METALS X LIMITED

ACN 110 150 055

Interim Financial Report for the Half-Year 31 December 2018

CORPORATE DIRECTORY

This half-year report covers the consolidated entity comprising Metals X Limited (the Company) and its subsidiaries (the Consolidated Entity). The Consolidated Entity's functional and presentation currency is AUD ($).

A description of the Consolidated Entity's operations and its principal activities is included in the review of operations and activities in the directors' report on page 3.

Directors
Peter Newton (Non-Executive Chairman)
Damien Marantelli (Managing Director)
Simon Heggen (Non-Executive Director)
Milan Jerkovic (Non-Executive Director)
Yimin Zhang (Non-Executive Director)

Company Secretary
Fiona Van Maanen

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Listed on the Australian Securities Exchange

Code: ASX: MLX

Domicile and Country of Incorporation
Australia

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APPENDIX 4D - RESULTS FOR ANNOUNCEMENT TO THE ASX

This Appendix 4D is to be read in conjunction with the 2018 Annual Financial Report, the December 2018 Interim Financial Report and Directors' Report.

Dividends

The Directors do not propose to pay any dividend for the half-year ended 31 December 2018.

Key Financial Highlights

Consolidated	31 December 2018 $	31 December 2017 $	Movement $	Movement %
Revenue from ordinary activities	92,506,291	82,029,111	10,477,180	13%
(Loss)/profit from ordinary activities after tax attributable to members:	(36,147,235)	(18,430,088)	(17,717,147)	-96%
Net (loss)/profit attributable to members:	(36,147,235)	(18,430,088)	(17,717,147)	-96%
Net tangible assets per share:	0.26	0.29		

Financial performance	31 Dec 2018 $	31 Dec 2017 $	Movement $
Continuing Operations			
Total sales revenue	92,506,291	82,029,111	10,477,180
Cost of sales	(118,118,734)	(83,025,497)	(35,093,237)
Gross (loss)/profit	(25,612,443)	(996,386)	(24,616,057)
Net (loss)/profit after tax	(36,147,235)	(18,430,088)	(17,717,147)

Review of Results: refer to the review of results included in the Directors' Report.

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2018.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Peter Newton (Non-Executive Chairman)
Damien Marantelli (Managing Director) – Appointed 12 November 2018
Warren Hallam (Managing Director) – Resigned 12 November 2018
Stephen Robinson (Executive Director) – Resigned 3 September 2018
Simon Heggen (Non-Executive Director)
Milan Jerkovic (Non-Executive Director)
Yimin Zhang (Non-Executive Director)

RESULTS AND REVIEW OF OPERATIONS

RESULTS OF OPERATIONS

- Consolidated total loss after income tax: $36,147,235 (2017: $18,430,088);
- Total consolidated revenue of continuing operations: $92,506,291 (2017: $82,029,111);
- Total cost of sales of continuing operations: $118,118,734 (2017: $83,025,497);
- Cash flows used in operating activities: $24,066,456 (2017: $7,474,365 cash inflow);
- Cash flows used in investing activities: $18,853,266 (2017: $21,484,788); and
- Cash flows from financing activities: $44,808,597 (2017: $5,142,095 cash outflow).

Key results for the half-year are:

Copper Division

- Revenue from the Nifty Copper Operations was $55,412,761 (2017: $42,287,810). The revenue is higher than the previous year as a result of higher copper production and the timing of copper shipments.
- The cost of sales was $74,867,247 (2017: $58,378,558). The costs are higher than the previous period due to increased operating costs associated with the increase in mining activity, changing from campaign to fulltime processing and an increase in staffing levels due to changing site rosters.

Tin Division

- Revenue from the 50% owned Renison Tin Operations was $36,596,981 (2017: $42,545,389). The revenue is lower than the previous year as a result of lower tin production.
- The cost of sales was $43,148,068 (2017: $30,949,655) The costs are higher than the previous period due to increased operating costs associated with the new crushing plant and ore sorter and drawdown of the large low grade ore stockpile developed in the previous period as feed for the ore sorter .

Capital Investment Activities

Cash flows used in investing activities totalled $18,853,266 (2017: $21,484,788). The previous period was higher due to expenditure on construction of the new crusher plant, ore sorter and tailings dam at the Renison Tin Operations. This was offset by an increase in expenditure at the Nifty Copper Operation due to significant rebuild and refurbishment of site infrastructure and equipment. Capital re-investment:

- Tin Operations: $4,544,734 (2017: $11,466,080);
- Copper Operations: $13,591,722 (2017: $8,699,567);
- Nickel Project: $702,501 (2017: $701,982); and
- Equity investments: Nil (2017: $965,556).

RESULTS OF OPERATIONS (continued)

REVIEW OF OPERATIONS

DIVIDENDS

No dividends were paid to members during the half-year.

Dividends paid to members during the previous half-year:

Dividend Rate	Record Date	Payment Date	Franking	DRP Discount
1.00 cents per share	7 September 2017	19 September 2017	Nil	5% to 5 day VWAP

Dividend Reinvestment Plan

The Company operates a dividend reinvestment plan (DRP) which allows eligible shareholders to elect to invest dividends in ordinary shares. The DRP is based on a 5% discount to the 5 day volume weighed average price (VWAP) after the record date. During the half-year no shares were issued as part of the DRP (2017: 2,096,529).

CORPORATE

Share Placement

On 7 August 2018 the Company completed a capital raising of $50,000,000 (before costs) by issuing 76,923,076 fully paid ordinary shares at an issue price of $0.65 per share to institutional and professional investors.

Commodity Hedging

The Company had entered into forward commodity contracts relating to puts and calls granted over 1,500 tonnes of copper per month, which settled in July 2018. The puts had a strike price as low as $7,600 per tonne of LME copper and the calls had a strike price as high as $8,255 per tonne of LME copper.

REVIEW OF OPERATIONS (continued)

COPPER DIVISION

The Copper Division holds two key assets:

1. Nifty Copper Operations; and
2. Maroochydore Copper Project.

Nifty Copper Operations

The Nifty Copper Operations (Nifty) comprise an underground copper sulphide mine with an associated 2.5Mtpa copper concentrator. Site infrastructure is extensive, including a powerhouse, camp and airfield, Processing of sulphide copper ore is by conventional comminution, grinding and flotation to produce a clean copper concentrate. A concentrate storage facility is located at Port Hedland where concentrate is accumulated before shipping for smelting and refining.

The focus of the Company since the acquisition of Nifty in August 2016 has been on increasing the ore production rate, returning the process plant to continuous operation and extending mine life. Since acquiring Nifty, the Company has:

- Increased Ore Reserves and extended mine life from 1 year to 6 years (with exploration ongoing);
- Completed a significant rebuild and refurbishment of site infrastructure and equipment;
- Progressively been ramping-up underground mining and development activities;
- Commenced continuous operation of the process plant (previously the plant was operating on a 2-weeks on, 1-week off basis);
- Significantly enhanced the management and operational capabilities at site;
- Negotiated significant improvements in the workforce's conditions.

The strategy at Nifty is to increase copper in concentrate production through the development and introduction of new mining areas outside of the Central Zone (area of historic mining).

The operational focus at Nifty is:

- Increasing development rates, targeting priority areas;
- Improving mine scheduling, sequencing of development, mining cycle-times and stope availability;
- Driving operational efficiencies and eliminating bottlenecks in the mine;
- Significantly and sustainably reducing operating and capital costs and improving inventory management;
- Progressively increasing the utilisation of established infrastructure.

