and thickness continuity along strike, which is interpreted to be in excess of 200 m. This dyke remains open to the southwest and is observed to reoccur to the east of hole MNRC026.

Continuity of the pegmatite dykes and mineralisation was less consistent along the other two traverses, suggesting that the dykes may pinch and swell both along strike and down dip. The pegmatite dykes were also observed to locally bifurcate into multiple zones.

the Company is currently evaluating the RC percussion drilling results to determine if further work is warranted to extend and infill the drilling of the lithium mineralised pegmatites, which are still open down-dip and along strike. Furthermore, there are other pegmatite occurrences within the project area that have not been evaluated for lithium mineralisation.

Advancing the understanding of the metallurgical characteristics of the lepidolite mineralisation will also be important in the next phase of exploration. The Company will therefore consider completing diamond drilling for metallurgical samples, whilst also continuing to define the mineralised footprint through additional RC percussion drilling.

The tantalum mineralisation is an important feature of the mineralised pegmatites at Manindi and warrants further modelling and understanding. Future exploration will be designed to better define the tantalum mineralisation and the zonation of the pegmatites.



**Figure 7:** Schematic NNW-SSE trending cross section through MNRC030 and MNRC024 showing intersection of two pegmatite dykes

## **SHERLOCK BAY PROJECT**

### **RESTRUCTURE OF SHERLOCK BAY EXTENDED PROJECT**

At the commencement of the financial year the Sherlock Bay Extended Project was composed of two Exploration Licences (E47/1769 and E47/1770), which surrounded the Sherlock Bay nickel deposit wholly owned by Australasian Resources Ltd (ASX:ARH). The Sherlock Extended Project was a joint venture between ARH and Metals Australia Ltd (30% interest). ARH was the manager of the project, with Metals Australia being 'free-carried' through to the completion of a bankable feasibility study and the decision to commence commercial mining.

On the 29 January the Company announced a restructure of the Sherlock Bay Extended Project. Metals Australia was able to retain an ongoing free carried interest (albeit diluted) in the two exploration licenses and secured an ongoing free carried interest in the mining lease which contains the Sherlock Bay nickel-copper-cobalt resource. Metals Australia and other parties in the restructure sold a 70% interest in E47/1769, E47/1770 and M47/567 (Appendix I, Figure 8) to ASX listed Sabre Resources Ltd (ASX:SBR, Sabre) in exchange for shares in Sabre and an agreement by Sabre to free-carry their remaining interest in the project.



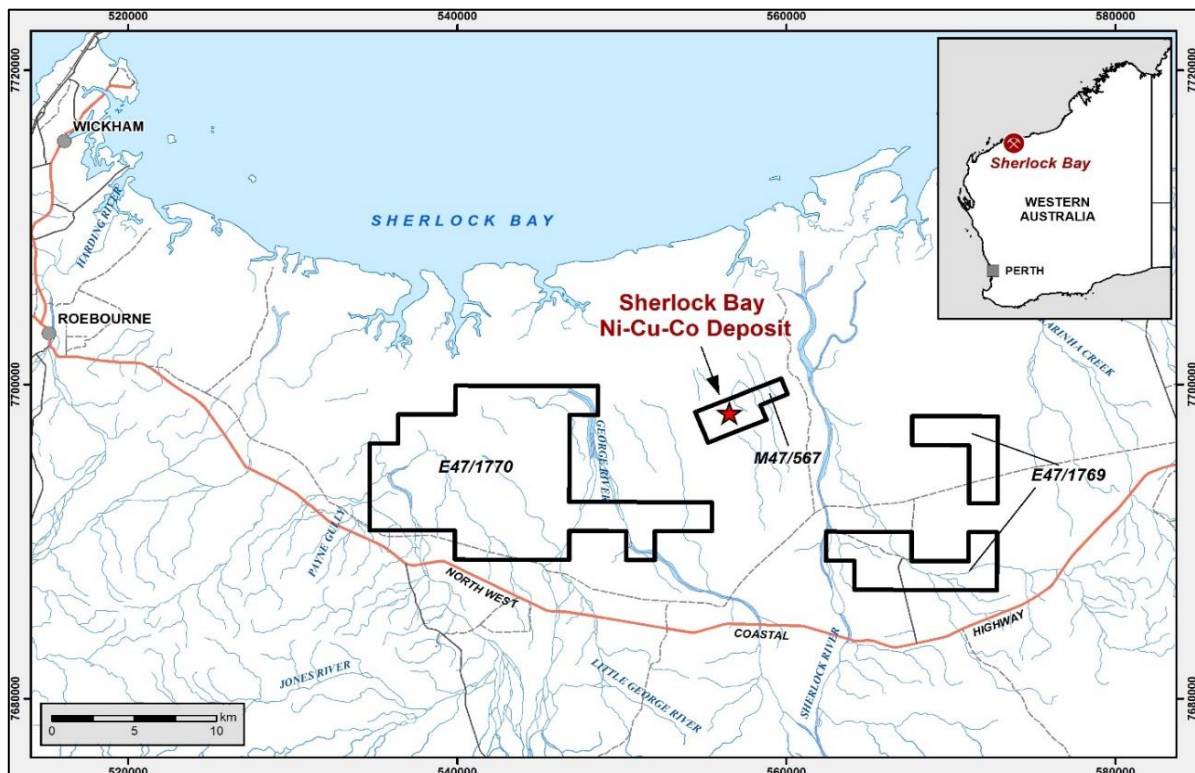
## SHERLOCK BAY NICKEL-COPPER-COBALT DEPOSIT

The Sherlock Bay deposit is well-located, 12 km north of Highway 1 between Roebourne and Port Hedland, with access to critical mining infrastructure.

Sabre reports that an updated Mineral Resource estimate has been completed for the Sherlock Bay nickel-cobalt-copper deposit in compliance with the JORC Code 2012. The updated total Mineral Resource (see Table 2) is 24.6 million tonnes grading 0.4% nickel, 0.09% copper and 0.02% cobalt. The deposit contains approximately 99,200 tonnes of nickel, 21,700 tonnes of copper and 5,400 tonnes of cobalt metal.

The Mineral Resources have been classified as Measured, Indicated and Inferred Mineral Resource in accordance with the JORC Code, 2012 Edition and are shown in Table 2.

Extensive previous exploration and development work has been completed on the Sherlock Bay Project and Sabre has obtained access to all these data for the deposit. Feasibility-level studies that have been completed by previous owners indicate that potential exists to develop a mining and heap leach processing operation and that nickel recoveries exceeding 90% are achievable. Sabre is progressing feasibility work on the project.



**Figure 8:** Current tenement status map for the Sherlock Bay Project and surrounding area, source: WA Department of Mines, Industry Regulation and Safety

## METALS AUSTRALIA LTD

### REVIEW OF OPERATIONS

**Table 2:** Sherlock Bay Ni Cu Co Deposit May 2018 Resource Estimate (0.15% Ni Cut-off)

Discovery Lode							
	Tonnes Mt	Ni%	Cu%	Co%	Ni t	Cu t	Co t
Measured	3.90	0.33	0.10	0.025	12,900	4,100	1,000
Indicated	6.3	0.39	0.11	0.025	24,200	6,700	1,600
Inferred	2.3	0.43	0.11	0.026	9,900	2,500	600
<b>Total</b>	<b>12.5</b>	<b>0.38</b>	<b>0.11</b>	<b>0.025</b>	<b>47,100</b>	<b>13,200</b>	<b>3,100</b>
Symond's High Grade Lode							
	Tonnes Mt	Ni%	Cu%	Co%	Ni t	Cu t	Co t
Indicated	2.80	0.56	0.08	0.022	15,600	2,300	600
Inferred	1.2	0.58	0.07	0.019	7,000	800	200
<b>Total</b>	<b>2.1</b>	<b>0.63</b>	<b>0.08</b>	<b>0.024</b>	<b>13,200</b>	<b>1,600</b>	<b>500</b>
<b>Indicated</b>	<b>6.1</b>	<b>0.59</b>	<b>0.08</b>	<b>0.022</b>	<b>35,700</b>	<b>4,700</b>	<b>1,300</b>
Symond's Low Grade Lode							
	Tonnes Mt	Ni%	Cu%	Co%	Ni t	Cu t	Co t
Measured	2.50	0.26	0.08	0.019	6,500	2,000	500
Indicated	1.7	0.26	0.05	0.013	4,400	800	200
Inferred	1.9	0.29	0.04	0.012	5,400	800	200
<b>Total</b>	<b>6.1</b>	<b>0.27</b>	<b>0.06</b>	<b>0.016</b>	<b>16,400</b>	<b>3,700</b>	<b>900</b>
Total Deposit							
	Tonnes Mt	Ni%	Cu%	Co%	Ni t	Cu t	Co t
Measured	12.48	0.38	0.11	0.025	47,100	13,200	3,100
Indicated	6.1	0.59	0.08	0.022	35,700	4,700	1,300
Inferred	6.1	0.27	0.06	0.016	16,400	3,700	900
<b>Total</b>	<b>24.6</b>	<b>0.40</b>	<b>0.09</b>	<b>0.022</b>	<b>99,200</b>	<b>21,700</b>	<b>5,400</b>

(Note that rounding discrepancies may occur in summary tables)

## URANIUM EXPLORATION NAMIBIA

### MILE 72 PROJECT

Metals Australia announced during the financial year that it has entered into a binding agreement to divest its 100% interest in the Mile 72 Uranium Project in Namibia to fellow ASX-listed uranium exploration and development company Marenica Energy Ltd (ASX:MEY). In consideration, MEY made a total cash payment of AUD30,000 and granted the Company a 1% gross preferential dividend on Exclusive Prospecting Licence No. 3308 (EPL3308).

The Company considered that the sale of the Mile 72 Uranium Project is in line with the change in the Company's strategy to position itself to become a developer of key commodities for the growing lithium-ion battery and energy storage markets.

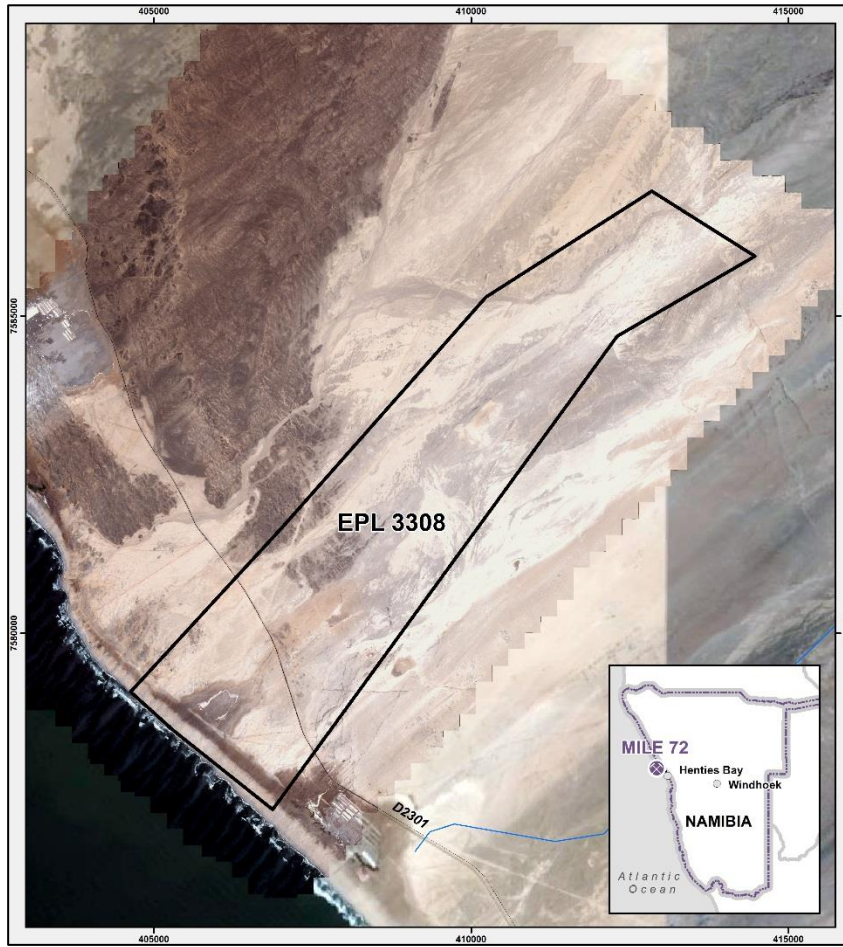
The project is located near Henties Bay on the west coast of the Erongo Region of Namibia (Figure 9). The area was explored by the Company and widespread anomalous uranium mineralisation was discovered in near-surface deposits. The Project is considered prospective for both calcrete-hosted and alaskite-hosted styles of uranium mineralisation.



**METALS AUSTRALIA LTD**

**REVIEW OF OPERATIONS**

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**Figure 9:** Location map of the Mile 72 Uranium Project, Namibia

## **GRAPHITE, COBALT AND LITHIUM PROJECTS, CANADA**

Metals Australia, through its wholly owned subsidiary Quebec Lithium Limited (QLL) owns a 100% interest in the following exploration projects, located in Quebec, Canada (Figure 10):

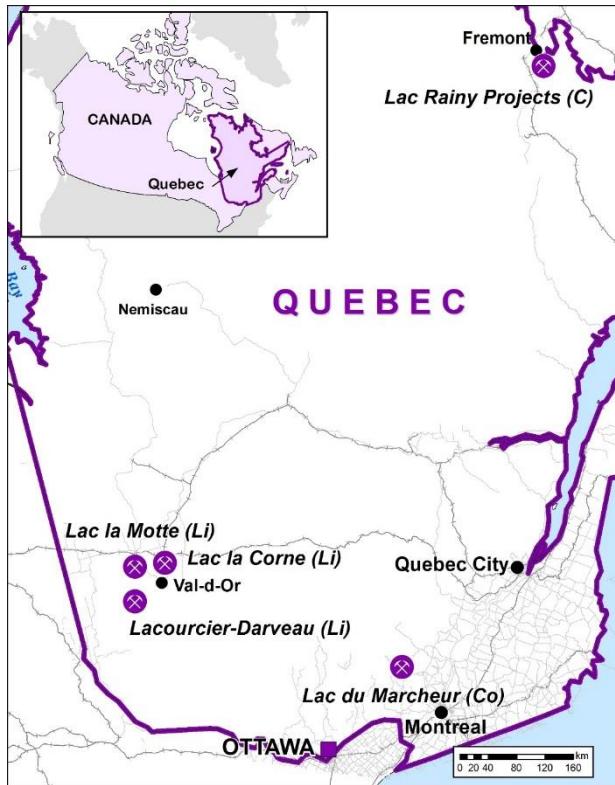
- Lac Rainy Graphite Project
- Lac du Marcheur Cobalt Project
- Lac La Motte Lithium Project
- Lac La Corne Lithium Project
- Lacourciere-Darveau Lithium Project

Reconnaissance geological mapping and sampling was completed during the reporting period. Further follow-up was focused on the Lac Rainy Graphite Project, where a metallurgical testwork program was completed on samples collected from near-surface, high-grade graphite mineralisation.

# METALS AUSTRALIA LTD

## REVIEW OF OPERATIONS

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**Figure 10:** Location map of the Company projects in Quebec, Canada

At the Lac Rainy Project, permitting for construction of road access to key prospective areas identified by previous exploration is in progress. Once approved, a Phase I program of detailed channel sampling will be undertaken to gain further information regarding the grade and continuity of known graphite mineralisation.

The Company has also designed a Phase II exploration program which will comprise a minimum of 15 diamond drill holes for approximately 1,500 metres of drilling. This Phase II program is expected to commence following completion of the Phase I channel sampling campaign, and upon receipt of laboratory assay results.

### **LAC RAINY GRAPHITE PROJECT**

The Lac Rainy Graphite Project is located in one of the premier graphite geological regions of Quebec. The project is located approximately 22 km south-west of the historic mining town of Fermont and 260km north-northeast of the city of Sept-Iles. The Lac Rainy Project is approximately 15 km east of Route 389, a paved highway which travels north to Fermont.

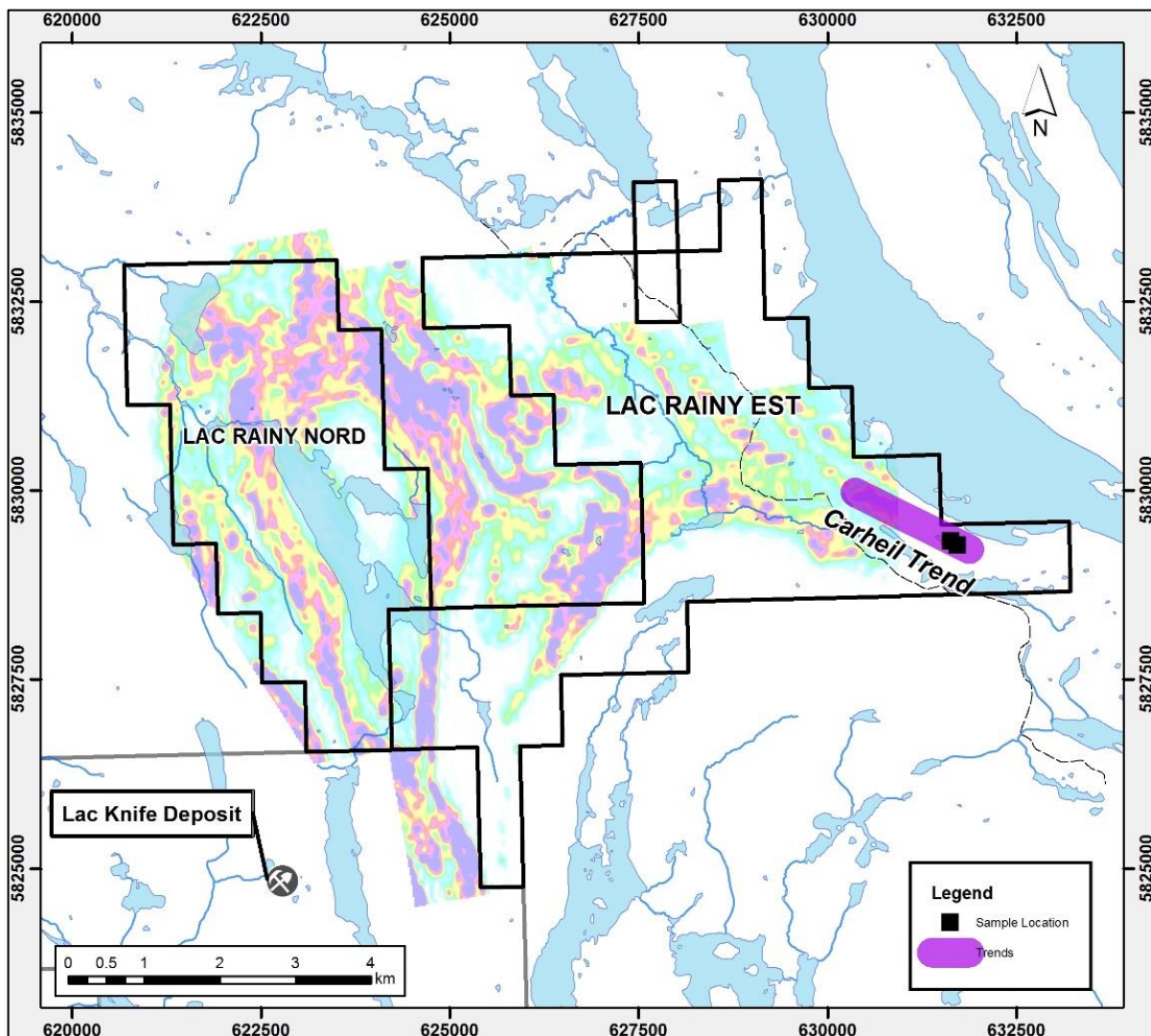
### **GEOLOGY AND MINERALISATION**

Within the Lac Rainy Graphite Project, the graphite is hosted in biotite-quartz-feldspar paragneiss and schist of the Nault Formation, in association with iron formations of the Wabush Formation. High grade metamorphism and folding associated with the Grenvillian

orogeny has resulted in the formation of important concentrations of graphite dominated by value-enhanced large flakes.

