ABN 92 086 839 992

Half-year report for the half-year ended
31 December 2018

Half-year report for the half year ended 31 December 2018

Corporate Directory

Directors

Andrew Daley – Non-executive Chairman
Mathew Longworth – Executive Director (Appointed Chief Executive Officer 10 January 2019)
Justin Barton – Executive Director
Matthew Gauci – Managing Director (Resigned 10 January 2019)

Company Secretary

Neil Hackett

Auditors

Stantons International
Level 2
1 Walker Avenue
WEST PERTH WA 6005

Solicitors

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

Bankers

ANZ Banking Group Ltd
1275 Hay Street
WEST PERTH WA 6005

Registered Office

6 Outram Street
WEST PERTH WA 6005
Telephone: +61 8 9324 1053
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Share Registry

Link Market Services
QV1 Building
Level 12, 250 St Georges Terrace
PERTH WA 6000
Investor Enquiries: 1300 554 474
Facsimile: (02) 9287 0303

Stock Exchange Listing

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

Web Site: www.metalicity.com.au

Half-year report for the half year ended 31 December 2018

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Metalicity Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

The Directors of Metalicity Limited ("the Company") submit herewith the condensed consolidated financial statements of the Company and its subsidiaries ("the Group") for the half-year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors and senior management

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

Name	Particulars
Andrew Daley	Non-Executive Chairman
Mathew Longworth	Executive Director (Appointed Chief Executive Officer 10 January 2019)
Justin Barton	Executive Director
Matthew Gauci	Managing Director (Resigned 10 January 2019)

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

The loss after tax for the half-year ended 31 December 2018 was $3,009,805 (2017: Loss $1,166,323).

Company Strategy

During the half year the Company reviewed its ongoing development and exploration strategy. With the proposed spinout of its zinc assets of Admiral Bay and Napier Range on the TSX-Venture Exchange (TSXV) in Canada it was decided that the Company would focus its efforts, in the near term, in seeking exploration and development opportunities, in WA and other parts of Australia that are aligned with the anticipated strong growth in future demand for copper and other "battery metals". At the same time a review of the Company's existing tenement holdings was also undertaken.

Accordingly, work on a detailed review of opportunities in the Paterson and Fraser Range regions was commenced and which in turn generated a number of applications for exploration licences.

To compliment this work, on 18 January 2019, Mr Jason Livingtone was appointed at General Manager Exploration. Mr Livingstone has over 19 years experience in exploration both in Australia and in a number of overseas areas.

Zinc Assets

During the half year the Company continued to progress the spinout of its Admiral Bay project and other zinc assets, with the intention of listing these assets on the TSXV under the company Kimberley Mining Limited (KML).

The agreement for the sale of the projects to Kimberley Mining Limited (KML is for the consideration for the sale to be 25 million shares in KML (anticipated to be worth up to C$20m post the listing of KML) and cash of up to C$12.5m, C$12m of which is to be paid in stages following the listing. At the end of the year the Company had received both the KML shares and the first cash payment related to the transaction of C$500,000 and KML had completed a C$2M seed capital raising and appointed a syndicate of brokers to assist with the IPO.

The Company has worked diligently to progress the divestment of its assets. However, given poor market conditions it determined that the proposed listing date needed be postponed to deliver maximum value for shareholders. The postponement reflects both a seasonally quiet period for Canadian investors and a softening across the global metal markets.

Metalicity's retained holding in KML post the IPO will mean the Company retains exposure to one of the largest undeveloped zinc projects of any active zinc exploration and development company on the ASX.

Paterson Province Copper Explortaion

During the half year, the Company completed a first pass review to identify priority exploration targets prospective for copper in the Paterson Province, located within Western Australia's Pilbara region.

The review was completed with the assistance of Corporate Geoscience Group (CGSC), which was brought in to undertake data compilation, project evaluation, mineral systems and targeting models.

DIRECTORS' REPORT (CONTINUED)

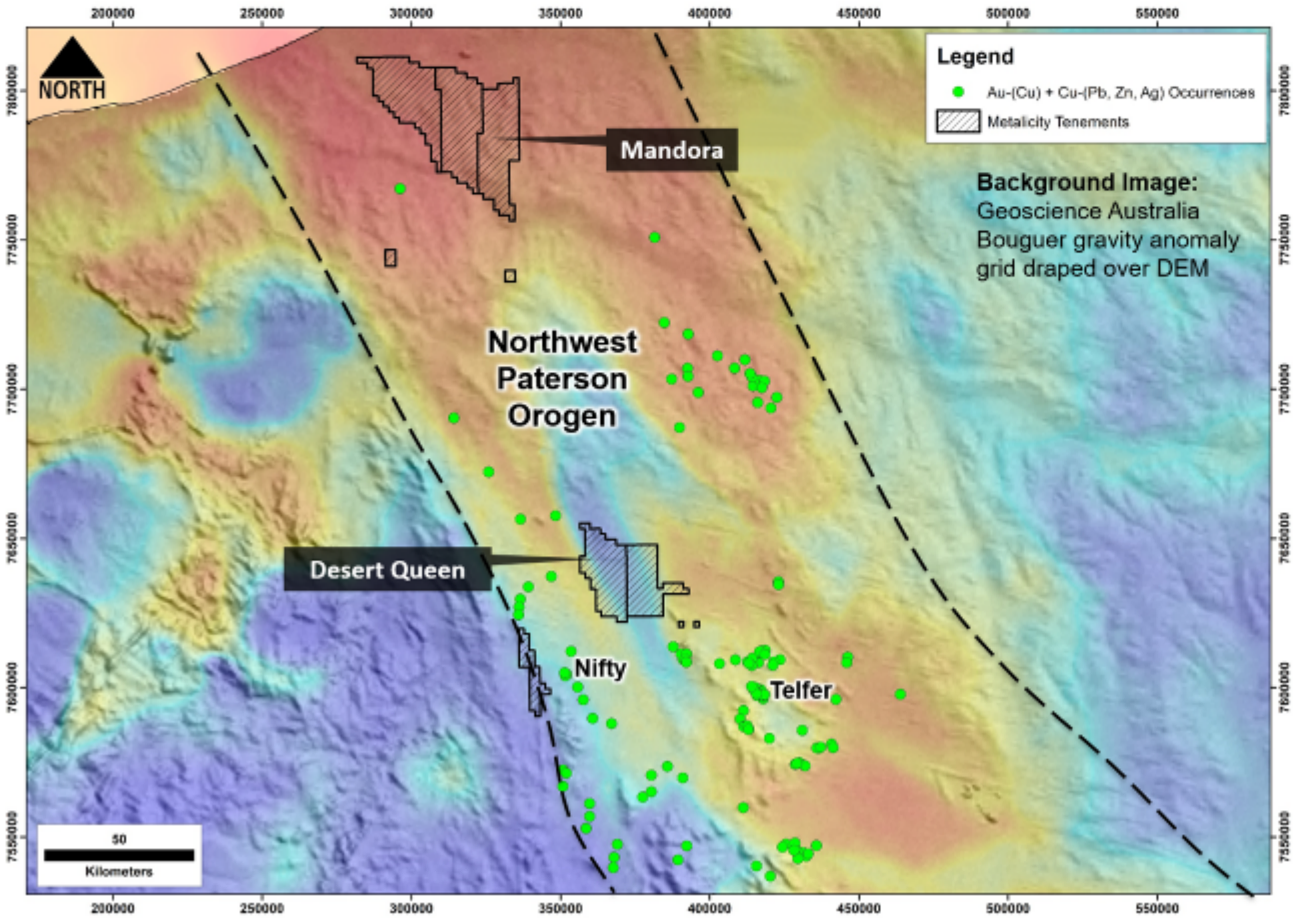
CGSG is a highly-experienced geoscience group with deep understanding of copper, gold and uranium systems, particularly in the Paterson province.