Considerable progress has been made in developing the western and eastern extensions of the orebody. Over the period increasingly more ore production was sourced and ore development undertaken outside the Central Zone.

Since acquiring Nifty the Company has put a significant effort into better understanding the stratigraphic sequence and structural architecture which hosts the orebody. This has been carried out on multiple fronts but has primarily been underpinned by targeted diamond drilling and intensive mapping of the mined openings.

A major focus of the underground diamond drilling program for the period concentrated on the definition and extension of Resources to the east. Assay results within Region 6 and Region 9 returned outstanding intersections, confirming that significant copper mineralisation is present in both areas and that the Nifty orebody remains open down-plunge to the east (refer to ASX Announcement dated 21 January 2019).

REVIEW OF OPERATIONS (continued)

Performance of the Copper Division is summarised below:

		31 December 2018	31 December 2017
Physical Summary	**Units**		
UG Ore Mined	t	764,096	650,925
UG Grade Mined	% Cu	1.38	1.32
Ore Processed	t	762,610	646,088
Head Grade	g/t	1.41	1.34
Recovery	% Cu	91.70	91.61
Copper Produced	t	9,855	7,921
Copper Sold	t	7,311	4,404
Copper Price	A$/t Cu	8,497	10,324
Realised Copper Price (net of Tc/Rc charges)	A$/t	7,579	9,602
Copper Sales Revenue (net of Tc/Rc charges)	A$	55,412,761	42,287,810
Cost Summary			
Mining	A$/t Cu	4,787	5,443
Processing	A$/t Cu	2,248	2,224
Admin	A$/t Cu	885	1,483
Stockpile Adj	A$/t Cu	(15)	(32)
C1 Cash Cost (produced oz) *	**A$/t Cu**	**7,905**	**9,118**
Royalties	A$/t Cu	380	381
Other selling costs	A$/t Cu	420	216
Sustaining Capital	A$/t Cu	1,142	579
Reclamation & other adj.	A$/t Cu	3	7
Corporate Costs	A$/t Cu	48	66
**All-in Sustaining Costs ** **	**A$/t Cu**	**9,898**	**10,367**
Project Startup Capital	A$/t Cu	-	-
Exploration Holding Cost	A$/t Cu	275	308
All-in Cost ***	**A$/t Cu**	**10,173**	**10,675**

* C1 Cash Cost (C1): represents the cost for mining, processing and administration after accounting for movements in inventory (predominantly ore stockpiles). It includes net proceeds from by-product credits, but excludes the cost of royalties and capital costs for exploration, mine development and plant and equipment.

** All-in Sustaining Cost (AISC): is made up of the C1 cash cost plus royalty expense, sustaining capital expense and general corporate and administration expenses.

*** All-in Cost (AIC): is made up of the AISC plus growth (major project) capital and discovery expenditure.

C1, AISC and AIC are non-IFRS financial information and are not subject to audit. These are widely used "industry standard" terms that certain investors use to evaluate company performance.

Maroochydore Copper Project

The Maroochydore deposit, located approximately 85km south east of Nifty, consists of a significant oxide Mineral Resource of 43.5 million tonnes at 0.91% Cu and 391ppm Co, with a small primary sulphide Mineral Resource of 5.43 million tonnes at 1.66% Cu and 292ppm Co based upon the limited drilling to date (refer to ASX announcement dated 18 August 2016).

Following the completion of drilling activities at Maroochydore in 2017, work has focussed on developing additional metallurgical testwork programs. Metallurgical domaining of the orebody has been completed and further testwork is planned.

REVIEW OF OPERATIONS (continued)

TIN DIVISION

Metals X is a globally significant tin producer through its 50% ownership of the Renison Tin Operations, which comprise three key assets:

1. The Renison Tin Mine;
2. The Renison Tailings Retreatment Project (Rentails Project); and
3. The Mount Bischoff Project.

Renison Tin Mine (50%)

The Renison Tin Mine (Renison) is located approximately 15km north-east of Zeehan on Tasmania's west coast. Renison is a world-class, long life underground mining operation producing tin concentrate.

The operational focus at Renison for the period has been:

- Commissioning and operation of the new purpose-built three stage crushing, screening and ore sorting plant to upgrade ore through the rejection of waste material prior to the processing plant;
- Continued balance between maintaining consistent ore production and ongoing development into new areas; and
- Continued exploration in Area 5 and the Leatherwood Trend, which are proximal to existing development, presenting an opportunity for increasing the grade of ore mined in the medium term.

Performance of the Tin Division (50% share) is summarised below:

		31 December 2018	31 December 2017
Physical Summary	**Units**		
UG Ore Mined	t	201,127	186,166
UG Grade Mined	% Sn	1.21	1.29
Ore Processed	t	186,947	181,420
Head Grade	% Sn	1.29	1.32
Recovery	% Sn	70.90	74.75
Tin Produced	t	1,707	1,798
Tin Sold	t	1,602	1,732
Tin Price	A$/t Sn	26,492	25,916
Realised Tin Price (net of Tc/Rc charges)	A$/t	22,845	22,733
Tin Sales Revenue (net of Tc/Rc charges)	A$	36,596,981	39,373,102
Cost Summary			
Mining	A$/t Sn	7,050	5,808
Processing	A$/t Sn	5,704	4,412
Admin	A$/t Sn	1,154	979
Stockpile Adj	A$/t Sn	133	(179)
C1 Cash Cost (produced oz) *	**A$/t Sn**	**14,041**	**11,020**
Royalties	A$/t Sn	455	1,274
Other selling costs	A$/t Sn	168	37
Sustaining Capital	A$/t Sn	3,069	3,646
Reclamation & other adj.	A$/t Sn	5	10
Corporate Costs	A$/t Sn	19	27
**All-in Sustaining Costs ** **	**A$/t Sn**	**17,757**	**16,014**
Project Startup Capital	A$/t Sn	696	4,317
All-in Cost ***	**A$/t Sn**	**18,453**	**20,331**

REVIEW OF OPERATIONS (continued)

Renison Tin Concentrator

During the period, the Company completed the commissioning of the new purpose built three stage crushing, screening and ore sorting plant. The purpose of the ore sorter is to increase the grade of ore processed, and therefore increase tin production, by rejecting waste material prior to the processing plant. The ore sorter has been integrated into the Renison processing facility and will be subject to ongoing optimisation during 2019.

During the period, mining rates achieved the steady-state production rate required to sustain the expanded processing facility and ore sorter. The significant surface stockpile of ore that was created in the previous period was drawn upon, as planned, during commissioning of the ore sorter. In addition to providing ore feed to be upgraded by the ore sorter, a key focus has been on the development and mining of the Leatherwood and Central Federal Bassett areas of the mine where a significant resource of high grade material has been identified.

During the period, drilling focus remained on further expanding the resource definition program in the Area 5, Deep Federal, Leatherwood and Huon North lodes. Results from these campaigns continue to demonstrate exceptional mineralisation, in particular holes targeting Area 5 and the Leatherwood trend which are upcoming production zones (refer to ASX Announcements on 19 December 2018 and 11 February and the December 2018 Quarterly Report).