The Project is located adjacent to the Lac Knife Property, which hosts the Lac Knife Graphite Deposit owned by Focus Graphite Inc. (less than 4 km south-west of the Project) and hosts a Measured and Indicated Resource of 13.6 Mt @ 14.95% Cg and an Inferred Resource of 0.8 Mt @ 13.90% Cg at a 3.0% Cg cut-off (refer Focus Graphite TSX-V market announcement dated 6 March 2017).

The high-grade Lac Carheil Prospect is located in the southeast part of the claim block of the Lac Rainy Project area (Figure 11). High grade graphite samples at Lac Carheil include 35.49% Cg and 40.67% Cg. The close proximity of numerous high grade graphitic carbon results at nearby occurrences highlights the strong potential for further graphite mineralisation to be identified at the Lac Rainy Graphite Project.



**Figure 11:** Claim boundaries for the Lac Rainy Graphite Project overlain on an image of airborne geophysics (EM)

## **EXPLORATION PROGRAM DURING REPORTING PERIOD**

During the financial year work on the Lac Rainy Project was focussed on the collection of channel samples in the field. Subsequently a metallurgical testwork program was completed to evaluate the graphite mineralisation.

### **CHANNEL SAMPLING**

In July 2017, the Company completed a field mapping and surface rock sampling campaign at the Lac Rainy Graphite Project. Dahrouge Geological Consulting Ltd. were engaged to undertake the prospecting work that confirmed the presence of numerous high-grade natural flake graphite mineralisation occurrences over 2 km along strike of the known high-grade mineralisation at the Carheil Prospect in the southeast part of the Lac Rainy claim block.

Subsequently, the Company completed further rock sampling and a channel sampling program to collect characterisation samples for metallurgical testwork (see below). The samples, which were taken at and along strike immediately adjacent to the high grade Carheil Prospect, have outlined a high grade area of ~150 m strike length, within the larger mineralized strike of more than 2 km (Figure 12). Results included:

#### Channel Samples

- ~2.5 m channel composite averaging 29.7% Cg (samples 129026-129028) and source site for Characterisation Sample 129076
- ~2 m channel composite averaging 21.8% Cg (samples 129030-129032) and source site for Characterisation Sample 129077

#### Rock Samples

- 35.8% Cg in sample 129029
- 28.1% Cg in sample 129045
- 16.4% Cg in sample 129033
- 13.3% Cg in sample 129039
- 12.6% Cg in sample 129044

These results, when coupled with historic results, confirm that the Lac Rainy Project is highly prospective with significant potential to host a near-surface, high-grade deposit of natural flake graphite of substantial tonnage.

### **METALLURGICAL TESTING**

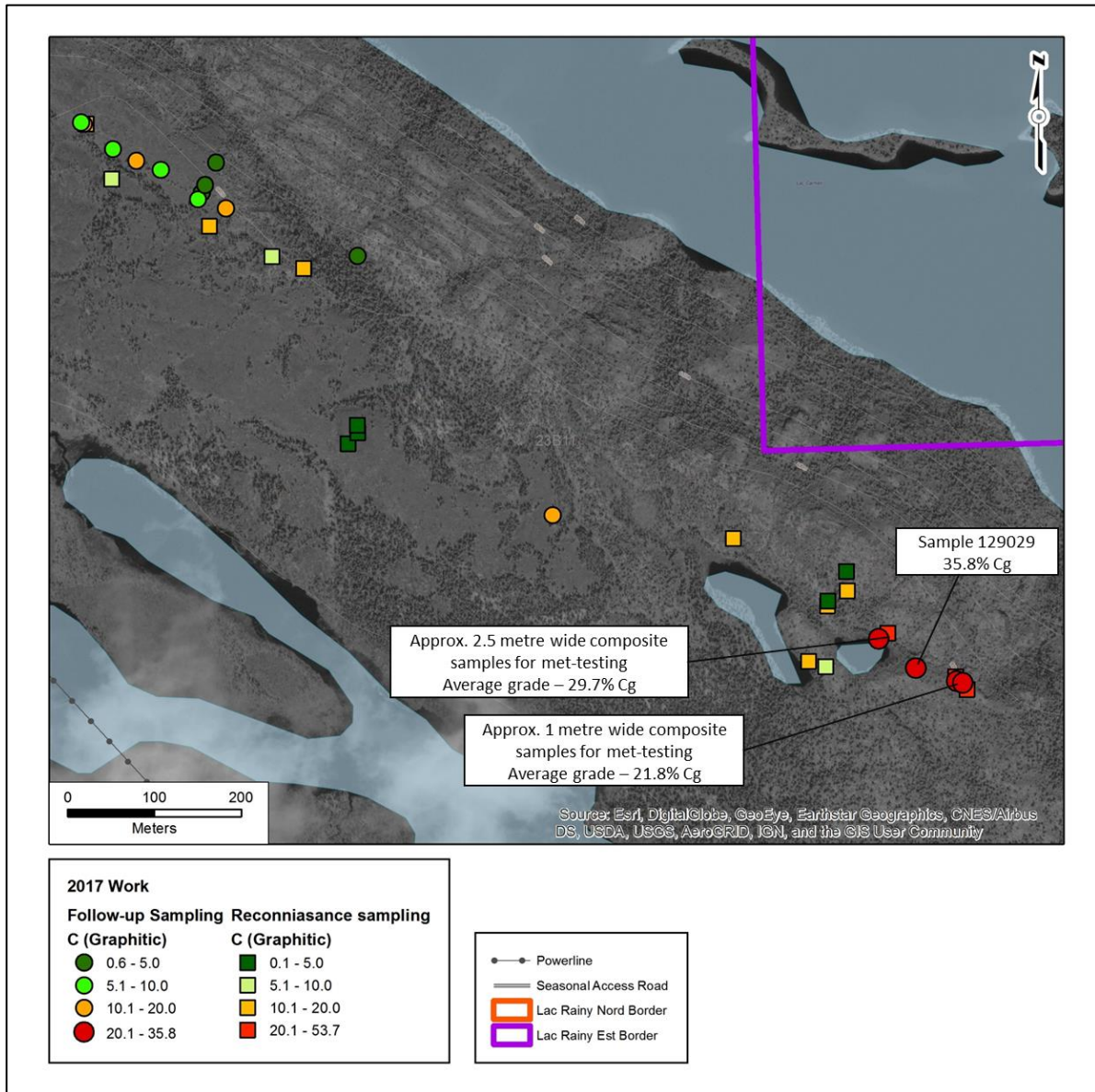
Metallurgical testwork and mineralogical characterisation was completed on two 60 kg composite samples of graphite mineralisation from the Lac Rainy Graphite Project. The tests completed included chemical and mineralogical feed characterisation and flotation testing based on publicly available information on the geologically similar Lac Knife Graphite Deposit, 100% owned by Focus Graphite Inc.

Results indicate that Lac Rainy graphite mineralisation has the potential of producing a commercial graphite concentrate.

- High sample head grades of 35.1% and 21.7% graphitic carbon (Cg)
- High open circuit graphite recovery up to 91.0% using standard mineral processing technologies
- Very good combined concentrate grades of up to 96.7% total carbon (Ct), exceeding typical cut-off grades for commercial grade graphite concentrates of 95% Ct
- Total carbon grades up to 98.8% in large and jumbo flake size fractions
- Low levels of potentially deleterious elements

Potential exists for metallurgical improvements given that the tests were scoping level in nature and that the flowsheet has not been optimised for the Lac Rainy mineralization. Further, the surface samples are likely to be partially affected by oxidation.





**Figure 12:** Sampling results from the Carheil Prospect at Lac Rainy Project showing the strike length of the mineralised zone identified to date measuring in excess of 1.2 km, and up to ~2.0 km when coupled with historic sampling.

## PLANNED WORK

A proposal to construct road access to the Carheil Prospect area that can facilitate further overburden stripping and detailed channel sampling has been prepared and the Company is currently awaiting approval of statutory permits from Ministère des Ressources Naturelles du Québec for the work. This permit is expected to be received imminently and mobilisation will commence once this permit has been delivered to the Company.

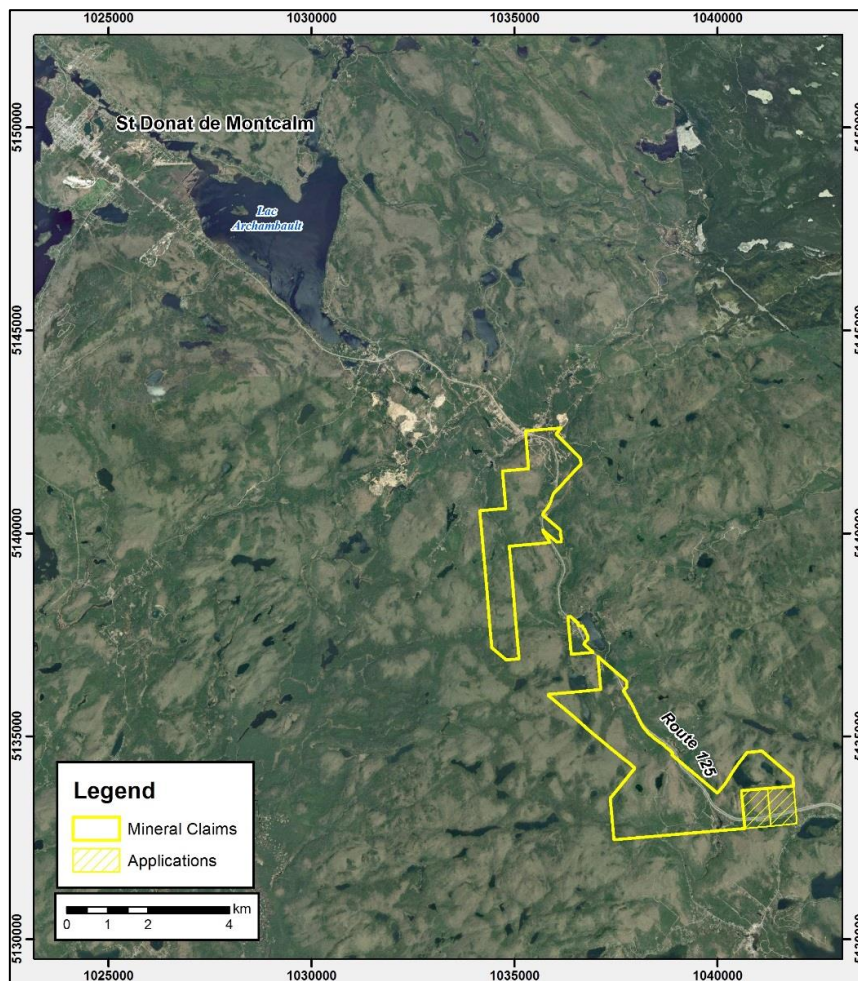
This exploration plan will allow a much more detailed assessment of the mineralised sequence and evaluation of the grade and continuity of graphite mineralisation. A program of diamond drilling to test the grade, width and continuity of the graphite mineralisation will be undertaken in key areas, pending the outcome of the results of further sampling.

## **LAC DU MARCHEUR COBALT PROJECT**

The Company is exploring the Lac du Marcheur Cobalt Project in the cobalt endowed Laurentian region of southern Quebec. The Lac du Marcheur Cobalt Project consists of two discrete contiguous groups of claims, being the North Block and the South Block which are approximately 1 kilometre apart, totalling 1,780 hectares or 17.8 km<sup>2</sup> (Figure 13). They form a north-south trending corridor that extends south from the village of Notre-Dame-de-la-Merci.

The Project is made up of 35 granted mineral claims and is located approximately 70 kilometres northeast of Montreal and is easily accessible via a paved highway (Provincial Route 125) and a network of secondary roads. The favourable location of the project means that exploration and mobilisation costs will be lower in comparison to more remote projects. It is less than 90 minutes by car from Montreal.

Previous work in the area includes geological mapping, geochemical sampling and an airborne EM survey carried out by the Ministère de l'Énergie et des Ressources Naturelles and the Geological Survey of Canada.



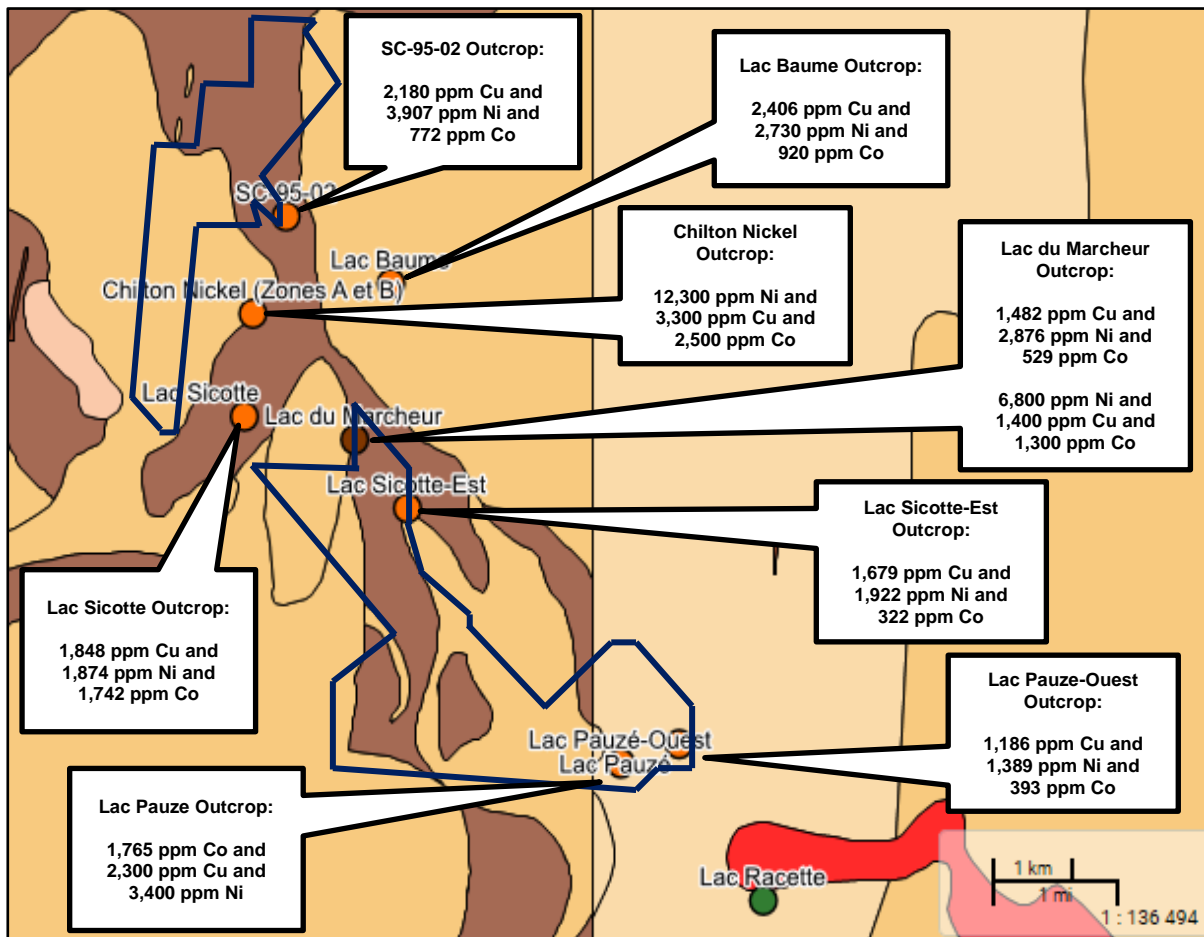
**Figure 13:** Location of the Lac du Marcheur Cobalt Project claim blocks.

## GEOLOGY AND MINERALISATION

Geologically, the rocks of the Lac du Marcheur Cobalt Project are within the Grenville Province of the Canadian Shield. The project is underlain by the same north-south trending package of gabbroic to anorthositic rocks (Morin Intrusive Suite) that underlie the CBLT Ltd's 100% owned Chilton Cobalt Project.

The Lac du Marcheur Cobalt Project contains a number of cobalt-copper-nickel showings and is on strike with a number of other documented high grade cobalt-copper-nickel occurrences (Figure 14). The mineralisation is in the form of disseminated sulphides and stockworks (veins and veinlets) of massive sulphides filling fractures in the anorthositic gabbros, commonly at or near contacts with quartzites.

According to the Ministère de l'Énergie et des Ressources Naturelles ("MERNQ") database ([www.sigeom.mines.gouv.qc.ca](http://www.sigeom.mines.gouv.qc.ca)), these various local showings, with variable amounts of pyrrhotite, pentlandite and chalcopyrite mineralisation have returned assays of up to 2,500 ppm (0.25%) cobalt, 1.11% copper, 1.23% nickel and 12.7 g/t silver in surface grab and trench samples associated with gabbros, gabbroic anorthosites and quartzites (Figure 14).



**Figure 14:** Geology Map of Lac du Marcheur Cobalt Project and historical rock chip assay results.



## **EXPLORATION PROGRAM DURING REPORTING PERIOD**

A small program of rock chip sampling completed at the Lac Pauzé Showing where historical results have identified cobalt mineralisation of 0.18% Co, 0.23% Cu and 0.34% Ni.

Due to the limited nature of the field program (8 days), only a total of sixty (60) samples were collected throughout the project area. The Company viewed this as a prudent approach to ensure that exploration expenditure was managed efficiently and to ensure that the Company was able to determine the most effective method of exploration.

Sample results indicates the strongest prospectivity is in the Lac Pauzé Showing area, with further work required to define the extent of the cobalt mineralisation as well as better define the structural characteristics of the mineralisation.

Additional prospecting remains to be completed over parts of the property not yet assessed.