As a result of the study, four target locations were identified covering a total area of 908km^2: two at the Mandora project; and two at the Desert Queen project. Both represent highly prospective locations for future exploration.

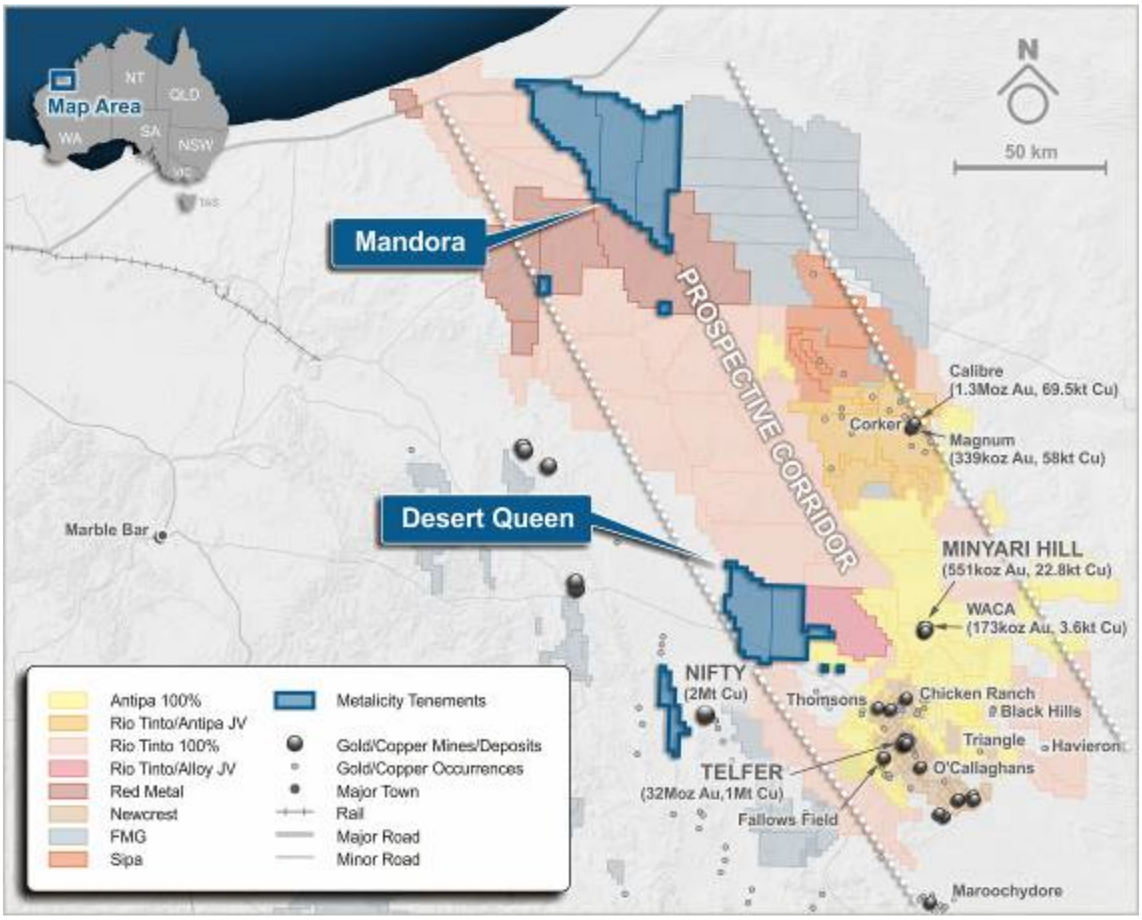
The Company subsequently generated 2,166 km^2 of Exploration License Applications (ELA's)

The ELAs lie within a prolific copper corridor which hosts major deposits, such as Newcrest's Telfer copper-gold mine, as well as new discoveries by Rio Tinto and Greatland Gold..

Desert Queen covers a total area of 679km^2 located 20km along strike from exploration conducted by Rio Tinto, while Mandora covers a total area of 1,487km^2 and adjoins tenements held by Rio Tinto and Fortescue Metals Group.