In addition to the “in-mine” resource definition programs described above, a “near-mine” exploration strategy was developed targeting potential new stand alone and incremental resource exploration targets within the Renison area. The exploration activities included the completion of an orientation lithogeochemical sampling program and preparation for an upcoming down-hole electromagnetic survey (DHEM). The collected samples have been submitted for assay with results pending.

Renison Tailings Retreatment Project

The Rentails Project provides the opportunity to expand production at Renison through the re-processing and recovery of tin and copper from the historic tailings at Renison. An updated definitive feasibility study (DFS) of Rentails was completed in 2017/2018 based upon an 11-year project with an integrated 2Mtpa tin concentrator and tin fumer plant producing approximately 5,400 tonnes of tin and 2,200 tonnes of copper per year (refer to ASX announcement dated 3 July 2017).

Key Rentails Project activities during the period were the continuation of the environmental approvals process and mining studies, with associated geochemical testwork, for the purposes of producing a basis of design for tailings dam deconstruction and reconstruction. Discussions continued with the Tasmanian Government on regional infrastructure upgrades.

The Company expects to lodge its Development Proposal and Environmental Management Plan (DPEMP) with the Tasmanian Environment Protection Authority (EPA) during 2019.

Mt Bischoff Project

The Mt Bischoff Project is located approximately 80km north of the Renison mine. Mt Bischoff was a significant historical tin operation, producing some 60,000 tonnes of tin metal since the late 1800’s. Open pit mining by the Company between 2009 and 2011 produced a further 5,000 tonnes of tin metal before the initial open pit mine was depleted. Whilst the mine remains on care and maintenance, significant resources remain at depth and numerous historically mined areas remain underexplored and offer future development opportunity at higher tin prices.

REVIEW OF OPERATIONS (continued)

NICKEL DIVISION

The Wingellina Nickel-Cobalt Project is part of the Company's Central Musgrave Project (CMP) which is one of the largest undeveloped nickel-cobalt deposits in the world. The Central Musgrave Project has a Mineral Resource containing approximately 2.0 million tonnes of nickel and 154,000 tonnes of cobalt within which Wingellina hosts an Ore Reserve of approximately 1.56 million tonnes of nickel and 123,000 tonnes of cobalt (refer to the 2018 Annual Report).

The Company has completed a feasibility study (+/-25%) and signed an agreement with the Traditional Owners which provides consent to undertake mining activities. In November 2016, the Company received its Public Environment Review approval from the Environmental Protection Authority.

The Company has identified 15 potential high grade cobalt-nickel pits within the existing Mineral Resource with a significant quantity of nickel and cobalt (326,100 tonnes Ni and 25,800 tonnes Co) and has infill drilled 6 of these pits. Preliminary optimisations of the high grade cobalt – nickel pits demonstrate potential for a high grade, smaller scale, start-up option for Wingellina (refer to the March 2018 quarterly report).

Metallurgical testwork was also conducted in 2017/18 for the production of high quality cobalt and nickel sulphates targeting the battery market. The testwork was successful in producing both cobalt sulphate and nickel sulphate from Wingellina ore.

As a development-ready world-class project, with the ability to produce high grade ore for at least the first 10 years of production and the potential to produce battery-grade nickel sulphate and cobalt sulphate, Wingellina provides a number of investment and development options for potential investment partners.

During period, the Company completed heritage studies and fauna and flora studies to obtain clearance for resource definition drilling on its significant calcrete deposits (a major neutralising reagent in the proposed processing plant) and also to obtain clearance for exploratory water bore drilling on the Mann Fault. Wingellina already has identified and pump tested two bore fields that will provide sufficient water for the operation. However, the Mann Fault provides a potential closer (within 15 to 20kms) source of water for a possible smaller scale start-up option.

The Company has continued its discussions with government departments and potential infrastructure partners for the establishment of infrastructure corridors to service the project with power, gas and upgraded roads.

The timing of development of Wingellina will depend upon market conditions (nickel and cobalt demand and price). However, the development strategy for Wingellina remains one of development-readiness and optionality. The Company will continue to engage with potential strategic partners for the project.

End of Directors' Report

AUDITOR'S INDEPENDENCE

The auditor's independence declaration is included on page 32 of this report.

Signed in accordance with a resolution of the Directors.

Damien Marantelli
Managing Director

26 February 2019

Consolidated Statement of Comprehensive Income for the Half-Year ended 31 December 2018

	Notes	31 December 2018	31 December 2017
Continuing operations			
Revenue	3	92,506,291	82,029,111
Cost of sales		(118,118,734)	(83,025,497)
Gross loss		(25,612,443)	(996,386)
Other income		14,362	658,515
General and administrative expenses		(3,852,011)	(2,352,883)
Commodity and foreign exchange trading gains/(losses)		1,004,386	(15,038,568)
Fair value loss on provisionally priced trade receivables		(4,760,602)	-
Finance costs		(724,859)	(308,620)
Share-based payments		(380,523)	(1,016,611)
Fair value change in equity instruments	9	(1,824,236)	(12,000)
Fair value change in derivative financial instruments	9	-	26,450
Impairment loss on exploration and evaluation expenditure	8	(11,309)	(4,538)
Loss before income tax from continuing operations		(36,147,235)	(19,044,641)
Income tax benefit	4	-	614,553
Loss for the period from continuing operations		(36,147,235)	(18,430,088)
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of available-for-sale financial assets, net of tax	9	-	1,433,960
Other comprehensive income for the period, net of tax		-	1,433,960
Total comprehensive loss for the period		(36,147,235)	(16,996,128)
Loss attributable to:			
Members of the parent		(36,147,235)	(18,430,088)
Total comprehensive loss attributable to:			
Members of the parent		(36,147,235)	(16,996,128)
Loss per share for the profit attributable to the ordinary equity holders of the parent (cents per			
Basic loss per share		(5.37)	(3.02)
Diluted loss per share		(5.37)	(3.02)

Consolidated Statement of Financial Position as at 31 December 2018

	Notes	As at 31 December 2018	As at 30 June 2018
CURRENT ASSETS			
Cash and cash equivalents		33,123,721	31,234,845
Trade and other receivables	4	13,028,043	13,676,176
Inventories	5	62,579,617	55,278,112
Prepayments		3,328,846	1,421,373
Other financial assets		10,311,569	10,311,569
Total current assets		**122,371,796**	**111,922,075**
NON-CURRENT ASSETS			
Property, plant and equipment	6	53,381,355	48,585,729
Mine properties and development costs	7	79,025,571	80,287,603
Exploration and evaluation expenditure	8	14,994,882	11,242,392
Financial assets at fair value through profit or loss	9	7,429,428	9,253,664
Total non-current assets		**154,831,236**	**149,369,388**
TOTAL ASSETS		**277,203,032**	**261,291,463**
CURRENT LIABILITIES			
Trade and other payables		35,182,635	31,686,792
Interest bearing liabilities		5,003,146	4,848,201
Provisions		7,510,831	6,752,654
Derivative financial instruments	9	-	1,078,251
Total current liabilities		**47,696,612**	**44,365,898**
NON-CURRENT LIABILITIES			
Interest bearing liabilities		5,896,753	5,522,351
Provisions		41,508,395	40,953,035
Total non-current liabilities		**47,405,148**	**46,475,386**
TOTAL LIABILITIES		**95,101,760**	**90,841,284**
NET ASSETS		**182,101,272**	**170,450,179**
EQUITY			
Issued capital	13	302,004,549	254,586,744
Accumulated losses		(147,634,140)	(111,486,905)
Share based payments reserve		27,730,863	27,350,340
Fair value reserve		-	-
TOTAL EQUITY		**182,101,272**	**170,450,179**