## **LAC LA MOTTE LITHIUM PROJECT**

The Lac La Motte Lithium Project is located in the Abitibi Greenstone Belt of Quebec approximately 25 km northwest of the historic mining town of Val d'Or and 400 km northwest of Montreal (Figure 15). The Lac La Motte project consists of a contiguous landholding of 64 mineral claims and 25 mineral claim applications covering an area of approximately 49.4 km<sup>2</sup>. Access to the Lac La Motte project from Val d'Or is easily gained via paved Highway 111 and a number of all-weather gravel roads.

## **GEOLOGY AND MINERALISATION**

The Lac La Motte Lithium project represents a significant landholding surrounded by known lithium deposits and occurrences, as well as known beryl occurrences.

Within the Lac La Motte project, numerous pegmatites hosting spodumene and varying from 1.6m to 6m in width intrude diorites, monzonites and metasediments of the Caste Group that are in contact with the basalts of the Lower Malartic Group. The lithium mineralisation occurs mainly in medium to large spodumene crystals.

The Jilin owned Quebec Lithium Mine which is located in the northeast part of the region less than 7 km northeast of the Lac La Motte project, contains a measured and indicated mineral resource of 33.24 Mt at 1.19% Li<sub>2</sub>O and an inferred mineral resource of 13.76 Mt at 1.21% Li<sub>2</sub>O (NI 43-101 compliant), according to a technical report filed by Canada Lithium Corp. on 12 October 2012 (refer to:

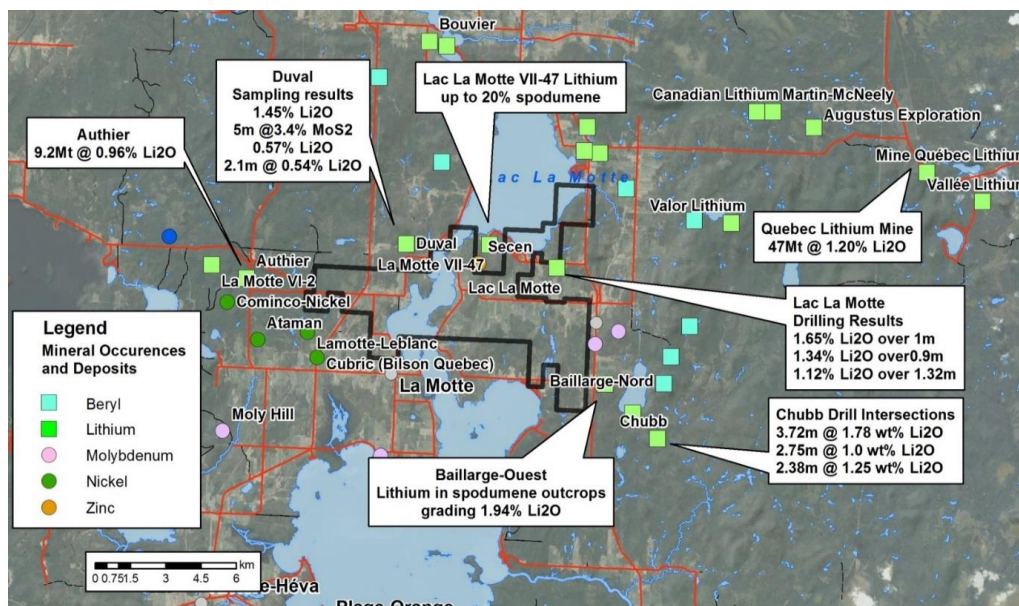
[www.rb-e.com/i/pdf/Quebec\\_Lithium\\_Mineral\\_Resources\\_and\\_Reserves\\_Estimates.pdf](http://www.rb-e.com/i/pdf/Quebec_Lithium_Mineral_Resources_and_Reserves_Estimates.pdf))

The Lac La Motte project is located less than 1 km east of the Authier lithium deposit which has a reported JORC Measured, Indicated and Inferred resource of 13.74Mt @ 1.07% Li<sub>2</sub>O (refer to:

[http://www.sayonamining.com.au/PDF/ASX23Nov16\\_Authier%20Expanded%20JORC.pdf](http://www.sayonamining.com.au/PDF/ASX23Nov16_Authier%20Expanded%20JORC.pdf)).

The Duval Lithium deposit, which contains high grade lithium mineralisation, is located less than 1.5 km north-northwest of the Lac La Motte licence boundaries. The Baillarge-Ouest lithium-tantalum deposit is located less than 500 metres east of the Lac La Motte licence

boundaries and contains spodumene-hosted lithium in pegmatite outcrop grading 1.94% Li<sub>2</sub>O.



**Figure 15:** Location of the Lac La Motte Project claim block showing the distribution of known lithium deposits (green squares).

## EXPLORATION PROGRAM DURING THE FINANCIAL YEAR

Geological assessment and technical evaluation of the Lac La Motte Lithium Project was undertaken during the reporting period, along with stakeholder mapping and permitting activities. No fieldwork was undertaken.

## LAC LA CORNE LITHIUM PROJECT

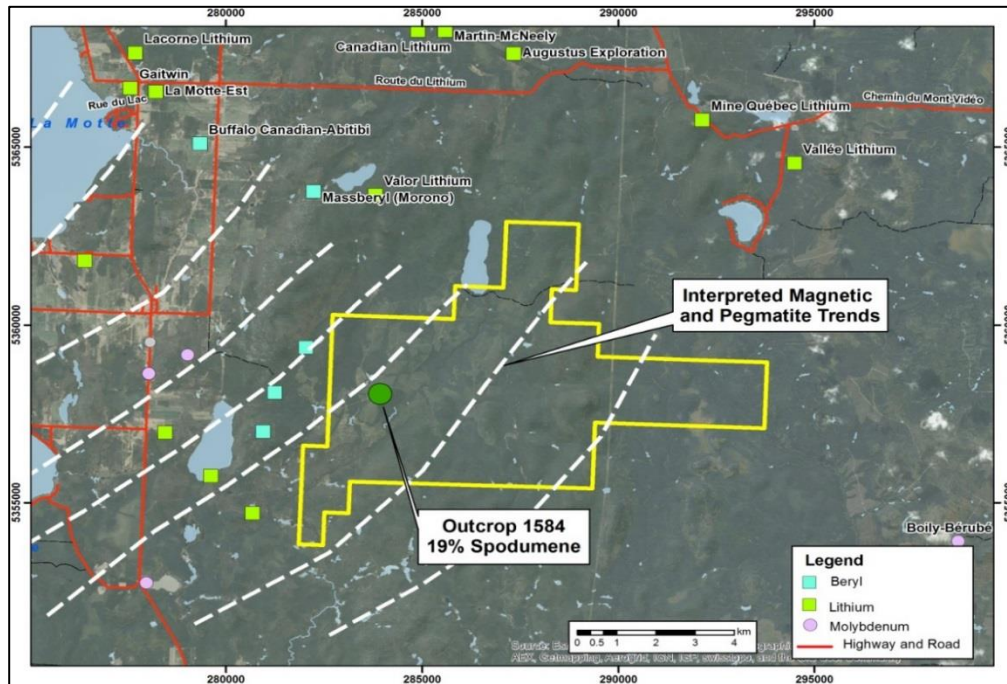
The Lac La Corne Lithium Project is located approximately 20 km north of the historic mining town of Val d'Or and 400 km northwest of Montreal (Figure 16). The project comprises a contiguous landholding of 87 mineral claims totalling approximately 49.8 km<sup>2</sup>. Access from Val d'Or is gained via paved Highway 111 and a number of all-weather gravel roads.

## GEOLOGY AND MINERALISATION

The Lac La Corne Lithium Project is a significant landholding surrounded by known lithium deposits and occurrences, as well as beryl occurrences. The region is dominated by quartz monzodiorite and metasomatized quartz diorite (tonalite) of the La Corne plutonic complex. A swarm of spodumene-rich granitic pegmatite dykes intrude fractures and small faults within the plutonic rocks.

The pegmatite dykes are as much as 6m thick and are generally crudely zoned, some having quartz cores and border zones of aplite. The granitic pegmatites are composed of quartz, albite and/or cleavelandite, K-feldspar, muscovite, with spodumene locally in high concentration.

Located less than 1 km west of the Lac La Corne project is the Chubb Lithium deposit which is currently owned by Globex Mining Enterprises, and was optioned to Great Thunder Gold Corporation in May 2016. Drilling intersections obtained in 1994 by Abitibi Lithium Corp. at the Chubb Lithium deposit, produced intervals of 3.72 m @ 1.78 wt. %  $\text{Li}_2\text{O}$ , 2.75 m @ 1.00 wt. %  $\text{Li}_2\text{O}$  and 2.38 m @ 1.25 wt. %  $\text{Li}_2\text{O}$  (refer to “Technical Report and Recommendations for Three Li-Mo Properties Associated with the Preissac-Lacorne Batholith in the Abitibi Subprovince, Quebec, Canada: The Chubb, International and Athona Properties.”).



**Figure 16:** Location of the Lac La Corne Project claim block showing the distribution of known lithium deposits (green squares) and interpreted trends

## EXPLORATION PROGRAM DURING THE FINANCIAL YEAR

Initial reconnaissance rock grab and channel sampling was completed at the Lac la Corne Lithium Project. Identification and mapping of pegmatite exposures was also completed.

Anomalous lithium up to 635 ppm  $\text{Li}_2\text{O}$  was identified, along with encouraging lithogeochemical indicators, such as elevated rubidium and tantalum values. Sampling indicates potential for spodumene-bearing pegmatites within the project area, with only a small portion of the property assessed.

## LACOURCIERE-DARVEAU LITHIUM PROJECT

The Lacourciere-Darveau Lithium Project consists of 153 mineral claims and 28 mineral claim applications comprising a total area of approximately 104.25km<sup>2</sup> located approximately 15km southwest of the community of Malartic (Figure 17



# METALS AUSTRALIA LTD

## REVIEW OF OPERATIONS

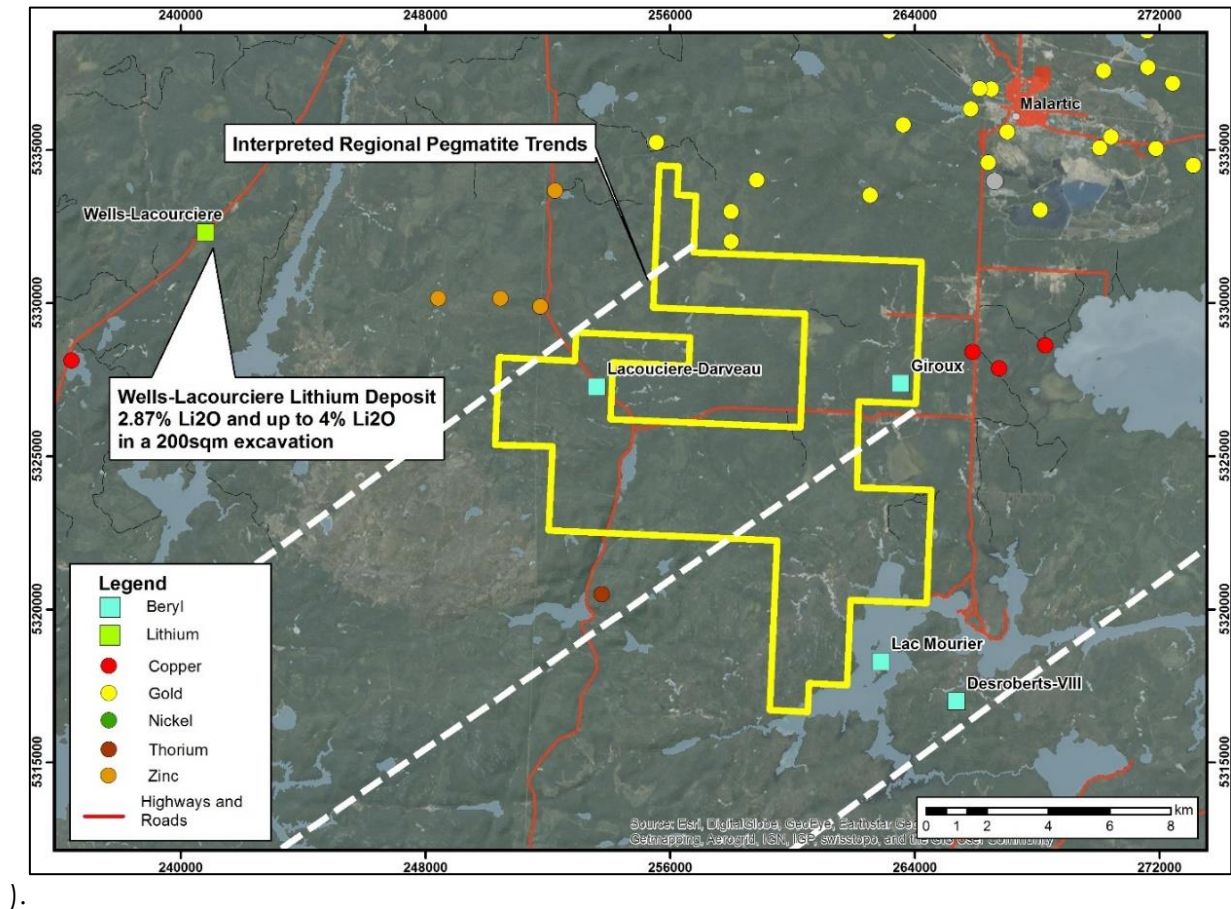


Figure 17: Lacourciere-Darveau Project location map

## GEOLOGY AND MINERALISATION

The Lacourciere-Darveau project is located approximately 8 km east of the Wells-Lacourciere Lithium Deposit where a sample taken from an enrichment zone yielded a grade of 2.87%  $\text{Li}_2\text{O}$ . Five veins sampled in the excavated area contained between 3.0%  $\text{Li}_2\text{O}$  and 4.0%  $\text{Li}_2\text{O}$ .

Other lithium occurrences in the vicinity of the project include Ile du Refuge and Lac Simard which are located along trend about 50 km to the south-southwest and host known lithium deposits with average grades of 2.1%  $\text{Li}_2\text{O}$  and 1%  $\text{Li}_2\text{O}$  respectively.

Though there are several lithium occurrences in the vicinity, the property itself has seen limited exploration. Geological mapping and outcrop mapping were conducted in 1956 and 1957, with the geological mapping being reinterpreted in 2009. This new geology map revealed the presence of multiple zones of pegmatites and granites. The work on the property in the 1950's also identified three beryl occurrences in pegmatite veins, which is considered to be significant. No drill testing has been recorded on the Lacourciere-Darveau project.

## ACTIVITIES DURING THE REPORTING PERIOD

Desktop geological assessment and technical evaluation of the Lacourciere-Darveau Lithium Project was undertaken during the quarter. No fieldwork was completed.

## **CORPORATE**

### **MEMORANDUM OF UNDERSTANDING WITH NANHAI GROUP**

the Company has entered into a non-binding Memorandum of Understanding (MoU) with Chinese-based leading graphene and battery bipolar plates producer, Weihai Nanhai Carbon Ltd (the Nanhai Group).

The Nanhai Groups' major business is to conduct research, manufacture and market graphite products. The major products that are produced by the Nanhai Group include graphene, spherical graphite, high purity graphite, flexible graphite bipolar plates and auxiliary electrodes. At full capacity, the Nanhai Group requires approximately 90,000t of graphite concentrate feed per year.

Pursuant to the MoU, the Nanhai Group will:

- assist in downstream processing design to produce a graphite product that meets the requirements of the Nanhai Group as well as the broader graphite end-user market;
- support Metals Australia in the production of a graphene product using the graphite concentrate from Lac Rainy;
- support Metals Australia in the production of a coated spherical graphite for use in Li-ion battery applications using the graphite concentrate from Lac Rainy;
- provide Metals Australia with access to graphite end-user markets in China;
- provide expertise and knowledge to Metals Australia with respect to graphite production in Canada; and
- provide assistance to Metals Australia with funding the commercial development of the Lac Rainy Graphite Project, including the construction and commissioning of a mine.

In consideration of the guidance and assistance provided by the Nanhai Group, the Company will provide the Nanhai Group with a preferred offtake position once production commences at the Lac Rainy Graphite Project.

The Nanhai Group have been provided with the characterisation samples of graphite concentrate and raw graphite feed from the Lac Rainy project to allow the Nanhai Group to evaluate product specifications and improve the processing flowsheet and the purity of the graphite concentrate.

The MoU has an initial term of twelve (12) months, which can be extended by mutual agreement between the Company and the Nanhai Group.

During this time, the Company and Nanhai Group will work in good faith to negotiate, agree and execute a formal binding agreement. Either party is able to terminate the non-binding MoU at any time prior to the expiration of the initial term, with immediate effect, by written notice to the other party.

## **METALS AUSTRALIA LTD**

### **REVIEW OF OPERATIONS**

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The MoU provides the Company with confidence for the continued exploration and development of the Lac Rainy Graphite Project. It also demonstrates the confidence of the Nanhai Group in the grade, flake size and purity of the potential graphite concentrate from the Lac Rainy Graphite Project.