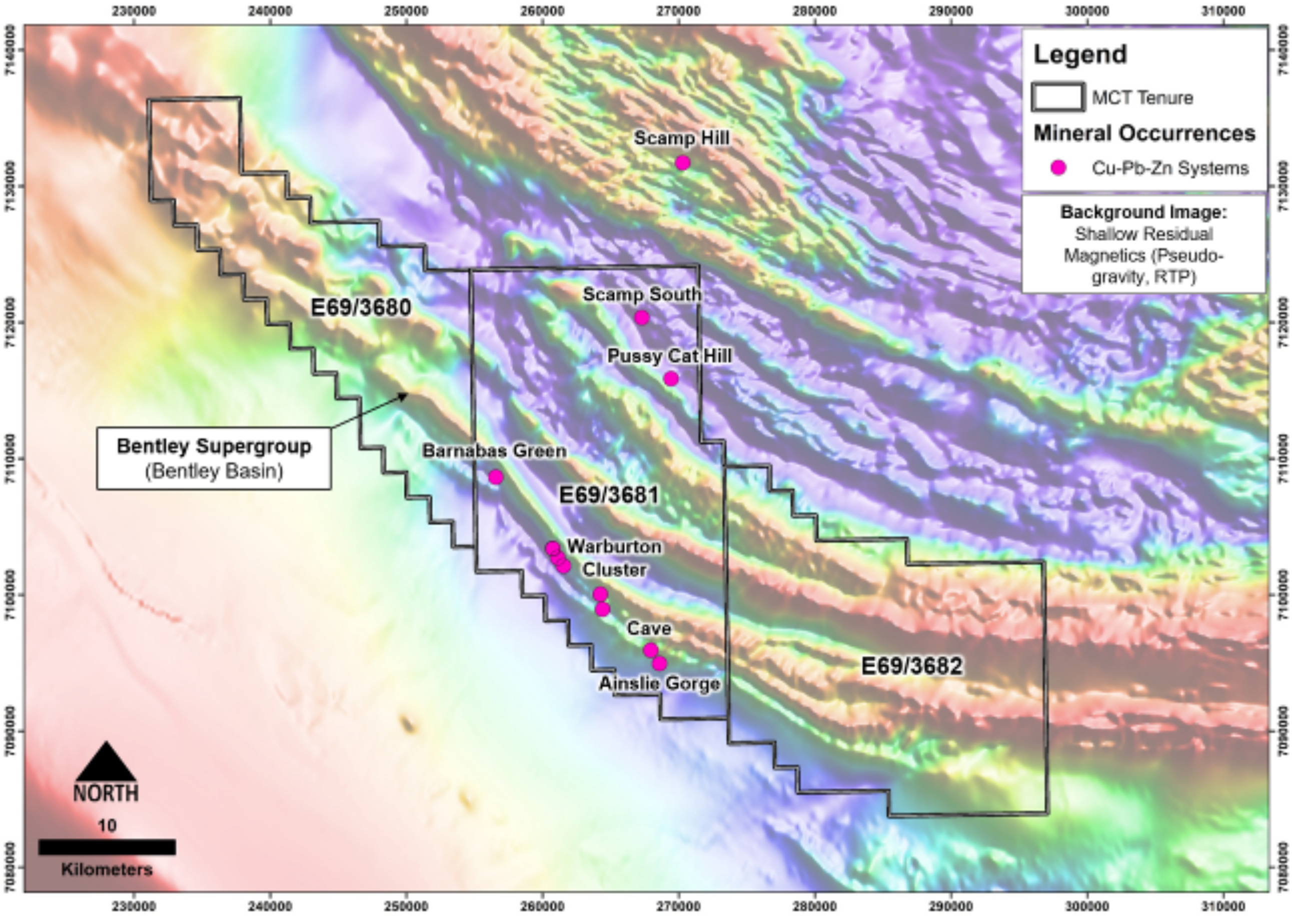
DIRECTORS' REPORT (CONTINUED)



Post 31st December 2018, the data compilation, project evaluation, mineral systems and target modeling was extended to the entire Paterson Province. The exercise generated 31 target areas, of which, the Company moved to acquire the top 3 targets:

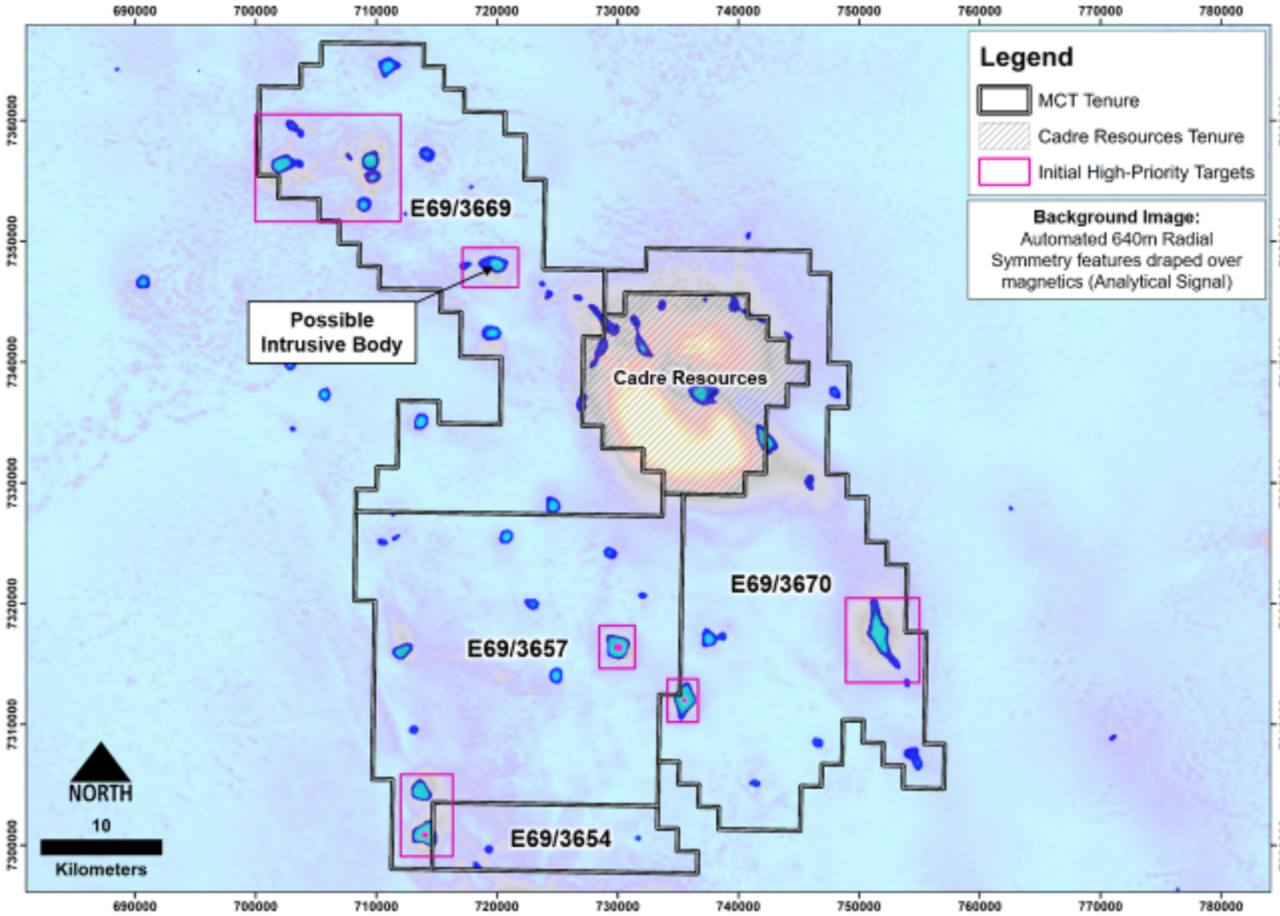
The Warburton Project is described as a large sediment-hosted or sedimentary-exhalative Cu horizon spanning approximately 80 km within the Bentley sub group. Our prospectivity analysis of the entire Paterson Province highlighted this horizon as our priority one target. Therefore, the Company moved to acquire approximately 1,200km2 of this highly prospective area as detailed in the figure below.