Consolidated Statement of Cash Flows for the Half-Year ended 31 December 2018

	Notes	31 December 2018	31 December 2017
Cash flows from operating activities			
Receipts from customers		87,272,886	110,842,902
Payments to suppliers and employees		(111,590,034)	(103,510,966)
Interest received		497,108	367,850
Other receipts		(229)	(6,106)
Interest paid		(246,187)	(219,315)
Net cash flows from operating activities		**(24,066,456)**	**7,474,365**
Cash flows from investing activities			
Payments for plant and equipment		(7,166,234)	(12,103,688)
Payments for mine properties and development		(7,937,825)	(4,397,283)
Payments for exploration and evaluation		(3,763,798)	(4,682,882)
Payments for available-for-sale financial assets		-	(934,306)
Payments for derivative financial instruments		-	(31,250)
Proceeds from sale of property plant and equipment		14,591	664,621
Net cash flows used in investing activities		**(18,853,266)**	**(21,484,788)**
Cash flows from financing activities			
Proceeds from share issues		50,000,000	-
Payments for share issue costs		(2,582,195)	(7,129)
Payments for dividends		(63,422)	(4,530,076)
Payment of performance bond		-	926,480
Repayment of borrowings		(2,545,786)	(1,531,370)
Net cash flows from/(used in) financing activities		**44,808,597**	**(5,142,095)**
Net decrease in cash and cash equivalents		1,888,875	(19,152,518)
Cash at the beginning of the financial period		31,234,845	50,125,170
Cash and cash equivalents at the end of the period		**33,123,720**	**30,972,652**

Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2018

	Issued capital $	Accumulated losses $	Share based payments reserve $	Available-for-sale reserve $	Total Equity $
At 30 June 2018	254,586,744	(115,249,072)	27,350,340	3,762,167	170,450,179
New accounting standards adjustment to opening balances (note 2(d))	-	3,762,167	-	(3,762,167)	-
Restated at 1 July 2018	254,586,744	(111,486,905)	27,350,340	-	170,450,179
Loss for the period	-	(36,147,235)	-	-	(36,147,235)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income and expense for the half-year, net of tax	-	(36,147,235)	-	-	(36,147,235)
Transactions with owners in their capacity as owners					
Issue of share capital	50,000,000	-	-	-	50,000,000
Share issue costs	(2,582,195)	-	-	-	(2,582,195)
Share-based payments	-	-	380,523	-	380,523
At 31 December 2018	302,004,549	(147,634,140)	27,730,863	-	182,101,272

	Issued capital $	Accumulated losses $	Share based payments reserve $	Available-for-sale reserve $	Total Equity $
At 1 July 2017	252,511,413	(82,858,477)	25,331,051	3,762,167	198,746,154
Profit for the period	-	(18,430,088)	-	-	(18,430,088)
Other comprehensive income, net of tax	-	-	-	1,433,960	1,433,960
Total comprehensive income and expense for the half-year, net of tax	-	(18,430,088)	-	1,433,960	(16,996,128)
Transactions with owners in their capacity as owners					
Share issue costs	(7,129)	-	-	-	(7,129)
Share-based payments	-	-	1,016,611	-	1,016,611
Dividends paid	1,557,192	(6,093,409)	-	-	(4,536,217)
At 31 December 2017	254,061,476	(107,381,974)	26,347,662	5,196,127	178,223,291

Notes to the Financial Statements for the Half-Year ended 31 December 2018

1. CORPORATE INFORMATION

The financial report of Metals X for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 25 February 2019.

Metals X is a for profit company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

The address of the registered office is Level 5, 197 St Georges Terrace, Perth, WA 6000.

2. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of preparation of the half-year financial report

This general purpose condensed consolidated financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report of Metals X for the year ended 30 June 2018 and considered together with any public announcements made by Metals X and its controlled entities during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX listing rules.

As more fully described in the Annual Report of the Consolidated Entity for the year ended 30 June 2018, the Consolidated Statement of Comprehensive Income for the period ended 31 December 2017 has been restated to present concentrate sales net of treatment and refining charges, amounting to $6,316,339. These costs were previously included in cost of sales. The amended presentation is more consistent with the terms of the underlying concentrate sales agreement where treatment and refining changes are included as part of the pricing formula. The adjustment had no impact on gross profit or net profit for the period ended 31 December 2017.

(b) Basis of consolidation

The half-year report is comprised of the financial statements of Metals X and its controlled entities (the Consolidated Entity).

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Controlled entities are consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

(c) New and amended accounting standards and interpretations

Since 1 July 2018, the Consolidated Entity has adopted all Accounting Standards and Interpretations effective from 1 July 2018. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year. The Consolidated Entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(d) Change in accounting policies and disclosures

The Consolidated Entity applied AASB 15 *Revenue from Contracts with Customers* (AASB 15) and AASB 9 *Financial Instruments* (AASB 9) for the first time from 1 January 2018. The nature and effect of these changes as a result of the adoption of these new Accounting Standards are described below.

Several other new and amended Accounting Standards and Interpretations applied for the first time from 1 July 2018, but did not have an impact on the consolidated financial statements of the Consolidated Entity and, hence, have not been disclosed.

AASB 15

AASB 15 supersedes AASB 118 Revenue (AASB 118) and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Consolidated Entity adopted AASB 15 using the modified retrospective method of adoption with the date of initial application being 1 July 2018. The Consolidated Entity elected to apply the standard only to contracts that were not completed contracts at the initial date of application. The comparative information has not been restated and continues to be reported under AASB 118 and related interpretations.

Overall Impact

The Consolidated Entity's revenue from contracts with customers comprises two main streams being the sale of tin in concentrate and copper in concentrate. The Consolidated Entity undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under AASB 15. For all of the Consolidated Entity's significant revenue streams, the amount and timing of revenue recognised under AASB 15, is materially the same as that under AASB 118.

Impact on statement of profit or loss and other comprehensive income

Tin and copper concentrate (metal in concentrate) sales: there were no changes identified with respect to the timing of revenue recognition in relation to metal in concentrate. This is because control transfers to customers (mainly smelting companies) at the date of shipment for copper concentrate and at the date of arrival at customer's works for tin concentrate, which is consistent with the point in time when risks and rewards passed under AASB 118. There were some reclassification changes arising from metal in concentrate sales that have provisional pricing terms (refer below).

However, there has been a change in the amount of revenue recognised for copper concentrate sold under Cost, Insurance and Freight (CIF) Incoterms where the Consolidated Entity provides shipping services. This is because these services are now considered to represent a separate performance obligation which is satisfied at a different point in time from the sale of metal in concentrate. Therefore, some of the transaction price that was previously all allocated to the sale of metal in concentrate under AASB 118 is now required to be allocated to this new performance obligation under AASB 15 (see below for further discussion).

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

(d) Change in accounting policies and disclosures (continued)

Provisionally priced commodity sales: the Consolidated Entity's sales of metal in concentrate to customers contain terms which allow for price adjustments based on the market price at the end of a quotational period (QP) stipulated in the contract – these are referred to as "provisionally priced sales".