### **COMPETENT PERSONS STATEMENT**

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Lachlan Reynolds, a consultant to Metals Australia Ltd, and a member of The Australasian Institute of Geoscientists. Mr Reynolds has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that 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 Resource and Ore Reserves". Mr Reynolds consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

### **FORWARD-LOOKING STATEMENTS**

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Metals Australia Ltd's planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and similar expressions are forward-looking statements. Although Metals Australia Ltd believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

# METALS AUSTRALIA LTD

## REVIEW OF OPERATIONS

Country	State/ Region	Project	Tenement ID	Area km <sup>2</sup>	Grant Date	Expiry Date	Interest %	Company
Namibia	Erongo	Mile 72	EPL 3308	73	19/05/2005	17/5/2018	0*	Metals Namibia (Pty) Ltd
Australia	WA	Manindi	M57/227	4.64	3/09/1992	2/09/2034	80	Karrilea Holdings Pty Ltd
			M57/240	3.15	10/11/1993	9/11/2035	80	
			M57/533	8.01	17/01/2008	16/01/2029	80	
Australia	WA	Sherlock Bay	E47/1769	44.7	7/09/2009	6/09/2019	4.5	Metals Australia Ltd
			E47/1770	134.3	7/09/2009	6/09/2019	4.5	
			M47/567	10	7/09/2004	22/09/2025	4.5	

\* Divested during the reporting period

## LAC RAINY GRAPHITE PROJECT (QUEBEC)

Total Count	Claim number (CDC series)	Area (ha)	Grant Date	Expiry Date
1	2511046	52.32	1/02/2018	31/01/2020
2	2511047	52.31	1/02/2018	31/01/2020
3	2477073	52.35	2/02/2017	1/02/2019
4	2477074	52.35	2/02/2017	1/02/2019
5	2477075	52.35	2/02/2017	1/02/2019
6	2477076	52.34	2/02/2017	1/02/2019
7	2477077	52.34	2/02/2017	1/02/2019
8	2477078	52.30	2/02/2017	1/02/2019
9	2477079	52.30	2/02/2017	1/02/2019
10	2493128	52.34	24/05/2017	23/05/2019
11	2493129	52.30	24/05/2017	23/05/2019
12	2493130	52.30	24/05/2017	23/05/2019
13	2493131	52.30	24/05/2017	23/05/2019
14	2493132	52.30	24/05/2017	23/05/2019
15	2493133	52.29	24/05/2017	23/05/2019
16	2493134	52.29	24/05/2017	23/05/2019
17	2493135	52.31	24/05/2017	23/05/2019
18	2467343	52.33	31/10/2016	30/10/2018
19	2467344	52.33	31/10/2016	30/10/2018
20	2467345	52.32	31/10/2016	30/10/2018
21	2467346	52.32	31/10/2016	30/10/2018
22	2462752	52.36	19/09/2016	18/09/2018
23	2462753	52.36	19/09/2016	18/09/2018
24	2462754	52.35	19/09/2016	18/09/2018
25	2462755	52.35	19/09/2016	18/09/2018
26	2462756	52.35	19/09/2016	18/09/2018
27	2462757	52.34	19/09/2016	18/09/2018
28	2462758	52.34	19/09/2016	18/09/2018
29	2462759	52.34	19/09/2016	18/09/2018
30	2462760	52.34	19/09/2016	18/09/2018
31	2462761	52.34	19/09/2016	18/09/2018
32	2462762	52.33	19/09/2016	18/09/2018

Total Count	Claim number (CDC series)	Area (ha)	Grant Date	Expiry Date
33	2462763	52.33	19/09/2016	18/09/2018
34	2462764	52.33	19/09/2016	18/09/2018
35	2462765	52.33	19/09/2016	18/09/2018
36	2462766	52.33	19/09/2016	18/09/2018
37	2462767	52.33	19/09/2016	18/09/2018
38	2462768	52.32	19/09/2016	18/09/2018
39	2462769	52.32	19/09/2016	18/09/2018
40	2462770	52.32	19/09/2016	18/09/2018
41	2462771	52.32	19/09/2016	18/09/2018
42	2462772	52.32	19/09/2016	18/09/2018
43	2462773	52.31	19/09/2016	18/09/2018
44	2462774	52.31	19/09/2016	18/09/2018
45	2462775	52.31	19/09/2016	18/09/2018
46	2462776	52.31	19/09/2016	18/09/2018
47	2462777	52.31	19/09/2016	18/09/2018
48	2462778	52.31	19/09/2016	18/09/2018
49	2462779	52.30	19/09/2016	18/09/2018
50	2462780	52.30	19/09/2016	18/09/2018
51	2462781	52.30	19/09/2016	18/09/2018
52	2462782	52.30	19/09/2016	18/09/2018
53	2462783	52.30	19/09/2016	18/09/2018
54	2471082	52.38	16/12/2016	15/12/2018
55	2471083	52.37	16/12/2016	15/12/2018
56	2471084	52.36	16/12/2016	15/12/2018
57	2471085	52.36	16/12/2016	15/12/2018
58	2471086	52.36	16/12/2016	15/12/2018
59	2471087	52.36	16/12/2016	15/12/2018
60	2471088	52.35	16/12/2016	15/12/2018
61	2471089	52.35	16/12/2016	15/12/2018
62	2471090	52.35	16/12/2016	15/12/2018
63	2471091	52.35	16/12/2016	15/12/2018
64	2471092	52.34	16/12/2016	15/12/2018

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Total Count	Claim number (CDC series)	Area (ha)	Grant Date	Expiry Date
65	2471093	52.34	16/12/2016	15/12/2018
66	2471094	52.34	16/12/2016	15/12/2018
67	2471095	52.34	16/12/2016	15/12/2018
68	2471096	52.33	16/12/2016	15/12/2018
69	2471097	52.33	16/12/2016	15/12/2018
70	2471098	52.33	16/12/2016	15/12/2018
71	2471099	52.33	16/12/2016	15/12/2018
72	2471100	52.32	16/12/2016	15/12/2018
73	2471101	52.32	16/12/2016	15/12/2018
74	2471102	52.32	16/12/2016	15/12/2018
75	2471103	52.32	16/12/2016	15/12/2018
76	2471104	52.31	16/12/2016	15/12/2018
77	2471105	52.31	16/12/2016	15/12/2018

Total Count	Claim number (CDC series)	Area (ha)	Grant Date	Expiry Date
78	2471106	52.31	16/12/2016	15/12/2018
79	2471107	52.31	16/12/2016	15/12/2018
80	2471108	52.31	16/12/2016	15/12/2018
81	2465815	52.30	13/10/2016	12/10/2018
82	2499090	35.22	2/08/2017	1/08/2019
83	2499091	45.67	2/08/2017	1/08/2019
84	2499092	25.58	2/08/2017	1/08/2019
85	2499356	52.35	7/08/2017	6/08/2019
86	2499357	52.35	7/08/2017	6/08/2019
87	2499377	52.34	7/08/2017	6/08/2019
88	2499378	52.35	7/08/2017	6/08/2019

### LAC LA MOTTE LITHIUM PROJECT (QUEBEC)

Total Count	Claim number (CDC series)	Area (ha)	Date Granted	Date Expires
1	2455450	57.25	28/07/2016	27/07/2020
2	2455451	57.25	28/07/2016	27/07/2020
3	2455452	47.63	28/07/2016	27/07/2020
4	2455453	54.61	28/07/2016	27/07/2020
5	2455454	57.24	28/07/2016	27/07/2020
6	2455455	57.24	28/07/2016	27/07/2020
7	2455456	57.24	28/07/2016	27/07/2020

Total Count	Claim number (CDC series)	Area (ha)	Date Granted	Date Expires
8	2455457	57.23	28/07/2016	27/07/2020
9	2455458	57.23	28/07/2016	27/07/2020
10	2455459	33.56	28/07/2016	27/07/2020
11	2455460	41.19	28/07/2016	27/07/2020
12	2455461	22.73	28/07/2016	27/07/2020
13	2438019	42.48	14/03/2016	13/03/2020
14	2438020	45.81	14/03/2016	13/03/2020



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### LAC LA CORNE LITHIUM PROJECT (QUEBEC)

Total Count	Claim number (CDC series)	Area (ha)	Grant Date	Expiry Date
1	2450086	57.28	20/06/2016	19/06/2020
2	2450087	57.28	20/06/2016	19/06/2020
3	2450088	57.27	20/06/2016	19/06/2020
4	2450089	57.26	20/06/2016	19/06/2020
5	2450090	57.26	20/06/2016	19/06/2020
6	2454427	57.28	25/07/2016	24/07/2020
7	2454428	57.28	25/07/2016	24/07/2020
8	2454429	57.27	25/07/2016	24/07/2020
9	2454430	57.26	25/07/2016	24/07/2020
10	2454431	57.26	25/07/2016	24/07/2020
11	2454432	57.25	25/07/2016	24/07/2020
12	2454433	57.25	25/07/2016	24/07/2020
13	2454434	57.25	25/07/2016	24/07/2020
14	2454435	57.25	25/07/2016	24/07/2020
15	2444218	57.27	5/05/2016	4/05/2020
16	2444219	57.27	5/05/2016	4/05/2020
17	2455213	57.31	28/07/2016	27/07/2020
18	2455214	57.30	28/07/2016	27/07/2020
19	2455215	57.30	28/07/2016	27/07/2020
20	2455216	57.29	28/07/2016	27/07/2020
21	2455217	57.29	28/07/2016	27/07/2020
22	2455218	57.29	28/07/2016	27/07/2020
23	2455219	57.27	28/07/2016	27/07/2020
24	2455220	57.26	28/07/2016	27/07/2020
25	2455221	57.26	28/07/2016	27/07/2020

Total Count	Claim number (CDC series)	Area (ha)	Grant Date	Expiry Date
26	2455222	57.26	28/07/2016	27/07/2020
27	2455223	57.25	28/07/2016	27/07/2020
28	2455224	57.25	28/07/2016	27/07/2020
29	2455225	57.25	28/07/2016	27/07/2020
30	2455226	57.24	28/07/2016	27/07/2020
31	2455227	57.24	28/07/2016	27/07/2020
32	2455228	57.24	28/07/2016	27/07/2020
33	2455229	57.24	28/07/2016	27/07/2020
34	2455230	57.23	28/07/2016	27/07/2020
35	2455231	57.23	28/07/2016	27/07/2020
36	2455232	57.23	28/07/2016	27/07/2020
37	2455233	57.28	28/07/2016	27/07/2020
38	2455234	57.28	28/07/2016	27/07/2018
39	2455235	57.27	28/07/2016	27/07/2020
40	2455236	57.25	28/07/2016	27/07/2020
41	2455237	57.21	28/07/2016	27/07/2020
42	2455238	57.21	28/07/2016	27/07/2020
43	2455239	57.20	28/07/2016	27/07/2020
44	2455240	57.29	28/07/2016	27/07/2020
45	2455241	57.29	28/07/2016	27/07/2020
46	2455242	57.29	28/07/2016	27/07/2020
47	2455277	57.25	28/07/2016	27/07/2020
48	2455280	57.22	28/07/2016	27/07/2020
49	2455280	57.22	28/07/2016	27/07/2020
50	2455280	57.22	28/07/2016	27/07/2020

### LACOURCIERE-DARVEAU LITHIUM PROJECT (QUEBEC)

Total count	Claim number (CDC series)	Area (ha)	Grant Date	Expiry Date
1	2505207	57.61	20/11/2017	19/11/2019
2	2505208	57.60	20/11/2017	19/11/2019
3	2505209	57.60	20/11/2017	19/11/2019
4	2505210	57.59	20/11/2017	19/11/2019
5	2505211	57.59	20/11/2017	19/11/2019
6	2505212	57.59	20/11/2017	19/11/2019
7	2505213	57.58	20/11/2017	19/11/2019
8	2505214	57.58	20/11/2017	19/11/2019
9	2505215	57.58	20/11/2017	19/11/2019
10	2505241	57.54	20/11/2017	19/11/2019
11	2505242	57.58	20/11/2017	19/11/2019
12	2505243	57.58	20/11/2017	19/11/2019
13	2505244	57.58	20/11/2017	19/11/2019
14	2505245	57.57	20/11/2017	19/11/2019
15	2505246	57.57	20/11/2017	19/11/2019
16	2505247	57.57	20/11/2017	19/11/2019

Total count	Claim number (CDC series)	Area (ha)	Grant Date	Expiry Date
17	2505248	57.57	20/11/2017	19/11/2019
18	2505249	57.57	20/11/2017	19/11/2019
19	2505250	57.56	20/11/2017	19/11/2019
20	2505251	57.56	20/11/2017	19/11/2019
21	2505252	57.56	20/11/2017	19/11/2019
22	2505253	57.56	20/11/2017	19/11/2019
23	2505254	57.56	20/11/2017	19/11/2019
24	2505255	57.55	20/11/2017	19/11/2019
25	2505256	57.55	20/11/2017	19/11/2019
27	2505257	57.55	20/11/2017	19/11/2019
28	2505258	57.54	20/11/2017	19/11/2019
29	2505259	57.54	20/11/2017	19/11/2019

## METALS AUSTRALIA LTD

### REVIEW OF OPERATIONS

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#### Lac du Marcheur Cobalt Project (Quebec)

Total Count	Claim number (CDC series)	Area (ha)	Date Granted	Date Expires
1	2505515	59.61	20/11/2017	19/11/2019
2	2505516	59.61	20/11/2017	19/11/2019
3	2473803	59.55	27/01/2017	26/01/2019
4	2473804	59.54	27/01/2017	26/01/2019
5	2473805	59.53	27/01/2017	26/01/2019
6	2473806	59.53	27/01/2017	26/01/2019
7	2473807	59.53	27/01/2017	26/01/2019
8	2473808	59.52	27/01/2017	26/01/2019
9	2488121	56.75	6/04/2017	5/04/2019
10	2488122	34.77	6/04/2017	5/04/2019
11	2488123	24.04	6/04/2017	5/04/2019
12	2488124	19.67	6/04/2017	5/04/2019
13	2488125	0.72	6/04/2017	5/04/2019
14	2488126	27.75	6/04/2017	5/04/2019
15	2488062	58.30	5/04/2017	4/04/2019
16	2488063	31.04	5/04/2017	4/04/2019
17	2488064	31.51	5/04/2017	4/04/2019
18	2488065	59.61	5/04/2017	4/04/2019
19	2488066	59.61	5/04/2017	4/04/2019
20	2488067	59.61	5/04/2017	4/04/2019
21	2488068	59.61	5/04/2017	4/04/2019
22	2488069	59.61	5/04/2017	4/04/2019
23	2477461	59.55	7/02/2017	6/02/2019
24	2477462	56.91	7/02/2017	6/02/2019
25	2477463	8.83	7/02/2017	6/02/2019
26	2477464	46.28	7/02/2017	6/02/2019
27	2477465	49.94	7/02/2017	6/02/2019
28	2477466	10.88	7/02/2017	6/02/2019
29	2477467	23.53	7/02/2017	6/02/2019
30	2477468	56.87	7/02/2017	6/02/2019
31	2477469	9.58	7/02/2017	6/02/2019
32	2477470	54.20	7/02/2017	6/02/2019
33	2477471	41.03	7/02/2017	6/02/2019
34	2477472	55.11	7/02/2017	6/02/2019
35	2477473	18.90	7/02/2017	6/02/2019
36	2477474	35.87	7/02/2017	6/02/2019

# METALS AUSTRALIA LTD

## DIRECTORS REPORT

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The Directors present their report on the consolidated entity consisting of Metals Australia Ltd and its controlled entities for the year ended 30 June 2018.

### DIRECTORS

The following were Directors of Metals Australia Ltd during the financial year and up to the date of this report:

Hersh Solomon Majteles (Chairman)  
Michael Scivolo  
Robert Collins  
Gino D'Anna

### PRINCIPAL ACTIVITIES

The principal continuing activities of the consolidated entity are the exploration of mineral deposits and investment.

### RESULTS

The loss of the Group for the financial year after providing for income tax amounted to \$3,404,921 (2017: \$1,303,042).

### DIVIDENDS

Since the end of the previous financial year, no dividend has been declared or paid by the Company.

### FINANCIAL POSITION

The net assets of the group have decreased by \$304,014 from \$9,023,230 at 30 June 2017 to \$8,719,216 at 30 June 2018.

### SIGNIFICANT CHANGES

There have not been any significant changes in the state of affairs of the Group during the financial year, other than as noted in this financial report.

### LIKELY DEVELOPMENTS

The Group will continue to focus on its exploration activities.

### INFORMATION ON DIRECTORS AND COMPANY SECRETARY

a) Qualifications and experience of Directors:

(i) Hersh Solomon Majteles LLB (Non-Executive Chairman)

Mr Majteles is a commercial lawyer and has been in private practice in Western Australia since 1972. He has been a board member of a number of publicly listed companies involved in the mining, resources, energy, biotech and technology sectors for over thirty years. He was a Director of Covata Ltd (formerly Prime Minerals Limited) until 29 October 2014, K2Fly Ltd (formerly Power resources Ltd) until 17 November 2016 and Blaze International Limited until 4 December 2015.

## METALS AUSTRALIA LTD

### DIRECTORS REPORT

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Mr Majteles is currently a Director of Thred Ltd (ASX:THD) and Scout Security Limited (ASX:SCT).

- (ii) Michael Scivolo B. Com, FCPA (Non-Executive Director)

Mr Scivolo has extensive experience in the fields of accounting and taxation in both corporate and non-corporate. He was a Director of Covata Ltd (formerly Prime Minerals Limited) until 29 October 2014, Blaze International Limited until 4 December 2015 and K2Fly Ltd (formerly Power Resources Ltd) until 17 November 2016. Mr Scivolo is currently a Director of Sabre Resources Ltd and Golden Deeps Limited.

- (iii) Robert Collins (Non-Executive Director)

Mr Collins has served on a number of ASX listed industrial and mining company boards, and owned a large accounting practice serving the corporate sector. He was a Director of Covata Ltd (formerly Prime Minerals Limited) until 29 October 2014, Blaze International Limited until 8 April 2016 and K2Fly Ltd (formerly Power resources Ltd) until 17 November 2016. Mr Collins is currently a Non-Executive Director of Sabre Resources Ltd and Golden Deeps Limited.

- (iv) Gino D'Anna (Non-Executive Director)

Mr D'Anna has significant primary and secondary capital markets experience. Mr D'Anna also possesses extensive experience in resource exploration, public company operations, administration and financial management.

Mr D'Anna has particular experience in Canadian Government and First Nations relations in the mining sector. Mr D'Anna was a Director of K2Fly Limited until 19 September 2017 and Atrum Coal Limited until 26 June 2015. Mr D'Anna is currently a Director of MetalsTech Ltd and 3G Coal Limited

- b) The following persons acted as Company Secretary during the financial year:-

- (i) Graham Baldisseri BBus CPA GDipAppFin (SecInst)

Mr Baldisseri is a CPA, with a Bachelor of Business degree and a Graduate Diploma of a Applied Finance and Investment (Corporate Finance). He has had over 31 years management, corporate advisory, finance and accounting and company secretarial experience working for several listed and unlisted companies. Mr Baldisseri is also the Chief Financial Officer of the Company. Mr Baldisseri was appointed 31 January 2018.

- (ii) Paul Fromson BCom CPA

Mr Fromson is a CPA and licensed Tax Agent. He has been involved in the resources industry since 1987. Mr Fromson has held a range of senior roles with ASX listed entities including CFO, Company Secretary and Director. Mr Fromson was appointed on 11 July 2017 and resigned 31 January 2018.

- (iii) Mr Norman Grafton retired and ceased as Company Secretary on 11 July 2017

# METALS AUSTRALIA LTD

## DIRECTORS REPORT

- c) Relevant interests of Directors in shares and options of the Company at the date of this report:-

Name	Ordinary Shares	Options
H S Majteles	6,000,000	-
M Scivolo	25,000	-
R Collins	4,000,000	-
G D'Anna	43,100,000	42,900,000

- d) Directors' interest in contracts:-

No Director has an interest, whether directly or indirectly, in a contract or proposed contract with the Company.

### REMUNERATION REPORT (AUDITED)

The names and responsibilities of the key management personnel (KMP) during the year are as follows:

Mr Hersh Solomon Majteles – Chairman – in office for the full year

Mr Robert Collins – Non Executive Director – in office for the full year

Mr Michael Scivolo – Non Executive Director – in office for the full year

Mr Gino D'Anna – Non Executive Director – in office for the full year

There are no committees or sub committees of the board.