DIRECTORS' REPORT (CONTINUED)



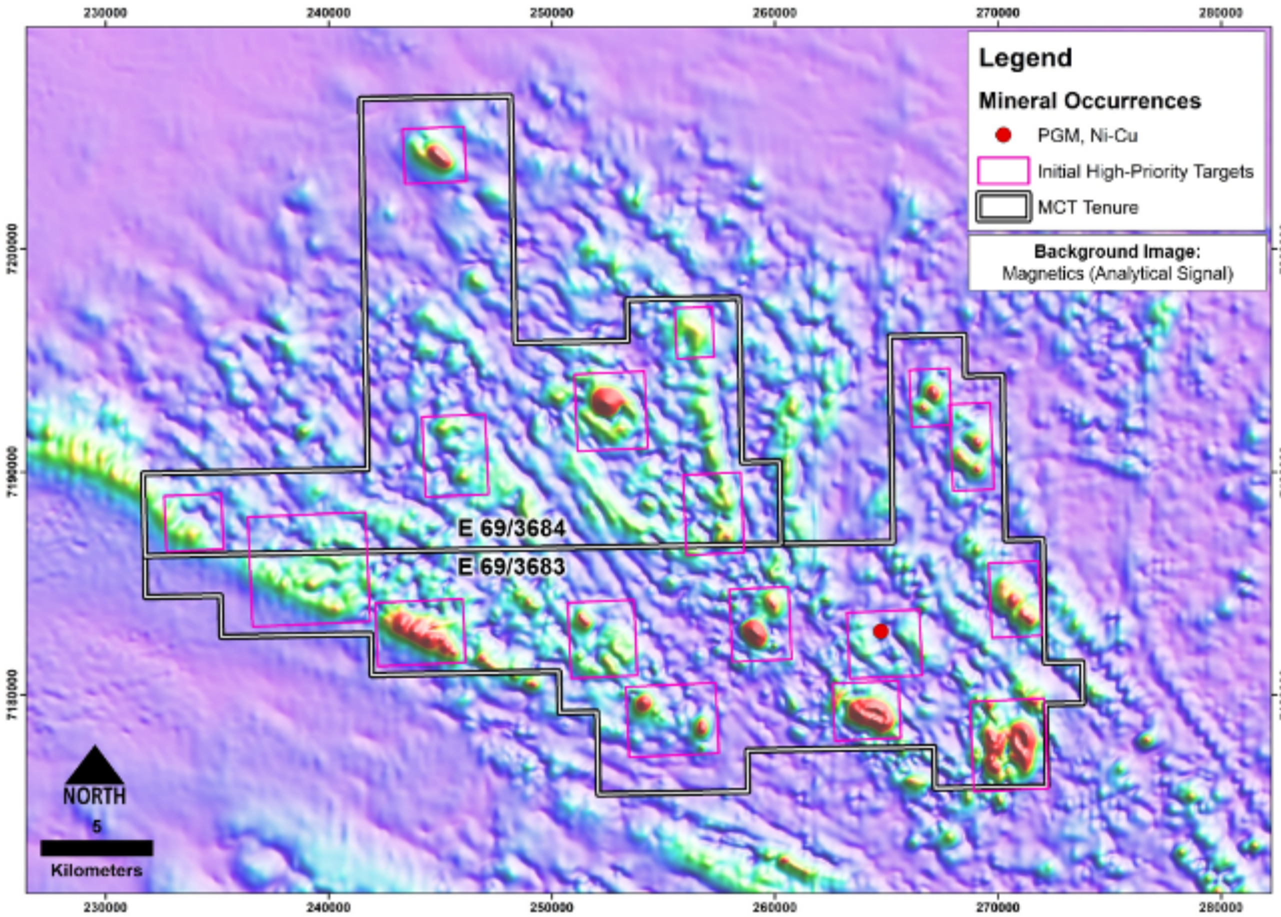
The Paterson South Project has several strong discrete magnetic anomalies coincident with basement highs and gravity ridges. The Company expanded the footprint in this locality with an additional ~1,200km2 of exploration tenure:

DIRECTORS' REPORT (CONTINUED)



The Pandora Project is described as a large cluster of magnetic highs on the northern side of a major crustal-scale gravity ridge with known local Ni-Cu-PGE-Au mineralisation (Pandora prospect). The geophysical signatures also suggest potential for IOCG Cu-Au systems.

DIRECTORS' REPORT (CONTINUED)



The Company has control of over 5,000km^2 of exploration license application tenure within the Paterson Province.

Fraser Range Exploration

During the half year, the Company undertook a full review of the Albany-Fraser Province, where we identified some areas of interest. Following this review, in February 2019. The Company made an applications for a further 2 project areas. Two structures were prominent:

- A stand out feature is a large ring or saucer shaped (lopolith) magnetic high coincident with a complimentary gravity structure on E69/3676; and
- a north westerly orientated magnetic anomaly high coincident with a gravity low on E69/3677.

In 1980 Kennecott Explorations (Australia) Ltd, drilled a 635 metre (vertical) drill hole (drill hole id: N1-1) to test this anomaly on E69/3676. Kennecott. They were conducting an Australia wide search for structures that could host Roxby Downs (Olympic Dam) style mineralisation. Their work was conclusive that the origin of the anomalies present was "by basic intrusions and therefore not considered prospective for Olympic Dam type deposits". However, Kennecott logged the basement rocks as an Olivine Norite, confirming their mafic intrusive origin.

DIRECTORS' REPORT (CONTINUED)

However in, the drill hole, N3-1 drilled to 363 metres (vertical) to test the geophysical anomaly on E69/3677, Kennecott's exploration report noted a "mafic" intrusive with comments that allude to fractionation, but with the entire basement intercept from 170.5 metres to end of hole at 363 metres, with trace chalcopyrite and pyrite disseminations. This was confirmed in their report, noting a 5% visual estimate of chalcopyrite occurring as discrete anhedra and blebs.

Both the N3-1 and N1-1 diamond core holes are located at the Kalgoorlie Core Library. The Company was fortunate that the drill holes were available to view and in great condition. The Company's General Manager Exploration viewed the core and confirms the presence of chalcopyrite in a fractionated mafic sequence, not only in N3-1, but also N1-1 as well.

The Company was able re-sample the core and submit for analysis and mineralogical determinations. This work is currently underway.

Concurrent with the full review of the Albany-Fraser Province, the option agreements for the Biranup and Fraser Range Projects (announced 15th and 16th November 2018 respectively) lapsed. The Company will not be pursuing these opportunities.