Under previous accounting standards (AASB 118 and AASB 139 *Financial Instruments: Recognition and Measurement*), provisionally priced sales were considered to contain an embedded derivative (ED). For receivables relating to tin concentrate the Consolidated Entity accounted for the ED separately (Tin ED) from the host contract. For receivables relating to copper concentrate, the Consolidated Entity measured the receivable, being the hybrid instrument, at fair value through profit and loss. Revenue was initially recognised for these arrangements based on the estimated forward price that the Consolidated Entity expected to receive at the end of the QP, determined at the date the sale was initially recognised. Subsequent changes in the fair value of the Tin ED / copper concentrate receivable were recognised in the Statement of Comprehensive Income each period until the end of the QP, and were presented as part of 'revenue'. Under AASB 15, the initial accounting for this revenue will remain unchanged in that revenue will be recognised when control passes to the customer and will be measured at the amount to which the Consolidated Entity expects to be entitled. This will be the estimate of the price expected to be received at the end of the QP, i.e. the forward price. The Consolidated Entity will now present the fair value movements after the date of sale in profit or loss as 'fair value gains/losses on provisionally priced trade receivables' and as such will not be included in total revenue from contracts with customers.

Assay and weight variations: the Consolidated Entity's sales of metal in concentrate to customers contain terms, which allow for assay and weight adjustments based on the final assay and weight results. Revenue is initially recognised at the date control of the concentrate passes to the customer based on the most recently determined estimate of metal in concentrate using the expected value approach based on initial internal assay and weight results. Subsequent changes in value based on the customer's final assay and weight results at the end of the QP are recognised in revenue. The Consolidated Entity has determined that it is highly unlikely that a significant reversal of the amount of revenue recognised will occur due to variations in assay and weight results.

Shipping services: the Consolidated Entity's copper concentrate sales are sold under CIF Incoterms, whereby the Consolidated Entity is responsible for providing shipping services after the date that it transfers control of the copper concentrate to the customer. Under AASB 118, shipping services were not accounted for as separate services. Instead, all of the revenue relating to the sale was recognised at the date of loading and presented as sales revenue. Under AASB 15, it has been concluded that the provision of these services represents separate performance obligations and the Consolidated Entity acts as principal.

As a result, under AASB 15, a portion of the transaction price is now required to be allocated to these performance obligations and will be recognised over time, on a gross basis, as the services are provided. The Consolidated Entity receives a portion of the transaction price in cash for each shipment at or near the date of shipment under a provisional invoice. Given this, a portion of the transaction price relating to these shipping services is received in advance of the Consolidated Entity providing these services. Such amounts have been recognised as a contract liability upon receipt under AASB 15 and are then recognised as revenue over time as the services are provided. Given the nature of the Consolidate Entity's commodity shipping profile, most of these services are completed in the same reporting period that control of the underlying copper concentrate passes to the customer with only a very small percentage of shipments subject to these Incoterms being on the water over a reporting period end.

Other impacts

The change did not have a material impact on other comprehensive income for the year. There was no impact on the consolidated statement of financial position and the statement of cash flows. There was no impact on earnings per share.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

(d) Change in accounting policies and disclosures (continued)

Revised Policy – Revenue from contracts with customers

The Consolidated Entity is principally engaged in the business of producing tin and copper in concentrate. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Consolidated Entity expects to be entitled in exchange for those goods or services.

The Consolidated Entity has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

For the Consolidated Entity's metal in concentrate sales not sold under CIF Incoterms, the performance obligation is the delivery of the concentrate. Where the Consolidated Entity's copper concentrate is sold under CIF Incoterms the Consolidated Entity is also responsible for providing shipping services. In these situations, the shipping services also represent separate performance obligations.

The Consolidated Entity's sales of metal in concentrate allow for price adjustments based on the market price at the end of the relevant QP stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be up to three months for copper concentrate. The QP for tin concentrate is not expected to result in a material adjustment due to the short period between the point of control of the concentrate passes to the customer and the end of the QP.

Based on the current contractual terms, revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically transferred onto a vessel for copper concentrate and physically arrives at the customer's works for tin concentrate. The revenue is measured as the amount to which the Consolidated Entity expects to be entitled, being the estimate of the price expected to be received at the end of the QP, and a corresponding trade receivable is recognised.

For the provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of AASB 9 and not within the scope of AASB 15. Given the exposure to the commodity price, these provisionally priced trade receivables fail the cash flow characteristics test within AASB 9 and are classified and measured at fair value through profit or loss from initial recognition and until the date of settlement. Subsequent changes in fair value of the receivable are recognised in the Consolidated Statement of Comprehensive Income each period and presented separately from revenue from contracts with customers as part of 'fair value gains/losses on provisionally priced trade receivables'. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for copper and tin as well as taking into account relevant other fair value considerations, including interest rate and credit risk adjustments.

Revenue is initially recognised based on the most recently determined estimate of metal in concentrate using the expected value approach based on initial internal assay and weight results. The Consolidated Entity has determined that it is highly unlikely that a significant reversal of the amount of revenue recognised will occur due to variations in assay and weight results. Subsequent changes in the fair value based on the customer's final assay and weight results are recognised in revenue at the end of the QP.

For CIF arrangements, the transaction price (as determined above) is allocated to the metal in concentrate and shipping services using the relative stand-alone selling price method. Under these arrangements, a portion of consideration is received from the customer at, or around, the date of shipment under a provisional invoice. Therefore, some of the upfront consideration that relates to the shipping services yet to be provided is deferred. It is then recognised as revenue over time using an output method (being days of shipping/transportation elapsed) to measure progress towards complete satisfaction of the service as this best represents the Consolidated Entity's performance. This is on the basis that the customer simultaneously receives and consumes the benefits provided by the Consolidated Entity as the services are being provided. The costs associated with these freight/shipping services are also recognised over the same period of time as incurred.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

(d) Change in accounting policies and disclosures (continued)

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces parts of AASB 139 bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Consolidated Entity has applied AASB 9 retrospectively, with the initial application date being 1 July 2018. The cumulative impact of applying AASB 9 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The Consolidated Entity has elected not to adjust comparative information.

AASB 9 introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and are solely payments of principal and interest (SPPI). All other financial instrument assets are to be classified and measured at fair value through profit or loss (FVTPL) unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for trading) in other comprehensive income (OCI).

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements more closely align the accounting treatment with the risk management activities of the Consolidated Entity.

Impairment requirements use an 'expected credit loss' (ECL) model to recognise an allowance. Impairment is measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

The key impacts of adopting AASB 9 are summarised below:

Classification and measurement

The Consolidated Entity continued measuring at fair value all financial assets previously held at fair value under AASB 139.

Term deposit and other receivables (not subject to provisional pricing), previously classified as *Loans and receivables*: these were assessed as being held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as *Debt instruments at amortised cost*.

Trade receivables (subject to provisional pricing) and *Quotational period derivatives*: The exposure of trade receivables to commodity price movements over the QP, gives rise to an ED). Prior to the adoption of AASB 9, the Consolidated Entity accounted for the ED separately from the host contract for receivables relating to tin concentrate. For receivables relating to copper concentrate, the Consolidated Entity measured the receivable, being the hybrid instrument, at fair value through profit and loss. Under AASB 9, embedded derivatives are no longer separated from financial assets. Instead, the exposure of the trade receivable to future commodity price movements will cause the trade receivable to fail the SPPI test. Therefore, the entire receivable is now required to be measured at fair value through profit or loss, with subsequent changes in fair value recognised in the Consolidated Statement of Comprehensive Income each period until final settlement. Accordingly, the adoption of AASB 9 did not impact the classification of trade receivables relating to copper concentrate. It has resulted in the reclassification of trade receivables relating to tin concentrate from loans and receivables under AASB 139 to financial assets at fair value through profit and loss under AASB 9. This reclassification adjustment did not have a material impact on the measurement of trade receivables.