### KMP Remuneration

2018 Key Management Personnel	Short-term Benefits		Super- annuation	Share- based Payment Options	Total	Performance Related %
	Directors Fees/Salary	Consulting Fees			Total	
	\$	\$			\$	
H S Majteles	15,000	-	1,425	-	16,425	-
M Scivolo	12,000	-	1,140	-	13,140	-
R Collins	-	12,000	-	-	12,000	-
G D'Anna	-	62,136	-	-	62,136	-
<b>TOTAL</b>	<b>27,000</b>	<b>74,136</b>	<b>2,565</b>	<b>-</b>	<b>103,701</b>	<b>-</b>

# METALS AUSTRALIA LTD

## DIRECTORS REPORT

2017 Key Management Personnel	Short-term Benefits		Super- annuation	Share- based Payment Options	Total	Performance Related %
	Directors Fees/Salary	Consulting Fees				
	\$	\$	\$	\$	\$	
H S Majteles	26,250	-	2,494	-	28,744	-
M Scivolo	-	-	13,140	-	13,140	-
R Collins	-	12,000	-	-	12,000	-
G D'Anna	-	29,601	-	-	29,601	-
<b>TOTAL</b>	<b>26,250</b>	<b>41,601</b>	<b>15,634</b>	<b>-</b>	<b>83,485</b>	<b>-</b>

### KMP Shareholdings

The number of ordinary shares in Metals Australia Ltd held by each KMP during the financial year was as follows:

	Balance 1 July 2017	Granted as Compensation	Issued on exercise of options during the year	Other changes during the year	Balance 30 June 2018
H S Majteles	6,000,000	-	-	-	6,000,000
M Scivolo	25,000	-	-	-	25,000
R Collins	4,000,000	-	-	-	4,000,000
G D'Anna	43,100,000	-	-	-	43,100,000
<b>Total</b>	<b>53,125,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,125,000</b>

Directors receive a fixed fee (plus statutory superannuation where appropriate), with executive directors being remunerated for any professional service conducted for the Company. Directors did not receive any benefits in the form of share-based payments during the year under review.

There are no retirement schemes for any directors or any loans or any other type of compensation.

Board policy on the remuneration for this exploration Company is influenced by comparing fees paid to directors in other companies within the exploration industry, and then set at a level to attract qualified people, to accept the responsibilities of Directorship. No Director, executive or employee has an employment contract.

Being an exploration company, with no earnings, a relationship is yet to be established between an emolument policy and the Company's performance. During the year the Company did not engage remuneration consultants to review its existing remuneration policies.

At the last AGM shareholders voted to adopt the remuneration report for the year ended 30 June 2017. The Company did not receive specific feedback at the AGM regarding its remuneration practices.

### END OF REMUNERATION REPORT

# METALS AUSTRALIA LTD

## DIRECTORS REPORT

### ANALYSIS OF MOVEMENT IN SHARES

During the year the Company conducted a number of capital raisings and also issued shares as consideration for the acquisition of tenements or for services rendered as follows:

	Number	\$
Opening balance 1/7/2017	1,669,072,777	29,261,186
Placement 15/02/2018	669,975,000	3,349,875
Capital raising costs on above placements	-	(473,372)
30 June 2018	2,339,047,777	32,137,689

### ANALYSIS OF MOVEMENT IN OPTIONS

During the year a number of options were granted and also some options were exercised or expired as follows:

Class	Balance 1 July 2017	Issued During Year	Exercised or expired during year	Balance 30 June 2018
Exercisable at \$0.003 on or before 1/12/2019	215,111,668	-	-	215,111,668
Exercisable at \$0.01 on or before 31/5/2020	181,950,000	738,935,000	-	920,885,000

Director Gino D'Anna holds 42,900,000 options and these were held by Mr D'Anna prior to him becoming a director. Other than this no options were held by any Company Director during the reporting period, and no options were granted to Directors during the year under review.

### MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2018 and the number of meetings attended by each Director:

Name	Eligible to attend	Attended
H S Majteles	4	4
M Scivolo	4	4
R Collins	4	4
G D'Anna	4	2

The Board also conducted business via eight Circular Resolutions during the year.

The Company does not have a formally appointed audit committee as all Directors are involved in all activities of the Company and the size and scope of operations does not warrant its formation.

# **METALS AUSTRALIA LTD**

## **DIRECTORS REPORT**

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### **RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS**

Mr Michael Scivolo retired by rotation as a Director at the Annual General Meeting on 16 November 2017 and was re-elected.

At the forthcoming Annual General Meeting, Mr Hersh Solomon Majteles retires by rotation as a Director and offers himself for re-election.

### **ENVIRONMENTAL ISSUES**

The Company's objective is to ensure that a high standard of environmental care is achieved and maintained on all properties. There are no known environmental issues outstanding.

### **EVENTS SUBSEQUENT TO BALANCE DATE**

No matters or circumstances have arisen since the end of the financial year, except as reported in the following paragraphs, which significantly affect, or could significantly affect, the operations of the consolidated group, the results of these operations, or the state of affairs of the consolidated group in future years.

### **INDEMNIFYING OFFICER OR AUDITORS**

No indemnities have been given, or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the entity.

### **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the independent auditor's declaration as required by section 307c of the *Corporations Act 2001* is set out on page 81.

### **DIRECTORS' BENEFITS**

Except as detailed in note 6, no Director of the Company has received or become entitled to receive during or since the end of the previous financial year, any benefit (other than a benefit included in the aggregate amounts of emoluments received or due and receivable by Directors shown in the accounts or the fixed salary of a full time employee of the Company or of a related corporation) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

### **AUDIT COMMITTEE**

No Audit Committee has been formed as the Directors believe that the Company is not of a size to justify having a separate Audit Committee. Given the small size of the Board, the Directors believe an Audit Committee structure to be inefficient.

### **NON AUDIT SERVICES**

The Board of Directors 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*



## METALS AUSTRALIA LTD

### DIRECTORS REPORT

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Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons;

- All non-audit services are reviewed and approved by the Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year under review, Grant Thornton also provided services in relation to taxation matters. Details of the amounts paid and payable to the auditor of the company, Grant Thornton Audit Pty Ltd and its related entities for audit and non-audit services provided during the year are set out in Note 5 to the Financial Statements.

#### CORPORATE GOVERNANCE STATEMENT

The Company is committed to achieving and demonstrating the highest standards of corporate governance. Information about the Company's Corporate Governance policies are set out later in this report.

This report is made in accordance with a resolution of the Directors.



.....  
Hersh Solomon Majteles  
Chairman

Dated this 28 September 2018.  
Perth, Western Australia

**METALS AUSTRALIA LTD**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AS AT 30 JUNE 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 Jun 18</b>	<b>30 Jun 17</b>
		\$	\$
<b>Income</b>			
Interest earned		11,787	3,381
Investments marked to market		120,000	56,397
Profit on sale of shares		31,852	-
Profit on sale of fixed assets		28,800	-
Other income		20,000	-
		<u>212,439</u>	<u>59,778</u>
<b>Expenses</b>			
Management fees	24.	298,949	536,266
Directors' fees and services	7.	103,701	83,485
Securities Exchange fees		46,592	56,737
Administration costs	24.	317,511	449,463
Other operating costs		128,540	125,966
Provision against loans to subsidiaries		-	-
		<u>895,293</u>	<u>1,251,917</u>
<b>Loss before income tax</b>		<u>(682,854)</u>	<u>(1,192,139)</u>
<b>Income tax benefit</b>	4.	-	-
<b>Loss for the period from continuing operations</b>		<u>(682,854)</u>	<u>(1,192,139)</u>
Loss for the year from discontinued operations	5.	(2,722,067)	(110,903)
<b>Loss for the period</b>		<u>(3,404,921)</u>	<u>(1,303,042)</u>

The statement above should be read in conjunction with the accompanying notes.

**METALS AUSTRALIA LTD**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AS AT 30 JUNE 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 Jun 18</b>	<b>30 Jun 17</b>
		\$	\$
<b>Other Comprehensive Income</b>			
<b>Items that will not be re-classified subsequently to profit or loss</b>			
Exchange differences on translating foreign controlled entities		-	114,013
<b>Total Comprehensive (loss)/income</b>		-	114,013
<b>Loss for the year attributable to:</b>			
- owners of the parent		(682,854)	(1,192,139)
		(682,854)	(1,192,139)
<b>Total comprehensive income attributable to:</b>			
- non-controlling interest		-	
- owners of the parent		-	114,013
		-	114,013
<b>Total comprehensive loss attributable to owners of the parent:</b>			
- continuing operations		(682,854)	(1,192,139)
- discontinued operations		(2,722,067)	(110,903)
		(3,404,921)	(1,303,042)
<b>Attributable to:</b>			
<b>Equity holders of</b>		(3,404,921)	(1,189,029)
Shareholders of the Company		(3,404,921)	(1,189,029)
Minority interest	17.	-	-
<b>Loss for the period</b>		(3,404,921)	(1,189,029)
<b>Basic earnings per share:</b>			
- loss from continuing operations	18.	(0.0004)	(0.0006)
- loss from discontinued operations	18.	(0.0014)	(0.0001)
<b>Total loss per share:</b>		(0.0018)	(0.0007)

The statement above should be read in conjunction with the accompanying notes.

**METALS AUSTRALIA LTD**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>30 Jun 18</b>	<b>30 Jun 17</b>
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	8.	2,101,255	1,085,129
Trade and other receivables	9.	156,547	132,901
Financial assets	10.	248,802	111,066
Prepayments		1,596	-
<b>Total current assets</b>		<b>2,508,200</b>	<b>1,329,096</b>
<b>Non-current assets</b>			
Exploration and evaluation expenditure	12.	6,511,751	8,483,523
<b>Total non-current assets</b>		<b>6,511,751</b>	<b>8,483,523</b>
<b>Total assets</b>		<b>9,019,951</b>	<b>9,812,619</b>
<b>Current liabilities</b>			
Trade and other payables	13.(a)	300,735	120,505
<b>Total current liabilities</b>		<b>300,735</b>	<b>120,505</b>
<b>Non-current liabilities</b>			
Trade and other payables	13.(b)	-	668,884
<b>Total non-current liabilities</b>		<b>-</b>	<b>668,884</b>
<b>Total liabilities</b>		<b>300,735</b>	<b>789,389</b>
<b>Net assets</b>		<b>8,719,216</b>	<b>9,023,230</b>
<b>Equity</b>			
Issued capital	14.	32,137,689	29,261,186
Option reserve	15.	971,935	747,531
Foreign currency translation reserve		-	67,898
Accumulated losses	16.	(24,390,408)	(21,053,385)
<b>Total equity attributable to shareholders of the Company</b>		<b>8,719,216</b>	<b>9,023,230</b>
<b>Total equity</b>		<b>8,719,216</b>	<b>9,023,230</b>

The statement above should be read in conjunction with the accompanying notes.

**METALS AUSTRALIA LTD**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018**

<b>CONSOLIDATED ENTITY</b>					
	<b>Issued Capital</b>	<b>Option Reserve</b>	<b>Foreign Currency Translation Reserve</b>	<b>Accum- ulated Losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance as at 30 June 2016</b>	<b>25,187,316</b>	<b>612,000</b>	<b>(46,115)</b>	<b>(20,362,343)</b>	<b>5,390,858</b>
Loss attributable to members of parent entity	-	-	-	(1,303,042)	(1,303,042)
Other Comprehensive income					
-					
Movement in Foreign Currency Translation Reserve	-	-	114,013	-	114,013
Total Comprehensive Loss	-	-	114,013	(1,303,042)	(1,189,029)
Transactions with Owners:					
Issues of capital	4,352,415	-	-	-	4,352,415
Capital raising costs	(278,545)	-	-	-	(278,545)
Options expired	-	(612,000)	-	612,000	-
Options issued	-	747,531	-	-	747,531
Total transactions with owners:	4,073,870	135,531	-	612,000	4,821,401
<b>Balance as at 30 June 2017</b>	<b>29,261,186</b>	<b>747,531</b>	<b>67,898</b>	<b>(21,053,385)</b>	<b>9,023,230</b>

**METALS AUSTRALIA LTD**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018**

	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Balance as at 30 June 2017</b>	<b>29,261,186</b>	<b>747,531</b>	<b>67,898</b>	<b>(21,053,385)</b>	<b>9,023,230</b>
Loss attributable to members of parent entity	-	-	-	(3,404,921)	(3,404,921)
Other Comprehensive income: Movement in Foreign Currency Translation Reserve	-	-	(67,898)	67,898	-
Total Comprehensive Loss	-	-	(67,898)	(3,337,023)	(3,404,921)
Transactions with Owners:					
Issues of capital	3,349,875	-	-	-	3,349,875
Capital raising costs	(473,372)	-	-	-	(473,372)
Options expired	-	-	-	-	-
Options issued	-	224,404	-	-	224,404
Total transactions with owners:	2,876,503	224,404			3,100,907
<b>Balance as at 30 June 2018</b>	<b>32,137,689</b>	<b>971,935</b>	<b>-</b>	<b>(24,390,408)</b>	<b>8,719,216</b>

The statement above should be read in conjunction with the accompanying notes.

# METALS AUSTRALIA LTD

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

		Consolidated	
Note	30 Jun 18	30 Jun 17	
	\$	\$	
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees	(1,412,861)	(1,099,169)	
Interest received	5,459	3,391	
Net cash from continuing operations	(1,407,402)	(1,095,778)	
Net cash (used in) / from discontinued operations	(40,708)		
<b>Net cash from operating activities</b>	19. (1,448,110)	(1,095,778)	
<b>Cash flows from investing activities</b>			
Proceeds from sale of subsidiary	30,000	-	
Proceeds from sale of shares	42,916	-	
Payments for exploration expenditure	(709,587)	(1,002,591)	
<b>Net cash from investing activities</b>	(636,671)	(1,002,591)	
<b>Cash flows from financing activities</b>			
Proceeds from capital raising	3,349,875	3,484,414	
Payments for cost of capital raising	(248,968)	(204,555)	
Proceeds from borrowings	-	45,000	
Repayments of borrowings		(200,000)	
<b>Net cash from financing activities</b>	3,100,907	3,124,859	
Net increase in cash and cash equivalents	1,016,126	1,026,490	
Cash and cash equivalents 1 July	1,085,129	55,765	
Effects of exchange rate changes on cash and cash equivalents		2,874	
<b>Cash and cash equivalents at 30 June 2018</b>	2,101,255	1,085,129	

The statement above should be read in conjunction with the accompanying notes.

**NOTES TO THE FINANCIAL STATEMENTS**

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**1. CORPORATE INFORMATION**

The financial report of Metals Australia Ltd and its subsidiaries Karrilea Holdings Pty Ltd, Quebec Lithium Ltd and Metals Namibia (Pty) Ltd (the Group) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 28 September 2018.

Metals Australia Ltd is a company incorporated and domiciled in Australia, limited by shares which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are mineral exploration and investment.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, Australian Accounting Interpretations and complies with other requirements of the law, as appropriate for for-profit oriented entities. The financial report has also been prepared on an accruals basis and on a historical cost basis, except for financial assets and liabilities, which have been measured at fair value.

The financial report also complies with International Financial Reporting Standards (IFRS).

The financial report is presented in Australian Dollars.

The financial statements of the Company and Group have been prepared on a going concern basis which anticipates the ability of the Company and Group to meet its obligations in the normal course of the business. It is considered that the Company should obtain sufficient funds from capital raising to enable it to meet its obligations. If the Company is unable to continue as a going concern then it may be required to realise its assets and extinguish its liabilities, other than in the normal course of business and amounts different from those stated in the financial statements. (Refer to note 2(v)).

**(b) New Accounting Standards for Application in Future Periods**

**AASB 9 Financial Instruments**

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

When this Standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

**AASB 15 Revenue from Contracts with Customers**

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- Establishes a new revenue recognition model;
- Changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- Provides a new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and



**NOTES TO THE FINANCIAL STATEMENTS**

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- Expands and improves disclosures about revenue.

When this Standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

**AASB 16 Leases**

AASB 16 Leases replaces AASB 117 Leases and some lease-related Interpretations. In summary AASB 16:

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

When this Standard is first adopted for the year ending 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.

**(c) Basis of consolidation**

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2018. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If

**NOTES TO THE FINANCIAL STATEMENTS**

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the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

**(d) Interest in joint ventures**

The Group's interest in any joint ventures are accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

**(e) Foreign currency translation**

Both the functional and presentation currency of Metals Australia Ltd and its Australian subsidiaries is the Australian Dollar (A\$). The functional currency of the Namibian subsidiary is the Namibian Dollar (N\$).

Cash remittances from the parent entity to the Namibian subsidiary are sent in Australian dollars and then converted to Namibian dollars using the applicable rate of exchange. Monetary assets and liabilities denominated in the foreign currency are retranslated at the rate of exchange at the reporting date.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of any overseas subsidiaries were translated into the presentation currency of Metals Australia Ltd at the rate of exchange ruling at the reporting date, and the Statement of Profit or Loss and Other Comprehensive Income is translated at the weighted average exchange rates for the period.

The exchange differences arising on the translation are taken directly to a separate component of Other Comprehensive Income.

On disposal of a foreign entity, the deferred cumulative amount recognised in Other Comprehensive Income relating to that particular foreign operation is recognised in Profit or Loss.

**(f) Property, plant and equipment**

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Plant and equipment – over 3 to 5 years

*Impairment*

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

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

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

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognised.

**(g) Goodwill**

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**(h) Impairment of non-financial assets**

At each reporting date, the Group assesses whether there is any indication that a non-financial asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable

NOTES TO THE FINANCIAL STATEMENTS

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amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**(i) Investments and other financial assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. that date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

*(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

**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

**NOTES TO THE FINANCIAL STATEMENTS**

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length transactions, reference to similar instruments and option pricing models.

**Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**(j) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development, or sale, 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 an abandoned area are 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 are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**(k) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

**(l) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(m) Provisions**

**NOTES TO THE FINANCIAL STATEMENTS**

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

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(n) Share-based payment transactions**

*(i) Equity settled transactions:*

The Group provides benefits to Directors and consultants of the Group in the form of share-based payments whereby personnel render services in exchange for shares.

The cost of these equity-settled transactions was measured by reference to the fair value of the equity instruments at the date on which they were granted. The fair value was determined using the Black Scholes formula.

In valuing equity-settled transactions, no account was taken of any performance conditions, other than conditions linked to the price of the shares of Metals Australia Ltd (market conditions). The cost of equity-settled transactions was recognised, together with the corresponding increase in equity, on the date of grant of the options.

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

*(ii) Cash settled transactions:*

The Group does not provide benefits to employees in the form of cash-settled share based payments.

Any cash-settled transactions would be measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

**(o) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are

**NOTES TO THE FINANCIAL STATEMENTS**

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considered passed to the buyer at the time of delivery of the goods to the customer.

*Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

*Dividends*

Revenue is recognised when the shareholders' right to receive the payment is established.