DIRECTORS' REPORT (CONTINUED)

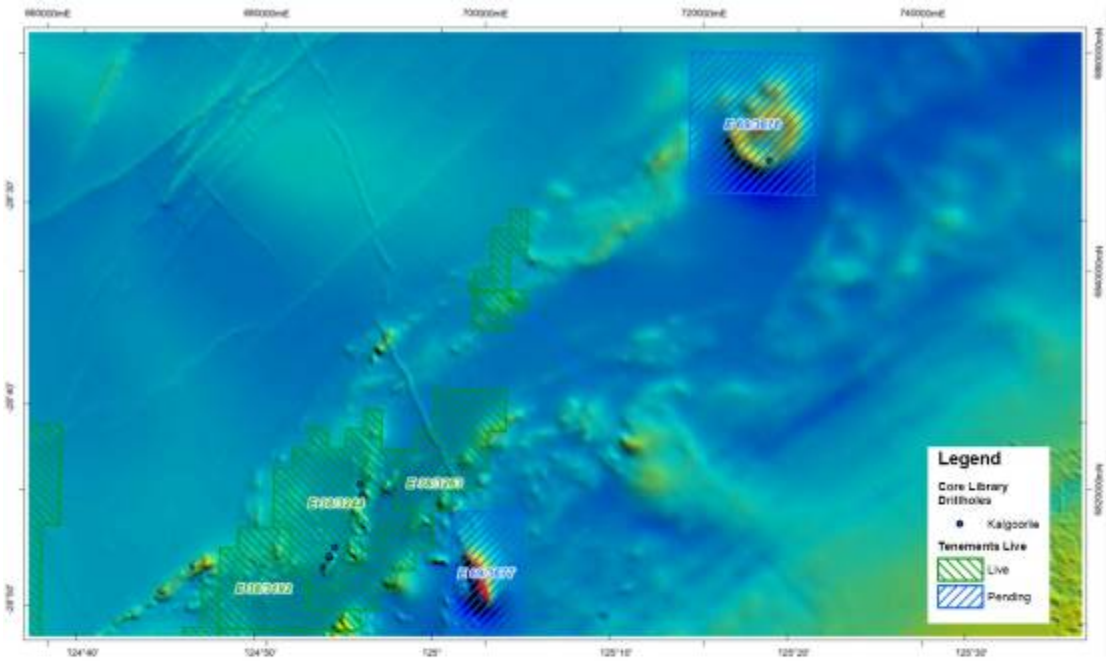


Figure 1: Fraser North with core library drill holes over DMP Magnetic Anomaly and tenure applications.

Sale of Lithium/Cobalt assets

During the 6 months to 31 December 2018, the Company disposed of non-core projects, including the Pilbara lithium tenements and the Yerrida cobalt tenements, for a combined sum of approximately $1.5M cash/equity.

The Company signed a binding agreement with Sociedad Quimica y Minera de Chile SA (SQM) for the 100% sale of its Pilbara lithium project, for a total sum of USD$1M (A$1.35M) and a Net Smelter Royalty (NSR) of 1% from all products produced.

The cash injection was coupled with another concurrent binding agreement with Great Western Exploration for the 100% sale of its Yerrida cobalt project. Under the agreement, Metalicity received a total sum of $50,000 in cash and $120,000 in shares based on GTE Price of 0.6c on the day of the transaction.

DIRECTORS' REPORT (CONTINUED)

Subsequent events

On 10 January 2019, the Company announced the resignation of Mr Matt Gauci from the Board and the appointment of Mr Mathew Longworth as an Executive Director.

The Directors are not aware of any other matter or circumstance that has arisen since 31 December 2018 which has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Auditor's independence declaration

The auditor's independence declaration is included on page 11 of the half-year report.

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

On behalf of the Directors

Mathew Longworth
Executive Director
Perth, Western Australia

14 March 2019

Stantons International Audit and Consulting Pty Ltd
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14 March 2019

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

Dear Directors

RE: METALICITY LIMITED

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

As Audit Director for the review of the financial statements of Metalicity Limited for the six months ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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

Samir Tirodkar
Director

Stantons International Audit and Consulting Pty Ltd
trading as
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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
METALICITY LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metalicity Limited, which comprises the consolidated condensed statement of financial position as at 31 December 2018, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, and consolidated condensed statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Metalicity Limited (the consolidated entity). The consolidated entity comprises both Metalicity Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Metalicity Limited on 14 March 2019.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter Relating to Going Concern

Without modifying our conclusions expressed above, attention is drawn to the following matter.

As referred to in note 1(d) to the financial report, the financial report has been prepared on a going concern basis. At 31 December 2018, the company had net assets of $3,944,004, cash and cash equivalents of $2,162,454 and net working capital surplus of $3,685,790. The company had incurred a loss for the period ended 31 December 2018 of $3,009,805.

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

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

Stantons International Audit and Consulting Pty Ltd

Samir Tirodkar
Director

West Perth, Western Australia
14 March 2019

Consolidated condensed statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

	Note	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
Revenue from continuing operations	3	207,892	203,888
Expenses	4	(3,217,697)	(1,370,211)
Loss before income tax expense		(3,009,805)	(1,166,323)
Income tax expense		-	-
Loss after income tax		**(3,009,805)**	**(1,166,323)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		2,653	-
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		**(3,007,152)**	**(1,166,323)**
Loss attributable to:			
Owners of the parent		(3,007,152)	(1,166,323)
Non-controlling interest		-	-
		(3,007,152)	(1,166,323)
Total comprehensive loss attributable to:			
Owners of the parent		(3,007,152)	(1,166,323)
Non-controlling interest		-	-
		(3,007,152)	**(1,166,323)**
Basic loss per share (cents)	7	(0.51)	(0.23)
Diluted loss per share (cents)	7	(0.51)	(0.23)

The accompanying notes form part of these financial statements.

Consolidated condensed statement of financial position as at 31 December 2018

	Note	Consolidated 31 December 2018 $	30 June 2018 $
Current assets			
Cash and cash equivalents		2,162,454	1,866,233
Trade and other receivables		192,934	93,961
Other assets		396,997	82,368
Non-current assets held for sale	6	9,369,606	9,175,727
Total current assets		12,121,991	11,218,289
Non-current assets			
Exploration and evaluation expenditure	5	257,322	2,304,094
Plant & equipment		892	2,830
Total non-current assets		258,214	2,306,924
Total assets		12,380,205	13,525,213
Current liabilities			
Trade and other payables		374,344	546,428
Provision		9,301	43,406
Liabilities related to non-current assets held for sale	6	8,052,556	8,553,180
Total current liabilities		8,436,201	9,143,014
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		8,436,201	9,143,014
Net assets		3,944,004	4,382,199
Equity			
Issued Capital	8	46,798,047	46,638,047
Other reserves		4,435,665	2,026,708
Foreign exchange reserve		2,653	-
Accumulated losses		(47,292,361)	(44,282,556)
Total equity		3,944,004	4,382,199

The accompanying notes form part of these financial statements.