The Consolidated Entity previously presented fair value changes in the ED and Copper Concentrate trade receivable in 'revenue' but will now present fair value movements in trade receivables subject to provisional pricing as 'fair value gains/losses on provisionally priced trade receivables'.

Financial liabilities - There are no changes in classification and measurement for the Consolidated Entity's financial liabilities.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

(d) Change in accounting policies and disclosures (continued)

Equity investments -Listed equity investments previously classified as Available-for-Sale financial assets are now classified and measured as financial assets at FVTPL. As a consequence the reclassification the fair value reserve at 1 July 2018 relating to Available-for-Sale financial assets was transferred to retained earnings (see below).

Impact on statement of financial position

The following table summarises the impact, net of tax, of transition to AASB 9 on reserves and accumulated losses at 1 July 2018.

Fair value reserve	
Closing balance under AASB 139 (30 June 2018)	3,762,167
Equity instruments reclassified as financial assets at FVTPL	(3,762,167)
Opening balance under AASB 9 (1 July 2018)	-
Accumulated losses	
Closing balance under AASB 139 (30 June 2018)	(115,249,072)
Equity instruments reclassified as financial assets at FVTPL	3,762,167
Opening balance under AASB 9 (1 July 2018)	(111,486,905)

Classification of financial assets and financial liabilities on the date of initial application of AASB 9

The following table shows the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Consolidated Entity's financial assets and financial liabilities as at 1 July 2018.

Financial assets	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9
Equity investments	Available-for-sale	FVTPL	9,253,664	9,253,664
Cash and cash equivalents	Loans and receivables	Amortised cost	31,234,845	31,234,845
Tin concentrate trade receivables at fair value	Loans and receivables	FVTPL	4,528,645	4,528,645
Copper concentrate trade receivables at fair value	FVTPL	FVTPL	2,048,186	2,048,186
Other trade and receivables	Loans and receivables	Amortised cost	7,099,345	7,099,345
Other financial assets	Loans and receivables	Amortised cost	10,311,569	10,311,569
Total financial assets			64,476,254	64,476,254
Financial liabilities				
Interest bearing loans	Amortised cost	Amortised cost	10,370,552	10,370,552
Trade and other payables	Amortised cost	Amortised cost	31,686,792	31,686,792
Total financial liabilities			42,057,344	42,057,344

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

(d) Change in accounting policies and disclosures (continued)

Impairment

The adoption of AASB 9 has changed the Consolidated Entity's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking ECL approach. AASB 9 requires the Consolidated Entity to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

As all of the Consolidated Entity's other receivables which the Consolidated Entity measures at amortised cost are short term (ie less than 12 months) and the Consolidated Entity has risk management policies in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements.

Hedge Accounting

The Consolidated Entity has elected to adopt the new general hedge accounting model in AASB 9. However, the changes introduced by AASB 9 relating to hedge accounting currently have no impact, as the Consolidated Entity does not apply hedge accounting.

Revised Policy - Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Consolidated Entity's business model for managing them. With the exception of trade receivables, the Consolidated Entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined under AASB 15. Refer to the revenue recognition accounting policy in note 2(d).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment referred to as the SPPI test is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows do not pass the SPPI test are classified and measured at fair value through profit or loss, irrespective of the business model. Debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

(d) Change in accounting policies and disclosures (continued)

This category includes trade receivables subject to provisional pricing (QP adjustment), derivative instruments and listed equity investments which the Consolidated Entity has not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Financial assets at amortised cost (debt instruments)

The Consolidated Entity measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the Consolidated Statement of Comprehensive Income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Consolidated Entity's financial assets at amortised cost include trade receivables (not subject to provisional pricing), other receivables and term deposits.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Consolidated Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Consolidated Entity has transferred substantially all the risks and rewards of the asset, or (b) the Consolidated Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

The Consolidated Entity recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Consolidated Entity expects to receive, discounted at an approximation of the original EIR. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Consolidated Entity applies the simplified approach in calculating ECLs, as permitted by AASB 9. Therefore, the Consolidated Entity does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Consolidated Entity has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL when there has not been a significant increase in credit risk since origination. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date.

When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Consolidated

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

(d) Change in accounting policies and disclosures (continued)

Entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Consolidated Entity's historical experience and informed credit assessment including forward-looking information. The Consolidated Entity considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Consolidated Entity may also consider a financial asset to be in default when internal or external information indicates that the Consolidated Entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Consolidated Entity. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Consolidated Entity assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(e) Comparative figures

Comparative figures have been adjusted to conform to the changes in the presentation of the current financial year where required by accounting standards

3. REVENUE

	31 December 2018	31 December 2017
Tin concentrate sales	36,596,981	39,373,102
Copper concentrate sales	55,412,761	42,287,810
Revenue from contracts with customers	92,009,742	81,660,912
Interest received	496,549	368,199
Total revenue	92,506,291	82,029,111

(a) Revenue for shipping services is not material and has been included in copper concentrate sales.

(b) Tin and copper concentrate sales for the period ended 31 December 2017 have been restated to be presented net of treatment and refining charges (refer to note 2(a)). The Group has applied AASB 15 using the modified retrospective method with the date of initial application being 1 July 2018 (see note 2(d)). Accordingly, the comparative information has not restated for the impact of adopting AASB 15.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

4. TRADE AND OTHER RECEIVABLES

	31 December 2018	30 June 2018
Trade receivables at fair value (a)	6,479,220	2,048,186
Other trade receivables	-	4,528,645
Other debtors	6,548,823	7,099,345
	13,028,043	13,676,176

(a) As at 31 December 2018, tin concentrate sales totalling 223 tonnes remained open to price adjustment (2017: 198).

Total copper concentrate sales for the period was 7,311 tonnes (2017: 4,404), out of which 4,417 tonnes (2017: 4,314) of copper, provisionally sold at the reporting date, has been revalued at a weighted average price of US$5,965 (2017: US$7,157). The fair value loss on provisionally priced trade receivables of $4,760,602 for the period ended 31 December 2018 has been included as an expense in the statement of comprehensive income.

5. INVENTORIES

During the half-year ended 31 December 2018 there was a net inventory write-down of $10,019,118 (2017: $5,502,173) for the Consolidated Entity. This amount is included in the cost of sales line in the statement of comprehensive income. Inventory write-downs relate to inventories being valued at net realisable value which is lower than cost.

6. PROPERTY, PLANT AND EQUIPMENT

During the half-year ended 31 December 2018 the Consolidated Entity paid $7,166,234 (2017: $12,103,688) in relation to property, plant and equipment acquisitions.

7. MINE PROPERTIES AND DEVELOPMENT

During the half-year ended 31 December 2018 the Consolidated Entity paid $7,937,825 (2017: $4,397,283) in relation to mine properties and developments costs.

8. EXPLORATION AND EVALUATION EXPENDITURE

During the half-year ended 31 December 2018 the Consolidated Entity paid $3,763,798 (2017: $4,682,882) in relation to exploration and evaluation expenditure.