**(p) Income tax**

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

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

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

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and,
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

**(q) Other taxes**

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of

**NOTES TO THE FINANCIAL STATEMENTS**

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acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

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

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

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

**(r) Trade and other payables**

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(s) 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, net of tax, from the proceeds.

**(t) Earnings per share**

Basic earnings per share is calculated as net profit/(loss) attributable to members of the parent, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/(loss) attributable to members of the parent, adjusted for:

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(u) Comparatives**

Comparatives are reclassified where necessary to be consistent with the current year's disclosures.

**(v) Going Concern**

The financial report has been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the period, the Group has reported a net loss of \$3,404,921 (2017: \$1,303,042) and a net cash outflow from operating activities of \$1,448,110 (2017: \$1,095,778) and from investing activities of \$636,671 (2017: \$1,002,592).



**NOTES TO THE FINANCIAL STATEMENTS**

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During the year the Group raised \$ 3,100,907 after costs and at 30 June 2018 had \$2,101,255 cash on hand. The Directors will continue to monitor the capital requirements of the Group and this includes additional capital raisings in future periods as required.

The Directors recognise that the above factor represent a material uncertainty as the Group's ability to continue as a going concern, however, they are confident that the Group will be able to continue its operations into the foreseeable future.

Should the Group be unable to obtain the funding as described above, there is a material uncertainty whether the Group will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from these stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern

**3. Significant Accounting Judgments, Estimates and Assumptions**

In applying the Group's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

*(i) Significant accounting judgments include:*

*(a) Classification of and value of investments*

The Group holds investments in listed Australian securities which have been classified as "held for trading" investments. Movements in fair value of these securities are recognised directly in the Statement of Profit or Loss. The fair value of listed securities has been determined by reference to published price quotations in an active market.

*(b) Provision in and loans to subsidiaries*

Investments in and loans to subsidiaries are fully provided for until such time as subsidiaries are in a position to repay loans.

*(c) Exploration expenditure*

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the the financial year at \$8,483,523. Refer to Note 11 for details in relation to the current renewal of the Namibian Licence.

*(ii) Significant accounting estimates and assumptions include:*

(a) Provision for rehabilitation

Where applicable, the Group makes provision for material restoration obligations. The amount recognised includes the cost of reclamation and site rehabilitation after taking into account any restoration works which are carried out during exploration. The provision for rehabilitation costs is determined from an estimate of future costs which may be incurred in rehabilitating exploration sites.

(b) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and turnover policies (for motor vehicles). In addition, the condition of assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

NOTES TO THE FINANCIAL STATEMENTS

4. Income Tax

	Consolidated	
	2018	2017
	\$	\$
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax on profit/(loss) from ordinary activities before income tax at 27.5%:	(936,353)	(358,337)
<b>Add:</b>		
Tax effect of:		
Other non-allowable items	531,192	85,934
Other assessable items		
Deferred tax asset not brought to account	289,999	283,505
<b>Less:</b>		
Tax effect of:		
Research and development tax offset		
Effect of overseas tax rate	115,162	(11,102)
<b>Income tax benefit attributable to entity</b>	<b>-</b>	<b>-</b>
Unrecognised deferred tax assets:		
- Tax losses: operating losses	4,903,000	4,129,131
- Temporary differences	185,567	382,685
- Temporary differences equity		
	<b>5,088,567</b>	<b>4,511,816</b>
Unrecognised Deferred Tax Assets	(1,217,551)	(1,109,334)

The benefits from Unrecognised Deferred Tax Assets will only be obtained if:

- (i) The companies derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;
- (ii) The companies continue to comply with the conditions for deductibility purposes imposed by the Law; and
- (iii) No changes in tax legislation adversely affect the companies in realising the benefits from the deductions for the losses.

# METALS AUSTRALIA LTD

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Assets and disposal groups classified as held for sale and discontinued operations

During the year the company decided to focus its efforts towards the lithium-ion battery and energy storage markets. Following this decision, management divested itself of its interests in Uranium. In May 2018 the Company entered into a binding agreement to divest its 100% interest in the Mile 72 Uranium Project in Namibia. The Mile 72 Uranium Project was held by a subsidiary of the Company, Metals Namibia Pty Ltd. The Company sold 100% of its shares in Metals Namibia Pty Ltd for the sum of \$30,000 together with a 1% gross preferential dividend on any mineral production on Exclusive Prospecting Licence No. 3308.

Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of profit or loss and other comprehensive income (see loss for the year from discontinued operations).

In May 2018, Metals Namibia Pty Ltd was sold for a total of \$30,000 together with a 1% gross preferential dividend on any mineral production on Exclusive Prospecting Licence No. 3308. The sale resulted in a loss of \$2,722,067. Operating loss of Metals Namibia Pty Ltd and subsidiaries until the date of disposal and the profit or loss from re-measurement and disposal of assets and liabilities classified as held for sale is summarised as follows:

Note	Consolidated	
	2018	2017
	\$	\$
<b>Income</b>		
Interest earned	4	10
	4	10
<b>Expenses</b>		
Provision for doubtful debts	-	63,791
Other operating costs	40,712	46,953
Depreciation expense	-	169
Impairment of exploration and evaluation assets	1,110,909	-
Write off of exploration and evaluation assets	1,554,432	-
Loss on sale of subsidiary	16,018	-
	2,722,071	110,913
<b>Profit/(loss) before income tax</b>	(2,722,067)	(110,903)

Metals Namibia Pty Ltd retains a 1% gross preferential dividend on Exclusive Prospecting Licence No. 3308, but longer has any equity in the company. The preferential dividend is akin to a royalty

**METALS AUSTRALIA LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**

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Cash flows generated by Metals Namibia Pty Ltd for the reporting periods under review until the disposal are as follows:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Income</b>		
Operating activities	(40,708)	(1,095,778)
Investing activities	30,000	

Cash flows from investing activities relate solely to the proceeds from the sale of Metals Namibia Pty Ltd

# METALS AUSTRALIA LTD

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Auditor's Remuneration

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Remuneration of the auditor of the parent entity, Grant Thornton Audit Pty Ltd		
- auditing or reviewing the financial report	31,110	34,902
- taxation services provided by a related practice of the auditor	7,165	1,437
- other	-	-
- auditing or reviewing the financial reports of subsidiaries	4,361	8,338
	<b>42,636</b>	<b>44,677</b>

### 7. Interests of Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for Details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2018.

The totals of remuneration paid to KMP during the year are as follows:

Short-term employee benefits	101,136	67,851
Superannuation	2,565	15,634
	<b>103,701</b>	<b>83,485</b>

### 8. Cash and Cash Equivalents

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Represented by:</i>		
Cash at bank	8,415	1,085,129
Deposit Accounts	2,092,840	-
Cash at bank	<b>2,101,255</b>	<b>1,085,129</b>

### 9. Trade and Other Receivables

#### Current

Other debtors	156,547	196,692
Provision for doubtful debt	-	(63,791)
	<b>156,547</b>	<b>132,901</b>

The above provision for doubtful debts relates to VAT refunds in Namibia which are overdue by more than 1 year and hence fully provided for. All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

# METALS AUSTRALIA LTD

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Other financial assets – held for trading

Financial assets – listed Australian securities at market value	248,802	111,066
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### 11. Plant and Equipment

Plant and equipment, at cost	9,911	9,911
Less: accumulated depreciation	(9,911)	(9,911)
	-	-
Opening written down value	-	152
Disposals	-	-
Exchange movement	-	17
Depreciation	-	(169)
<b>Closing written down value</b>	<b>-</b>	<b>-</b>

### 12. Exploration and Evaluation Expenditure

Opening balance	8,483,523	5,828,270
Exploration and evaluation expenditure	724,711	1,002,591
Value of securities issued to acquire tenements	-	1,541,541
Write off of exploration expenditure	(2,665,341)	-
Foreign currency exchange differences	(31,142)	111,121
	<b>6,511,751</b>	<b>8,483,523</b>

During the year the Company disposed of its interest in Metals Namibia (Pty) Ltd to Marenica Energy Ltd for total a consideration of AUD30,000 and together with a 1% gross preferential dividend on any mineral production on Exclusive Prospecting License No. 3308.

The amount written off as exploration expenditure was the carrying amount of exploration on this Exclusive Prospecting License.

### 13. Trade and other Payables

#### (a) Current

Trade Payables	294,160	118,525
Owing to related parties	6,575	1,980
	<b>300,735</b>	<b>120,505</b>

#### (b) Non-Current

Trade Payables	-	<b>668,884</b>
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# METALS AUSTRALIA LTD

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Issued Capital

The movements in the ordinary share capital of the Company the last two years was as follows:

	Number	\$
<b>Opening balance 1/7/2016</b>	819,951,110	25,187,316
Placement 26/10/2016	158,333,334	475,000
Placement 15/12/2016	158,333,333	475,000
Capital raising costs on above placements	-	(99,680)
Shares issued to acquire Canadian tenements 22/12/16	150,000,000	750,000
Exercise of options 01/2/2017 – 01/3/2017	25,055,000	75,165
Placement 5/4/2017	327,900,000	2,459,250
Capital raising costs on above placements	-	(147,555)
Capital raising cost – value of options issued	-	(31,310)
Shares issued to acquire Canadian tenements 14/6/17	29,500,000	118,000
<b>Balance 30/06/2017</b>	1,669,072,777	29,261,186
Placement 15/02/2018	669,975,000	3,349,875
Capital raising costs on above placement	-	(473,372)
<b>Balance 30/06/2018</b>	<b>2,339,047,777</b>	<b>32,137,689</b>

The Company's capital consists of Ordinary Shares and the Company does not have a limited amount of authorised share capital. The Shares have no par value and are entitled to participate in dividends and the proceeds on any winding up of the Company in proportion to the number of Shares held. At shareholders' meetings, each fully paid ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### 15. Share Option Reserve

Date	Details	Number of Options	Amount \$
30/06/2016	Balance	50,000,000	612,000
	Options issued during the year as consideration for Canadian tenements or services provided	179,000,000	747,531
	Options issued as free attaching options with placement of shares	243,116,668	-
	Options expired during the year	(50,000,000)	(612,000)
	Options converted to shares	(25,055,000)	-
30/06/2017	Balance	397,061,668	747,531

**METALS AUSTRALIA LTD**

**NOTES TO THE FINANCIAL STATEMENTS**

15/02/2018	Options issued as free attaching options with placement of shares	669,975,000	-
15/02/2018	Options issued as capital raising costs	30,000,000	130,656
8/03/2018	Brokerage on placement on 15/2/2018	39,000,000	93,748
30/06/2018	Balance	<b>1,136,036,668</b>	<b>971,935</b>

Movement in Options Granted

Movements in share options during the year were as follows:

<b>Class</b>	<b>Balance 1 July 2016</b>	<b>Issued During Year</b>	<b>Exercised or expired during year</b>	<b>Balance 30 June 2018</b>
Exercisable at \$0.003 on or before 1/12/2019	215,111,668	-	-	215,111,668
Exercisable at \$0.01 on or before 31/5/2020	181,950,000	738,975,000	-	920,925,000
<b>Total</b>	<b>397,061,668</b>	<b>738,975,000</b>	<b>-</b>	<b>1,136,036,668</b>

The weighted average exercise price of the options on hand at year end is \$0.0147. The remaining contractual life of the options outstanding at year end was a weighted average of 2.65 years.

Black Scholes Valuation Parameters

A number of options were also issued at no cost as consideration for consultant fees. The options were valued using the Black Scholes method and the parameters for the valuations were as follows:

<b>Class</b>	<b>Number</b>	<b>Underlying share price</b>	<b>Exercise price</b>	<b>Risk free rate</b>	<b>Volatility Factor</b>	<b>Total Value</b>
Exercisable at \$0.01 on or before 31/5/2020	39,000,000	0.003	0.010	2.5%	210%	93,748
Exercisable at \$0.01 on or before 31/5/2020	30,000,000	0.003	0.010	2.5%	221%	130,655
<b>Total</b>	<b>69,000,000</b>					<b>224,403</b>

NOTES TO THE FINANCIAL STATEMENTS

Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio, and to ensure that the group can fund its operations and continue as a going concern. The group's debt and capital includes ordinary share capital, supported by financial assets. There are no 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 distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

**16. Accumulated Losses**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at the beginning of the year	(21,053,385)	(20,362,343)
Option reserve expense reversed due to expiry of options	-	612,000
Profit/(loss) for year	(3,404,921)	(1,303,042)
Foreign currency reserve	67,898	-
<b>Accumulated losses at the end of the financial year</b>	<b>(24,390,408)</b>	<b>(21,053,385)</b>

**17. Non-controlling Interest**

	<b>\$</b>	<b>\$</b>
Comprises:		
Share capital	2	2
Accumulated losses	(2)	(2)
	<b>-</b>	<b>-</b>

The parent company has taken over the losses of its subsidiaries as there is no firm commitment from the minority shareholders to provide additional funding to the subsidiary.

**18. Earnings per Share**

Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	1,918,707,298	1,178,749,836
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**Basic earnings per share:**

- earnings from continuing operations	(0.0004)	(0.0006)
- loss from discontinued operations	(0.0014)	(0.0001)
<b>Total loss per share:</b>	<b>(0.0018)</b>	<b>(0.0007)</b>

NOTES TO THE FINANCIAL STATEMENTS

19. Cash Flow Information

Reconciliation to Statement of Cash Flows

	Consolidated	
	2018	2017
	\$	\$
Operating loss after income tax	(3,404,921)	(1,303,042)
Non-cash items in profit/(loss)		
Unrealised foreign exchange gain/(loss)	-	-
Exploration write off	1,554,432	-
Impairment of assets	1,110,909	-
Loss on sale of subsidiary	13,928	-
Interest income accrued not received	(6,332)	-
Gain on sale of shares	(31,852)	-
Revaluation of shares	(120,000)	(56,397)
Gain on sale of assets	(28,800)	-
Depreciation	-	169
Changes in assets and liabilities:	-	-
Decrease / (increase) in trade and other receivables	(17,314)	(41,690)
Decrease/(increase) in prepayments	(1,596)	-
Increase / (decrease) in trade and other payables	180,230	305,182
Increase/(decrease) in deferred payables	(668,884)	-
<b>Net cash flows (used in) operating activities</b>	<b>(1,448,110)</b>	<b>(1,095,778)</b>

20. Financial Instruments

(a) Interest Rate Risk

The consolidated entity'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 interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

# METALS AUSTRALIA LTD

## NOTES TO THE FINANCIAL STATEMENTS

	Floating Interest Rate		Non-Interest Bearing		Total	
	2018	2017	2018	2017	2018	2017
	0.00% - 2.50%	0.00% - 2.50%				
	\$	\$	\$	\$	\$	\$
<b>Financial Assets:</b>						
Cash and cash equivalents	2,101,255	1,085,129	-	-	2,101,255	1,085,129
Loans and Receivables	-	-	156,547	132,901	156,547	132,901
Held-for-trading investments	-	-	248,802	111,066	248,802	111,066
<b>Total Financial Assets</b>	<b>2,101,255</b>	<b>1,085,129</b>	<b>405,349</b>	<b>243,967</b>	<b>2,506,604</b>	<b>1,329,096</b>
<b>Financial Liabilities (at amortised cost):</b>						
Trade and other payables	-	-	(300,735)	(789,389)	(300,735)	(789,389)
<b>Net Financial Assets</b>	<b>2,101,255</b>	<b>1,085,129</b>	<b>104,614</b>	<b>(545,422)</b>	<b>2,205,869</b>	<b>539,707</b>

### Reconciliation of Financial Assets to Net Assets

	Consolidated	
	2018	2017
	\$	\$
Net financial assets	2,205,869	539,707
Prepayments	1,596	-
Exploration and evaluation expenditure	6,511,750	8,483,523
Plant & equipment	-	-
<b>Net assets</b>	<b>8,719,216</b>	<b>9,023,230</b>

### (b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provision for doubtful debts, as disclosed in the Statement of Financial Position and notes to the financial report.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

### (c) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their respective net fair values determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

(d) Financial Risk Management

The Group's financial instruments consist mainly of deposits with recognised banks, investments in bank bills up to 90 days, accounts receivable and accounts payable, and loans to subsidiaries. Liquidity is managed, when sufficient funds are available, by holding sufficient funds in a current account to service current obligations and surplus funds invested in bank bills. The Directors analyse interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The main risks the Group is exposed to through its financial instruments are the depository banking institution itself, holding the funds, and interest rates. The Group's credit risk is minimal, as being an exploration company, no goods are sold, or services provided, for which consideration is claimed.

(e) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages the risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

(f) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2018, the effect on profit/(loss) and equity as a result of changes in the interest rate, with all other variables remaining constant would be minimal:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Change in profit/(loss)		
- Increase in interest rate by 2%	-	-
- Decrease in interest rate by 2%	-	-
Change in equity	-	-
- Increase in interest rate by 2%	-	-
- Decrease in interest rate by 2%	-	-

*Foreign Currency Risk Sensitivity Analysis*

The parent company has loaned funds in Australian dollars to its Namibian subsidiary which holds assets in Namibian dollars. The loan of A\$2,604,000 has been converted to

# METALS AUSTRALIA LTD

## NOTES TO THE FINANCIAL STATEMENTS

Namibian dollars at a year end exchange rate of 10.0464. Each one percent fluctuation in the exchange rate results in a further unrealised gain of loss of \$26,304.

### Liquidity Risk Sensitivity Analysis

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

#### Consolidated Group

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Financial Liabilities - Due for Payment</b>								
Loans	-	-	-	-	-	-	-	-
Trade and Other Payables	300,735	120,505	-	668,884	-	-	300,735	789,389
Total expected outflows	300,735	120,505	-	668,884	-	-	300,735	789,389
<b>Financial Assets - Cash Flows Realisable</b>								
Cash and Cash Equivalents	2,101,255	1,085,129	-	-	-	-	2,101,255	1,085,129
Receivables	156,547	132,901	-	-	-	-	156,547	132,901
Held-for-trading investments	248,802	111,066	-	-	-	-	248,802	111,066
Total anticipated inflows	2,506,604	1,329,096	-	-	-	-	2,506,604	1,329,096
<b>Net (outflow)/inflow on financial instruments</b>	2,205,869	1,208,591	-	(668,884)	-	-	2,205,869	539,707

### Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is also exposed to securities price risk on investments held for trading or for medium to longer terms. Such risk is managed through diversification of investments across industries and geographical locations.

#### Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
<b>Consolidated Group</b>				
<b>2018</b>				
<b>Financial assets</b>				



# METALS AUSTRALIA LTD

## NOTES TO THE FINANCIAL STATEMENTS

Financial assets at fair value through profit or loss:	-	-	-	-
Investments: held for trading	-	-	-	-
	-	-	-	-

### 2017

#### Financial assets

Financial assets at fair value through profit or loss:				
Investments: held for trading	111	-	-	111
	111	-	-	111

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

### 21. Investment in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding (%)		Book Value of Investment \$'000		Contribution to Consolidated Result \$'000	
			2018	2017	2018	2017	2018	2017
Karrilea Holdings Pty Ltd	Australia	Ordinary	80	80	-	-	-	-
Metals Namibia (Pty) Ltd (Note 1)	Namibia	Ordinary	-	100	-	-	-	-
Quebec Lithium Ltd	Australia	Ordinary	100	-	1,527,918	1,527,918	-	-

Note 1 On the 10 May 2018, the Company divested its interest in Metals Namibia (Pty) Ltd to Marenica Energy Ltd for total a consideration of AUD30,000 together with a 1% gross preferential dividend on any mineral production on Exclusive Prospecting License No. 3308.

### 22. Related Parties

The Group's related parties include its subsidiaries, key management and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were received or given.

Related Party	Relationship	Nature Of Transaction	Year ended 30 June 2018		Year ended 30 June 2017	
			Transaction \$	Balance \$	Transaction \$	Balance \$
Karrilea Holdings Pty Ltd	Subsidiary	Loan	383,448	4,799,876	784,858	4,416,428
Metals Namibia (Pty) Ltd	Subsidiary	Loan	-	-	64,000	2,604,000
Quebec Lithium Ltd	Subsidiary	Loan	1,632	71,632	70,000	70,000

**METALS AUSTRALIA LTD****NOTES TO THE FINANCIAL STATEMENTS**

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Karrilea Holdings Pty Ltd	Subsidiary	Provisions	(383,448)	(4,799,876)	(784,858)	(4,416,428)
Metals Namibia (Pty) Ltd	Subsidiary	Provisions	-	-	(64,000)	(2,604,000)
Quebec Lithium Ltd	Subsidiary	Provisions	(1,632)	(71,632)	(70,000)	(70,000)
Sabre Resources Ltd	Common Directorship	Employee Costs	(65,815)	-	(24,434)	-
Golden Deeps Limited	Common directorship	Shareholding	-	220,000	-	100,000

All transactions with Directors are disclosed in Note 7.

**23. Operating Segments**

**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. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by area of interest. The internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

The Company is managed on the basis of area of interest. Operating segments are therefore determined on the same basis.

**Segments**

The three reportable segments are as follows:

- (i) Western Australian Projects
- (ii) Namibian Projects
- (iii) Quebec Projects

**Basis of Accounting for purposes of reporting by operating segments**

*Accounting Policies Adopted*

All amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

There are no inter-segment transactions. Segment assets are clearly identifiable on the basis of their nature. Segment liabilities include trade and other.

*Unallocated items*

Corporate costs are not considered core operations of any segment.

**METALS AUSTRALIA LTD**

**NOTES TO THE FINANCIAL STATEMENTS**

<b>Segment Performance – June 2018</b>	<b>Namibia</b>	<b>Australia</b>	<b>Canada</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
From external sources				
Interest earned	-	-	-	11,787
Profit on sale of assets	-	-	-	28,800
Investments marked to market	-	-	-	120,000
Profit on sale of shares	-	-	-	31,852
Other income	-	-	-	20,000
<b>Total Group revenue</b>				212,439
<b>Segment profit/(loss)</b>	(2,722,067)	-	-	(2,722,067)
Management Fees				(298,949)
Corporate overheads				(317,511)
Corporate charges & write backs				(278,833)
<b>Total Group profit/(loss)</b>				(3,404,921)
<b>Segment assets</b>	-	4,420,295	2,091,456	6,511,751
Unallocated - cash, receivables, plant & equipment				2,508,200
<b>Total Group assets</b>				9,019,951
<b>Segment liabilities</b>				
Unallocated – corporate trade payables				300,735
Unallocated – borrowings				
<b>Total Group liabilities</b>				300,735

# METALS AUSTRALIA LTD

## NOTES TO THE FINANCIAL STATEMENTS

Segment Performance – June 2017	Namibia	Australia	Canada	Total
	\$	\$	\$	\$
<b>Revenue</b>				
From external sources				
Interest earned	-	-	-	3,381
Investments marked to market	-	-	-	56,397
Total Group revenue				59,778
<b>Segment profit/(loss)</b>	163,710	-	-	163,710
Management Fees				(536,266)
Corporate overheads				(449,463)
Corporate charges & write backs				(481,023)
<b>Total Group profit/(loss)</b>				(1,303,042)
<b>Segment assets</b>	1,145,766	4,033,940	3,203,817	8,383,523
Unallocated - cash, receivables, plant & equipment				1,429,096
<b>Total Group assets</b>				9,812,619
<b>Segment liabilities</b>	(8,298)	(25,762)	(12,480)	(46,540)
Unallocated – corporate trade payables				(742,849)
<b>Total Group liabilities</b>				789,389

### 24. Commitments

#### (i) Mining Tenements

As part of ongoing activities, the consolidated entity is required to commit to minimum expenditures to retain its interest in its Western Australian mining tenements. Over the next five years this amounts to \$797,000, as follows:

Year Ending 30 June	Amount \$
2018	159,400
2019	159,400
2020	159,400
2021	159,400
2022	159,400
	<b>797,000</b>

#### (ii) Management Agreement

The Company has an agreement with a management service company for the provision of services at \$255,000 per annum plus CPI. Charges are at commercial terms in accordance with the Deed of Variation to Facilitation and Management Agreement entered into on 18 October 2012 for a five year term. The management service company has advised in writing it will defer unpaid service fees and overheads it is entitled to up to 30 June 2018 until the company has raised further capital and is in a stronger financial position.

**NOTES TO THE FINANCIAL STATEMENTS**

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The management service company did not invoice for its management fees and reimbursable costs in the prior year and no costs were accrued. The company has now quantified all the amounts owing and accordingly these amounts have been accrued even though the management service company has not invoiced for the amounts payable and has agreed to defer some costs. See Note 12 (b) for the amounts deferred.

**25. Contingent Liabilities**

No contingent liability exists for termination benefits under service agreements with directors or persons who take part in the management of the company. There were no contingent liabilities as at 30 June 2018.

**26. Subsequent Events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of these operations, or the state of affairs of the consolidated group in future years.

**27. Parent Entity Information**

The following details information related to the parent entity, Metals Australia Ltd, at 30 June 2018. The information presented here has been prepared using consistent accounting policies as shown in Note 2.

# METALS AUSTRALIA LTD

## NOTES TO THE FINANCIAL STATEMENTS

	Parent Entity	
	2018	2017
	\$	\$
<b>Assets</b>		
Current assets	2,508,200	1,315,021
Non-current assets	2,019,823	3,233,817
<b>Total Assets</b>	<b>4,528,023</b>	<b>1,691,211</b>
<b>Liabilities</b>		
Current liabilities	(300,735)	(112,207)
Non-current liabilities	-	(668,885)
<b>Total Liabilities</b>	<b>(300,735)</b>	<b>(633,990)</b>
<b>Equity</b>		
Issued capital	32,137,689	29,261,185
Accumulated losses	(28,882,336)	(26,240,970)
<b>Total Equity</b>	<b>3,255,353</b>	<b>445,224</b>
<b>Reserves</b>		
Share option reserve	971,935	747,531
<b>Total Reserves</b>	<b>971,935</b>	<b>747,531</b>
<b>Financial performance</b>		
(Loss) for the year	(2,641,366)	(2,110,878)
Other comprehensive income	-	-
<b>Total comprehensive (loss)</b>	<b>(2,641,366)</b>	<b>(2,110,878)</b>

No guarantees have been entered into by the parent entity on behalf of its subsidiary.

No contingent liabilities exist.

No contractual commitments by the parent company exist, other than those for exploration commitments and Service Fees. It should be noted that the Service Fees have been deferred until the company has raised further capital and is in a stronger financial position.

Exploration commitments on mining tenements for the next five years are as follows:

Year Ending 30 June	Amount \$
2018	159,400
2019	159,400
2020	159,400
2021	159,400
2022	159,400
	<b>797,000</b>

## METALS AUSTRALIA LTD

### DIRECTORS' DECLARATION

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1. In the opinion of the Directors of Metals Australia Ltd (the "Company"):

- (a) the financial statements and notes set out on pages 54 to 84, and the remuneration disclosures that are contained in pages 49 to 50 of the Remuneration Report in the Directors' Report, are 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 2018 and of its performance, for the financial year ended on that date;
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (iii) complying with International Financial Reporting Standards as disclosed in Note 2.
- (b) the remuneration disclosures that are contained in pages 49 to 50 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the Chief Financial Officer for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the Directors:



Hersh Solomon Majteles  
Chairman

Dated this 28 September 2018.  
Perth, Western Australia



# Independent Auditor's Report

## To the Members of Metals Australia Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Metals Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 1(v) in the financial statements, which indicates that the Group incurred a net loss of \$3,404,921 during the year ended 30 June 2018, and a net cash outflow from operating activities of \$1,448,110 and from investing activities of \$636,671. As stated in Note 1(v), these events or conditions, along with other matters as set forth in Note 1(v), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<b>Exploration and evaluation assets - Notes 1(j) &amp; 12</b>	
<p>At 30 June 2018 the carrying value of exploration and evaluation assets was \$6,511,751.</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the Group is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value.</p> <p>The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement.</p> <p>This area is a key audit matter due to the significant judgement involved in determining the existence of impairment triggers.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>obtaining the management reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger;</li> <li>reviewing management's area of interest considerations against AASB 6;</li> <li>conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including: <ul style="list-style-type: none"> <li>tracing projects to statutory registers, exploration licenses and third party confirmations to determine whether a right of tenure existed;</li> <li>enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of management's budgeted expenditure;</li> <li>understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale;</li> </ul> </li> <li>assessing the accuracy of impairment recorded for the year as it pertained to exploration interests;</li> <li>evaluating the competence, capabilities and objectivity of management's experts in the evaluation of potential impairment triggers; and</li> <li>assessing the appropriateness of the related financial statement disclosures.</li> </ul>

### **Information other than the financial report and auditor's report thereon**

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 2018, 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 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 Company's/Group's ability 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 Company/Group or to cease operations, or have 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

### **Report on the remuneration report**

#### **Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 36 to 37 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Metals Australia Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner – Audit & Assurance

Perth, 28 September 2018

## Auditor's Independence Declaration

### To the Directors of Metals Australia Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Metals Australia Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner – Audit & Assurance

Perth, 28 September 2018

**METALS AUSTRALIA LTD**  
**CORPORATE GOVERNANCE**

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## **CORPORATE GOVERNANCE STATEMENT**

Metals Australia Ltd ACN 008 982 474 ("the Company") has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at [www.metalsaustralia.com.au](http://www.metalsaustralia.com.au) :

### **Responsibilities of the Board**

#### **Principle 1 – Lay solid foundations for management and oversight**

The Board is responsible for the following matters:

- ensuring the Company's conduct and activities are ethical and carried out for the benefit of all its stakeholders;
- development of corporate strategy, implementation of business plans and performance objectives;
- reviewing, ratifying and monitoring systems of risk management, codes of conduct, internal control system and legal and regulatory compliance;
- the appointment of the Company's Corporate Manager, Chief Executive Officer (or equivalent), Chief Financial Officer, Company Secretary and other senior executives;
- monitoring senior executives' performance and implementation of strategy;
- determining appropriate remuneration policies;
- allocating resources and ensuring appropriate resources are available to management;
- approving and monitoring the annual budget, progress of major capital expenditure, capital management, and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

### **Diversity**

The Company recognises and respects the value of diversity at all levels of the organisation.

Due to the size and scale of the Company's activities, most managerial and geological services are provided by the Corporate Manager and the Company no direct employees.

When the level of activity permits, the Directors will ensure that women are fairly considered and the Company's aim will be to promote a culture which embraces diversity through ongoing education, succession planning, director and employee selection and recognising that skills are not gender specific.

The Company recognises that the mining and exploration industry is intrinsically male dominated in many of the operational sectors and the pool of women with appropriate skills is limited in some instances. The Company also recognises that diversity extends to matters of age, disability, ethnicity, marital/family status, religious/cultural background and sexual orientation. Where possible, the Company will seek to identify suitable candidates for positions from a diverse pool.

As at the date of this report, the Company has no women appointed to the Board, or to senior management.

## METALS AUSTRALIA LTD

### CORPORATE GOVERNANCE

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#### **Chairman**

The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's business. The Chairman should facilitate the effective contribution of all directors and promote constructive and respectful relations between directors and between the Board and management of the Company. The Chairman is responsible for briefing directors on issues arising at Board meetings and is ultimately responsible for communications with shareholders and arranging Board performance evaluation.

#### **Corporate Manager**

The Corporate Manager is responsible for running the affairs of the Company under authority delegated from the Board. In carrying out its responsibilities the Corporate Manager must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

#### **Company Secretary**

The Company Secretary is responsible for monitoring the extent that Board policy and procedures are followed, and coordinating the timely completion and despatch of Board agendas and briefing material and is accountable directly to the Board on all matters to do with the proper functioning of the Board. All directors are to have access to the Company Secretary.

#### **Performance Evaluation**

The Chairman and/or the Managing Director are responsible for reviewing the performance of each executive at least once every calendar year. During the financial year ended 30 June 2018, an evaluation of the performance of the Board and its members was not formally undertaken. However, a general review of the Board and executives occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.

It is the policy of the Board to conduct evaluation of individual employees' performance. The objective of this evaluation is to provide best practice corporate governance to the Company. During the financial year an evaluation of the performance of the individuals was not formally carried out. However, a general review of the individuals occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.

### **Principle 2 - Structure the Board to add value**

#### **Composition of the Board**

The Company will ensure that the Board will be of a size and composition that is conducive to making appropriate decisions and be large enough to incorporate a variety of perspectives and skills, and to represent the best interests of the Company as a whole rather than of individual shareholders or interest groups. It will not, however, be so large that effective decision-making is hindered.

#### **Independent Directors**

The Company will regularly review whether each non-executive director is independent and each non-executive director should provide to the Board all information that may be relevant to this assessment. If a director's independence status changes this should be disclosed and explained to the market in a timely fashion.

An Independent Director:

**METALS AUSTRALIA LTD**  
**CORPORATE GOVERNANCE**

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1. is a Non-Executive Director and;
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;
7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Company's non-executive directors are all independent and will endeavour to ensure that it has a majority of independent directors at all times, subject to the right of shareholders in general meeting to elect and remove directors.



## **METALS AUSTRALIA LTD**

### **CORPORATE GOVERNANCE**

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The Company's current non-executives are:

Hersh Majteles was first appointed on 6 March 1987

Michael Scivolo was first appointed on 23 July 2012

Robert Collins was first appointed on 26 February 2014

Gino D'Anna was first appointed on 22 December 2016

#### **Chairman**

The Chairman should be a non-executive director who is independent and should not be the Chief Executive Officer of the Company. The Chairman's other positions should not be such that they are likely to hinder the effective performance of his role of Chairman of the Company.

#### **Independent decision-making**

All directors - whether independent or not - should bring an independent judgment to bear on Board decisions. Non-executive directors are encouraged to confer regularly without management present. Their discussions are to be facilitated by the Chairman, if he is independent, or, if he is not independent, the deputy Chairman. Non-executive directors should inform the Chairman before accepting any new appointments as directors.

#### **Independent advice**

To facilitate independent decision making, the Board and any committees it convenes from time to time may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities.

#### **Procedure for selection of new directors**

The Company believes it is not of a size to justify having a Nomination Committee. If any vacancies arise on the Board, all directors will be involved in the search and recruitment of a replacement. The Board believes corporate performance is enhanced when it has an appropriate mix of skills and experience.

Prior to the appointment of a director, appropriate checks will be undertaken to determine the suitability of any candidate, and the Board will provide security holders with all material information in its possession, which the Board considers relevant.

In support of their candidature for directorship or re-election, non-executive directors should provide the Board with details of other commitments and an indication of time available for the Company. Prior to appointment or being submitted for re-election non-executive directors should specifically acknowledge to the Company that they will have sufficient time to meet what is expected of them. Re-appointment of directors is not automatic. There are no written agreements with directors.

The Company has reviewed the skill set of its Board to determine where the skills lie and any relevant gaps in skill shortages. The Company monitors any perceived gaps in skills, as well as seeking to identify future suitable Board candidates for positions from a diverse pool.

## METALS AUSTRALIA LTD

### CORPORATE GOVERNANCE

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#### **Induction and education**

The Board has an induction programme to enable new directors to gain an understanding of:

- the Company's financial, strategic, operational and risk management position;
- the rights, duties and responsibilities of the directors;
- the roles and responsibilities of senior executives; and
- the role of any Board committees in operation.

Directors will have reasonable access to continuing education to update and enhance their skills and knowledge, including education concerning key developments in the Company and in the industries in which the Company's business is involved.

#### **Access to information**

The Board has the right to obtain all information from within the Company which it needs to effectively discharge its responsibilities.

Senior executives are required on request from the Board to supply the Board with information in a form and timeframe, and of a quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information where they consider such information necessary to make informed decisions.

#### **Principle 3: Promote ethical and responsible decision-making**

##### **Code of conduct**

The Board has adopted the Code of Conduct set out at Appendix A to promote ethical and responsible decision making by directors, management and employees. The Code embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity.

The Board is responsible for ensuring that training on the Code of Conduct is provided to staff and officers of the Company.

The Board is responsible for making advisers, consultants and contractors aware of the Company's expectations set out in the Code of Conduct.

##### **Policy for trading in Company securities**

The Board has adopted a policy on trading in the Company's securities by directors, senior executives and employees set out in Appendix B.

The Board is responsible for ensuring that the policy is brought to the attention of all affected persons and for monitoring compliance with the policy.

#### **Principle 4: Safeguard integrity in financial reporting**

##### **Audit and Risk Management**

The Company believes it is not of a size to justify having a separate Audit and Risk Management Committee. Ultimate responsibility for the integrity of the Company's financial reporting rests with the full Board. Given the small size of the Board, the directors believe an Audit and Risk Management Committee structure to be inefficient. All directors share responsibility for ensuring the integrity of the Company's financial reporting and appropriate

**METALS AUSTRALIA LTD**  
**CORPORATE GOVERNANCE**

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Board processes have been implemented to perform the following audit and risk management functions:

- external audit function:
  - review the overall conduct of the external audit process including the independence of all parties to the process;
  - review the performance of the external auditors;
  - consider the reappointment and proposed fees of the external auditor; and
  - where appropriate seek tenders for the audit and where a change of external auditor is recommended arrange submission to shareholders for shareholder approval;
- reviewing the quality and accuracy of published financial reports;
- reviewing the accounting function and ongoing application of appropriate accounting and business policies and procedures;
- reviewing and imposing variations to the risk management and internal control policies designed and implemented by Company management; and
- any other matters relevant to audit and risk management processes.

The Company's Risk Management Policy ensures that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's Risk management strategy are to:

- identify risks to the Company;
- balance risk to reward;
- ensure regulatory compliance is achieved; and
- ensure senior executives, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular Board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

The Company's Risk Management Policy is considered adequate for addressing and managing risk. It is intended that the Board will annually review the following categories of risks affecting the Company as part of the Company's systems and processes for managing material business risks:

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**CORPORATE GOVERNANCE**

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- operational matters,
- financial reporting,
- sovereignty and
- market-related risks.