Consolidated condensed statement of changes in equity for the half-year ended 31 December 2018

Consolidated	Issued Capital $	Share Based Payments Reserve $	Option Premium Reserve $	Foreign Exchange Reserve $	Accumulated losses $	Total $
Balance at 1 July 2018	46,638,047	2,025,208	1,500	-	(44,282,556)	4,382,199
Loss for the period	-	-	-	-	(3,009,805)	(3,009,805)
Total comprehensive loss for the period						
Issue of special warrants: Kimberly Mining Ltd	-	-	2,403,063	-	-	2,403,063
Issue of director options	-	5,894	-	-	-	5,894
Deferred acquisition costs	160,000	-	-	-	-	160,000
Foreign exchange reserve	-	-	-	2,653	-	2,653
Total transactions with owners	160,000	5,894	2,403,063	2,653	-	2,571,714
Balance at 31 December 2018	46,798,047	2,031,102	2,404,563	2,653	(47,292,361)	3,944,004
Consolidated						
Balance at 1 July 2017	41,977,929	1,879,667	1,500	-	(41,979,986)	1,879,110
Loss for the period	-	-	-	-	(1,166,323)	(1,166,323)
Total comprehensive loss for the period	-	-	-	-	(1,166,323)	(1,166,323)
Shares to be issued	1,972,200	-	-	-	-	1,972,200
Share based payments	-	-	-	-	-	-
Issue costs	(72,859)	-	-	-	-	(72,859)
Total transactions with owners	1,899,341	-	-	-	-	1,899,341
Balance at 31 December 2017	43,877,270	1,879,667	1,500	-	(43,146,309)	2,612,128

The accompanying notes form part of these financial statements.

Consolidated condensed statement of cash flows for the half-year ended 31 December 2018

	Note	Consolidated 31 December 2018 $	31 December 2017 $
Cash flows from operating activities			
Payments to suppliers and employees		(3,265,508)	(1,677,657)
Interest received		23	-
Other income		109,829	52,127
Net cash used in operating activities		(3,155,656)	(1,625,530)
Cash flows from investing activities			
Payment for acquisition of tenements		-	(100,000)
Proceeds from disposal of tenements		1,519,007	50,000
Proceeds from sale of shares		44,125	-
Payments for tenements and exploration expenditure		(241,204)	-
Payment for plant and equipment		-	(285)
Net cash used in investing activities		1,321,928	(50,285)
Cash flows from financing activities			
Proceeds from share issue		-	1,472,200
KML capital raised		2,076,035	-
Issue costs		-	(72,859)
Net cash provided by financing activities		2,076,035	1,399,341
Net increase/(decrease) in cash and cash equivalents		242,307	(276,474)
Cash and cash equivalents at the beginning of the financial period		1,866,233	1,823,365
Effects of exchange rate changes on the balance of cash held in foreign currencies		53,914	(15,722)
Cash and cash equivalents at the end of the financial period		2,162,454	1,531,169

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements for the half-year ended 31 December 2018

1. Significant accounting policies

a. Statement of compliance

The half-year financial report is a general purpose financial report which was prepared in accordance with the Corporations Act 2001 and Accounting Standards AASB 134, Interim Financial Reporting where possible (refer to "Basis of preparation" note below).

b. Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Metalicity Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 14 March 2019.

c. Accounting Policies

The Group has considered the implications of new and amended Accounting Standards which became effective 1 January 2018 but determined that their application to the financial statements is either not relevant or not material.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2018 annual financial report for the financial year ended 30 June 2018. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became mandatorily effective on 1 January 2018. Accordingly, the Group has adopted all the mandatory standards for the current reporting period as these standards apply for the first time to this set of financial statements. Any other new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group has considered the implications of these new and amended Accounting Standards and have determined that their application and changes to the Group's accounting policies arising from these standards are summarised below:

AASB 15 *Revenue from Contracts with Customers*
AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. Based on its assessment, the Group does not believe that application of the new standard will have any material impact on its accounting for revenue.

AASB 9 Financial Instruments
Recognition and Derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

1. Significant accounting policies (continued)

Notes to the consolidated financial statements for the half-year ended 31 December 2018

c. Accounting Policies (continued)

Classification and Measurement of Financial Assets
Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories: financial assets at amortised cost; financial assets at fair value through profit or loss (FVTPL); debt instruments at fair value through other comprehensive income (FVTOCI); and equity instruments at FVTOCI. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial Assets at Amortised Cost
Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments as well as bonds that were previously classified as held-to-maturity under AASB 139.

Impairment of Financial Assets
AASB 9 new forward-looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and writes off fully any amounts that are more than 90 days past due.

Reconciliation of Financial Instruments on Adoption of AASB 9
Based on its assessment, the Group does not believe that the new classification requirements will have any material impact on its accounting for financial instruments.

d. Going Concern

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

For the half year ended 31 December 2018, the Group recorded a loss of $3,009,805 (December 2017: loss $1,166,323).

The Group has a working capital surplus of $3,685,790 at 31 December 2018 (June 2018: surplus of $2,075,275).

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

1. Significant accounting policies (continued)

d. Going Concern (continued)

through the disposal of the Groups zinc assets via listing on the Toronto Stock Exchange and subsequent capital raisings and will meet its expenditure commitments as required.

The Group has sufficient funds to meet its current ongoing expenditures in respect of administration, exploration and evaluation expenditure on its projects.

e. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of the Company as at 31 December 2018 and the results of the subsidiaries for the period then ended.

Kimberly Mining Limited, Kimberly Mining Australia Pty Ltd, Kimberly Mining Holdings Pty Ltd, Stuart Town Gold Pty Ltd, Metalicity Energy Pty Ltd and Ridgecape Holdings Pty Ltd are the subsidiaries over which the Company has the power to govern the financial and operating policies as the holder of all of the voting rights. The subsidiaries are fully consolidated from their date of acquisition. Consolidation will cease from the date that control of the subsidiary ceases. Any and all intercompany transactions and balances between the Company and the subsidiaries are eliminated on consolidation, which includes any transactions and balances relating to the internal restructuring around the proposed sale of zinc assets.