During the period, a review was undertaken for each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. In assessing the carrying value of all of the Consolidated Entity's projects certain expenditure on exploration and evaluation of mineral resources has not led to the discovery of commercially viable quantities of mineral resources. In relation to these areas the carrying value was written down to nil and an impairment loss of $11,309 (2017: $4,538) was recognised in profit or loss.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

9. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

All financial instruments carrying values are a reasonable approximation of their fair value.

Fair Value hierarchy

The Consolidated Entity held the following financial instruments measured at fair value:

	31 December 2018			
	Quoted market price (Level 1)	technique market observable inputs (Level 2)	technique non market observable inputs (Level 3)	Total
Financial Assets				
Trade receivables				
Tin sales [1]	-	4,347,417	-	4,347,417
Copper sales [1]	-	2,131,803	-	2,131,803
Equity investments				
Listed investments [2]	7,397,878	-	-	7,397,878
Derivatives				
Listed investments [2]	19,050	-	-	19,050
Unlisted investments [3]	-	12,500	-	12,500
	7,416,928	6,491,720	-	13,908,648

	30 June 2018			
	Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total
Financial Assets				
Trade receivables				
Copper sales [1]	-	2,048,186	-	2,048,186
Equity investments				
Listed investments [2]	9,170,714	-	-	9,170,714
Derivatives				
Listed investments [2]	37,500	-	-	37,500
Unlisted investments [3]	-	45,450	-	45,450
	9,208,214	2,093,636	-	11,301,850
Financial Liabilities				
Derivatives				
Forward commodity options [4]	-	1,078,251	-	1,078,251
	-	1,078,251	-	1,078,251

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

9. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

1. The fair value of trade receivables relates to tin and copper concentrate provisionally sold at the reporting date. The fair value is based on the applicable KLM or LME forward prices.
2. Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of equity investments and derivatives are based on quoted market prices.
3. The unlisted investment relates to 1,500,000 unlisted options in Brainchip Holdings Limited. The fair value is determined using a Black & Scholes model, which takes account of factors including the option exercise price, the volatility of the underlying share price, the risk free rate, the market price of the underlying share at grant date and the expected life of the option. Below are the inputs used to value the unlisted options:

	31 December 2018	30 June 2018
Expected Volatility (%)	72%	73%
Risk-free interest rate (%)	1.92%	1.99%
Expected life of options (yrs)	1.42	1.92
Options exercise price ($)	$0.23	$0.23
Share price ($)	$0.105	$0.130

4. The forward commodity options related to puts and calls granted over 1,500 tonnes of copper per month maturing in July 2018. The puts had a strike price as low as $7,600 per tonne of LME copper and the calls had a strike price as high as $8,255 per tonne of LME copper. The fair value is based on the applicable LME prices.

Transfer between categories

There were no transfers between Level 1 and Level 2, and no transfers into and out of Level 3 fair value measurement.

The table above illustrates the classification of the Consolidated Entity's financial instruments based on the fair value hierarchy. This classification provides a reasonable basis to illustrate the nature and extent of risks associated with those financial instruments.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) The Company has a 6.04% (30 June 2018: 6.45%) interest in Brainchip Holdings Limited (Brainchip), which is involved in the development of neural computing technology. Brainchip is listed on the Australian Securities Exchange (ASX). At the end of the period the Company's investment was $6,661,991 (30 June 2018: $8,248,179) which is based on Brainchip's quoted share price.

(b) The Company has a 0.73% (30 June 2018: 0.74%) interest in Auris Minerals Limited (Auris), which is involved in the exploration of base metals in Australia. Auris is listed on the ASX. At the end of the period the Company's investment was $120,000 (30 June 2018: $204,000) which is based on Auris' quoted share price.

(c) The Company has an 11.26% (30 June 2018: 11.26%) interest in Nelson Resources Limited (Nelson), which is involved in the exploration of base metals in Australia. Nelson is listed on the Australian Securities Exchange (ASX). At the end of the period the Company's investment was $615,887 (30 June 2018: $392,758) which is based on Nelson's quoted share price.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

11. SHARE BASED PAYMENTS

During the half-year ended 31 December 2018 the Consolidated entity recognised $380,523 for share based payments (2017: $1,016,611) in the profit and loss.

2017 Grants

On 22 November 2017, 3,200,000 share options were granted to Directors as approved by shareholders at the Company's Annual General Meeting held on 22 November 2017. The options will become exercisable on 22 November 2018 and will expire if unexercised on 30 November 2020.

The fair value of the options granted are estimated using a Black & Scholes model, taking into account the terms and conditions upon which the options were granted.

Details	Employee Options	Director Options
Grant date	23 November 2017	22 November 2017
Expected volatility (%)	50%	50%
Risk-free interest rate (%)	1.90%	1.90%
Expected life of options (yrs)	2.5	2.5
Options exercise price ($)	$1.32	$1.32
Share price at grant date ($)	$1.03	$1.05
Fair value at grant date ($)	$0.24	$0.25

2018 Grants

On 17 December 2018, 2,682,990 options under the Employee Share Option Plan (ESOP).

The options will vest and become exercisable subject to service and performance conditions being met. The options issued are treated as two equal tranches.

Tranche 1: 50% of Options:

i. The service condition requires continuous employment for a two (2) year period from 1 July 2018 to 30 June 2020.
ii. The performance conditions comprise the following:
 a) Relative Total Shareholder Returns (50%); and
 b) Return on Capital Employed (50%).
iii. The Measurement Date is 1 July 2020.

Tranche 2: 50% of Options:

i. The service condition requires continuous employment for a three (3) year period from 1 July 2018 to 30 June 2021.
ii. The performance conditions comprise the following:
 a) Relative Total Shareholder Returns (50%); and
 b) Return on Capital Employed (50%).
iii. The Measurement Date is 1 July 2021.

Relative Total Shareholder Return Performance Condition

The Relative Total Shareholder Return (TSR) performance condition will measure Metals X's performance against the performance of the S&P/ASX Metals and Mining Index.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

11. SHARE BASED PAYMENTS (continued)

The vesting schedule for the Relative TSR measure is as follows:

Relative TSR Performance	% Contribution to the Number of Employee Options to Vest
Below Index	0%
Equal to the Index	50%
Above Index and below 15% above the Index	Pro-rata from 50% to 100%
15% above the Index	100%

Return on Capital Employed Performance Condition

Return on Capital Employed (ROCE) measures the efficiency with which management uses capital in seeking to increase shareholder value.

The vesting schedule for the ROCE measure is as follows:

ROCE Performance	% Contribution to the Number of Employee Options to Vest
Less than or equal to the average annual weighted average cost of capital (**WACC**)	0%
WACC (calculated as above) + 3%	50%
WACC (calculated as above) + between 3% and 6%	Pro-rata from 50% to 100%
WACC (calculated as above) + 6%	100%

The fair value of the options granted are estimated using a Monte Carlo Simulation option pricing model, taking into account the terms and conditions upon which the options were granted.