**Principle 5: Make timely and balanced disclosure**

**Disclosure Policy**

The Board has adopted a Disclosure Policy for ensuring timely and accurate disclosure of price-sensitive information to shareholders through the ASX set out in Appendix D.

The Disclosure Policy ensures that:

- all investors have equal and timely access to material information concerning the Company including its financial position, performance, ownership and governance; and
- Company announcements are subjected to a vetting and authorisation process designed to ensure they are:
  - released in a timely manner;
  - factual and do not omit material information; and
  - expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to making it easy for shareholders to participate in shareholder meetings of the Company. The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

Shareholders are given the opportunity to receive communications electronically.

**The Company's website includes the following:**

- Corporate Governance policies, procedures, charters, programs, assessments, codes and frameworks;
- Names and biographical details of each of its directors and senior executives;
- Constitution;

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- Copies of annual, half yearly and quarterly reports;
- ASX announcements;
- Copies of notices of meetings of security holders;
- Media releases;
- Overview of the Company's current business, structure and history;
- Details of upcoming meetings of security holders;
- Summary of the terms of the securities on issue;
- Historical market price information of the securities on issue;
- Contact details for the share registry and media enquiries;
- Share registry key security holder forms.

**Principle 6: Respect the rights of shareholders**

**Communication with Shareholders**

The Board is committed to open and accessible communication with holders of the Company's shares and other securities. Disclosure of information and other communication will be made as appropriate by telephone, mail or email.

The Company's website will also be used to provide additional relevant information to security holders. The Board considers the following to be appropriate features for the Company's website:

- placing the full text of notices of meeting and explanatory material on the website;
- providing information about the last three years' press releases or announcements plus at least three years of financial data on the website; and
- providing information updates to security holders on request by email.

**General Meetings**

The Company is committed to improving shareholder participation in general meetings. In order to achieve that objective, the Company has adopted guidelines of the ASX Corporate Governance Council for improving shareholder participation through the design and content of notices and through the conduct of the meeting itself.

The external auditor is invited to attend every AGM for the purpose of answering questions from security holders relevant to the audit.

**Principle 7: Recognise and manage risk**

**Creation and implementation of Company risk management policies**

It is the responsibility of the Corporate Manager to create, maintain and implement risk management and internal control policies for the Company, subject to review by the Board.

The Corporate Manager must report to the Board on an annual basis regarding the design, implementation and progress of the risk management policies and internal control systems.

**Audit and Risk Management**

## METALS AUSTRALIA LTD

### CORPORATE GOVERNANCE

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As referenced with respect to Principle 4, the Board has not established an Audit and Risk Management Committee for the reasons given above.

Due to the nature and size of the Company's operations, and the Company's ability to derive substantially all of the benefits of an independent internal audit function, the expense of an independent internal auditor is not considered to be appropriate.

The Company has considered its economic, environmental and social sustainability risks by way of internal review and has concluded that it is not subject to material economic, environmental and social sustainability risks.

#### **Review by the Board**

The Board will review the effectiveness of implementation of the risk management system and internal control system at least annually.

When reviewing risk management policies and internal control system the Board should take into account the Company's legal obligations and should also consider the reasonable expectations of the Company's stakeholders, including security holders, employees, customers, suppliers, creditors, consumers and the community.

#### **Corporate Manager**

The Corporate Manager is required annually to state in writing to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating efficiently and effectively in all material respects.

#### **Verification of financial reports**

The Corporate Manager and Chief Financial Officer are required by the Company to state the following in writing prior to the Board making a solvency declaration pursuant to section 295(4) of the Corporations Act:

- that the Company's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of the Company and comply with relevant accounting standards; and
- that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

#### **Principle 8: Remunerate fairly and responsibly**

##### **Director and senior executive remuneration policies**

The Company's remuneration policy is structured for the purpose of:

- motivating senior executives to pursue the long-term growth and success of the Company; and

- demonstrating a clear relationship between senior executives' performance and remuneration.

The Board's responsibility is to set the level and structure of remuneration for officers (including but not limited to directors and secretaries) and executives, for the purpose of balancing the Company's competing interests of:

- attracting and retaining senior executives and directors; and
- not paying excessive remuneration.

Executive directors' remuneration is structured to reflect short and long-term performance objectives appropriate to the Company's circumstances and goals.

Executive directors' and senior executives' remuneration packages involve a balance between fixed and incentive-based pay, reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals.

Non-executive directors' remuneration is formulated with regard to the following guidelines:

- non-executive directors are normally remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or equity, usually without participating in schemes designed for the remuneration of executives;
- non-executive directors are not provided with retirement benefits other than superannuation.

Executives and non-executive directors are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

No director is involved in setting their own remuneration or terms and conditions, but if such a case were to arise, the relevant director would be required to absent himself from the full Board discussion.

#### **Remuneration Committee**

The Company believes it is not of a size to justify having a Remuneration Committee and that it has Board processes in place which raise the issues that would otherwise be considered by a committee.

## **Appendix A – Code of Conduct**

### **Introduction**

This Code of Conduct sets out the standards with which the Board, management and employees of the Company are encouraged to comply when dealing with each other, the Company's shareholders and the broader community.

### **Responsibility to shareholders**

The Company aims:

- to increase shareholder value within an appropriate framework which safeguards the rights and interests of shareholders; and
- to comply, with openness and integrity, the systems of control and accountability which the Company has in place as part of its corporate governance.

### **Responsibility to clients, employees, suppliers, creditors, customers and consumers**

The Company will comply with all legislative and common law requirements which affect its business.

### **Employment practices**

The Company will employ the best available staff with the skills required to carry out the role for which they are employed. The Company will ensure a safe workplace and maintain proper occupational health and safety practices.

### **Responsibility to the community**

The Company recognises, considers and respects environmental, native title and cultural heritage issues which may arise in relation to the Company's activities and will comply with all applicable legal requirements.

### **Responsibility to the individual**

The Company recognises and respects the rights of individuals and will comply with applicable laws regarding privacy and confidential information.

### **Obligations relative to fair trading and dealing**

The Company will deal with others in a way that is fair and will not engage in deceptive practices.

### **Business courtesies, bribes, facilitation payments, inducements and commissions**

Corrupt practices are unacceptable to the Company. It is prohibited for the Company or its directors, managers or employees to directly or indirectly offer, pay, solicit or accept bribes or any other corrupt arrangements.

### **Conflicts of interest**

The Board, management and employees must report any situations where there is a real or apparent conflict of interest between them as individuals and the interests of the Company. Where a real or apparent conflict of interest arises, the matter must be brought to the attention of the Chairman in the case of a Board member, the Corporate Manager in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner.

### **Compliance with the Code of Conduct**



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Any breach of compliance with this Code of Conduct is to be reported directly to the Chairman.

**Periodic review of Code**

The Company will monitor compliance with this Code of Conduct periodically by liaising with the Board, management and staff. Suggestions for improvements or amendments to this Code of Conduct can be made at any time to the Chairman.

## ***Appendix B – Policy for trading in Company securities***

### **Introduction**

The Company recognises and enforces legal and ethical restrictions on trading in its securities by relevant persons within and external to the Company. The terms of this securities dealing policy apply to the Company's directors, Corporate Manager, senior executives, employees and consultants (Relevant Persons).

### **Communication**

This policy will be communicated to all Relevant Persons and will be placed on the Company website.

### **Trading restrictions**

Trading by Relevant Persons in the Company's securities is subject to the following limitations:

- No trading in Company securities shall take place during the two weeks preceding release of each quarterly report, half-yearly financial report, and annual financial report of the Company.
- No trading in the Company's securities shall take place, directly or indirectly, where it is known, or ought reasonably to have been known by the person intending to trade, that information exists which has not been released to the ASX and where that information is of a type that could reasonably be expected to encourage buying or selling were that information known by others.
- No trading shall take place in Company securities unless prior notice is given to the Chairman (and approval is obtained from the Chairman).

### **Hardship**

During a period specified in the above paragraphs, Relevant Persons may, after obtaining the Chairman's consent, trade the Company's securities to the extent reasonably necessary to avoid or ameliorate documented hardship and suffering or as required by other extenuating circumstances.

### **Directors' trading and disclosures**

Within twenty four hours of a director being appointed to the Board, resigning or being removed from the Board, or trading in the Company's securities, full details of the director's notifiable interests in the Company's securities and changes in such interest must be advised to the Company Secretary so that a record is kept within the Company and so that necessary ASX notifications will occur.

All directors must notify the Company Secretary of any margin loan or similar funding arrangement entered into in relation to the Company's securities and any variations to such arrangements, including the number of securities involved, the circumstances in which the lender can make margin calls, and the right of the lender to dispose of securities.

## ***Appendix C - Disclosure Policy***

### **Disclosure requirements**

The Company recognises its obligations pursuant to the continuous disclosure rules of the ASX Listing Rules and the Corporations Act to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities.

Subject to certain exceptions (in ASX Listing Rule 3.1A), the Company is required to immediately release to the market information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

### **Responsibilities of directors officers and employees**

The Board as a whole is primarily responsible for ensuring that the Company complies with its disclosure obligations and for deciding what information will be disclosed. Subject to delegation, the Board is also responsible for authorising all ASX announcements and responses of the Company to ASX queries.

Every director, officer and employee of the Company is to be informed of the requirements of this policy and must advise the Corporate Manager, Chairman or Company Secretary as soon as possible (and prior to disclosure to anyone else) of matters which they believe may be required to be disclosed.

### **Authorised Disclosure Officer**

The Board has delegated its primary responsibilities to communicate with ASX to the following Authorised Disclosure Officer:

- the Company Secretary or
- in the absence of the Company Secretary, the Corporate Manager is authorised to act in that capacity by the Board.

### **Responsibilities of Authorised Disclosure Officer**

Subject to Board intervention on a particular matter, the Authorised Disclosure Officer is responsible for the following:

- monitoring information required to be disclosed to ASX and coordinating the Company's compliance with its disclosure obligations;
- ASX communication on behalf of the Company, authorising Company announcements and lodging documents with ASX;
- requesting a trading halt in order to prevent or correct a false market;
- providing education on these disclosure policies to the Company's directors, officers and employees; and
- ensuring there are vetting and authorisation processes designed to ensure that Company announcements:
  - are made in a timely manner;
  - are factual;
  - do not omit material information; and
  - are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

An Authorised Disclosure Officer, who is responsible for providing contact details and other information to ASX to ensure such availability, must be available to communicate with the ASX at all reasonable times.

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#### **Measures to avoid a false market**

In the event that ASX requests information from the Company in order to correct or prevent a false market in the Company's securities, the Company will comply with that request. The extent of information to be provided by the Company will depend on the circumstances of the ASX request.

If the Company is unable to give sufficient information to the ASX to correct or prevent a false market, the Company will request a trading halt.

If the full Board is available to consider the decision of whether to call a trading halt, only they may authorise it, but otherwise, the Authorised Disclosure Officer may do so.

#### **ASX announcements**

Company announcements of price sensitive information are subjected to the following vetting and authorisation process to ensure their clarity, timely release, factual accuracy and inclusion of all material information:

- The Authorised Disclosure Officer must prepare ASX announcements when required to fulfil the Company's disclosure obligations.
- Proposed announcements must be approved by the Corporate Manager or in his absence, urgent announcements may be approved by any other person expressly authorised by the Board.
- Announcements must first be released to the ASX Announcements Platform before being disclosed to any other private or public party (such as the media). After release of the announcement, it must be displayed on the Company's website, following which the Company can then release such information to media and other information outlets.
- Wherever practical, all announcements must be provided to the directors, Corporate Manager and Company Secretary prior to release to the market for approval and comment.

#### **Confidentiality and unauthorised disclosure**

The Company must safeguard the confidentiality of information which a reasonable person would expect to have a material effect on the price or value of the Company's securities. If such information is inadvertently disclosed, the Authorised Disclosure Officer must be informed of the same and must refer it to the Chairman and Corporate Manager as soon as possible.

#### **External communications and media relations**

The Chairman, Corporate Manager and Company Secretary are authorised to communicate on behalf of the Company with the media, government and regulatory authorities, stock brokers, analysts and other interested parties or the public at large. No other person may do so unless specifically authorised by the Chairman or the Corporate Manager.

All requests for information from the Company must be referred to the Authorised Disclosure Officer for provision to the Chairman and the Corporate Manager.

#### **Breach of Disclosure Policy**

Serious breaches of the Company's Disclosure Policy may be treated with disciplinary action, including dismissal, at the discretion of the Board.

Where the breach is alleged against a member of the Board, that director will be excluded from the Board's consideration of the breach.

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**SHAREHOLDER INFORMATION**

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Additional information included in accordance with listing requirements of the Australian Securities Exchange Limited.

**Distribution of Shareholders**

As at 24 September 2018 the distribution of members and their shareholdings were:-

<b>Range of Holding</b>	<b>Holders</b>	<b>Shares Held</b>	<b>Percent</b>
1 - 1,000	169	66,094	0.00%
1,001 - 5,000	279	937,540	0.04%
5,001 - 10,000	355	3,058,327	0.13%
10,001 - 100,000	1,450	72,274,437	3.09%
100,001 - and over	1,860	2,265,461,379	96.74%
	<b>4,113</b>	<b>2,341,797,777</b>	<b>100.00%</b>

As at 24 September 2018 there were 2,355 shareholders with unmarketable parcels of shares.

**Top 20 Shareholders**

The twenty largest shareholders as at 24 September 2018, which represents 25.93% of the paid up capital, were:

<b>Name of Holder</b>	<b>Number</b>	<b>Percent</b>
Kalgoorlie Mine Management Pty Ltd	78,000,000	3.33
J P Morgan Nominees Australia Limited	57,904,632	2.47
Rachel D'Anna	48,900,000	2.09
Mr Nghia Pham	45,000,000	1.92
Mr Marcello Berti	40,000,000	1.71
Mr Brett John Holdsworth <Bj Holdsworth A/C>	35,534,333	1.52
Pan Pacific Mining Pty Ltd	35,000,000	1.49
Mr James Patrick O'brien	31,000,000	1.32
Mr Phung Dang Nguyen	29,000,000	1.24
Mr Philip George Hamlyn	26,735,000	1.14
Mr Thomas Doyle + Mrs Eileen Ann Doyle	22,036,406	0.94
BNP Paribas Nominees Pty Ltd	20,958,052	0.89
Eugen Hudjek <Leodia Investments A/C>	20,000,000	0.85
Shannelle K Pty Ltd <The Kuhne Family S/F A/C>	20,000,000	0.85
Ms Merle Smith + Ms Kathryn Smith <The Mini Pension A/C>	18,248,750	0.78
Mrs Crystalline Cayabyab-Dias	17,236,058	0.74
I-Can Limited	17,000,000	0.73
Mr Jon Fazzalori	16,000,000	0.68
Pio Services Limited	15,057,000	0.64
Mr Mick Zivkov	14,150,000	0.60
	<b>607,760,231</b>	<b>25.93</b>

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**Substantial Shareholders**

The names of the substantial shareholders who have notified the Company in accordance with Section 671B of the *Corporation Act 2001* are:

<b>Name of Holder</b>	<b>Number</b>	<b>Percent</b>
Pan Pacific Mining Pty Ltd and Kalgoorlie Mine Mangement Pty Ltd	113,000,000	4.82%

**Top 20 Optionholders**

As at the date of this report, there are two classes of options on issue.

There are 215,111,668 listed options exercisable at 3.0 cents at any time up to their maturity on 1 December 2019 on issue. ASX code MLSO.

The details of the Top 20 holders of these options are:

<b>Name of Holder</b>	<b>Number</b>	<b>Percent</b>
Rachel D'Anna	42,900,000	19.94
Mr Glenn Griesbach	32,100,000	14.92
Mr Chris Pandilovski	16,117,339	7.49
Mr Charles Malcolm Baird	9,300,000	4.32
Mr Paul Aivaliotis	6,000,000	2.79
M & K Korkidas Pty Ltd	5,600,000	2.60
Mr Brett Holdsworth	5,006,666	2.33
Mr Robert Heaslop	5,000,000	2.32
Mr Gary Anthony Craik + Mrs Suzanne Rosalind Craik <Garsue S/F A/C>	4,000,000	1.86
Mr Mark Simon Tuart	3,790,713	1.76
Ms Merle Smith + Ms Kathryn Smith <The Mini Pension Fund A/C>	3,750,000	1.74
Beasoup Pty Ltd <Be Wheeler Superfund A/C>	2,886,666	1.34
Mr Brett John Holdsworth <Bj Holdsworth A/C>	2,780,000	1.29
Bellaire Capital Pty Ltd <Bellaire Capital Invest A/C>	2,500,000	1.16
Mr Lay Heng Lech	2,500,000	1.16
Mr Nicola Lucano	2,400,000	1.12
Mr Daniel Aaron Hylton Tuckett	2,250,862	1.05
Mr Peter Huhn	2,000,000	0.93
	<b>154,882,246</b>	<b>72.00</b>

There are 920,925,000 listed options which are exercisable at 1.0 cent at any time up to their maturity on 31 May 2020 on issue. ASX code MLSOA.

The details of the Top 20 holders of these options are:

<b>Name of Holder</b>	<b>Number</b>	<b>Percent</b>
McNeil Nominees Pty Limited	173,790,363	18.87
Sarlu Pty Ltd <Giles Superannuation Fu A/C>	40,000,000	4.34
Bellaire Capital Pty Ltd <Bellaire Capital Invest A/C>	23,600,000	2.56
Miss Nardia Donna Plumridge	20,000,000	2.17

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Mrs Rina Tjia	20,000,000	2.17
Ms Catherine Mary Painter	20,000,000	2.17
First Investment Partners Pty Ltd	20,000,000	2.17
Ms Merle Smith + Ms Kathryn Smith <The Mini Pension A/C>	16,666,666	1.81
Mr Adam David Stone	15,500,000	1.68
Orca Capital Gmbh	15,382,500	1.67
Mrs Luye Li	15,000,000	1.63
Mr Oliver Dante Cavauiolo	15,000,000	1.63
Beasoup Pty Ltd <Be Wheeler Superfund A/C>	14,000,000	1.52
Hc Investment Holdings Pty Limited <The Jc A/C>	14,000,000	1.52
Mr Jeremy Mark Giles	13,500,000	1.47
Mr Paul Poulos	13,200,000	1.43
Sanlam Private Wealth Pty Ltd <Westbourne Long Short A/C>	12,500,000	1.36
Mr Steven Ray Blair	12,007,500	1.30
Gazump Resources Pty Ltd	10,276,107	1.12
Quid Capital Pty Ltd	10,000,000	1.09
	<b>494,423,136</b>	<b>53.69</b>