2. Segment information

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

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

	Consolidated	
Segment result	**31 December 2018 $**	**31 December 2017 $**
Segment revenue		
Australia	166,204	203,888
Canada	41,688	-
	207,892	203,888
Segment expenses		
Australia	(2,230,442)	(1,370,211)
Canada	(987,255)	-
	(3,217,697)	(1,370,211)
Income tax	-	-
Profit/(loss) after tax	(3,009,805)	(1,166,323)

Notes to the consolidated financial statements for the half-year ended 31 December 2018

2. Segment information (continued)

Segment assets and liabilities	Consolidated Non-current assets 31 December 2018 $	Consolidated Non-current assets 30 June 2018 $	Consolidated Non-current liabilities 31 December 2018 $	Consolidated Non-current liabilities 30 June 2018 $
Australia	258,214	2,306,924	-	-
Canada	-	-	-	-
	258,214	2,306,924	-	-

	Total assets 31 December 2018 $	Total assets 30 June 2018 $	Total liabilities 31 December 2018 $	Total liabilities 30 June 2018 $
Australia	2,582,346	13,525,213	229,461	9,143,014
Canada	9,797,859	-	8,206,740	-
	12,380,205	13,525,213	8,436,201	9,143,014

3. Revenue

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

	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
Gain on sale of tenements	-	77,615
Gain on sale of shares	44,125	74,147
Rental income	33,681	36,094
Foreign exchange gains	53,914	-
Interest earned	23	1,140
Other income	76,149	14,892
	207,892	**203,888**

Notes to the consolidated financial statements for the half-year ended 31 December 2018

4. Expenses

	Consolidated	
	31 December 2018 $	31 December 2017 $
Accounting & audit	32,508	19,040
ASX	20,644	20,667
Company secretarial fees	34,722	24,000
Consulting fees	81,447	118,447
Depreciation	1,939	3,913
Directors' remuneration - cash	228,826	184,491
Directors' remuneration – share based payment	5,894	-
Foreign exchange loss	-	15,722
Insurance	12,079	11,021
Impairment expense	348,069	493,061
Investor relations	22,698	33,173
Legal fees	89,907	42,732
Project work and generation - cash	207,577	36,671
KML costs	1,248,101	-
Rent & office costs	114,299	110,009
Salaries and on costs	80,475	98,993
Share registry fees	4,256	29,423
Travel & accommodation	18,066	61,987
Net loss on sale of tenements	615,385	-
Other	50,805	66,861
Total Expenses	**3,217,697**	**1,370,211**

5. Exploration and evaluation expenditure

	Consolidated	
	31 December 2018 $	30 June 2018 $
Opening balance	2,304,094	7,372,235
Acquisition of tenements	-	3,086,875
Expenditure incurred	435,689	1,654,367
Tenements sold	(2,134,392)	(179,190)
Impairment expense	(348,069)	(454,466)
Reclassification as assets held for sale	-	(9,175,727)
Closing balance	**257,322**	**2,304,094**

Total expenditure incurred and carried forward in respect of specific projects

Lynas Find	-	2,304,094
Other Assets	257,322	-
	257,322	**2,304,094**

Notes to the consolidated financial statements for the half-year ended 31 December 2018

6. Non-Current Assets Held for Sale and Liabilities Related to Non-Current Assets Held for Sale

	Consolidated	
	31 December 2018 $	30 June 2018 $
Non-current Non-Current Assets Held for Sale		
Balance at beginning of the period	9,175,727	-
Assets reclassified as held for sale:	-	9,175,727
Capitalised expenditure on assets held for sale	193,879	-
Balance of assets held for sale	**9,369,606**	**9,175,727**

	Consolidated	
	31 December 2018 $	30 June 2018 $
Liabilities Related to Non-Current Assets Held for Sale		
Balance at beginning of the period	8,553,180	-
Liabilities repaid	(466,171)	
Foreign exchange variance	(34,453)	-
Liabilities reclassified	-	8,553,180
Balance of assets held for sale	**8,052,556**	**8,553,180**

During the half year, the Company restructured its assets and raised seed capital in Kimberley Mining Limited for the proposed listing of its zinc assets, consisting of the Admiral Bay Project and the Lennard Shelf Project, now held in Kimberly Mining Limited and associated subsidiary entities. This process had commenced in the year ended 30 June 2018, and at 31 December 2018, although these assets had not yet been listed on the TSX-V Exchange, the transaction had progressed sufficiently that the sale of these assets has remained highly probable and they remain as available for sale.

Notes to the consolidated financial statements for the half-year ended 31 December 2018

7. Earnings/(loss) per share

	Consolidated	
	31 December 2018 Cents	**31 December 2017 Cents**
(a) Basic loss per share		
Loss attributable to the ordinary equity holders of the Company	(0.51)	(0.23)
(b) Diluted loss per share		
Loss attributable to the ordinary equity holders of the Company	(0.51)	(0.23)
(c) Reconciliation of loss used in calculating earnings per share		
Basic and diluted loss per share		
Loss attributable to the ordinary equity holders of the Company	(3,009,805)	(1,166,323)

	Consolidated	
	31 December 2018 Number	**31 December 2017 Number**
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	593,550,702	508,496,786
Adjustment for calculation of diluted earnings/(loss) per share – Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	593,550,702	508,496,786

8. Contributed equity

Notes to the consolidated financial statements for the half-year ended 31 December 2018

(a) Issued share capital

	Consolidated	
	31 December 2018 $	30 June 2018 $
602,463,745 (30 June 2018: 592,463,745) fully paid ordinary shares	46,798,047	46,638,047

(b) Movement in ordinary share capital

Date	Details	Number of shares	$
01/07/2018	Opening balance	592,463,745	46,638,047
11/12/2018	Issue of shares as deferred consideration for Lynas Find assets	10,000,000	160,000
31/12/2018	**Balance at the end of the period**	**602,463,745**	**46,798,047**

Date	Details	Number of shares	$
01/07/2017	Opening balance	464,544,654	41,977,929
18/08/2017	Share placement at $0.036	25,233,333	908,400
07/09/2017	Share purchase plan at $0.036	14,661,149	527,800
07/11/2017	Share placement at $0.036	1,000,000	36,000
20/09/2017	Issued as consideration for acquisition of Ridgecape at $0.036 (tranche 1)	13,888,888	500,000
15/01/2018	Exercise of options at $0.03	2,000,000	60,000
25/01/2018	Exercise of options at $0.025 and $0.03	3,400,000	92,000
21/02/2018	Share placement at $0.045	52,530,042	2,288,852
16/03/2018	Share placement at $0.045	1,000	45
16/03/2018	Issued as consideration for advisory services at $0.038	1,315,791	50,000
16/03/2018	Issued as consideration for acquisition of Ridgecape at $0.036 (tranche 2)	13,888,888	500,000
	Share issue costs	-	(302,979)
30/06/2018	**Balance at the end of the period**	**592,463,745**	**46,638,047**