	Tranche 1	
Details	**Relative Total Shareholder Return**	**Return on Capital Employed**
Grant date	23 November 2017	22 November 2017
Valuation date	1 July 2018	1 July 2018
Measurement date	30 June 2020	30 June 2020
Expected volatility (%)	50%	50%
Risk-free interest rate (%)	2.00%	2.00%
Expected life of options (yrs)	2.0	2.0
Options exercise price ($)	$0.00	$0.00
Share price at grant date ($)	$0.80	$0.80
Fair value at grant date ($)	$0.26	$0.80

	Tranche 2	
Details	**Relative Total Shareholder Return**	**Return on Capital Employed**
Grant date	23 November 2017	22 November 2017
Valuation date	1 July 2018	1 July 2018
Measurement date	30 June 2021	30 June 2021
Expected volatility (%)	50%	50%
Risk-free interest rate (%)	2.07%	2.07%
Expected life of options (yrs)	3.0	3.0
Options exercise price ($)	$0.00	$0.00
Share price at grant date ($)	$0.80	$0.80
Fair value at grant date ($)	$0.27	$0.80

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (continued)

12. DIVIDENDS PAID

	31 December 2018	31 December 2017
Declared and paid during the period		
2018 nil (2017: Unfranked dividend $0.01)	-	6,093,409

13. ISSUED CAPITAL

	31 December 2018	30 June 2018
ISSUED CAPITAL		
Ordinary shares		
Issued and fully paid	302,004,549	254,586,744

	Number of shares on issue	$
Movements in ordinary shares on issue		
At 1 July 2018	**612,137,432**	**254,586,744**
Issue share capital	76,923,076	50,000,000
Share issue costs	-	(2,582,195)
At 31 December 2018	689,060,508	302,004,549
At 1 July 2017	**609,340,903**	**252,511,413**
Issue share capital under dividend reinvestment plan	2,096,529	1,557,192
Share issue costs	-	(7,129)
At 31 December 2017	611,437,432	254,061,476

14. COMMITMENTS AND CONTINGENCIES

Commitments

At 31 December 2018, the Consolidated Entity had the following commitments:

- capital expenditure commitments of $5,710,517 principally relating to plant and equipment upgrades and replacements at the Renison Tin Project and Nifty Copper Operation (30 June 2018: $5,145,233);
- lease expenditure commitments of $4,759,909 relating to commercial property, plant and equipment at the Renison Tin Project and Nifty Copper Operation (30 June 2018: $6,427,916).
- lease expenditure commitments of $11,643,971 relating to tenements on which mining and exploration operations are located (30 June 2018: $10,680,739).

Contingencies

Since the last annual reporting date, there has been no material change in any other commitments or contingencies of the Consolidated Entity.

Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2018 (continued)

15. OPERATING SEGMENTS

The following table presents revenue and profit information regarding the Consolidated Entity's operating segments for the half-years ended 31 December 2018 and 31 December 2017.

Half-year ended 31 December 2018	Renison Tin Project	Nifty Copper Project	Maroochydore Copper Project	Wingellina Nickel Project	Adjustments and eliminations	Total
Revenue						
External customers	36,596,981	55,412,761	-	-	-	92,009,742
Total revenue	**36,596,981**	**55,412,761**	**-**	**-**	**-**	**92,009,742**
Results						
Segment profit/(loss)	**(6,551,088)**	**(24,289,388)**	**(11,243)**	**(29,184)**	**-**	**(30,880,903)**

Half-year ended 31 December 2017	Renison Tin Project	Nifty Copper Project	Maroochydore Copper Project	Wingellina Nickel Project	Adjustments and eliminations	Total
Revenue						
External customers	39,373,102	42,287,810	-	-	-	81,660,912
Total revenue	**39,373,102**	**42,287,810**	**-**	**-**	**-**	**81,660,912**
Results						
Segment profit/(loss)	**11,559,688**	**(12,890,457)**	**(190)**	**(38,164)**	**-**	**(1,369,123)**
Segment assets						
As at 31 December 2018	**86,021,054**	**131,687,726**	**5,468,755**	**1,903,843**	**-**	**225,081,378**
As at 30 June 2018	**102,494,118**	**101,021,499**	**5,042,672**	**1,162,345**	**-**	**209,720,634**
Segment liabilities						
As at 31 December 2018	**(17,925,150)**	**(74,553,999)**	**(1,104)**	**(60,015)**	**-**	**(92,540,268)**
As at 30 June 2018	**(19,113,945)**	**(67,293,691)**	**-**	**(56,883)**	**-**	**(86,464,519)**

Reconciliation of segment results to consolidated results

Finance income and costs, fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a Consolidated Entity basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a Consolidated Entity basis.

Corporate charges comprise non-segmental expenses such as head office expenses and interest. Corporate charges are not allocated to operating segments.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit from those used in the last annual financial statements.

Notes to the Consolidated Financial Statements for the Half-Year ended 31 December 2018 (continued)

15. OPERATING SEGMENTS (continued)

Reconciliation of Revenue	31 December 2018	31 December 2017
Segment revenue	**92,009,742**	**81,660,912**
Interest revenue	496,549	368,199
Group revenue	**92,506,291**	**82,029,111**
Reconciliation of Profit		
Segment (loss)/profit	**(30,880,903)**	**(1,369,123)**
Corporate administration expenses	(3,852,011)	(2,352,883)
Corporate interest income	496,549	368,199
Other income	14,362	658,515
Finance costs	(724,859)	(308,620)
Fair value change in financial instruments	-	26,450
Commodity trading loss	1,004,386	(15,038,568)
Impairment loss on available-for-sale financial assets	(1,824,236)	(12,000)
Fair value loss on provisionally priced trade receivables	(4,760,602)	-
Share-based payments	(380,523)	(1,016,611)
Total consolidated loss before income tax from continuing operations	**(40,907,837)**	**(19,044,641)**

Reconciliation of Assets	31 December 2018	30 June 2018
Segment operating assets	**225,081,378**	**209,720,634**
Unallocated corporate assets		
Cash and cash equivalents	32,915,906	30,971,488
Trade and other receivables	496,126	167,408
Prepayments	300,035	158,770
Other financial assets	10,311,569	10,311,569
Derivative financial instruments	7,397,878	82,950
Available-for-sale financial assets	31,550	9,170,713
Property, plant and equipment	668,590	707,931
Group operating assets	**277,203,032**	**261,291,463**
Reconciliation of Liabilites		
Segment operating liabilities	**92,540,268**	**86,464,519**
Unallocated corporate liabilities		
Trade and other payables	1,977,015	2,238,622
Provision for employee benefits	566,212	1,036,936
Interest bearing loans and borrowings	18,265	22,956
Derivative financial instruments	-	1,078,251
Group operating liabilities	**95,101,760**	**90,841,284**

16. EVENTS AFTER THE BALANCE DATE

At an Extraordinary General Meeting on 22 January 2019, 3,000,000 share options were granted to the Managing Director under the ESOP. The options will become exercisable on 22 January 2020 and expire on 20 January 2024. No amount has been recognised in the current period for the options granted.

Directors' Declaration

In accordance with a resolution of the directors of Metals X Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position as at 31 December 2018 and the performance for the half-year ended on that date of the Consolidated Entity; and

  (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Damien Marantelli
Managing Director
26 February 2019

Auditor's Independence Declaration

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Auditor's Independence Declaration to the Directors of Metals X Limited

As lead auditor for the review of the half-year financial report of Metals X Limited for the half-year ended 31 December 2018. I declare to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Metals X Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Philip Teale
Partner
26 February 2019

PT:CT:MLX:023

Independent Review Report

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Independent auditor's review report to the members of Metals X Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Metals X Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income for the half-year ended 31 December 2018, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date.

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Independent Review Report (continued)

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Philip Teale
Partner
Perth
26 February 2019

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