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

Notes to the consolidated financial statements for the half-year ended 31 December 2018

9. Options, Performance Rights and Warrants

Options

As at 31 December 2018, there were 164,281,693 unissued ordinary shares under option (30 June 2018: 156,781,693). These options are exercisable as follows:

Details	No of Options	Date of Expiry	Conversion Price $
Management incentive options	9,500,000	23/07/2020	0.025
	8,100,000	23/07/2020	0.03
	11,500,000	23/07/2020	0.04
	8,050,000	10/12/2020	0.03
	8,050,000	10/12/2020	0.04
	8,050,000	10/12/2020	0.05
	13,000,000	31/12/2019	0.06
	13,000,000	31/12/2019	0.08
	13,000,000	31/12/2019	0.10
	2,000,000	31/12/2019	0.12
	2,500,000	26/08/2021	0.06
	2,500,000	26/08/2021	0.08
	2,500,000	26/08/2021	0.10
Other options	1,500,000	31/12/2019	0.04
	4,000,000	13/06/2019	0.06
	3,000,000	31/12/2019	0.08
	1,000,000	31/12/2019	0.10
	3,000,000	31/12/2019	0.12
	5,000,000	16/01/2020	0.08
	12,766,670	18/08/2020	0.08
	26,265,023	14/02/2023	0.08
	3,000,000	12/03/2021	0.06
	3,000,000	12/03/2021	0.08
	164,281,693		

	31 December 2018 No.	30 June 2018 No.
Balance at beginning of the period	156,781,693	117,150,000
Granted during the period	7,500,000	45,031,693
Exercised during the period	-	(5,400,000)
Forfeited/expired during the period	-	-
Balance at the end of the period	164,281,693	156,781,693

Performance Rights

As at 31 December 2018, there were 1,906,846 unissued ordinary shares under performance rights (30 June 2018: 1,906,846). These performance rights are exercisable as follows:

Details	No of Rights	Date of Expiry	Conversion Price $
Employee Performance Rights	1,906,846	15/03/2021	0.00

9. Options, Performance Rights and Warrants (continued)

Notes to the consolidated financial statements for the half-year ended 31 December 2018

Kimberly Mining Limited Warrants

As at 31 December 2018, there were 14,023,870 inissued ordinary shares in Kimberly Mining Limited under warrants (30 June 2018: Nil). These warrants are exercisable/convertable as follows:

Details	No of Warrants	Date of Expiry	Conversion Price $
Founder Warrants	5,323,500	23/08/2023	0.05
Founder Warrants – Tranche 2	3,137,500	23/09/2023	0.05

Founders warrants are convertible to 1 ordinary share in Kimberly Mining Limited upon exercise. Founders warrants are only able to be exercised 18 months following listing of Kimberly Mining Limited on TSX-V Exchange.

Details	No of Warrants	Date of Conversion	Conversion Price $
Special Warrants	5,289,500	01/01/2019	0.00

Special warrants were issued for $0.40 per warrant and convert to 1.1 ordinary share in Kimberly Mining Limited ordinary shares on 1 January 2019.

Details	No of Warrants	Date of Expiry	Conversion Price $
Broker Warrants	176,620	29/08/2020	0.40
Broker Warrants – Tranche 2	96,750	28/09/2020	0.40

Founders warrants are convertible to 1 ordinary share in Kimberly Mining Limited upon exercise.

10. Share Based Payments

(a) Recognised share-based payment expense

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

	Consolidated	
	31 December 2018 $	31 December 2017 $
Options issued to employees	5,894	-
Total	5,894	-

The following option and performance right arrangements were issued during the current and prior reporting periods:

31 December 2018

Option Series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant
Issued 26/08/2018*	2,500,000	27/07/2018	26/08/2021	0.06	$0.0015
Issued 26/08/2018*	2,500,000	27/07/2018	26/08/2021	0.08	$0.0006
Issued 26/08/2018*	2,500,000	27/07/2018	26/08/2021	0.10	$0.0003
	7,500,000				

*Each tranche of option will only vest and become exerciseable after 6 months from their date of issue and only if the 20-day volume weighted average price of Shares exceeds the respective Exercise Price of the relevant Option.

10. Share Based Payments (continued)

(b) Types of share-based payment plans

Notes to the consolidated financial statements for the half-year ended 31 December 2018

(i) Options

There were share based payments relating to options issued totalling $5,894 for the period ended 31 December 2018 (2017: Nil).

The following table lists the inputs to the model used to value the options issued during the financial year ended 31 December 2018:

No of options	2,500,000	2,500,000	2,500,000
Grant date	27/07/2018	27/07/2018	27/07/2018
Share price	$0.022	$0.022	$0.022
Exercise price	$0.06	$0.08	$0.10
Risk-free interest rate	1.975%	1.975%	1.975%
Vesting Conditions	With 6 months if share price exceeds exercise price	With 6 months if share price exceeds exercise price	With 6 months if share price exceeds exercise price
Expiry date	26/08/2021	26/08/2021	26/08/2021
Volatility	85%	85%	85%
Fair value at Grant	0.0075	0.0061	0.0051
Discount for vesting conditions	80%	90%	95%
Fair value after discounts (cents)	0.0015	0.0006	0.0003

(ii) Shares

There were no share based payments relating to shares issued for the period ended 31 December 2018 (2017: Nil).

(iii) Performance Rights

There were no share based payments relating to performance rights issued for the period ended 31 December 2018 (2017: Nil).

(iv) KML Warrants

Share based payments relating to KML warrants issued of $570,044 for the period 31 December 2018 have been reported under operational expenses (2017: Nil).

11. Commitments

In order to maintain the mineral tenements in which the Group is involved, the Group is committed to fulfill the minimum annual expenditure conditions under which the tenements are granted. Minimum annual expenditure required to maintain the Group's tenements is $567,600. This obligation is capable of being varied from time to time. Exploration expenditure commitments beyond this time cannot be reliably determined.

12. Subsequent events

On 10 January 2019, the Company announced the resignation of Mr Matt Gauci from the Board and the appointment of Mr Mathew Longworth as an Executive Director.

The Directors are not aware of any matter or circumstance that has arisen since 31 December 2018 which has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' declaration

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

(a) the financial statements and notes set out on pages 14 to 28 are in accordance with the Corporations Act 2001, including:

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

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

(b) as set out in Note 1(d), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

N. Math Longworth

Mathew Longworth
Executive Director
Perth, Western Australia

14 March 2019